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What's News

Business & Finance

Disney said it is starting two online streaming services to offer its content directly to consumers and that it would pull future movies from Netflix. A1

◆ **Google's firing** of an employee who wrote a memo denouncing the firm's diversity push drew a whirlwind of both criticism and support. A1

◆ **Public pensions** earned double-digit returns in fiscal 2017 as stocks rose, but many of them remain severely underfunded. B1

◆ **Uber is winding down** its U.S. auto-leasing business after finding it was losing more money per vehicle than previously thought. B1

◆ **SoftBank** and its Vision Fund are closing a \$1 billion investment in online sports retailer Fanatics. B1

◆ **J.P. Morgan has ended** a program that allowed customers to replace lost debit cards at many of its branches. B1

◆ **Wells Fargo is facing** additional regulatory scrutiny related to auto-insurance practices. B14

◆ **Ralph Lauren** and Michael Kors reported better-than-expected profits despite sales declines. B3

◆ **Federal prosecutors** dropped the securities-fraud case against Wall Street financier Benjamin Wey. B14

◆ **The Dow industrials** edged down 33.08 points to 22085.34, bringing a streak of records to an end. B15

◆ **Nissan agreed** to sell its battery business, including its U.S. operations, to Chinese investment firm GSR Capital. B4

World-Wide

◆ **Trump warned** North Korea against making any more threats to the U.S., saying it would face "fire and fury." Pyongyang countered with its most specific threat yet. A1

◆ **The president pledged** a tougher law-enforcement response to an epidemic of opioid addiction. A3

◆ **Arrests of people** caught trying to illegally enter the U.S. from Mexico rose in July for a third month. A4

◆ **U.S. demand** for Mexican temporary workers is surging as the administration moves to curb immigration. A16

◆ **The White House** has identified its leading choices for two top federal prosecutors in New York. A4

◆ **Kenyans hailed** a peaceful day of voting for a new president after a bitter campaign stoked fears of violence. A5

◆ **South Africa's president** survived his eighth no-confidence motion in the face of corruption allegations. A5

◆ **Governments across** Latin America agreed not to recognize Venezuela's new constituent assembly. A16

◆ **Pakistan's ousted premier** said the country is headed toward tragedy if elected leaders keep being removed. A16

◆ **Cities around the U.S.** are dropping efforts to regulate panhandling, as courts overturn local restrictions. A3

◆ **South Carolina** is suing the federal government over plutonium stored in the state. A3

◆ **Died: Glen Campbell**, 81, chart-topping musician and entertainer. A3

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President Donald Trump



North Korea's
'ballistic rockets...
are now on constant
standby, facing the
Pacific Ocean.'

Disney Seeks to Pull Plug on Netflix

BY ERICH SCHWARTZEL AND JOE FLINT

Walt Disney Co. just became the biggest cord-cutter Hollywood has ever seen.

The world's largest entertainment company said Tuesday it is starting two online subscription streaming services to offer its sports, movies and television programming directly to consumers, a broadside at distributors old and new, including cable providers and Netflix Inc.

As part of the strategy, Disney said it would pull future

movies from Netflix, an announcement that sent shares for the streaming service down 7% in after-hours trading.

Disney will start one streaming service for its ESPN sports unit early next year, and another in 2019 that is to carry other Disney entertainment, including original material available only on the new service.

The moves represent a gamble that in the long run it will be more lucrative for Disney to sell its entertainment—which includes some of Hollywood's most valuable stories and characters—directly to con-

sumers, rather than through services that offer large, up-front payments but also serve as gatekeepers to audiences.

Disney has dominated the film industry in recent years, thanks to acquisitions that have placed the "Star Wars" franchise, Pixar Animation and Marvel Studios under one roof.

The shift also signals rising confidence at media companies that they can take control of distributing their content online, without relying on Netflix or others as much as they now do. CBS Corp.'s earnings this week included a strong

report on the early performance of its direct-to-consumer offering CBS All Access, one of the drivers of its subscription revenue.

Disney and other media companies have come to rely on the licensing revenue from Netflix deals, but they have been looking for ways to wrest back control, as it has become apparent that such arrangements mean decreased visibility and ratings for them and

Please see DISNEY page A6

◆ Heard on the Street: Disney thinks it's better off alone... B16

Memo Sparks Google Firestorm

BY JACK NICAS AND YOREE KOH

Google found itself under fire Tuesday, with critics saying the company squelched free speech by firing a male employee who wrote a divisive memo denouncing its diversity push, while others said his views showed that the company's diversity policies were needed.

The company elaborated on its reasons for firing software engineer James Damore, saying he violated company policies banning harassment and discrimination by writing and distributing a lengthy memo that criticized the search giant's efforts to attract more women and minority engineers. Among other things, Mr. Damore, whose Facebook profile says he is 28, wrote that biological differences explain some of the gap between male and female tech workers and that the company's approach to diversity itself reflected biases.

Mr. Damore initially shared the memo in a Google Doc with a limited number of colleagues, and for several weeks it was passed around at the company under the radar of senior management, a Google spokesman said. Criticism of the memo gained steam internally on Friday and eventually spilled into public view with several employees denouncing it on Twitter and portions leaked to a tech news site.

Google Chief Executive Sundar Pichai said in a Monday email to employees that the memo advanced "harmful gender stereotypes in our workplace," and that to suggest "colleagues have traits that

INSIDE



'RHINESTONE COWBOY' GLEN CAMPBELL, 81

OBITUARY, A3

Sorry to Miss Your Wedding—I Was Wearing Eclipse Glasses

Couples tying the knot on Aug. 21 will issue safety specs, dance to Bonnie Tyler

BY DANIELA HERNANDEZ

During most weddings, all eyes are on the bride.

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

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

hope it's a good omen.

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

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

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

Please see MOON page A8

BILL FORD THINKS FORD NEEDS A VISION—HIS

Chairman wants company to shift faster into electric, self-driving cars

BY CHRISTINA ROGERS AND JOANN S. LUBLIN

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

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

As years went by, other auto makers and tech companies got on board with his think-

ing. They overtook Ford in electric and self-driving technologies, and in April, Tesla Inc., which sells stylish electric cars, passed Ford in investor value, a dashboard warning signaling Wall Street's skepticism about the growth prospects of traditional car makers.

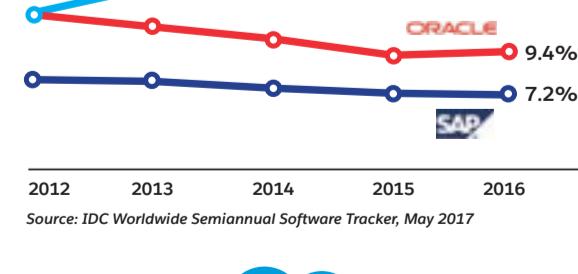
Ford was being left behind, and the man with his name on the door, who for years had largely deferred to management, decided to intervene.

In the past, the family heir let CEOs take the center stage. But what was leading the industry forward—new concepts in fuel efficiency and transportation—had been his focus

Please see FORD page A8

Salesforce. #1 CRM.

Salesforce ranked #1 for CRM based on IDC 2016 Market Share Revenue Worldwide.



Source: IDC Worldwide Semiannual Software Tracker, May 2017

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U.S. NEWS

Recovery Leaves Out Some Cities

BY JON KAMP

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

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

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

For decades, Springfield had chugged along as a dynamo of innovation, with inventions ranging from gasoline-powered cars to adjustable wrenches to the sport of basketball. Now it is among many small and mid-size cities dotting the Northeast and Midwest that have struggled to rebound from industrial decline and reap the same benefits as large cities from the U.S. economic recovery.

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

In Ohio, cities like Dayton and Canton haven't shown the

same hints of momentum of larger peers like Cleveland and Cincinnati, according to the nonpartisan Greater Ohio Policy Center. President Donald Trump triggered a debate recently when he suggested residents of struggling upstate New York, long the focus of economic-revival efforts, might simply leave.

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

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

Proximity to booming cities has at least offered some small cities a lifeline. In Massachusetts, rail lines radiate from pricey Boston, easing the commute from cheaper locales. Worcester and Lowell are two other old cities—but with commuter-rail links to Boston—and they boast significantly higher median household incomes and postrecession climbs in home values

Weaker Rebound

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



Source: Zillow Home Value Index

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when compared with the more remote Springfield, according to data from the Census Bureau and Zillow.

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

The isolation remains a hurdle even as city leaders try to build on recent economic initiatives. The refurbished Union Station, a train and bus depot that dates to the 1920s

and mostly closed down in the 1970s, anchors one end of downtown after a \$95 million overhaul. On the other end, a \$950 million MGM Resorts International casino is scheduled to open next year. Outside the city core, Chinese train maker CRRC Corp. expects to soon open a factory to make subway cars for Boston.

Springfield has also benefited from an improved national labor market. Its unemployment rate was 5.4% in June, according to the U.S. Bu-

reau of Labor Statistics. The city in 2009 regained control from a state finance board installed five years earlier to help avert bankruptcy.

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

Meantime, Springfield's rebound is still tenuous. U.S. Census data show that the percentage of residents who live below the poverty level—30% in 2015—is nearly triple the state average, while median family income trails many other Massachusetts cities. Downtown remains checked with vacant storefronts.

Springfield has historically suffered inattention from the state's power center in Boston, argued Ben Forman, research director at MassINC, a nonpartisan think tank that studies Massachusetts cities. While the capital city has benefited greatly from state investments, "Springfield hasn't gotten the same love," he said.

Laura Masulis, a fellow with the state's economic-development agency, works in downtown Springfield to help encourage investments and upgrades. Touring the neighborhood on a recent sunny day, she noted several developments, including new apartments and restaurants.

U.S. WATCH

MISSOURI

Man Sought in Killing Of Officer Is Arrested

A man charged with killing a western Missouri police officer during a traffic stop was arrested Tuesday evening, authorities announced.

Missouri State Highway Patrol dispatchers said Ian McCarthy, 39 years old, was taken into custody in Henry County, which includes the city of Clinton.

Mr. McCarthy is charged with first-degree murder in the death of Clinton police Officer Gary Michael on Sunday night.

About 100 local, county and state law-enforcement officers had been looking for Mr. McCarthy since the shooting. Investigators believe he jumped from his vehicle and shot the 37-year-old Officer Michael, before driving a short distance, crashing his vehicle and fleeing on foot.

—Associated Press

TRANSPORTATION

U.S. Won't Require Sleep-Apnea Test

U.S. officials are abandoning plans to require sleep apnea screening for truck drivers and train engineers, a decision that safety experts say puts millions of lives at risk.

The Federal Railroad Administration and Federal Motor Carrier Safety Administration said they were no longer pursuing the regulation that would require testing for the fatigue-inducing disorder that has been blamed for deadly rail crashes in New York City and New Jersey and several highway crashes.

The agencies argue that it should be up to railroads and trucking companies to decide whether to test employees. One railroad that does test, Metro-North in the New York City suburbs, found that 11.6 percent of its engineers have sleep apnea.

—Associated Press

WISCONSIN'S FOXCONN DEAL

Break-Even Point on Tax Breaks Is 25 Years

It would take at least 25 years for Wisconsin taxpayers to break even on Gov. Scott Walker's incentives to lure Taiwanese electronics giant Foxconn Technology Group to the state, according to a fiscal analysis released Tuesday.

Mr. Walker's bill would exempt construction materials from the state and local sales tax and hand the company up to \$2.85 billion in tax credits based on the number of jobs generated. It also would exempt the company from a host of environmental regulations and borrow \$252 million to rebuild Interstate 94 near the plant site.

The nonpartisan Legislative Fiscal Bureau's analysis of the bill found that Mr. Walker's administration found the cost of the tax credits would exceed potential increased tax revenue by \$104 billion at the end of fiscal 2032-33. After that year, payments to Foxconn would end and increased tax collections would ring in at about \$115 million annually. At that rate, the break-even point would come in the 2042-43 fiscal year.

—Associated Press

HEALTH

Salmonella Outbreak Tied to Papaya

An increasing number of people have been sickened by eating papaya now traced to a farm located in southern Mexico. U.S. public health officials said in an update on the outbreak first reported more than two weeks ago.

Salmonella has now sickened 109 people in 16 states and 35 were serious enough to be hospitalized, the U.S. Centers for Disease Control and Prevention said on its webpage dedicated to the outbreak. One person in New York City died.

—Associated Press

June Job Openings Indicate Demand for Workers

Help Wanted

Number of job openings on the last day of the month, in millions



Note: Seasonally adjusted

Source: Labor Department

BY JOSH ZUMBRUN

Employers had a record 6.2 million job openings at the end of June, a sign they are hungry for new workers.

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

The primary jobs report, which was released last week for July, showed the overall gains in employment. The Jolts report, by contrast, tracks the labor market's complex churn—the millions of

postings companies have available at the end of the month and the millions of Americans who quit a job, are fired or start a new position.

Tuesday's report revealed that, while the number of available job openings surged, the hiring for those positions remained flat, continuing a trend of recent years. The hiring rate was unchanged in June and has been essentially flat since late 2014.

For June, workers were slightly less likely to quit their jobs and slightly more likely to be laid off, meaning the overall rate of job separations was little changed. Despite June's increase, the layoff rate in the

U.S. has been near record-low levels for several years. The report suggests that while companies are still slow to hire for new jobs, they are reluctant to part with the employees they do have.

The availability of job openings also differs substantially by industry. Industries in particular that have seen job openings soar include education and health services, and professional and business services.

Those industries have far more job openings now than before the recession.

The construction and manufacturing industries, by contrast, have lagged behind.

treatment of women in tech. Earlier this year, a former software engineer at Uber Technologies Inc. published a blog post, alleging sexual harassment, that ultimately led to the resignation of CEO Travis Kalanick.

More recently, two prominent male venture capitalists—Justin Caldbeck of Binary Capital and Dave McClure of 500 Startups—have resigned after complaints over their past treatment of women surfaced. Messrs. Caldbeck and McClure declined to comment.

Google executives were of the opinion that if the memo had singled out a racial group rather than women, Mr. Damore's firing would be more widely supported, the Google spokesman said. "We wouldn't even be having this discussion."

In recent years, tech companies including Facebook Inc. and Pinterest Inc. have implemented diversity initiatives like the Rooney Rule, which requires hiring managers include at least one candidate from an underrepresented background when filling an open position, to ensure women and minorities get a fairer shot at promotion.

Kim Scott, a former Google executive who worked at the company from 2004 to 2010, said the need for broadening diversity to include political conservatives is especially strong in the tech industry.

"Silicon Valley has such a predominant liberal culture that it's difficult to have a different point of view," Ms. Scott said. "People will unfriend you. They don't want to hear it."

CORRECTIONS & AMPLIFICATIONS

An article in the August issue of WSJ. Magazine about the Con Dao archipelago, in describing U.S. military involvement in Vietnam, incorrectly said America occupied the country from 1955 to 1975.

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U.S. NEWS

Courts Overturn Panhandling Laws

Cities' restrictions on begging are toppling around the U.S. after a Supreme Court ruling

BY JOE PALAZZOLO

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

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

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

The rulings have frustrated efforts by city officials, who describe panhandling as a nuisance, a drag on tourism and a safety risk.

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

A 2016 study of 187 cities by the National Law Center on Homelessness & Poverty, an advocacy group, found that 27% broadly banned solicita-

tion, while 61% prohibited panhandling in certain public spaces. Citywide bans on panhandling increased by 43% since the center began tracking ordinances in 2006.

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

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

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

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

Before the ruling, many courts had defined content-based regulations more narrowly as those that stifle speech because of the idea it conveys or because the government disapproves of its message. But Justice Clarence Thomas wrote in the June 2015 ruling that speech re-



Panhandling bans are being repealed in cities such as Cleveland, above, as courts rule that the laws violate free-speech protections.

strictions based on the topic discussed or subject matter also demand the highest level of scrutiny.

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

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

For Cities, Rulings Have Domino Effect

Officials in Akron, Ohio, and Cleveland repealed their panhandling restrictions after the American Civil Liberties Union of Ohio and others challenged them in court in 2016 and earlier this year. Dayton, Toledo and Youngstown followed suit, without litigation, said Joseph Mead, a law professor at Cleveland State University who worked with the ACLU.

Jerry Hill, one of the Akron panhandlers who sued the city, said police regularly had shooed

him away, cutting him off from his sole source of income. Mr. Hill has been unemployed since 2001 and intermittently homeless since then, he said.

"There's a negative stereotype when it comes to people asking for help," said Mr. Hill, who is seeking Social Security income for a nerve disorder that causes him to tremble. "What's wrong with the word 'help'?"

A spokeswoman for Akron Mayor Daniel Horrigan declined to comment.

In Colorado, after a federal judge struck down Grand Junction's law in September 2015, Denver, Aurora, Boulder and

Colorado Springs rescinded their panhandling restrictions. About three dozen other cities agreed to repeal old laws that prohibited loitering for the purpose of begging, said Mark Silverstein, legal director for the ACLU of Colorado.

U.S. Judge Christine Arguello said in her ruling that Grand Junction had failed to show that "a repeated request for money or other thing of value necessarily threatens public safety."

Grand Junction officials were considering other ways to reduce panhandling, said Greg Caton, city manager.

—Joe Palazzolo

South Carolina Sues Over Plutonium

BY VALERIE BAUERLEIN

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

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

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

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

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

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

"The feds have taken this in a nonchalant manner, so the state is acting," Mr. Clements said.

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

Trump Promises Tough Response to Opioids

BY LOUISE RADNOFSKY
AND ARIAN CAMPO-FLORES

BRIDGEWATER, N.J.—President Donald Trump pledged a tougher law enforcement response to an epidemic of opioid addiction, and top officials in his administration said they were reviewing medical privacy laws and wanted to increase the availability of an anti-overdose treatment in response to the crisis.

"Nobody is safe from this epidemic that threatens all—young and old, rich and poor, urban and rural communities. Everybody is threatened," Mr. Trump said on Tuesday from the clubhouse at Trump National Golf Club, where he is spending a working vacation.

Mr. Trump cited a dramatic rise in opioid overdose deaths in the past two decades and a decline in federal drug prosecutions and drug offender prison sentences in recent years. The president appeared

to fault the Obama administration for a role in the crisis.

A White House commission on the opioid crisis led by New Jersey Gov. Chris Christie, a Republican onetime rival and subsequent backer of Mr. Trump, had recommended that Mr. Trump declare a national emergency in a preliminary report released last week.

Declaring an emergency would "empower" the administration, Mr. Christie's commission said. The report also proposed that Mr. Trump's administration eliminate a Medicaid rule that prohibits federal Medicaid funds from being used to finance much inpatient treatment of mental illnesses, including substance-use disorders.

Health and Human Services Secretary Tom Price said that such emergencies were typi-

cally reserved for more discrete or time-limited crises such as Zika, and that the administration didn't need to formally declare an emergency to take action, including the steps that Mr. Christie had suggested.

Dr. Price said the administration also wanted to make

cessfully been treated.

Mr. Trump has regularly highlighted the opioid problem, which has ravaged many counties that strongly backed his candidacy.

Other recent moves by his administration include the Justice Department's formation of a new opioid fraud and abuse-detection unit and a Drug Enforcement Administration proposal to reduce production quotas for many prescription painkillers.

In announcing the new unit, Attorney General Jeff Sessions also mentioned plans to step up investigation and prosecution of opioid-linked health-care fraud.

Linda Rosenberg, president of the National Council for Behavioral Health, said she and others in the addiction-treatment field were disappointed by Mr. Trump's failure to announce specific policies after the commission's report. "This kind of takes the wind out of

that sail," she said.

Democrats have also criticized Mr. Trump's approach amid his other proposals on reshaping U.S. health policy, saying that reducing federal spending on Medicaid and changing the way private insurance is priced and sold would likely harm opioid addiction treatment.

Also on Tuesday, New Hampshire became the latest state to sue the painkiller industry for allegedly misrepresenting the addictive risks of opioid painkillers, filing a civil lawsuit against Oxycontin maker Purdue Pharma LP over the marketing of its drugs.

The lawsuit follows similar ones against a range of opioid painkiller makers filed by Mississippi, Ohio, Missouri and Oklahoma. The suits seek damages to compensate states for the costs of combating addiction.

—Jeanne Whalen contributed to this article.

'Rhinestone Cowboy' Crossed Musical Genres

BY ANNE STEELE

Glen Campbell, the guitar prodigy and "Rhinestone Cowboy" singer who waged a public, six-year battle with Alzheimer's at the end of a six-decade career, died Tuesday at the age of 81.

Mr. Campbell died from the disease, according to a spokesman.

Mr. Campbell—whose spot in American pop culture was secured as musician, singer, movie star and television personality—released a farewell album, "Adiós," two months before his death. It was recorded after his "Goodbye Tour," which he began after disclosing he had Alzheimer's in 2011.

His struggle with Alzheimer's disease before and during that tour was chronicled in the 2014 documentary "Glen Campbell: I'll Be Me."

A chart-topping solo artist in both pop and country music, the six-time Grammy winner was an early bridge between the genres and credited with making country music more mainstream as one of

the first crossover stars with nine No. 1 country albums, starting with "Gentle on My Mind" in 1967.

Mr. Campbell was born April 22, 1936, the 12th and youngest child of a sharecropper in Delight, Ark. He went

on to release more than 70 albums, including the double-platinum "Wichita Lineman," his first No. 1 album on the U.S. pop charts. A run of hits—"Rhinestone Cowboy," "Southern Nights"—helped him cross over from country into main-

stream pop.

That transition helped pave the way for generations of country stars who also enjoyed pop success, including Blake Shelton, Keith Urban and Taylor Swift.

He sold an estimated 50

million albums throughout his career.

Mr. Campbell, known as much for his soft charm and all-American looks as his music, was propelled to international fame with the four-season success of his variety series, "The Glen Campbell Goodtime Hour," which some 50 million people tuned into weekly from 1969 to 1972. He also co-starred along John Wayne in the 1969 movie "True Grit."

Mr. Campbell was named the Country Music Association's Entertainer of the Year, won the Academy of Country Music's Album of the Year award twice and was named Male Vocalist of the Year by both organizations. He was a member of the Country Music Hall of Fame and the Musicians Hall of Fame, and in 2012, he earned a lifetime-achievement Grammy award.

He is survived by his wife, Kim, eight children, 10 grandchildren, numerous great- and great-great-grandchildren, three sisters and two brothers.

"I have cried and I have laughed," he said in the 2014 documentary. "Laughing is a hell of a lot better."



Singer-entertainer Glen Campbell, shown here in 1967, died Tuesday following a battle with Alzheimer's.

SILVER SCREEN COLLECTION/HULTON ARCHIVE/GETTY IMAGES

U.S. NEWS

Debate on Tax Cuts Hinges on Who Gains

By RICHARD RUBIN

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

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

Economists largely agree that workers do shoulder a part of the corporate tax burden, and that permanent cuts could help them, particularly if

those changes encourage investment. But agreement largely ends there, with wide-ranging differences of opinion about how the share of the tax burden is divided.

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

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

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

Last month, Mr. Mnuchin offered an increased estimate, saying 80% of business taxes are paid by workers.

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

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

Economists disagree whether investors or workers bear brunt of corporate levies.

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

will be achieved both through individual- and corporate-tax cuts, as well as simplification."

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

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

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

The nature of a global econ-

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

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

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

Trump Considers Candidates for N.Y. Prosecutor Posts

By ERICA ORDEN IN WASHINGTON AND NICOLE HONG IN NEW YORK

BuzzFeed reported on the document Monday.

In early March, the Justice Department issued a directive ordering all of the 46 remaining U.S. attorneys appointed by Mr. Trump's Democratic predecessor, President Barack Obama, to step down. Mr. Bharara, who said he had been asked earlier by Mr. Trump to stay on, declined to resign, which resulted in his firing.

Mr. Trump has nominated more than 30 people to occupy U.S. attorney positions around the country; to date, three have cleared the Senate confirmation process. They were approved during the chamber's final day of action in Washington before an August recess.

Mr. Berman, a former assistant U.S. attorney in the Southern District of New York from 1990 to 1994, has been under consideration for several posts in the White House.

The White House also named two potential candidates to lead the Eastern District of New York, which is based in Brooklyn, according to the document.

One of them is Edward McNally, a law partner at the same firm as Marc Kasowitz, one of Mr. Trump's personal attorneys who is handling some aspects of the president's response to Special Counsel Robert Mueller's probe of Russia's alleged interference in the 2016 U.S. election and whether associates of Mr. Trump colluded with Moscow. Russia and Mr. Trump have denied the allegations.

Neither Mr. McNally nor Mr. Donoghue responded to requests for comment. Mr. Kasowitz declined to comment.

If Mr. McNally is ultimately nominated, Democratic senators may scrutinize any possible conflicts of interest from his connection to Mr. Kasowitz.

All U.S. attorney positions require Senate confirmation. A simple majority is required, so any nomination would be threatened if more than two Republicans raise objections.



Nevada GOP Sen. Dean Heller, above, whom Democrats are targeting in 2018, is now being challenged by Republican Danny Tarkanian.

Heller Faces Primary Fight on Right

By JANET HOOK

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

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

"I am a conservative Republican who supports the policies of President Trump to repeal Obamacare and end illegal immigration," said Mr. Tarkanian,

who has unsuccessfully run for office in Nevada multiple times, most recently in 2016 when he lost a House race.

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

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

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

record voters can count on."

Republican strategists say they take the challenge seriously because, although Mr. Tarkanian has failed in all five of his bids for public office—state Senate in 2004, Nevada secretary of state in 2006, U.S. Senate in 2010 and two House races—he did win GOP primaries in all but one of them.

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

Mr. Tarkanian has latched on to the health-care debate, where Mr. Heller had to face the cross pressures between his party and his swing-state constituents.

Mr. Heller criticized an early version of the repeal-and-replace legislation, and voted against a bill that would

have just repealed the law. He voted for the last version brought to a vote, a stripped-down bill known as "skinny repeal," which was rejected on a 51-49 vote.

Last month, Mr. Trump goaded Mr. Heller at a lunch with GOP senators for wavering on the repeal. "Any senator who votes against starting debate is really telling America that you're fine with Obamacare," Mr. Trump said. He gestured at Mr. Heller, saying, "He wants to remain a senator, doesn't he?"

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

Mr. Heller will have his party's apparatus behind his re-election bid. The National Republican Senatorial Committee said it "fully supports Sen. Heller in his primary and general elections."

WASHINGTON WIRE

FOREIGN POLICY

U.S. Trade Actions On China Lag

A U.S. plan to crack down on Chinese intellectual property policies is delayed as the Trump administration tries to win Beijing's cooperation on North Korea's nuclear program, the second time this summer that a White House attempt to impose new trade pressure on China has stalled.

The delay—following a similar slip in plans to curb steel imports—worry some constituents who fear President Donald Trump will avoid responding firmly to China on trade as long as he believes the country is cooperating on North Korea.

A White House official confirmed Tuesday the delay on the crackdown, but said the policy plan remains in place. "We're still moving in that direction," the official said. "The events were postponed, but have not been canceled."

U.S. business groups have urged the administration to take a tougher trade line with China following mounting frustration over market access and other barriers.

—Jacob M. Schlesinger

Senate Primary

Trump Takes Sides In Alabama Race

President Donald Trump Tuesday weighed in on a bitterly contested Republican primary in Alabama, endorsing Sen. Luther Strange in a special election for the Senate seat vacated by Attorney General Jeff Sessions.

Mr. Strange was appointed to the seat temporarily, but he has to win the special election to fill the last two years of the term.

"Senator Luther Strange has done a great job representing the people of the Great State of Alabama," Mr. Trump said on Twitter, in an endorsement long sought by Senate GOP leaders backing Mr. Strange. "He has my complete and total endorsement!"

The top rivals to Mr. Strange in the Aug. 15 primary are former Supreme Court Justice Roy Moore, a favorite of religious conservatives because he lost his post for refusing to remove a Ten Commandments monument from the state judicial building, and Rep. Mo Brooks, a member of the House's insurgent conservative faction, the Freedom Caucus.

—Janet Hook

Arrests at Southern Border Rise Again

By ALICIA A. CALDWELL

Arrests of people caught trying to illegally cross the Mexican border into the U.S. rose in July from a month earlier, the third straight monthly increase, according to federal figures released Tuesday.

U.S. Border Patrol agents arrested 18,198 people caught sneaking across the border in July, compared with 16,087 in June.

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

During Mr. Trump's first few months in office, arrests at the border did drop—11,125 people were detained in April, which the administration said was a record low for a single month. Border agents made 12,197 arrests in March and

18,755 in February.

Border apprehensions have been steadily increasing since May.

Despite the uptick, arrests at the border remain at historic lows, a trend that started during Barack Obama's presidency. Since October 2016, arrests at the border are down about 36%, compared with a year earlier.

Arrests at the border, the best available gauge of how

many people are trying to sneak into the U.S., typically increase in the spring and early summer only to level off in the late summer before declining during the colder fall and winter months.

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

if this is a seasonal trend.

The number of immigrant children caught traveling alone and immigrants traveling as families have been on the rise, with nearly 3,400 immigrants in families and 2,500 children arrested in July. Most of the children and families are from Honduras, El Salvador or Guatemala, according to DHS, which tracks the numbers.

That has been the case for several years, as immigrants from countries other than Mexico have outpaced the number of Mexican nationals caught crossing the border illegally.

Mr. Lapan said U.S. Immigration and Customs Enforcement has removed about 102,000 immigrants from the U.S. since the start of the budget year in October. During that period, about 171,300 immigrants have been arrested by ICE agents.

During the 2016 budget year, ICE removed about 240,000 immigrants and arrested 114,434.

◆ U.S. demand for Mexican laborers jumps.....A16



CARLOS BARRIA/REUTERS

A Border Patrol agent detains a man who entered the U.S. by crossing the Rio Grande in Roma, Texas, earlier this year.

WORLD NEWS

Kenya Votes in Tense Presidential Race

Event is peaceful, but fears of violence linger after bitter campaign; Obama makes plea

By MATINA STEVIS
AND JOE PARKINSON

NAIROBI—Kenyans hailed a peaceful day of voting to elect a new president after a hotly contested race between the country's top political dynasties stoked fears of violence, but some communities remained tense as authorities turned from facilitating voting to counting.

A projected 20 million Kenyans cast ballots at 40,000 polling stations across a country long considered one of Africa's most dynamic democracies, with long lines snaking outside polling stations from before sunrise until 5 p.m. when polls closed. The contest has pitted the scions of two major political families against one another: incumbent Uhuru Kenyatta, the 55-year-old businessman son of Kenya's first president, and Raila Odinga, the 72-year-old son of the first vice president.

After a bruising two-month campaign marked by acrimony, the murder of an election official, an explosion of fake news and mounting concerns of violence, opinion polls have put the candidates neck-and-neck.

The winner needs one vote more than 50% to win. There are no exit polls and final results aren't expected until Wednesday at the earliest, but election officials have up to a week to declare the outcome.

Election monitors reported pockets of irregularities but said polling was largely peaceful and smooth, clearing an important first hurdle in an electoral process bedeviled in the past by rigging, vote-buying and intimidation.

Analysts said the tougher part of tallying and relaying elections results lay ahead. "In every recent Kenyan election voting has proceeded orderly



Kenyan opposition candidate Raila Odinga addressed supporters in Nairobi on Tuesday after he cast his vote. Results are expected Wednesday at the earliest.

and peacefully only for the progress to fall apart at the counting stage," said Nic Cheeseman, an African democracy expert at the University of Birmingham.

"For this reason, many opposition supporters are saying that the job is not yet half done."

Shortly before polls closed, the government issued a statement warning Kenyans to follow the election results on television through the electoral commission and avoid fake news circulating on social-media sites.

Mr. Odinga's opposition NASA coalition said they had information about localized voter bribery and voters not finding their names on registers, adding "too many of our people are being disenfranchised."

Former U.S. President Barack Obama, whose father was from Kenya, late on Monday urged Kenyan leaders to reject violence and incitement, a potent sign of electoral tensions and the importance of the vote

as a bellwether for democracy in Africa.

"Respect the will of the people; urge security forces to act professionally and neutrally; and work together no matter the outcome," Mr. Obama said. "Any disputes around the election should be resolved peacefully, through Kenya's institutions and the rule of law."

At a drizzle-soaked polling station in eastern Nairobi's Brookside district, most voters said they were optimistic the poll would be free, fair and peaceful.

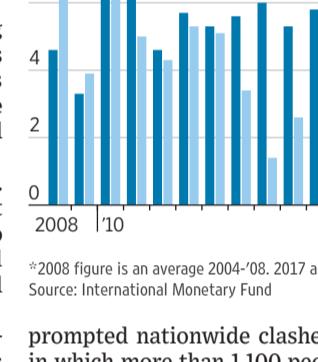
"There's a lot riding on this. We are hoping for the best but I know communities are also preparing for the worst," said Daniel Gitonga, a 27-year-old barista.

The narrowing margin between the candidates has raised fears that glitches in the country's expensive new polling technology could give the loser grounds to question the result and bring supporters onto the streets. In 2007, accusations of cheating

Mixed Picture

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

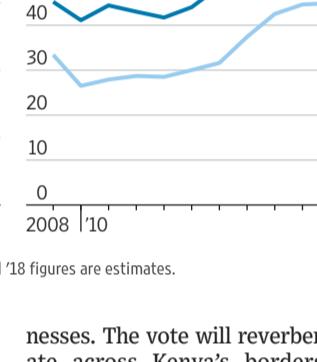
GDP, change from a year earlier*



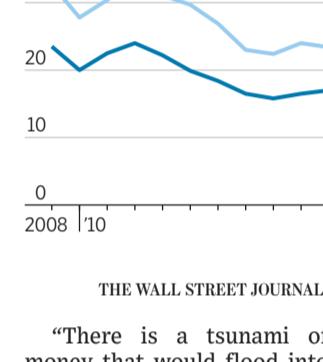
*2008 figure is an average 2004-'08. 2017 and '18 figures are estimates.

Source: International Monetary Fund

Public debt as a percentage of GDP*



Exports of goods & services as a percentage of GDP*



THE WALL STREET JOURNAL

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

South African President Survives a Strong Challenge

By GABRIELE STEINHAUSER

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

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

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

Although the result fell short of the ANC's majority of 249 members in the 400-member assembly, the vote still leaves Mr. Zuma strengthened, showing that he can rein in dissent within the storied liberation movement when it matters.

Many prominent ANC

members had urged lawmakers to oust the president in an effort to save the party from sagging approval ratings and opposition parties marked a surprise win Monday, when Ms. Mbete announced that the motion would be voted in secret.

It wasn't enough.

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

The vote had captivated a country that has been pounded by almost daily revelations, stemming from a huge email leak, of how the president, his family and several ministers have allegedly helped the controversial Gupta family make billions from fraudulent government contracts.

Mr. Zuma, the Guptas—a family of Indian immigrants that has built a corporate empire stretching from media to mining—and the implicated



Jacob Zuma celebrated winning a vote of no-confidence Tuesday in front of supporters in Cape Town.

ministers have all denied the allegations.

Sharing a minibus taxi in Johannesburg, more than a dozen commuters were listening intently to the radio, where lawmakers were debating the motion of no-confidence. "The ANC is no longer

the ANC of the people. Zuma must just go," an elderly woman said, earning a few supportive "yeses" from those around her.

But in parts of Soweto, a poor township south of Johannesburg where Nelson Mandela and Desmond Tutu once

lived, ANC supporters took to the streets after the vote, dancing and blowing vuvuzelas.

Opposition parties first called for the vote in April, shortly after Mr. Zuma dismissed popular Finance Minister Pravin Gordhan and his

deputy, Mcebisi Jonas, sparking nationwide protests and two downgrades of South Africa's credit rating to junk. But the vote was delayed as they awaited a Constitutional Court ruling on whether a secret ballot was possible.

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

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

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

Nthabiseng Gamede contributed to this article.

Car Chase Sets Off Bomb Scare in Brussels

By VALENTINA POP

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

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

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

The chase ended Tuesday evening with the man being

arrested in the Brussels neighborhood of Molenbeek.

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

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

In June, the country narrowly avoided another terror attack at Brussels central station, when a Moroccan man detonated a suitcase filled with explosives and nails but failed to injure anyone.

He was shot dead by a soldier on patrol at the train station.

Global Growth Is Picking Up, OECD Says

By PAUL HANNON

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

The leading indicator for the U.S. was unchanged at 99.7 for the third straight month, signaling that its growth outlook has steadied, albeit at a weaker rate than normal. This is an improvement on indicators published in July, which hinted at a U.S. slowdown.

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

China and Brazil.

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

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

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

Growth figures for the second quarter are incomplete, but those available for the U.S., the eurozone and China point to a further pickup. In-

deed, Capital Economics estimates that on an annualized basis, global economic growth accelerated to 3.7% in the three months to June from 3.2% in the first quarter.

The research body's gauge points to faster growth in Germany, France and China.

That acceleration has been mirrored in, and supported by, a recovery in global trade flows in 2017. A separate leading indicator of flows over coming months from the World Trade Organization rose

to its highest level in June since the third quarter of 2011.

"Strong growth in export orders, airfreight and container shipping is leading the upward trend in the indicator as economic activity picks up around the world," the WTO said.

In the early months of 2017, the leading indicators pointed to a pickup in U.S. growth. Then, economists, investors and businesses expected to see increases in investment spending and tax cuts under the newly installed administration of President Donald Trump.

But while those hopes have faded, the surprise acceleration in eurozone growth and a steadier expansion in China have helped keep the global economy on track for a stronger 2017.

WORLD NEWS

Beijing's Dream Is a Nightmare for Apple



illustrates a challenge that the Trump administration faces as it builds a case against unfair Chinese trading practices.

Washington has a CEO problem. U.S. corporate chiefs are focused on preserving their short-term profits in China by trying to stay on the right side of a hard-line—and increasingly antiforeign—regulatory regime. If, as expected, the White House goes after China's rampant intellectual property abuses, the companies will be torn.

SHANGHAI—In his 2005 book "One Billion Customers," a how-to guide for navigating the China market, James McGregor offered this advice: "Never 'tremble and obey' if doing so will damage or destroy your business in China."

Tell that to today's American CEOs.

When authorities ordered Apple Inc. to pull unauthorized

apps that help internet users get around censorship controls, it agreed. Chief Executive Tim Cook defended the move by saying the company was merely following Chinese law. His compliance, though,

Just about everybody in the U.S. capital is complaining about how China forces foreign companies to give up technology in return for market access. Everybody, that is, except the immediate targets of the state-directed heist—the companies themselves.

CEOs of U.S. high-tech companies have been notably silent, even though their operations are highly vulnerable: China makes no secret of wanting their technology so it can replace them on its way to building itself into a manufac-



Apple CEO Tim Cook at the China Development Forum in March.

Chinese President Xi Jinping.

"Actually, you can say that Xi Jinping is more important than Trump to many U.S. CEOs," says Mr. McGregor, the book author who is also chairman for greater China of business consulting firm APCO. Previously he worked as The Wall Street Journal's bureau chief in Beijing, and later ran Dow Jones's business operations in China.

There is virtually no recent precedent for U.S. corporate resistance in China. Those who point to Google as a brave exemplar—it exited the country in 2010 rather than censor its searches—miss quite a bit of nuance. Google pulled its search engine only after Chinese hackers broke into its systems in search of source code. In other words, it fled an existential threat as much as an ethical dilemma.

Now Google and its parent company, Alphabet, want back in. If Google gets its wish—or Facebook Chief Executive Mark Zuckerberg makes the entry he so clearly craves—it

will be on Chinese censorship terms more onerous than ever. As Lu Wei, the former head of the Cyberspace Administration of China, once put it: "I have a choice about who comes to be a guest at my home."

And for how long they can stay: Increasingly, high-tech companies assume that, in the end, all their products are in mortal danger; once they've achieved a certain market share, and Chinese companies are strong enough to compete, the technology is liable to be nationalized, or shoved aside.

By this logic, Apple is on a risky trajectory. Local smartphone brands like Vivo and Oppo are closing in.

Apple's decision to pull apps that circumvent the Great Firewall drew sharp condemnation from a key group of consumers. In his earnings call last week, Mr. Cook said he hoped for fewer restrictions in China in the future. Apple declined to comment further. But obedience, in this case, has damaged Apple's public image if not its bottom line. And the rewards for compliance are far from certain.

TRUMP

Continued from Page One
Tuesday that Washington shouldn't assume it will be able to contain a North Korea with nuclear-armed intercontinental ballistic missiles through traditional deterrence methods.

"We are not going to allow North Korea to hold American cities hostage," the official said.

Mr. Trump vowed in January that North Korea wouldn't develop a nuclear weapon capable of striking parts of the U.S.

While North Korea's state media regularly threatens strikes on the U.S. homeland and other U.S. military assets in Asia, they are usually vague in detail and rarely linked directly to an order from the North Korean leader Kim Jong Un.

A spokesman for the Strategic Force of the Korean People's Army was quoted in state media as saying that the operational plan would be "soon reported to the Supreme Command" and "will be put into practice in a multi-concurrent and consecutive way any moment once Kim Jong Un, supreme commander of the nuclear force of the DPRK, makes a decision."



Malaysia's Deputy Foreign Minister Reezal Merican, left, with Rex Tillerson, center, in Subang, Malaysia

What has worried U.S. officials most in recent months, though, is the rapid progression of the country's program to field intercontinental ballistic missiles, or ICBMs—long range weapons that would allow North Korea to rocket warheads through the atmosphere to hit the continental U.S.

North Korea conducted its first ICBM test on July 4 and followed up with a second ICBM test on July 28 that experts said put the continental U.S. firmly in range of a strike.

But so far experts disagree about whether the devices the country has tested have been able to survive re-entry through the Earth's atmosphere without disintegrating, according to analysts who have scrutinized footage of the test launches.

U.S. officials say there is also no indication yet that North Korea has tested whether its miniaturized nuclear warhead can withstand re-entry through the Earth's atmosphere.

In its remarks, North Korea cited recent routine U.S. tests of American intercontinental ballistic missiles and U.S. Air Force flyovers of the Korean Peninsula this week as reasons for its move.

The report said a missile at-

tack would use the Hwasong-12 and target the Andersen Air Force Base in Guam, from which the U.S. has sent its B-1B bombers several times this year to fly over the Korean Peninsula.

A U.S. Pacific Command spokesman confirmed American B-1B bombers conducted a flyover this week.

Mr. Trump didn't make clear what actions by North Korea would trigger such a dramatic U.S. response, or what precisely it would have to do to prevent it.

Republican Sen. John McCain, in an interview with Arizona radio station KTRK on Tuesday, said of Mr. Trump's remarks: "That kind of rhetoric, I'm not sure how it helps. ... I take exception to the president's words because you got to be sure you can do what you say you're going to do."

The administration has emphasized that it is leaving all options on the table, including military intervention. Secretary of State Rex Tillerson has said the U.S. isn't seeking a regime change in North Korea and urged the country to stop its missile tests and enter a dialogue with Washington.

—Eli Stokols
and Gordon Lubold
contributed to this article.

DISNEY

Continued from Page One
their subbrands.

The new Disney-branded service is to carry movies Disney releases starting in 2019, including "Toy Story 4" and "Frozen

2," the company said. Disney Chairman and Chief Executive Robert Iger said on an earnings call with analysts Tuesday the company would offer the service first in the U.S. before expanding internationally.

Eventually, he indicated, older Disney titles are likely to be added to the service. Pric-

ing hasn't been determined, he said, and he left open the possibility of separate services for Star Wars and Marvel content.

Disney's decision to go its own way is a damning evaluation of the traditional cable system, where cord-cutting has already weakened providers and caused revenue declines in

Disney's own cable networks division, which includes ESPN.

Operating income in its cable networks segment, which houses ESPN, retreated 23% in the third quarter, weaker than the 21% decline predicted by analysts cited by FactSet. Operating income within the segment contracted for the fourth time in the last five quarters.

Tuesday's news came about two years after Mr. Iger told investors the company was seeing "some subscriber losses" at ESPN, an acknowledgment that would come to define earnings announcements.

Since then, in Wall Street's eyes, the long-term issues at ESPN have overshadowed the successful return of the "Star Wars" franchise, the hit performance of movies such as March's "Beauty and the Beast" and the opening of the Shanghai Disney Resort.

The new ESPN streaming service will include Major League Baseball and National Hockey League games. However, it will not be a streaming version of the regular ESPN cable-network channel. Flagship programs such as "Monday Night Football" and NBA basketball won't be on the ESPN streaming platform. ESPN

President John Skipper will manage the network's streaming service, which will be accessed through an updated version of ESPN's current app.

Disney has become a bellwether for the entertainment industry at large, and its move into streaming services could encourage other conglomerates to consider direct-to-consumer models.

In the past couple of years at Disney, adapting the company to a consumer landscape dominated by new players like Netflix has become a top concern.

Disney said Tuesday it would pay \$1.58 billion for an additional 42% stake in BAMTech LLC, a direct-to-consumer streaming technology and marketing-services company. It already had a 33% stake in BAMTech.

Netflix and Amazon.com Inc. have spent aggressively on original content, as studios and networks rethink the strategy of selling their programming to relative newcomers that have emerged as their biggest competitor for viewers.

The tech companies' expansion into producing original content has widened the rift with traditional Hollywood studios.

Netflix declined to comment

on Disney's new services but said in a statement: "U.S. Netflix members will have access to Disney films on the service through the end of 2019, including all new films that are shown theatrically through the end of 2018."

"We continue to do business with the Walt Disney Company on many fronts, including our ongoing relationship with Marvel TV," the company added.

The move Tuesday represented the strongest break yet from a Hollywood studio with Netflix, a 20-year-old company that began as a DVD distributor.

Mr. Iger's plans come as he faces the end of his tenure. He has said he would leave the company in 2019. Important to his legacy will be how well he prepares Disney for a media ecosystem in which technology has upended traditional distribution models.

Disney shares fell 3.1% in after-hours trading Tuesday to \$103.07.

ESPN has been an example of the challenges facing the cable industry amid declining viewership and the overall cord-cutting trend. Earlier this year the network shed some of its most recognizable on-air talent in a round of layoffs.

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DISNEY JUNIOR

12

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WHERE: PERRY ST

13

Dinner with Wolfgang Puck and Daniel Boulud

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14

Dinner with Paul Kahan and Marc Vetri

Join two James Beard Award-winning chefs as they bring their Chicago and Philadelphia influences to New York for one night.

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15

Dinner with Masa Takayama

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IN DEPTH

FORD

Continued from Page One
for years. Plus, he was changing, spurred by the death in 2014 of his father, William Clay Ford Sr., who was a presence at Ford for more than 50 years.

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

A month after the Tesla milestone, Mr. Ford led a rare management shake-up, people familiar with the decision said. Chief Executive Mark Fields, a 28-year veteran, was out, and Jim Hackett, the executive brought aboard in 2016 by Mr. Ford to run the car maker's innovation unit, was elevated to the chief's job.

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

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

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

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

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

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

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

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

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

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

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

The auto maker said earlier this year it will invest \$1 billion



SEAN PROCTOR FOR THE WALL STREET JOURNAL

Bill Ford, executive chairman of the auto maker, at his office in Dearborn, Mich. The model is a 1957 Lincoln Continental Mark II.

keep the company afloat.

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

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

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

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

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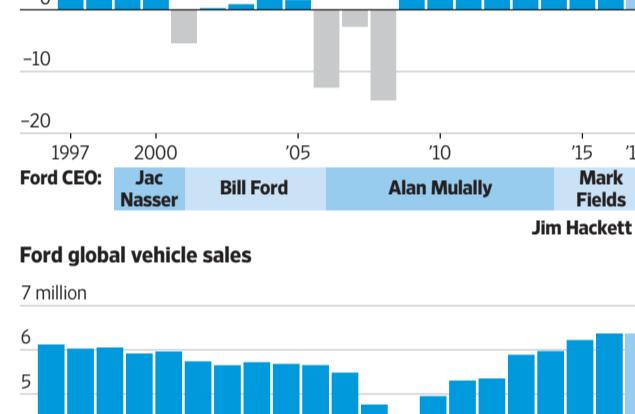
The auto maker said earlier this year it will invest \$1 billion

A Changing Industry

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

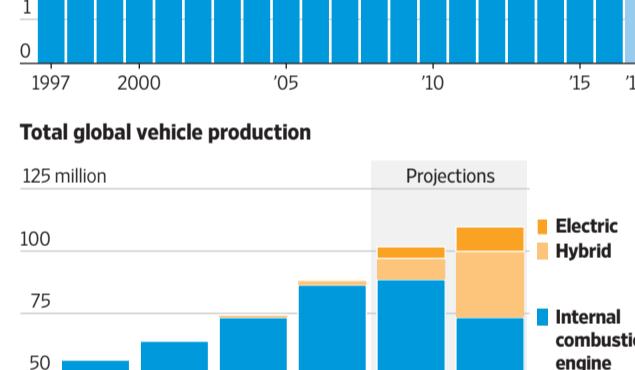
Net income

\$30 billion



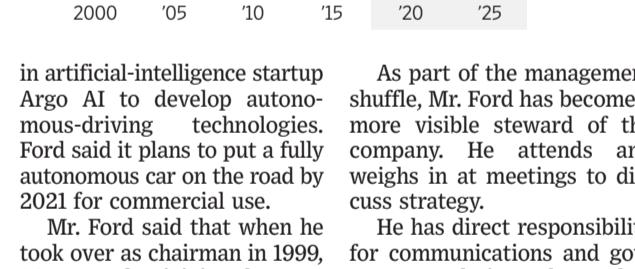
Ford global vehicle sales

7 million



Total global vehicle production

125 million



in artificial-intelligence startup Argo AI to develop autonomous-driving technologies. Ford said it plans to put a fully autonomous car on the road by 2021 for commercial use.

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

The rigid style once made Ford a leader in an industry

dictated by long development cycles and intense capital needs, but eventually made it too insular and slow to compete with fast-moving technology companies.

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

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

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

and autonomous cars.

Dealers were nervous the company was shifting too much attention away from its core business.

"It was a very frank discussion to let the dealers know where all this is going," said Jim Seavitt, whose Ford dealership is located a few miles from Ford's headquarters. Mr. Ford assured the dealers that new models were coming and that Ford was still focused on producing vehicles they could sell,

said Mr. Seavitt, who has sold Mr. Ford Mustang sports cars and recently delivered to him a new GT supercar.

In his younger days, Mr.

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

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

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

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

Ford would often shy away from the spotlight, an acquaintance said. As he gained management experience, he spoke with more authority, and came across as particularly passionate "when he's talking about something of importance to him like the environment and mobility," the person said.

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

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

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

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

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

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

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

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

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

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

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

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

—John D. Stoll contributed to this article.

MOON

Continued from Page One

One complication, notes Mr. Schembri, a 29-year-old aerospace engineering student, is that the glasses, which the couple will provide as wedding favors, filter out so much light that only the brightest objects will be visible. That, he says, means their 30 guests aren't "going to be able to see us."

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

training manager at a car dealership, notes that safety instructions will be printed in the wedding program.

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

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

Beeb Ashcroft, 33, a social-media manager from Seaside, Ore., doesn't mind sharing the spotlight. It was also a surefire way that she and fiance Jai Merrill, a 47-year-old astronom-

omy buff, could guarantee their families and friends didn't miss the eclipse.

The couple started looking for the perfect venue a year ago, cross-referencing maps of the total eclipse's predicted path on their many road trips, before settling on a church in

Grand Ronde, Ore. The dream spot is on the so-called path of totality, where the sky will turn darkest, but is also big enough for all their guests. Darkness will likely permeate some of her wedding photos, but at

least they will be "non-traditional," Ms. Ashcroft said.

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

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

The stars aligned for Katie Iaeger, 24, and Dan Carroll, 27, when Mr. Carroll, a supervisor at a Starbucks, entered an

"eclipse at the eclipse" contest, and won. The prize was a chance to be wed, with 15 guests, during the eclipse in the Galactic Gardens at the Adventure Science Center in Nashville, Tenn.

The couple will have to marry before the celestial show in order to avoid being overrun by the thousands of museum visitors expected to jam the place for the big moment. "We both love science and space," said Ms. Iaeger, a fine-arts student at Middle Tennessee State University. "No matter what, we wanted to do it on this day."

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

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

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GREATER NEW YORK

Immigrant Bill Spurs Fight

By JOSEPH DE AVILA

A fight is brewing in Westchester County over legislation aimed at protecting immigrants because critics say it will result in the county being labeled a sanctuary municipality, risking millions in federal funds.

The county's Board of Legislators passed a bill on Monday that limits information that can be given to federal immigration officials about suspects in the county's custody. The measure requires federal immigration officials to obtain a warrant before they can interview someone in jail and allows an inmate to have an attorney present when being questioned by federal authorities.

Legislators who support the bill say it complies with federal laws and will encourage immigrants who are witnesses or victims of crime to cooperate with

local law enforcement without fear of being deported.

"We knew that everyone is less safe when they fear the police," said board member Catherine Borgia, a Democrat, who supports the bill.

Westchester County Executive Rob Astorino, a Republican, says the legislation will establish sanctuary policies that run afoul of requirements for federal funds set by the Justice Department, endangering about \$13 million in funding. Mr. Astorino said Tuesday he will veto the measure.

The bill passed, 10-5, with two legislators absent. A veto override will require 12 votes. Ms. Borgia said she is optimistic that the bill's supporters will be able to secure the two additional votes.

Mr. Astorino said the county already has a policy barring the county police from acting

as agents of federal immigration authorities, and county police don't investigate or detain residents based solely on their immigration status. He said restricting how the



Westchester County Executive Rob Astorino says the legislation could imperil federal funds.

county's law-enforcement authorities interact with federal immigration officials isn't in the public's best interest.

"This will put our residents and our undocumented immigrant population at risk," Mr. Astorino said. "The criminal element in the undocumented community...preys on the un-

documented more than anyone else."

There are about 61,000 undocumented immigrants, mostly from Latin America, living in Westchester County, according to the Migration Policy Institute.

Ms. Borgia acknowledged the bill could jeopardize some federal funds but said the risk is minimal. She said about half of the \$13 million the federal government provides to the county is for housing federal inmates, and she doubts that funding would be pulled.

Hector Lopez, president of the Westchester Hispanic Law Enforcement Association and a sergeant who works in the Westchester County Jail, said the proposal, if it becomes law, would encourage gang members and criminals to come to Westchester.

Ms. Borgia said such concern is "pretty speculative."



A rodent scurries in Central Park's Diana Ross Playground.

Rat Problem Now Plaguing Upper West Side

By MARIANA ALFARO

Parents are complaining that rats searching for bits of food are jumping into their children's strollers in Upper West Side parks, and state Assemblywoman Linda Rosenthal wants New York City to do something about it.

"The rat problem here is severe," said Ms. Rosenthal, a Democrat whose district includes the neighborhood. "More money, more efforts need to be directed to the parks here on the Upper West Side."

The city, she said, should invest part of its \$32 million Neighborhood Rat Reduction plan in her district to help battle the rodents plaguing her constituents. The proposal, introduced by Mayor Bill de Blasio last month, targets the Lower East Side, Chinatown, the East Village, the Bronx's Grand Concourse area and the Bushwick and Bedford-Stuyvesant neighborhoods in Brooklyn.

"Our new plan builds upon our current abatement efforts to target the three most infested neighborhoods in NYC, and will be fully launched by the end of 2017," a City Hall spokeswoman said Tuesday. "Once this is complete, the city will review the plan's impact and discuss expansion to other zones."

As she spoke, several rats roamed around the edges of the playground. Disgusted parents pulled their children away from the rodents, who scurried into the bushes. Many snapped photos of the furry invaders.

The mayor's office said the city runs two Upper West Side rat-reservoir programs, which target rat colonies and conditions that attract vermin at a citywide cost of \$2.9 million a year.

Scooching Past Lady Liberty



POWERFUL PUSH: A barge carrying a 130-foot-tall steam generator made its way along the Hudson on Tuesday. The \$195 million generator, which began its journey near Albany on Monday, will be part of a new PSEG power plant being built in Woodbridge, N.J.

Actress Generates Intrigue for Election

By MIKE VILENSKY

The New York governor's race is getting a dose of star power as actress Cynthia Nixon eyes a run for the state's highest office.

Ms. Nixon on Tuesday addressed last week's report in The Wall Street Journal that she is considering a Democratic primary run against Gov. Andrew Cuomo, who is planning to seek a third term in 2018.

"There are a lot of people who would like me to run for a variety of reasons," she told NBC's "Today Show."

The former "Sex and the City" star didn't say if she would run, but criticized Mr. Cuomo over school funding.

"The gap now between our richest schools and poorest schools is wider under Gov. Cuomo than it has ever been, and that's got to stop," Ms. Nixon said.

Richard Azzopardi, a Cuomo spokesman, said: "We know Ms. Nixon is a passionate advocate for education, and we would be happy to sit down with her anytime to talk about it."

State education aid has increased 32% during Mr. Cuomo's tenure and most goes to high-needs schools, Mr. Azzopardi said.

Though the race won't kick off until next year, buzz about Ms. Nixon's candidacy has shaken up New York politics.

Elected officials, activists and analysts have been handicapping her chances as the actress fields questions at movie premieres and media events.

"It would be a mistake to count her out," said New York Republican political strategist Jessica Proud. "Clearly we just saw the ascension of a celebrity to the White House, so stranger things have happened."

The 51-year-old actress is

best known for her role as a lawyer on HBO's "Sex & the City" and her Tony Award-winning turns on Broadway.

Ms. Nixon served as a surrogate and donor for Mayor Bill de Blasio's 2013 upset win, and penned an op-ed critical of Mr. Cuomo earlier this year.

Those moves have earned her admiration from the left flank of the Democratic Party, which has its differences with Mr. Cuomo, and teachers unions, with whom the governor has sparred.

"She'd be a very strong candidate," said Assemblyman Daniel O'Donnell, a Manhattan Democrat who is friendly with Ms. Nixon. "She's obviously very famous, and that helps. But, more important, she has used her recognition to fight the fight for equality in education."

A Siena College poll in July showed a tie at 46% between voters who want Mr. Cuomo re-

elected and those who don't. Among Democrats, 61% favor his re-election.

Syracuse Mayor Stephanie Miner and former Hudson Valley legislator Terry Gipson are also considering running for the Democratic nomination.

Should she win a primary, Ms. Nixon would face a Republican in fall 2018, a race that could be a heavy lift in centrist suburbs or upstate areas wary of celebrities, Republicans said.

"If she comes in and wants to talk about the leftist approach to education, she's not going anywhere in upstate New York," said Carl Paladino, a former Republican gubernatorial candidate who said he is considering another run next year.

Syracuse Sen. John DeFrancisco, Senate Majority Leader John Flanagan, and businessman Harry Wilson are among the Republicans considering running.



Actress Cynthia Nixon, who served as a surrogate for Mayor Bill de Blasio's 2013 upset win, might consider a run for governor.

Gubernatorial Nominee's Spouse Is a Powerful Force in His Campaign

By KATE KING

The Democratic nominee for New Jersey governor, Phil Murphy, relies on a small inner circle with one member rising above the rest: his wife of 23 years.

Tammy Snyder Murphy, who, like her husband, worked at Goldman Sachs Group Inc., is deeply involved in his campaign: Proofreading news releases, joining staff calls, fundraising and attending events as her husband's surrogate.

Republican state Sen. Joe Kyrillos, who is friends with the couple though he isn't backing Mr. Murphy for governor, said Ms. Murphy's role can't be understated. "By far the most potent adviser, the closest adviser, is Tammy Murphy. Without question," he said.

The couple has built a formidable political operation



Tammy Snyder Murphy joined her husband, Phil Murphy, on stage when he won the Democratic gubernatorial primary June 6.

since moving to New Jersey nearly two decades ago, winning the support of the state's Democratic power brokers as well as national party leaders such as former Vice President Joe Biden.

In June, Mr. Murphy fended off five primary opponents to

win his party's nomination in the campaign to succeed Republican Gov. Chris Christie, who is prevented by term limits from running for re-election. Mr. Murphy is facing Lt. Gov. Kim Guadagno, the Republican nominee.

A poll by Quinnipiac University in June found Mr. Murphy leading Ms. Guadagno 55% to 26%.

Mr. Murphy, who is 59 years old, is running on a progressive platform that includes boosting the minimum wage to \$15 from \$8.44 an hour, curtailing standardized testing in schools and strengthening gun laws.

Even though he spent more than two decades as a Goldman Sachs banker, Mr. Murphy has called for tougher Wall Street regulations, and supports divesting state pension funds from hedge funds and private equity. He also backs a millionaire's tax and the creation of a

public bank.

Former New Jersey acting Gov. Richard Codey, a Democrat who has known the couple for about 15 years, said Ms. Murphy is a key part of her husband's political career.

"She has been since Day 1," he said. "She's interested in issues. She's as good as her husband when it comes to that, and he's pretty darn good."

Ms. Murphy, 52, said she and her husband are both "type A" personalities.

"We think the same. Adding us together you get a bigger impact than having one of us," Ms. Murphy said.

Ms. Murphy's job took them

from Frankfurt, Germany, to Hong Kong before they moved in 2000 to New Jersey, where they live in a 10,000-square-foot waterfront home on 6 acres in Middletown Township with their four children.

Ms. Murphy said her husband, who grew up in the Boston suburb Needham, has long been interested in politics and committed to the Democratic Party, while for years she was a registered Republican. She said she never considered herself to be strictly partisan, but shifted more firmly toward the Democratic Party during Republican George W. Bush's presidency.

Howard Dean, former chairman of the Democratic National Committee, said he has seen the Murphys operate as a team. "She'll call me and I never talk to Phil at all, I'll just talk to Tammy," said Mr. Dean. "She has a full understanding of politics."

GREATER NEW YORK

Charitable Sleuths Put Their Money Where It Counts

The scene looked like any after-work gathering of young professionals. The 30-odd guests squeezed into the host's East Side brownstone apartment sipped red wine from plastic cups and crammed around the dining room table munching pizza.

It wasn't until they quieted for the evening's presentation that things got a little strange. The topic? Growing meat in a lab.

If you want to reduce animal suffering, why not cut animals out of the food chain entirely, suggested Erin Kim, communications director with New Harvest, a nonprofit that funds research on cellular agriculture.

Makes sense to me. And to others at the gathering as well. This was, after all, a meetup of Effective Altruism NYC—the local incarnation of a global movement embraced by people committed to benefiting others in the most efficient way possible.

"We are totally a bunch of nerds," says member Rachel Atcheson, who works in Mayor Bill de Blasio's office as an animal-welfare liaison. "We try to keep things pretty rational."

Not sure what cause to

support? There's an online calculator for that. Sample question: "How many chickens are morally equivalent to one human?"

Can't figure which nonprofits provide the biggest payoff? Many rely on GiveWell, a charity evaluator started by former hedge fund types who try to quantify exactly how much good a given program accomplishes per dollar spent.

You won't find effective altruists giving to panhandlers—that's not efficient. Combating global poverty is a focus, as is reducing existential risk, such as the threat posed by artificial intelligence. Future generations matter!

Others focus on animal welfare.

"It's less expensive to help animals than to help people," says Avi Norowitz, a lead data engineer who helps organize Effective Altruism gatherings.

He realizes how cold that might sound. "There's a lot of debate about who deserves moral consideration, and how much," he notes.

Effective Altruism's New York contingent is growing fast. Its 800 or so members—often science and engineering types—meet twice a month for dancing, kayaking or just a good, old-fashioned debate about the marginal utility of funding a global deworming program.

Not surprisingly, many



ELLEN WEINSTEIN

Effective Altruists work at nonprofits. Others adopt an "earn-to-give" approach. Why become a teacher when you can earn enough in finance to fund five teaching positions?

Chris Jenkins was earning his Ph.D. in evolutionary psychology when he decided his goal was to, "Give as much money as I can to the best causes."

He added programming and probability to his studies. Now, he has a data-science job with a tech company, allowing him to make a generous monthly contribution to the Against Malaria Foundation, a nonprofit recommended by GiveWell.

Effective Altruism NYC weighs the cost of helping humans versus animals.

Estimated cost per life saved: \$7,500.

The group doesn't keep a running tally of its philanthropic impact. But at the individual level, some take an online pledge at Giving-WhatWeCan.org, committing at least 10% of their earnings "to whichever organizations can most effectively use it to improve the lives

of others, now and in the years to come."

Chris Corliss, a 34-year-old software salesman, who hosts many of the gatherings, gradually boosted his giving to 40% of his solid, six-figure income by maintaining a relatively frugal lifestyle—including living with a roommate—as his career progressed.

Studies show that beyond a certain point, more money doesn't make you happier, he notes. Giving, meanwhile, provides a sense of existential security.

"It's a moral safety net," he says. "This is where I've chosen to direct my old Catholic guilt."

There is a risk, of course, of taking things too far and burning out. You could spend your whole day fretting over the marginal utility of a latte versus a \$5 donation to a favorite charity.

A hot topic, then, is sustainability—adopting a lifestyle for the long haul. Mr. Norowitz says he could give more if he put less into savings, or got rid of his car, but he isn't trying to be perfect.

"Humans are not altruistic machines," he says. "As much good as you're doing, you can feel good about that. And strive to do more."

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Cuomo Marks LaGuardia Progress

BY PAUL BERGER

After days of wrangling with New York City's mayor over funding for a beleaguered subway, Gov. Andrew Cuomo turned to one of his favorite infrastructure topics Tuesday—the \$8 billion makeover of LaGuardia Airport.

Mr. Cuomo traveled to the airport in Queens for a groundbreaking to mark the start of Delta Air Lines Inc.'s \$4 billion renovation of terminals C and D.

Mr. Cuomo said following work that began last year on a \$4 billion renovation of LaGuardia's Terminal B, the airport "is going to be a beautiful front door to New York."

Mr. Cuomo, who is believed to be considering a run for president in 2020, highlighted his record on infrastructure, taking what he said were projects "stuck in the quagmire of the bureaucracy" and bringing them to fruition. As examples, he pointed to the recently opened Second Avenue subway, the soon-to-open new Tappan Zee Bridge and a multibillion-dollar expansion of the Long Island Rail Road.

Across town, City Council members grilled Metropolitan Transportation Authority Managing Director Ronnie Hakim over the MTA's call for a city to fund half of an \$836 million rescue plan for a system that has been plagued with delays, overcrowding and equipment breakdowns as



Gov. Andrew Cuomo spoke Tuesday ahead of a groundbreaking ceremony for the construction of Delta Air Lines' \$4 billion renovation of terminals C and D at LaGuardia Airport.

well as two derailments this summer.

Mr. Cuomo has said the city doesn't contribute enough toward the running of the subway.

Mayor Bill de Blasio, who initially pushed back against such claims, called this week for a city "millionaire's tax" that he said would raise \$695 million for the MTA next year.

The tax would have to be

approved by the state legislature. Mr. Cuomo said the subway can't wait for such funds to become available.

LaGuardia Airport, which former Vice President Joe Biden once ridiculed as "Third World," is a cornerstone of Mr. Cuomo's infrastructure agenda.

Delta will pay \$3.4 billion of the cost of the newly combined terminals C and D. The

Port Authority of New York and New Jersey will pay the remaining \$600 million.

The airport's Terminal B is being developed as part of one of the nation's largest public-private partnerships between the Port Authority and LaGuardia Gateway Partners, a consortium of companies including Vantage Airport Group, Skanska and Meridiam.

Industrial Tenants Feel Squeeze on Long Island

BY KEIKO MORRIS

and 2.8% in Suffolk County, according to JLL. Long Island's overall vacancy rate, which includes Queens, was 3.2%.

Competition for the 312,824 square feet of industrial space under construction on Long Island is likely to be stiff.

"There's a lot less deals happening and there's a lot less space to show," Mr. DiMiceli said. "It's kind of like gridlock."

2%

The second-quarter industrial vacancy rate in Nassau County

The tight supply of space has pushed rental rates and sale prices up, the JLL report said. The average sale price was more than \$120 a square foot for larger properties, a 63% increase since 2015, the report said. Asking rents have risen to \$12.37 a square foot, an 18% rise from the \$10.50 a square foot in the second quarter of 2016.

Expanding companies are now planning far ahead because of the shortage of space, Mr. DiMiceli said. He said he has been working on deals for occupancy in 2019. He also noted that clients are looking as far as Pennsylvania for industrial space, and said landlords could start raising roofs to build warehouses with more capacity.



A Carson Optical warehouse in Ronkonkoma, Suffolk County. There is stiff competition for industrial space on Long Island.

GREATER NEW YORK WATCH

MANHATTAN

Woman Gets 16 Years For Scalding, Stabbing

A woman who scalded her sleeping boyfriend's face and body with hot oil after an argument has been sentenced to 16 years in prison, Manhattan District Attorney Cyrus Vance Jr. said Tuesday.

Myeshia Hawkins-Taylor pleaded guilty to attempted murder last month. The incident happened in January 2016.

Ms. Hawkins-Taylor also repeatedly stabbed the badly burned man when he woke up and tried to escape, and then waited over a day to call 911.

Doctors placed the victim in a medically induced coma. He was hospitalized for two months.

—Associated Press

NEW JERSEY

Trump's Stay Disrupts Two Nearby Airports

Two small airports in western New Jersey that are within 10 miles of where President Donald Trump is spending 17 days closed because of federal aviation rules.

Several members of New Jersey's congressional delegation sent a letter to the Secret Service in June urging it to consider allowing the airports near Mr. Trump's residence to use a system similar to one in place near Washington that allows properly screened pilots to fly to and from airports in a security-sensitive area.

So far, there has been no response, Republican Rep. Leonard Lance said Monday. A Secret Service spokeswoman didn't return an email seeking comment.

—Associated Press

BRIDGEPORT

Baseball Out as Venue Switches to Concerts

Bridgeport plans to convert a stadium for its minor league baseball team into an outdoor venue for concerts.

Major Joe Ganim said the city-owned stadium would be redeveloped into an amphitheater with a \$15 million investment through a public-private partnership.

The city declined to renew a contract with the Bridgeport Bluefish, which play in the independent Atlantic League, after it expired last season. Bluefish owner Frank Boulton said the team is proud of its 20-year run.

Developer Howard Saffan said the amphitheater would open in 2019 and host 29 concerts annually.

—Associated Press

BROADWAY

Barbara Cook, Star Of Stage, Dies at 89

Barbara Cook, whose shimmering soprano made her one of Broadway's leading ingenues and later a major cabaret and concert interpreter of popular American song, has died. She was 89.

Ms. Cook died early Tuesday of respiratory failure at her home in Manhattan, surrounded by family and friends, according to publicist Amanda Kaus. Her last meal was vanilla ice cream, a nod to one of her most famous roles in "She Loves Me."

Meredith Willson's "The Music Man" was Ms. Cook's biggest Broadway hit, opening in December 1957 and running for more than 1,300 performances. She won a Tony Award for her performance.

—Associated Press

LIFE & ARTS

WORK & FAMILY | Sue Shellenbarger

Use Your Seat to Get Ahead

Sitting next to a star at work improves your performance, research shows; finally, something to like about open offices

WANT TO BOOST your performance at work?

Pick out a colleague who is really good in an area where you want to improve—and move your desk next to him or her.

Proximity to high achievers can lift people's performance in various jobs, via inspiration, peer pressure or new learning, a growing body of research shows. The findings offer a silver lining to anyone annoyed at the current fad of flexible office-seating arrangements; employees can use them to their advantage.

Simply sitting next to a high achiever can improve someone's performance by 3% to 16%, according to a two-year Northwestern University study of 2,452 help-desk and other client-service workers at a technology company.

The study is the first to tease apart different aspects of performance in an office job and analyze spillover in each. Productive employees—those who finished tasks quickly—raised the output of slower colleagues by 8%. Effective employees, who could handle customers' problems without referring them to co-workers to finish, lifted their neighbors' effectiveness by 16%. Quality workers, who received high ratings on customer surveys, inspired 3% improvements in colleagues' quality ratings, says the study, published last year by the Harvard Business School. Researchers analyzed data from personnel files, seating-arrangement reports, task-tracking software and customer-satisfaction surveys in several U.S. and European offices of the company.

Lead author Dylan Minor sees a combination of inspiration and peer pressure at work. He compares it to the impact of a charismatic leader. Also, high performers weren't dragged down by low achievers nearby, says Dr. Minor, an assistant professor of managerial economics at Northwestern University's Kellogg School.

For skills that have no upper limits, such as creativity, sitting elbow-to-elbow with a star may spark bigger gains, Dr. Minor says. People who are working from home or on the road might find a Starbucks and surround themselves with caffeinated high achievers.

When Hoon Oh was hired last year as a creative director in the Philadelphia offices of the ad agency Allen & Gerritsen, "we started riffing off each other's thinking" right away, says Hilary Sedgwick, who is also a creative director. Mr. Oh and Ms. Sedg-



wick were seated across the office at first but soon slid their desks together. Their boss Jennifer Putnam, chief creative officer for the Boston-based agency, says both are passionate about their work, and "they're teaching that to each other and teaching that to the team."

Jobvite, a San Mateo, Calif., recruiting-software company, often seats new employees next to a high achiever. "It's a form of orientation," says CEO Dan Finnigan. He has noticed engineers gravitating toward their strongest co-workers, or those with the freshest skills. "You can pretty quickly figure out who's got the extra juice, or the greatest insight. People are drawn to it. You can almost see the pathways on the floor," Mr. Finnigan says.

David Blacker seated a new hire near his desk on a recruiting team he led at a previous employer. Within a month, "I started to hear my words coming out of her mouth" as she built his techniques into her own interviews, says Mr. Blacker, managing principal of Venerable Media Group, a digital-marketing company in Tampa, Fla.

Weak teachers whose colleagues teaching the same grade in the



Allen & Gerritsen creative directors Hoon Oh and Hilary Sedgwick slid their desks together. They say it helps both of them come up with creative ideas.

same school were highly skilled posted sharper gains in students' math and reading test scores, compared with those surrounded by weaker colleagues, says a 2009 study of 11 years of test data on third- and fifth-grade students and teachers at 1,545 North Carolina schools. The weak teachers may have learned by watching their peers, or been inspired by them to

get more training, the study says.

Newcomers to a high-performing team also can pick up good work habits, such as meeting deadlines and listening carefully, says Marc Landsberg, CEO of the Chicago social media agency Social Deviant. When teammates' cubicles adjoin each other, "those pods take on tribal effects" that can have a big impact, positive or neg-

ative, on the whole team, he says.

There are some catches. In sales, people can benefit from being teamed with star performers, says a 2014 study at Washington University in St. Louis—but only if their pay is based on overall team performance. When top salespeople at department-store cosmetics counters were paid based on their team's results, they helped less-skilled teammates by handing off loyal customers and turning their skills to luring new clients. Low performers suffered when pay was based on individual sales, however: Stars kept loyal customers for themselves and discounted prices to pump up their own sales.

Working under a colleague's watchful eye can be especially potent. Supermarket cashiers who worked where star co-workers could see them posted performance gains, says a 2009 study of 370 cashiers in six stores. They may have been afraid their high-performing colleagues would ostracize them or report them to the boss, or they may simply have wanted to be liked, according to the two-year study, which was led by Alexandre Mas, a professor of economics and public affairs at Princeton University.

MUSIC REVIEW | By Jim Fusilli

UNDISCOVERED ACTS SHOW THAT POP AND ROCK TALENT RUNS DEEP

Birmingham, Ala.

A REFLECTION OF today's deep, abundant rock-and-pop scene, mega-festivals offer so much of a good thing. Consider the supersize bill at Lollapalooza, held in Chicago's Grant Park this past weekend: some 170 acts including major names like Ryan Adams, Arcade Fire, Chance the Rapper, the Killers, Lorde, Run the Jewels and the xx, as well as still-blossoming talent like Banks, Car Seat Headrest, the Lemon Twigs, Mura Masa, Sampha and more. Beginning this Friday in San Francisco's Golden Gate Park, Outside Lands features A Tribe Called Quest, Alt-J, Gorillaz, Metallica, Solange and the Who, among dozens of others. Throughout the summer festival season, promoters book artists who have a national—and in some cases an international—following for vast, appreciative crowds.

Contrast all that with Secret Stages, a self-proclaimed "music discovery festival" held here last Friday and Saturday. In its seventh year, Secret Stages presented 60 bands with nary a household name among them. Which isn't to say the music was insufficient. To the contrary, the festival reaffirmed the quality of today's rock and pop.

Though its mission doesn't seem any more ambitious than to showcase unrecognized bands to local music fans—it has rejected overtures to grow the festival at the risk of altering its



Lowland Hum performs at Secret Stages Festival in Birmingham, Ala.

character—Secret Stages has presented a few groups across the years that have found wider acclaim. Dawes and Shovels & Rope, both of whom will perform this weekend at Outside Lands, appeared here in 2011 and '12, respectively. MC Taylor, who works as Hiss Golden Messenger, did a solo set in 2012, the same year the Birmingham-based St. Paul and the Broken Bones played Secret Stages. Hiss Golden Messenger was featured at this

year's 50th-anniversary celebration of the Monterey International Pop Music Festival. In '14, St. Paul and the Broken Bones played the massive Bonnaroo Music & Arts Festival.

This year, the bands here seemed less concerned with what may be than with getting through the gig. A window-rattling thunderstorm delayed the Friday evening program at two outdoor parking-lot venues. When the Pre-

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LIFE & ARTS

MY RIDE | By A.J. Baime

This Racer Loves a Bike With Bite

Shayna Texter, 26, a professional motorcycle racer from Willow Street, Pa., on her Honda CRF450R, as told to A.J. Baime.

Flat track motorcycle racing is probably the oldest form of motorcycle racing in America. We race on dirt ovals all over the country. I am one of only two women competing in the American Flat Track single-cylinder series and I am leading the points championship. No female has ever won this championship, and I'm hoping to change that this year.

My father raced professionally and he owned a Harley-Davidson dealership, so he had me riding a motorcycle at 3 years old. My brother Cory (also a pro racer) and I were given a choice when we were growing up: help my dad work on bikes or go to the gym. I always loved working on motorcycles, and it is still my favorite hobby when I am not racing.

The bike I am riding now is a showroom 450cc single-cylinder Honda motocross bike that we converted to a competition bike. [Ms. Texter is sponsored by a Dallas Honda dealership.] We put racing suspension and 19-inch wheels on, so the bike sits a lot lower than a stock bike. We also took off the front brake.

On the track, riders wear full leather suits, leather gloves, a full-face helmet and boots, plus a steel shoe that attaches to the left boot, as we use the left leg to slide through turns when we are turning left.

The bike can hit 130 mph, and there are literally times when riders are bouncing off each other, racing

handlebar to handlebar and wheel to wheel. This requires a lot of trust in your competitors, because one little bobble and you can be on your way. Unlike a racing car, there is no roll cage. I have never had any major injuries. I broke my foot a couple times and my shoulder blade once.

When I put my helmet on, I do not think of myself as a female. I am just a motorcycle racer. But when that helmet comes off and I hear the crowds screaming and cheering for me, I get so inspired. Because I feel like I am inspiring other people to push harder and to go after their dreams.

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



CLOCKWISE FROM TOP: ANGELA DECENZO FOR THE WALL STREET JOURNAL (2); ANDREA WILSON



Shayna Texter with her Honda CRF450R racing bike, photographed in July at the Calistoga Speedway in Calistoga, Calif., above and below. Ms. Texter in action, left, at the Lima Half-Mile in Ohio in June. She says she hits speeds of 130 mph on the track.



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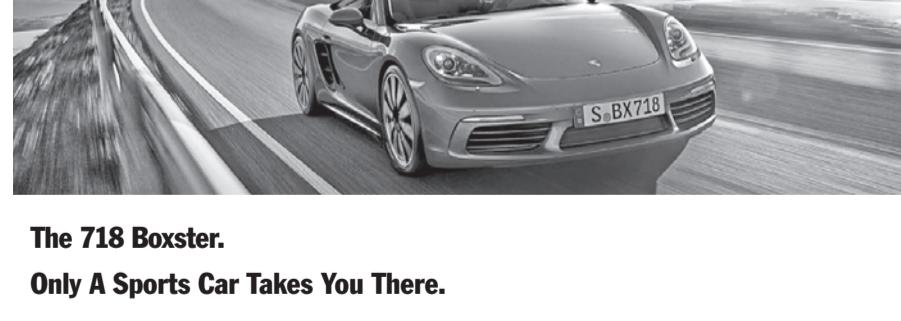
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LIFE & ARTS



The cast of 'Ragtime' in a production at Maine's Ogunquit Playhouse directed by Seth Sklar-Heyn

THEATER REVIEW | By Terry Teachout

Music to Rile The Troubled Pol

The musical percolates with political sentiments fit for these times

Ogunquit, Maine HOW ARE American theater companies, most of whose leaders incline unabashedly to the left, responding to the Trump presidency? Two different New England companies, Maine's Ogunquit Playhouse and Massachusetts' Barrington Stage, both made a point this summer of producing "Ragtime," the musical version of E.L. Doctorow's bourgeoisie-baiting 1975 novel about life in America at the turn of the 20th century. Not only does "Ragtime" center on a black piano player who is radicalized by white racism, but it also portrays a group of Eastern European immigrants, one of whom, Emma Goldman, was in real life an anarchist and hard-left labor activist. Short of organizing a march on the White House, it's hard to imagine a more explicit statement of political sentiment.

Whatever their ulterior motives for programming such a show in the first year of President Trump's administration, it's no less safe to assume that both companies also had an eye on the box office. A smash hit when it came to Broadway in 1998, "Ragtime" remains deservedly popular to this day. To be sure, Terrence McNally's heavy-handed book is a too-much-tell-not-enough-show pageant-style adaptation of the novel, but the Lynn Ahrens-St-

phen Flaherty score is a vital, propulsive piece of near-operatic music drama that sweeps aside all reservations, be they critical or political. As for the Ogunquit Playhouse revival, it's a first-rate piece of work, to my mind even more effective than the solid but commercially unsuccessful revival of "Ragtime" that came to Broadway in 2009. I've seen some fine musicals in Ogunquit since I

The story centers on a black piano player who is radicalized by white racism.

started going there a decade ago, but this one, directed with crisply disciplined authority by Seth Sklar-Heyn, is the best yet.

Like Barrington Stage's "Ragtime" revival, which closed last month, this production stars Darnell Abraham as Coalhouse Walker Jr., the Harlem pianist who is transformed by grief into a vengeance-crazed murderer when a band of racist Irish thugs kills his wife (Lindsay Roberts). He's outstanding, though no more so than the other members of Mr. Sklar-Heyn's uncommonly talented

cast, all of whom sing as well as they act. Tim Mackabee's uncluttered open-stage set, which is dominated by a huge replica of the impulsive face of the Statue of Liberty, gives them plenty of room to move, and Jesse Robb's lively choreography is skillfully integrated into the flow of dramatic event. Mr. Sklar-Heyn and his collaborators clearly understand that the dramatic force of "Ragtime" arises from its score, a knowing pastiche of ragtime-era American popular song styles: Every number is beautifully sung and vibrantly staged. The result is a musical that feels much shorter than its nearly three-hour running time, one in which the forward momentum never flags for a second.

Because the 2009 Broadway revival was a flop, I can't imagine "Ragtime" returning to New York any time soon, Trump or no Trump. Nevertheless, I expect that many other regional companies are thinking hard about staging the show. If so, they'd do well to come see the Ogunquit Playhouse production first. No matter who you voted for, you'll find it thrilling.

Ragtime
Ogunquit Playhouse, 10 Main St., Ogunquit, Maine. (\$52 and up, depending on availability), 207-646-5511, closes Aug. 26

FESTIVAL



Tristen, above, and James Wallace of Skyway Man, below, at Secret Stages.

Continued from page A9
scriptions, an alt-country group down from Nashville, took the stage, no more than a handful of soggy people were in attendance to hear Jack Thomas' slide guitar slither around singer Hays Ragsdale's story songs. Hours later, with the rain long gone, Skyway Man, the current working name of James Wallace, played a delightful set of eccentric songs with airtight arrangements that at times fused, via a circuitous route, folk, experimentalism and even prog rock. Mr. Wallace, a Richmond, Va., native, and his adroit three-piece band featuring drummer Dabney Morris of Wild Cub will appear at next month's Americana Music Festival in Nashville, one of about 300 acts to do so. (They're on the poster in eye-straining type.) The group will bring a touch of the unusual to those proceedings.

At each of the six venues, bands overcame the minor problems of a tight budget that forbids a roadie or a dedicated sound engineer. (At major festivals, expert crews swarm in and work with military-like precision.) Fronting a four-piece band, Jesse Aycock of Tulsa, Okla., offered a ballad-rich country-folk set featuring his sweet, reedy voice. Nashville-based Tristen led her group through a sly, engaging show of rockabilly as captured on her latest album, "Sneaker Waves," released last month. A wife-husband duo based in Charlottesville, Va., Lowland Hum showcased wispy folk songs from its new "Thin" album. More so than most groups here, its career is on the uptick: Beginning in early September, the couple will tour the country with Penny & Sparrow before leaving for a series of shows in Austria, Germany, the Netherlands and Switzerland.

Like the big festivals, Secret Stages offered a gumbo of genres;

here, it was heavy on hip-hop artists and, surprisingly, high-powered instrumental groups. The lat-

ter included Birmingham's Startle the Heavens, which featured a wavy four-guitar attack, and Trio Noir, led by jazz guitarist Mark Kimbell; lovesongs, an Athens, Ga., quartet that played modal jazz with electronic underpinnings; the charismatic, horn-heavy free-jazz ensemble Wolfpack ATL from Atlanta; and the extraordinary Us, Today, an avant-garde rock trio from Cincinnati, featuring Kristin Agee on vibraphone, Joel Griggs on guitar and key-

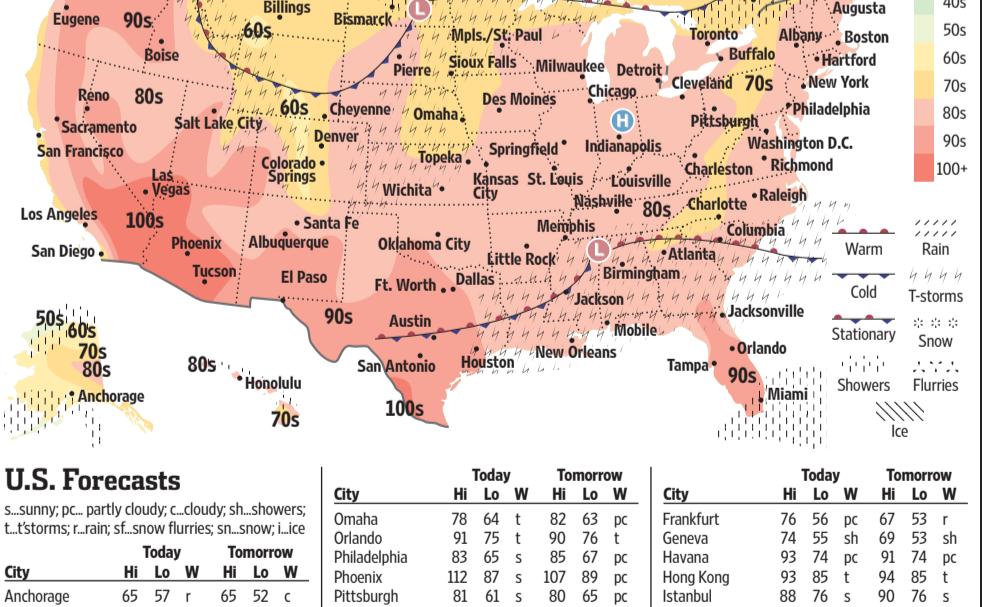


boards, and Jeff Mellott on drums. Us, Today's virtuosity and vigorous arrangements warrant a much larger audience, preferably as quickly as possible.

A common complaint among those who follow new rock and pop is that there's too much good music to take in. An intimate festival like Secret Stages confirms that's so by emphasizing discovery rather than highlighting a dizzying cavalcade of established artists and newcomers rocketing toward the top. In a convivial atmosphere among eager, open-minded fans, Secret Stages illustrated that what's bubbling beneath contemporary music's densely populated surface is worthy of attention, too.

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

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Dallas 91 75 pc 96 79 pc

Denver 79 56 t 79 56 c

Detroit 85 64 pc 85 65 pc

Honolulu 89 77 sh 88 76 pc

Houston 90 76 t 92 78 pc

Indianapolis 82 62 s 83 66 pc

Kansas City 81 65 pc 82 65 pc

Las Vegas 107 82 s 107 84 s

Little Rock 85 69 pc 87 72 t

Los Angeles 86 67 pc 85 66 pc

Miami 91 80 t 90 81 t

Milwaukee 83 65 pc 80 65 pc

Minneapolis 80 64 t 76 62 sh

Nashville 84 69 pc 84 69 pc

New Orleans 89 76 t 89 76 t

New York City 82 67 s 82 69 pc

Oklahoma City 88 71 pc 93 71 t

Today **Tomorrow**

City **Hi** **Lo** **W**

Amsterdam 68 53 t 66 54 r

Athens 93 81 pc 95 79 pc

Bahrain 122 89 s 121 86 s

Bangkok 95 80 t 95 80 pc

Beijing 85 71 c 91 74 pc

Berlin 78 61 p 72 61 r

Brussels 69 53 t 65 54 r

Buenos Aires 65 59 c 64 59 pc

Dubai 111 93 s 110 94 s

Vancouver 67 47 pc 66 53 pc

Zurich 66 46 pc 64 53 pc

Today **Tomorrow**

City **Hi** **Lo** **W**

Frankfurt 76 56 pc 67 53 r

Geneva 74 55 sh 69 53 sh

Havana 93 74 pc 91 74 pc

Hong Kong 93 85 t 94 85 t

Istanbul 88 76 s 90 76 s

Jakarta 90 76 pc 89 76 pc

Jerusalem 91 73 s 90 72 s

Johannesburg 68 45 s 69 46 s

London 62 53 r 68 53 pc

Madrid 87 53 s 83 56 s

Manila 91 80 t 92 80 s

Mumbai 62 51 pc 62 47 pc

Mexico City 74 59 pc 65 55 t

Milan 86 63 pc 83 61 t

Moscow 73 53 pc 76 59 pc

Paris 68 53 t 69 54 sh

Rio de Janeiro 88 66 s 77 65 sh

Riyadh 113 84 s 114 84 s

Rome 91 73 pc 90 69 pc

San Juan 89 78 sh 89 77 sh

Seoul 90 77 pc 88 77 t

Singapore 91 81 r 94 83 t

Sydney 86 79 t 87 79 t

Taipei 69 49 s 75 59 pc

Tokyo 100 83 pc 100 82 pc

Toronto 93 79 s 91 78 pc

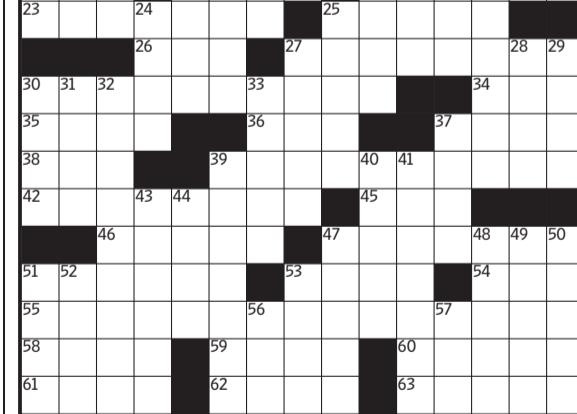
Vancouver 81 62 pc 82 67 s

Warsaw 77 61 s 77 62 s

Zurich 85 66 pc 92 68 t

Zurich 72 52 sh 61 51 s

The WSJ Daily Crossword | Edited by Mike Shenk



GRRR! | By Gabriel Stone

Across

1 Swingy tunes

23 Marble banned in tournament play

25 Not natural, in a way

26 Graffiti's mark

27 They soothe weary soles

28 One spitefully refusing to share his apple?

30 Post counterpart

31 She dies beneath the Temple of Vulcan

32 Windshield wiper's trace

33 Official lang. of Belize

34 Cpl., e.g.

35 Watchdog's warning to a burglar?

36 Result in

37 Eva Marie Saint's "On the Waterfront" role

38 Suffix for phenyl or propyl

39 Makes a choice

40 Kick back

41 Suffix for phenyl or propyl

42 Offended

43 Day divider

44 Elegant movement of runners around the bases?

45 Pollio

SPORTS



Rory McIlroy's Quest to Be Great Again

BY BRIAN COSTA

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

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

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

It is not an unheard of gap for an all-time great player. But McIlroy's major drought, if it can be called that, will come into sharper focus at this week's PGA Champi-

onship for a couple reasons.

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

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

The potential outcomes are both dramatically divergent and equally plausible. McIlroy could become, at age 28, only the 20th men's golfer in history to win five or more major titles. He could also watch Spieth, at age 24, surpass him as the pre-

eminent player of their generation.

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

CBS golf analyst Dottie Pepper said the move could prompt McIlroy to take more responsibility for his play. "It puts yourself on notice: It's time for me to take ownership of what I've got here," she said. "I think it's a positive thing."

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

What has unfolded since then is

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

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

"There's so many good players now," said Brooks Koepka, who won the U.S. Open in June. "Even

in the college level, even the guys that are coming up, I mean, some of them are going to win majors. You just know it."

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

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

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

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

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

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

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

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

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

PGA Championship Will Move to May in 2019

The golf calendar is getting a makeover.

Just days before this year's PGA Championship at Quail Hollow Club in Charlotte, N.C., golf's governing bodies announced the event will move to May starting in 2019.

The move was largely made to address scheduling conflicts related to the Olympics every four years and to maximize viewership for a number of PGA Tour events, including the FedEx Cup Playoffs.

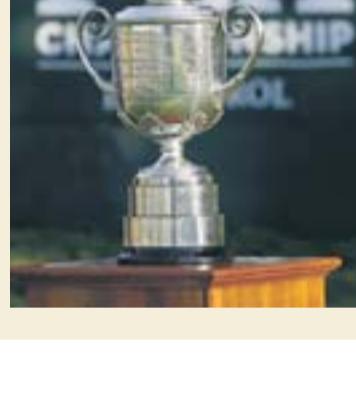
Moving the PGA Championship to the week before Memorial Day allows the FedEx Cup Playoffs to begin earlier in August and overlap less with the NFL regular season, a time when American sports fans are more likely to tune in for action on the gridiron than the golf course.

"We are excited about this move to May," said Pete Bevacqua, PGA of America's chief executive officer. "It provides our PGA Championship a strong landing spot on the calendar

and a consistent major-championship rhythm that golf fans can embrace."

To compensate for the change in schedule, the Players Championship, which has taken place at TPC Sawgrass in Ponte Vedra Beach, Fla., each May since 2007, will move back to March.

The PGA Championship is perhaps the most mobile of golf's major events. Since its founding in 1916, the tournament has taken place in nine months of the year, and features a



wider variety of host courses than the other major events.

The first PGA Championship under the new schedule will be May 16 to 19 at Bethpage Black in Farmingdale, N.Y. Future locations are set through 2024, with the southernmost being the Ocean Course at Kiawah Island in South Carolina in 2021. The host sites for the tournament could likely migrate south in years to come, as states whose sweltering August temperatures precluded them from hosting the event may now offer their courses in May.

—Laine Higgins

T-B: GREGORY SHAMUS, STREETER LECKA (GETTY IMAGES)

NFL | By Jason Gay

THE DELIGHTFUL, INDIFFERENT FACE OF FOOTBALL

Jay Cutler is the new quarterback for the Miami Dolphins. I don't know if this is a great idea. Neither, it appears, does he.

I enjoy Jay Cutler. He may be merely above-average at playing quarterback, but over the course of his 11-year, now-revived NFL career, he became the Bart Starr of ambivalent body language. Even when things are going well for Cutler, he looks as if he's watching socks tumble dry at the laundromat. He looks like someone asked him to pick up the neighbor's garbage, which just blew all over his front lawn. He looks like he's been told it will be another 45 minutes waiting at the dentist.

To be clear: Cutler doesn't look mad. He's not grim-faced or gritting his teeth or pulsing at his temples. He looks somewhere between vexed and completely bored. Which is how ordinary human beings look all the time.

This is why Jay Cutler's face became a thing. Jay Cutler Face has been a thing in the NFL for several years now, especially during Cutler's time in Chicago, where he set numerous all-time passing records for the Bears, but, outside of a 2010 NFC championship game he got hurt in, never took the team terribly far. Like Cutler, sometimes the Bears were pretty good. Sometimes they were pretty bad. Through it all, Cutler's stony expression never changed. Jay Cutler Face is utterly different from the NFL's other signature quarterback face, Eli Manning Face. Eli Manning Face—the face of the two-time New York Gi-

ants Super Bowl winner—is the face you make when you can't remember if you parked your car with the engine still running.)

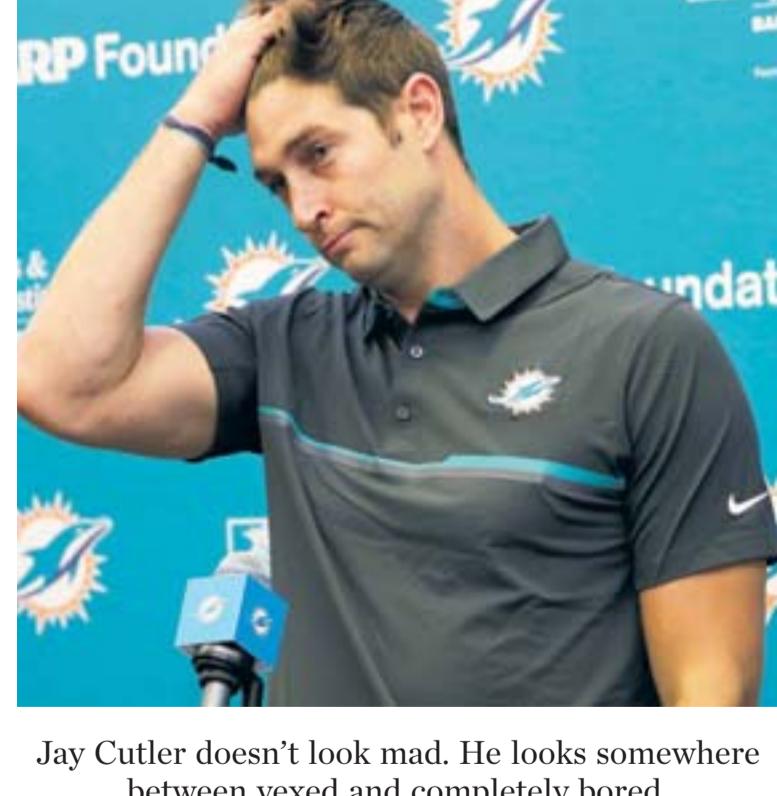
The greatest cathedral to Jay Cutler Face arrived in 2012, with SmokinJayCutler.Tumblr.com—"a web site dedicated to the most apathetic athlete in the history of sports." On it, photos of an indifferent-looking Cutler were given lit cigarettes, placed precariously on his lower lip.

Perfect does not do justice to how perfect Smokin Jay Cutler is. It was a breakthrough: Cutler looks like he's smoking a cigarette even when he's not smoking a cigarette. With a smoke, the quarterback looks like Walter Matthau's wayward cousin. He looks like a bartender you just asked to make four Cosmopolitans.

I believe SmokinJayCutler.Tumblr.Com should have won the Pulitzer Prize, and it's a crime it did not.

Cutler's Bears career did not end well. He injured his shoulder, and the Bears had another crummy season, and both the quarterback and the team moved on. Cutler decided to take a job with Fox broadcasting games. Now 34, he appeared ready to walk away, though his statement upon his "retirement" was thoroughly Cutler-ian, saying "I don't know if retirement is the right word; I don't feel that anyone ever really retires from the NFL" and, amazingly, quoting the legendary Black Flag singer Henry Rollins "I did that, I gave everything I had to give to that. Now, if I returned to that, it would be repetition—it might be fun repetition, but it wouldn't be meaningful repetition."

All of which takes us to Monday, for Cutler's introductory news con-



ference for the Dolphins, who last week lost their starting quarterback, Ryan Tannehill, to a training camp injury. Cutler has a relationship with Dolphins head coach Adam Gase, whom he played for in Chicago when Gase was an offensive coordinator, and when Gase reached out, it set a reunion into motion. It isn't certain if Cutler will start over Miami's Matt Moore, but as Gase said Monday: "He didn't come out of retirement to stand on the sideline."

LYNNE SLADKY/ASSOCIATED PRESS

Jay Cutler doesn't look mad. He looks somewhere between vexed and completely bored.

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motion. It isn't certain if Cutler will start over Miami's Matt Moore, but as Gase said Monday:

"He didn't come out of retirement to stand on the sideline."

It's a big, invigorating deal to come out of retirement. Cutler left football a little early, a little bit not on his own terms, and privately, he

must not have believed his good fortune, to have a chance to take over a playoff-caliber team with a friend in charge. Plus, the Dolphins were going to pay him \$10 million bucks for one season! I was worried: What if Jay Cutler showed up in Miami looking really excited?

Excited Jay Cutler might puncture a hole in the universe.

I needn't have worried. Cutler was unveiled in Miami standing before a background—you can't make this up—co-sponsored by AARP and the Miami Orthopedics and Sports Medicine Institute. He did, for the record, smile—and it is a nice smile; Cutler is a handsome man with enviable, newscaster hair. He was personable if low-key answering questions from the media, saying his shoulder was fine and dryly quipping that it was a good thing he played quarterback, "so I don't have to be in great cardiovascular shape."

Cough!

The good news is that Jay Cutler Face triumphantly came out of retirement as well. Almost immediately, photos began circulating of Cutler in his new Dolphins polo shirt looking as if he'd forced to attend the wedding of someone he didn't know. He'd just made a \$10 million deal official, and looked like he'd just been told the chicken place was all out of chicken.

It was like seeing an old buddy. Jay Cutler Face was back.

As for its continued appearance, I'm not worried. Apathy is a hard look to disguise, and Cutler is a Jedi of Apathy. Besides, Cutler now has to play New England and Bill Belichick. Twice.

Smoke 'em if you got 'em.

OPINION

Memo to a Google Engineer



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Try as we might, we can't find anything truly objectionable in what a now-fired Google engineer had to say about the company's diversity efforts.

Throughout his memo, James Damore repeatedly makes a point that will be purposely lost on many journalists, because they are afraid of it: The distribution of traits within a population says nothing about the traits of any particular person.

Men, on average, may be taller than women. Systematic science tells us so. But this does not allow anyone to accuse Julie Newmar of being shorter than Mickey Rooney. Neither does it allow Ms. Newmar's admirers to complain about the science of height distributions.

Google says it dumped Mr. Damore for perpetuating "gender stereotypes," which implies it's forbidden to mention scientifically validated variations in the distributions of traits as they relate to gender. Why? Because it's easier than reminding those who wish to feel aggrieved that such findings say nothing about their own traits or how they will fare at Google.

Which brings us to the real reason Mr. Damore's prospective employment lawsuit won't be the great air-clearing this

issue needs: Google will pay him off handsomely because it knows it doesn't have a leg to stand on.

The gist of his memo was not to insist on gender stereotypes but on the folly of directing people into jobs for which they are not suited purely to meet diversity goals. Especially when, as he says, a better alternative is to rethink how jobs are structured if the goal is to make them more attractive to people with a different set of traits than they attract now.

Inconveniently, Mr. Damore also points to the discriminatory nature of Google "programs, mentoring and classes only for people with a certain gender or race." Inconveniently, he notes the intrinsic unfairness of treating trait-based disparities as gender-based.

Example: Studies suggest women, on average, may be more anxious and more concerned about work-life balance than men, but plenty of men share these traits too. Where are the programs to help these men advance in a culture that naturally tends to reward those who are single-mindedly focused on their jobs?

"Philosophically, I don't think we should do arbitrary social engineering of tech just to make it appealing to equal portions of both men and women," Mr. Damore writes. "For each of these changes, we need principled reasons for why it helps Google."

He insists it's not intellectually defensible to assume all

differences are the product of "oppression" and "sexism." Guess what? Founders Larry Page and Sergey Brin are not stupid. They know this. Mr. Damore's real offense is exposing a necessary hypocrisy in Google's plan for fending off the societal attacks that began in 2014 when its workforce was revealed to be 70% male and 61% white.

Hey, shut up. Google is fighting the diversity furies and you're not helping.

Mr. Damore is an embarrassment to the company's strategy of appeasing the diversity furies with tokenism, perfectly acceptable to Google's critics as long as it affirms their insistence that any and all disparities arise from discrimination and victimization.

Its critics don't really care about outcomes. They care about Google endorsing their ideological and political premises.

For all the world, this controversy is a dead ringer for the political correctness (before the term was commonplace) that descended on E.O. Wilson with his 1975 book "Sociobiology," which made the now-undisputed claim that many human behavioral traits are shaped by evolution and passed along genetically.

Mr. Wilson was accused of

every retrograde impulse, from Nazism to eugenics to a desire to keep women in the kitchen, though nothing could be further from the truth.

He was physically attacked at meeting of the American Association for the Advancement of Science, later writing, with excessive optimism, that it was the only case in America of a scientist being physically assaulted for "the expression of an idea."

Here's where we don't blame Google, though, for living in the world. Companies do lots of things in the service of "community relations" that amount to payola for critics. Yes, it's an uncomfortable position for a company that prides itself on scientific rationality to be found practicing deliberate irrationality to placate politically motivated activists. But unless business gets more help from the larger culture, what can you expect?

The Harvard of his day bravely stood by Mr. Wilson, though it's debatable whether it would today. It even (if quietly) congratulated itself in 2000 for rereleasing what it called a "classic work" whose controversial nature reverberates to the present day.

If you can't expect universities any longer to be brave in defense of reason, how can you ask a company whose stock is traded in the public market and whose relations with politicians and regulators are crucial to its ability to adapt and grow?

But at least Mr. Damore is likely to get a nice settlement.

BOOKSHELF | By Adam White

The Least Dangerous Branch

Congress's Constitution

By Josh Chafetz

(*Yale*, 438 pages, \$45)

When, in 1788, James Madison ventured to defend the proposed Constitution, part of his pseudonymous task was to explain how the new Congress could plausibly be constrained. The Framers had separated Congress from the executive and judicial branches, divided it into two houses, and expressly limited its powers, precisely to guard against dangers of legislative power. "In republican government, the legislative authority necessarily predominates," Madison wrote as "Publius" in Federalist No. 51. Elsewhere he put the point more bluntly: "The legislative department is everywhere extending the sphere of its activity," Madison wrote in Federalist No. 48, "and drawing all power into its impetuous vortex."

The past truly is a foreign country. Today, critics of the Constitution's first branch tend to complain not that Congress is too strong, but that it is too weak. Far from "extending the sphere of its activity," Congress has ceded immense authority to the White House and to administrative agencies, who make law and set national policy in lieu of legislation—or in defiance of it.

In recent years, as the executive branch's power reached a modern zenith, Congress began to ask federal trial judges to order the executive branch to respect Congress's statutory commands, turning to the third branch to protect it.

Perhaps the surest sign of Congress's decline is that we now need a book-length explanation of what powers the House and Senate actually have. In "Congress's Constitution," Josh Chafetz provides a detailed, scholarly history of many of Congress's powers, tracing the roots of Congress's modern powers back to their English origins.

Mr. Chafetz, a professor at Cornell Law School, expressly disavows any goal of being exhaustive; instead of focusing on the legislative branch's most obvious power—the power to write laws—he focuses on several less prominent but still significant powers. These he divides into two categories: "hard powers" and "soft powers."

The first of Congress's hard powers is its power to fund or withhold funds from the other parts of government. Mr. Chafetz's choice of starting points is itself quite Madisonian. "This power over the purse," Madison wrote in Federalist No. 58, "may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure." In support of that claim, Madison pointed to "the history of the British Constitution," in which the power of the purse succeeded in "reducing . . . all the overgrown prerogatives of the other branches of the government." Mr. Chafetz spells this out in great detail. "Annual legislative appropriations have their roots in English parliamentary practice and became entrenched in the aftermath of the 1688-1689 Glorious Revolution," he observes before tracing that experience from the 13th century onward.

With the growth of the administrative state, much of Congress's policy-making role has been usurped by executive-bran

chagets. Mr. Chafetz then moves from the purse to personnel. Congress's second hard power is the "personnel power," which covers such matters as the Senate's power to grant or deny its "advice and consent" for the appointment of officers and judges, and the roles of the House and Senate in impeaching and removing officials. Here, too, Mr. Chafetz traces the roots to English origins, from scattered medieval precedents to Parliament's more emphatic assertion of authority against James I and Charles I.

In the shadow of these first two powers, the remaining powers discussed by Mr. Chafetz pale. Congress indeed has the power to hold executive personnel and private citizens in contempt; in practice, though, Congress lacks the means to punish persons it holds in contempt. Indeed, after the House voted overwhelmingly in 2012 to hold Attorney General Eric Holder in contempt for refusing to comply with a subpoena, Mr. Holder told ABC News that condemnation by 255 representatives (including 17 Democrats) "didn't have that huge an impact on me," because he had no "respect for the people who voted in that way." Maybe Congress's "hard" power isn't so hard after all.

Mr. Chafetz's detailed treatment of those powers, as well as Congress's "soft" powers—namely, legislators' special rights of speech and debate, the powers of the House and Senate to discipline members, and each house's power to set its own procedural rules—makes it a good companion volume to Philip Hamburger's recent book "Is Administrative Law Unlawful?" But where Mr. Hamburger's historical analysis was the premise for a pointed criticism of modern administrative law, Mr. Chafetz largely avoids normative judgments.

"Congress's Constitution" is limited by Mr. Chafetz's decision not to focus squarely on Congress's primary power: the power to legislate in general. From the outset, Mr. Chafetz contends that "broadening the scope beyond legislation is essential if one truly hopes to understand Congress's ability to have an impact on our national political life." And it is true that one cannot fully appreciate Congress's constitutional role without understanding its lesser powers. But without considering Congress's fundamental legislative power, the reader can never fully grasp the implications of its increasing failure to use that power to legislate reforms to the laws that govern us today.

Nature is not the only thing that abhors a vacuum; where Congress declines to pass laws setting national policy on national issues, the policy vacuum is filled inevitably by presidents, agencies or courts. Because Mr. Chafetz chose not to explore Congress's core legislative power, readers are deprived of his analysis of Congress's decline: from being the Constitution's first branch, "everywhere extending the sphere of its activity," to being little more than the administrative state's ombudsman. Given the depth and quality of Mr. Chafetz's scholarship, the absence of that analysis is felt all the more keenly.

Mr. White is a research fellow at the Hoover Institution and director of the Center for the Study of the Administrative State at George Mason University's Antonin Scalia Law School.

Second Thoughts on Trade With China



POLITICS & IDEAS
By William A. Galston

Some policies undertaken with the best of intentions don't work out as expected. In March 2000, President Clinton (for whom I worked during his first term) said of China's accession to the World Trade Organization: "Economically this agreement is the equivalent of a one-way street. . . . It requires China to open its markets . . . to both our products and services in unprecedented ways. All we do is to agree to maintain the present access which China enjoys." The gains would be more than economic, he added: "By joining the WTO, China is not simply agreeing to import more of our products; it is agreeing to import one of democracy's most cherished values—economic freedom."

In his remarks later that year, when Congress effectively ratified China's entrance into the WTO, President Clinton predicted that "10 years from now we will look back on this day and be glad we did this." He was not alone; I could fill this column with optimistic predictions from senior officials of both political parties.

Ten years later, the U.S.-China Economic and Security Review Commission convened to examine the effects of this momentous agreement. In

lengthy testimony, Robert Lighthizer, a Reagan administration trade official who now serves as President Trump's U.S. trade representative, argued that this policy had failed in virtually every respect. Mr. Lighthizer attributed part of the blame to our underestimation of the extent and persistence of China's mercantilist practices. But more fundamentally, he argued that the very structure of the WTO cannot accommodate countries that deploy large state sectors to advance their national interest at the expense of others.

Although Mr. Lighthizer is a long-term China hawk, developments in the seven years since he testified have led officials on both sides of the aisle to similar if more nuanced conclusions. Now the Trump administration is determined to press the issue. But to make progress toward a solution, the administration must focus on the core of the problem.

Currency manipulation to promote exports is yesterday's issue. Much of the damage China has inflicted on the U.S. manufacturing sector will be hard to reverse, even with the aggressive use of existing anti-dumping statutes.

It is China's techno-nationalism that poses the greatest threat to our future. In 2006 the Chinese government adopted a long-term plan to promote what it called "indigenous innovation." As James McGregor, a leading expert on the Chinese economy, writes,

China's leading-edge firms were directed to obtain technology from their multinational partners through "co-innovation and re-innovation based on the assimilation of imported technologies."

In practice, this meant giving American firms an offer Don Corleone would have recognized—either to "share their technologies with Chinese competitors—or refuse and

Inviting Beijing into the WTO seemed like a win-win. It didn't turn out that way.

miss out on the world's fastest-growing market." China's ultimate goal is to use forced technology transfer to replace the U.S. as the world's leading economy.

The Obama administration recognized this problem. In a November 2015 speech, Robert Holleyman II, then deputy trade representative, declared that China "continues to adopt measures to promote indigenous innovation that contradict its stated commitment to promote intellectual property protection and enforcement."

Earlier this year, as the Trump administration was getting under way, research centers in Europe and the U.S. issued scathing critiques of China's signature technology initiative, "Made in China 2025," which calls for Chinese companies to

produce 40% of the components and materials in the manufacturing chain by 2020, and 70% by 2025. In the view of its foreign critics, says Mr. McGregor, this is a "protectionist blueprint aimed at gutting high-end manufacturing in the United States, Europe, Japan, and other developed economies."

Existing legal tools may not suffice to end these discriminatory practices. Although the WTO prohibits mandatory technology transfers, the Chinese government's position is that trading technology for market access is purely a business decision. Protectionist government purchases are a key part of China's strategy. When China entered the WTO in 2001, it promised to sign the Government Procurement Agreement, which requires government purchases to be made on a nondiscriminatory and transparent basis, "as soon as possible." Sixteen years later, this has not happened.

As a first step, the Trump administration should demand that the Chinese government sign the GPA without further delay. But down the road, the administration may be forced to ask Congress for additional authority. If turning over our technological crown jewels to a foreign power is against the national interest, then our government should have the power to prevent it. But wielding this power without blowing up the international trade regime will not be easy.

To rectify the situation, Congress should pass the Employee Rights Act, which drew 170 House co-sponsors in 2016 and is likely to gain more supporters this year. The ERA would prevent union officials from spending member dues on political advocacy without prior approval.

The American Prospect, a left-wing magazine, churns out headlines such as "How Trump Energizes Other Dictators" and claims "there is a psychopath in the White House." In 2016 it received nearly \$173,000 from union dues.

Union leadership is cleverly leveraging anti-Trump front groups so that union officials can still visit the West Wing. Union members, meanwhile, have little say over how their dues are spent. While union members must affirmatively consent to PAC donations, the same is not true for political advocacy spending.

To rectify the situation, Congress should pass the Employee Rights Act, which drew 170 House co-sponsors in 2016 and is likely to gain more supporters this year. The ERA would prevent union officials from spending member dues on political advocacy without prior approval.

Until such a reform is enacted, Trump voters will have to put up with union bosses who say one thing and do another.

Union leaders find common cause with Trump while funding the 'resistance.'

2016, according to Labor Department records, the left-wing organization received more than \$814,000 from the AFL-CIO, National Education Association, and Service Employees International Union, among others.

My organization, the Center for Union Facts, estimates that over the past decade Big Labor has used more than \$1 billion from member dues to fund the Democratic Party and liberal special-interest groups. Examples:

• Americans United for Change, an advocacy group led by former Democratic operative Brad Woodhouse, collected \$830,000 from union dues last year. AUC's national field director (who was subsequently let go) was caught on hidden camera suggesting mentally ill people had been paid to instigate violence at Trump campaign events.

• David Brock's American Bridge 21st Century received \$485,000 in dues money to "hold Republicans accountable." This includes criticizing President Trump's proposed budget while releasing an "interactive timeline highlighting Donald Trump's long and troubling ties to Russia."

• The American Prospect, a left-wing magazine, churns out headlines such as "How Trump Energizes Other Dictators" and claims "there is a psychopath in the White House." In 2016 it received nearly \$173,000 from union dues.

Mr. Berman is executive director of the Center for Union Facts.

By Richard Berman

For a Republican, President Trump is popular among members of labor unions. Last year he carried 43% of the union-household vote, compared with Hillary Clinton's 51%. Four years earlier Barack Obama had outpolled Mitt Romney by 18 points among this group. In Ohio Mr. Trump won the union-household vote by eight points.

Union officials have repeatedly met with Mr. Trump to discuss trade, infrastructure and other employment issues. In March AFL-CIO president Richard Trumka promised to work with the White House to "decrease the imbalance between corporate America and workers."

Meanwhile, a website called ResistanceNearMe.org offers "a hub for progressive local #resist actions" and declares: "It's never been more important to raise our voices to resist Trump's harmful agenda."

OPINION

REVIEW & OUTLOOK

Google's Diversity Problems

Google professes a commitment to diversity, inclusion and openness, so there is no small irony that it now finds itself in the hot center of America's diversity culture wars. The tech giant's dismissal of a contrarian software engineer this week also raises deeper questions about the atmosphere of ideological conformity in corporate America.

Google computer scientist James Damore triggered the uproar when he published a memo last week blasting the search company's "politically correct monoculture" and progressive gender policies. After his cri de coeur went viral, Google CEO Sundar Pichai fired Mr. Damore for violating the company's code of conduct by "advancing harmful gender stereotypes in our workplace."

Mr. Damore, who says several times that discrimination exists and is a problem, could have used an editor to soften his stridency and to fact-check some of his many pop-psychology claims about emotional differences between men and women. But even Mr. Pichai wrote that "much of what was in that memo is fair to debate," and posts on Google's internal messaging board support Mr. Damore for some of the issues he raised.

His main argument is that Google's policies have created a conformist culture. Silencing alternative viewpoints, he says, "has created an ideological echo chamber where some ideas are too sacred to be honestly discussed." He writes that "discrimination to reach equal representation is unfair, divisive and bad for business." That, essentially, is Supreme Court Justice Clarence Thomas's criticism of racial preferences.

Mr. Damore proposes steps Google could take to increase intellectual diversity, such as "stop alienating conservatives," "confront Google's biases," "de-moralize diversity," and "reconsider making Unconscious Bias training mandatory."

To what extent Mr. Damore's former colleagues would agree or disagree with any of this in the privacy of their cars on the way home is unknowable. But what got him tossed out the door were his musings on women in the workplace.

In a note to employees, Mr. Pichai wrote that "we strongly support the right of Googlers to express themselves," but "to suggest a group of our colleagues have traits that make them less biologically suited to that work is offensive and not OK." In other words, it's OK to express views as long as they are not antithetical to Google's political culture.

Mr. Pichai's note sounds like an increasingly familiar form of legal cover. Mr. Damore doesn't belong to a union, and private companies aren't bound by the First Amendment, so Google was

Progressive cultural taboos have migrated from campus to business.

within its right to fire him. But before his firing, Mr. Damore had complained to the National Labor Relations Board about superiors "misrepresenting and shaming me." Now he is arguing that his dismissal constitutes retaliation. This is a stretch, since the labor board's purview doesn't extend to individual workplace disputes. But Mr. Damore could

still try to take Google to court. Google's lawyers, on the other hand, may have noted the Justice Department's definition of sexual harassment as "activity which creates an intimidating, hostile, or offensive work environment for members of one sex." Once female workers complained, Google may have felt it had a legal obligation to fire Mr. Damore.

The liability imperative doesn't stop there. Google is under pressure from an Obama-era Labor Department investigation of its pay practices, which then-Labor Secretary Tom Perez initiated and the Trump Administration has continued. In April, Labor officials claimed they had uncovered "systemic compensation disparities" and "compelling evidence of very significant discrimination against women." In this brave new legal world, a James Damore is collateral damage.

One irony, though, is that Google in its defense against the government has advanced one of Mr. Damore's arguments—that gender disparities to the extent they exist are a result of factors unrelated to discrimination. As to the underlying reality: The American Enterprise Institute reports that more than 80% of computer science and engineering majors are men, but women receive about 60% of biology and 75% of psychology degrees. Enforcing gender parity by the numbers could inadvertently cause more discrimination.

Google's leftwing biases are hardly news. Recall YouTube's censorship last fall of PragerU's conservative educational videos on topics such as university diversity and the Iraq war. The Google subsidiary deemed the videos "potentially objectionable." Potentially?

The Damore firing underscores why so many don't think Google should be trusted as an arbiter of content. Google enjoys a quasi-monopoly in search, which it uses to subordinate paid content to free media. Its algorithms are secret and supposedly aim to make information useful. Determining utility, however, invariably involves value judgments. So the question: Does Google deprioritize content it deems objectionable or antithetical to its values?

Many on the left are dismissing Mr. Damore as an alt-right nut. But the monolithic progressive culture incubated on college campuses clearly has spread to corporate America. The emergence of a backlash is no surprise.

McMaster and the Commander

Chief of Staff John Kelly is by all accounts imposing more discipline in the Trump White House, but a mini-drama of the last week shows there's still more clean-up duty to be done. To wit, notice the alt-right brigades who seem to rise up as if on call to smite some White House policy opponent of aide Steve Bannon.

The latest target has been H.R. McMaster, the three-star general who took over as national security adviser after President Trump fired Michael Flynn. Lt. Gen. McMaster has come in for abuse for favoring more troops and a new strategy in Afghanistan, for warning that Vladimir Putin is no friend of America, and for advising that Mr. Trump not precipitously withdraw from the Iran nuclear deal. He also recently dismissed some NSC staff members who were brought on by Mr. Flynn and are said to be allies of Mr. Bannon.

Policy brawls are routine in any White House, and Lt. Gen. McMaster can surely handle his corner. The issue for Mr. Kelly—and Mr. Trump—is what to do when disagreement inside the White House turns into vilification

The NSC adviser is the latest target of Steve Bannon's media friends.

of his staff from the outside. Somehow the Bannon brigades outside the White House decided to assail the general as insufficiently pro-Israel and not hostile enough to Islamic State, among other calumnies. The latter is especially preposterous since then Colonel McMaster developed the counter-insurgency strategy in Tal Afar that was the prototype for the 2007 "surge" that won the Iraq War.

Mr. Trump issued a statement of support for Lt. Gen. McMaster late on Friday, which in a better White House would settle the matter. But rather than question the general's loyalties, perhaps Mr. Kelly should question Mr. Bannon's. The former Breitbart publisher has been a White House survivor, but his warring habits have also been responsible for much of the White House dysfunction.

Mr. Trump may worry about the damage Mr. Bannon and his allies could do to his Administration if he is no longer part of the White House team. But if his minions continue to vilify his colleagues inside the White House, how can anyone tell the difference?

Would You Like a Job?

More evidence of a tight American job market arrived on Tuesday with the Labor Department's report of 6.2 million job openings at the end of June. The so-called Jolts report, which many economists view as the best measure of labor-market health, showed an increase of 461,000 openings from the previous month.

That 6.2 million figure is subject to revision, but if it holds it would be a record since Labor began reporting the Jolts numbers in December 2000. The survey comports with the anecdotal evidence that employers are having trouble finding workers across the economy. The survey found 38,000 more job openings in manufacturing to 388,000; 62,000 more in construction to 225,000; and 179,000 more in professional and business services to 1.2 million. The numbers suggest a labor shortage that includes skilled and unskilled workers.

The Jolts report wasn't all good news as layoffs rose slightly to 1.7 million from 1.67 million, and the number of Americans who quit their jobs fell to 3.13 million, down from 3.21 million. A higher quit rate is typically a sign of economic health because it suggests workers

are willing to leave their job in the expectation that they will be able to find a better one.

We don't often write about the Jolts figures, but in this case they add to the evidence of the tight labor market that has been building for months. This usually means that wages will rise as employers are forced to bid up the price of labor. Those

raises have been slow in coming with the lackluster economic growth of this expansion, but they should be coming in a market with so many jobs beckoning.

But the labor market also suggests a potential bottleneck for future economic growth. Labor and capital are the two main engines of expansion, and it's hard to know where the workers will come from as more Baby Boomers retire and millions of Americans have claimed disability over the past decade.

The tight labor conditions certainly underscore the folly of limiting legal immigration, as President Trump has proposed. To return to the 3% annual GDP growth that Mr. Trump promised, he may need to increase guest worker visas by the tens of thousands. He knows how valuable those visas can be from his experience at Mar-a-Lago.

The monthly Jolts survey hits a record for job openings.

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LETTERS TO THE EDITOR

Is Wider DNA Testing a Solution or Abuse?

Regarding Mark Helprin's "How to Save Lives With DNA Testing" (op-ed, Aug. 2): H.R. 510 will save even more lives with DNA testing. Mr. Helprin makes an excellent case for the analysis of forensic DNA samples taken from offenders who commit certain misdemeanors as well as felonies. Criminals who commit murders, rapes, etc., are much more likely to have engaged in previous violent felonies and misdemeanors and are more likely to do so in the future. Thus, having this DNA information in our databases is very valuable for identifying who is responsible for a violent act. However, identification is only the first step in breaking the recidivist cycle. It is also necessary to apprehend these criminals as rapidly as possible for the sake of potential future victims.

This important challenge is addressed by H.R. 510, The Rapid DNA Act of 2017, sponsored by Rep. Jim Sensenbrenner, which just passed in both houses of Congress with broad bipartisan support. This bill directs the FBI to develop standards and to deploy technology to perform forensic identification locally at the time of arrest for a felony to determine if the arrestee's DNA hits on previous crimes. Criminals aren't necessarily stupid. An arrestee for a minor offense may know his DNA will hit on a previous rape, but the police don't. The deployment of real-time DNA analysis instruments, which are now commercially available and produce high quality data, will give law enforcement the information they need to identify these individuals

while they are still in custody. The person who doesn't become a victim may be someone you know and love.

PROF. RICHARD A. MATHIES
UC Berkeley
Berkeley, Calif.

Mark Helprin's recommendations would create a very slippery slope that may well lead to demand for DNA testing for anyone arrested for anything, even without a conviction, once someone in that category later commits a murder that goes viral. Although the Hannah Graham case is certainly tragic, I find it morally unacceptable to subject tens of thousands of people to government scrutiny for doing nothing more than being accused of a "serious" misdemeanor.

In the Commonwealth of Virginia, speeding over 80 mph or exceeding the posted speed limit by 20 mph constitutes a misdemeanor on the same level of offense as driving while intoxicated. Under Mr. Halperin's proposal, law enforcement departments would be allowed to subject all accused of these "serious" offenses to provide DNA samples. One could also possibly assume that some agencies would increase their effort to collect vast amounts of DNA data by escalating enforcement of traffic or other laws.

With the incredible surveillance tools currently employed by law enforcement and government agencies, I feel some of us have come to the point where we can say enough is enough.

KENNETH PACKARD
Bel Air, Md.

School Vouchers Diminish Public Education

Regarding your editorial "Randi Weingarten's 'Racism' Rant" (July 24): Public education is, and has always been, foundational to our democracy. In a speech to 1,400 educators on July 20, I laid out a path forward to strengthen public education for all children, while also detailing the threats to public schools and our democracy.

Both were undermined by white politicians who resisted school integration after the *Brown v. Board of Education* decision and pushed school choice to cloak overt racism in places like Prince Edward County, Va. The campaign today to defund and privatize our schools is keeping the same children from getting the public education they need

and deserve. The evidence is clear that the private-school vouchers being pushed by Education Secretary Betsy DeVos fail the students they are purportedly designed to help, drain money from public schools, increase racial and economic segregation, and allow discrimination. The Department of Educa-

tion's own analysis of the Washington, D.C., voucher program found it has a negative effect on student achievement.

But judging from the response by the Journal and others to my speech, no amount of evidence will sway voucher proponents from their ideological agenda to starve public schools to the breaking point, then criticize their deficiencies and let the market handle the rest, all in the name of choice.

Public schools are not perfect, and every one doesn't always work for every one of its students. But as far as I am concerned, our only choice is: Do we, as a nation, strengthen and improve our public schools, or don't we? Our collective response to that question will determine whether our democracy gets stronger or comes apart.

RANDI WEINGARTEN
President
American Federation of Teachers
Washington

Rising Border Body Count Isn't Our Problem

I take issue with your editorial "The Body Count at the Border" (Aug. 2). You say: "Every so often comes a dark reminder of the human cost of immigration dysfunction." The implication puts the blame for the deaths of migrants on the U.S. government. You are wrong. The U.S. is under no obligation to take in any immigrants. These deaths are caused by the people willing to break our laws.

JOHN W. CHAMBERLIN

Los Alamos, N.M.

There is only one way to end this dreadful activity, and that is by enacting immigration legislation, which would include more legal visas for guest workers and stricter border and workplace enforcement, such as mandating that every employer use the current E-Verify system to validate the legality of all employees.

JIM REDHEAD

San Diego

As Texas Lt. Gov. Dan Patrick commented, "Sanctuary cities entice people to believe they can come to America and Texas and live outside the law," as well as enabling human smugglers and cartels.

Connectedness, Resilience And Peace' Sans the NEA

I'm afraid that artist Kimi Eisele's letter of Aug. 2 ("The Public Value in the NEA Saguaro Project"), trying to convince us that the Saguaro cactus project wasn't inane, has the opposite effect. There are innumerable places in the Southwest where one can experience "connectedness, resilience and peace" without a grant from the National Endowment for the Arts.

To the larger point: A project should stand on its own merit. If folks don't support it, it should not be propped up by the federal government with dollars taken from the taxpayers. One man's cactus is another man's cowboy poetry festival.

MICHAEL LEBUTT

Cheboygan, Mich.

CORRECTION

The Hindu sage Yajnavalkya lived in the eighth century B.C. Because of an editing error, the date was misstated in the Aug. 4 Houses of Worship column.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Wake up honey,
you were roaring again."

OPINION

Putin's Goal: Revenge and Restoration

By Leon Aron

As the Russian hacking and "collusion" sagas consume Washington elites and the media, a more important question has gone unanswered: Why is Vladimir Putin engaging in such activity, and what should Americans expect next?

By temperament and KGB training, Mr. Putin is not an easy man to read. Secrecy is an integral part of the regime he has forged, as in all authoritarian states. Yet surmise about his motives and goals we must, since the alternative is to be unpleasantly surprised every time he acts.

What ties hacking and election meddling to Syria and Ukraine? A nostalgia for Soviet-era power.

"Who is Mr. Putin?" was the refrain in the early 2000s after this obscure director of the FSB—the post-Soviet successor to the KGB—became first prime minister and then a phenomenally popular president. Seeking clues to his behavior, experts labeled him an "authoritarian modernizer," a spy-agency "operative," a "bureaucrat" and a Russian "nationalist."

Yet what seemed to explain his policies most consistently was another gradually emerging identity: that of an ardent Soviet patriot. Mr. Putin's speeches and off-the-cuff remarks seem to indicate that, unlike Western and Russian democrats, he

never bought into the narrative that there were no winners in the Cold War. He appears to view the global order as unfair and immoral, having been hijacked by America. This conviction solidified in 2003 after the U.S. invaded Iraq. Then in 2011 the West helped topple Libya's Moammar Gadhafi, an intervention Mr. Putin likened to the Crusades.

The Russian president acts as if he imposed on himself a historical mission to rebalance the world's "correlation of forces," as the Soviets used to say in Brezhnev's time. Resentment and restoration looked like his twin mottos. While leaving the door open to cooperation with the U.S. on antiterrorism, arms control and nuclear nonproliferation, Mr. Putin came to view the rest of geopolitics as largely a zero-sum game: If the West wins, Russia loses—and vice versa.

What happened during the 2016 presidential election, then, was not an anti-American one-off. It was part of a sustained policy, a tile in the giant geopolitical mosaic of Russian resurgence that Mr. Putin has set out to construct.

Moscow has perpetrated cyber-warfare, hacking, fake news and political interference for years. Last year, in addition to meddling in America's election, Russia was behind an attempted coup d'état in Montenegro meant to prevent it from joining NATO. Since 2007, Russia has hacked the servers of government, industrial or financial institutions in Estonia, Georgia, Lithuania, Bulgaria and Ukraine. The International Olympic Committee and unclassified computers at the U.S. State Department have been attacked as well. Now Germany's leaders are



TASS/ZUMA PRESS

At a meeting in the Russian Far East, Aug. 3.

alarmed enough about potential interference in their September parliamentary elections to have issued stern warnings to Moscow.

Judging by all this—and especially by what followed Mr. Putin's election to a third term in 2012—his overarching foreign-policy objective is to weaken Western democratic institutions and alliances by relentlessly chipping away at their legitimacy and popular support.

His answer to the Russian saying *protiv kogo my za?* ("against whom are we for?") looked more and more like "against the West!" and "for Russia!" Mr. Putin would avenge the Soviet Union's fall and lead Russia to reclaim its glory as a geopolitical, military, and moral counterbalance to the U.S.

His policies bear out this reading: Ukraine wants to join Europe? This would be a gain for the West (Mr. Putin once called Ukraine "NATO's Foreign Legion") and must be reversed

by seizing Crimea and initiating a proxy war. The U.S. wants to remove Bashar Assad from power in Syria and supports pro-Western rebels? Russia will ally with America's sworn enemy, Iran, to keep Mr. Assad in power. Hillary Clinton is likely to be elected president? Moscow must find and release *kompromat* (compromising materials) to hobble her campaign and delegitimize the election.

This is a dangerous game. At home Mr. Putin has come to depend on foreign-policy successes and military triumphs for his legitimacy. The Russian economy is stagnant, incomes are falling, poverty is up, and revulsion at the regime's corruption is widespread and intense. The next presidential election comes in March, and Mr. Putin's victory is assured, but he wants more than a win. He wants a resounding affirmation of his popularity, an outpouring of loyalty and adulation that can

carry his regime through the next six years.

Russian proxies have upped their attacks on Ukrainian troops since last month's Trump-Putin summit in Hamburg. Another catalyst for Russian patriotic hysteria could be Belarus, a "fraternal Slavic state," which would be "saved" from imminent NATO conquest by valiant Russian soldiers and local "patriots."

But the largest score would be to invade, most likely by proxy, Estonia, Latvia or Lithuania, thereby exposing NATO as a paper tiger, unable or unwilling to mount a military response. As the world passes the 55th anniversary of the Cuban missile crisis, Mr. Putin may overreach and miscalculate, bringing Russia and the U.S. to the brink of war, just as Nikita Khrushchev did.

Addiction to victories must be among the hardest habits to break. Doubly so if one perceives them, as Mr. Putin does, as a means to right an enormous wrong done to his country—and to remain in power. America's newly adopted anti-Russian sanctions, though morally correct and damaging in the long term, will not change Mr. Putin's strategy today. If anything, he could up the ante.

The West's best option, the only one that has a chance of forcing Mr. Putin to abandon his zero-sum game of revenge and restoration, is to engineer for him unambiguous setbacks and reversals—in Ukraine, Syria and wherever else he chooses to go next. If only the West can muster the will.

Mr. Aron is director of Russian studies at the American Enterprise Institute.

Legalizing Pot Is a Bad Way to Promote Racial Equality



Cory Booker, New Jersey's ambitious junior senator, has gone to pot. Last week the Democrat introduced a bill that would legalize marijuana at the federal level while withholding funds from states that don't legalize it and that disproportionately incarcerate "low-income individuals and people of color for marijuana-related offenses."

The legislation may help Mr. Booker burnish his image with progressives if he runs for president in 2020, but it almost certainly is going nowhere. Republicans control Congress, and Attorney General Jeff Sessions is a drug warrior, which is one reason President Trump put him in charge of the Justice Department. Nevertheless, Mr. Booker's arguments for drug legalization are worth considering because they represent a large and growing consensus. Support for marijuana legalization has nearly doubled to 60% since 2000, according to a

2016 Gallup survey. Even 42% of Republicans support legalization.

In his Facebook posts promoting the bill, Mr. Booker cites some of the more common rationales put forward by proponents of pot legalization, including racial disparities in drug arrests and prisons teeming with "nonviolent" offenders that drain state budgets. "In the United States today, black people are almost four times more likely than their white counterparts to be arrested for marijuana use or possession," writes the senator. "This is the right thing to do for public safety, and will help reduce our overflowing prison population."

Mr. Booker believes drug legalization would address these racial disparities, but don't bet on it. Violent offenses, not drug offenses, drive incarceration rates, and blacks commit violent crimes at seven to 10 times the rate whites do. Data from 2015, the most recent available, show that about 53% of people in state prisons (which house nearly 90% of the nation's inmates) were imprisoned for violent crimes, 19% for property crimes and just 16% for drug crimes. Given that blacks are

also overrepresented among those arrested for property and other nonviolent offenses, merely altering U.S. drug laws would effect little change in the racial makeup of people behind bars.

In Colorado, arrests of black youths for marijuana possession rose 58% after the drug was legalized.

Much is made of studies that show blacks and whites use drugs at similar rates. But a large majority of drug arrests are for trafficking, not possession, so we shouldn't expect usage rates and arrest rates to be identical. Anyway, marijuana offenders of any race occupy relatively few jail and prison cells, and the ones who do tend to be dealers. "As a percentage of our nation's incarcerated population, those possessing small amounts of marijuana barely register," writes James Forman, a former District of Columbia public defender, in his new book,

"Locking Up Our Own." He continues: "For every ten thousand people behind bars in America, only six are there because of marijuana possession."

Liberal Democrats like Mr. Booker aren't the only ones who believe the benefits of drug legalization outweigh the costs. Two libertarian-leaning Republican senators, Rand Paul of Kentucky and Mike Lee of Utah, have also supported bills that would reduce penalties for drug offenders in an effort to close racial disparities in the criminal-justice system. There are plenty of sound reasons to revisit drug policies as the nation's mores and priorities change. Comparisons between prohibitions on alcohol and weed aren't perfect, but neither can they be dismissed out of hand. Health and public-safety concerns should be weighed against personal freedoms.

But if the goal is more racial parity in our penal system, drug legalization seems like an odd place to start. Citizens of Washington state and Colorado voted to make recreational pot legal in 2012. A 2016 study from the Center on Criminal and Juvenile Justice found that

while pot arrests overall were down in Washington, large racial discrepancies remained. In fact, blacks were still twice as likely as whites to be arrested for marijuana-related offenses. And Jeff Hunt of Colorado Christian University reports that the illegal market for weed in the Rocky Mountain State is still thriving and seems to have exacerbated racial inequities. "According to the Colorado Department of Public Safety, arrests in Colorado of black and Latino youth for [underage] marijuana possession have increased 58% and 29% respectively after legalization," Mr. Hunt wrote in USA Today recently. "This means that Black and Latino youth are being arrested more for marijuana possession after it became legal."

Justice Louis Brandeis said that states serve as laboratories of democracy, where "novel social and economic experiments" can be attempted "without risk to the rest of the country." Let's hope that the experiences of these states that are currently experimenting with experimentation will inform Beltway politicians who want to make guinea pigs out of the rest of the country.

Trump Is Wrong—a Weak Dollar Doesn't Make a Strong Economy

By John Tamny

When Donald Trump was elected last November, the dollar rallied. Although the New Yorker had given mixed signals about currency policy throughout his presidential campaign, the price of an ounce of gold (historically the best proxy for the dollar's value) closed the month down more than \$100.

The greenback has since given back all its gains. Not only has it weakened against most foreign currencies, the price of gold has crawled back to where it was in the days before Mr. Trump's election. None of this should come as a surprise to those who have been paying attention.

Presidents generally get the dollar they want. In Mr. Trump's case,

his comments since entering the White House have indicated his desire for a weaker currency. In April he concluded that the dollar "is getting too strong." Last month he told this newspaper that he likes "a dollar that's not too strong," and that "lots of bad things happen with a strong dollar."

Mr. Trump would be wise to temper this rhetoric. He has promised to boost American exports, create jobs and return the country to broad prosperity. A weak dollar runs counter to all three goals. To see why, it's important to look beyond the initial effects of devalued money.

On its face, a weak dollar might appear wise in that it makes American products cheaper for customers abroad, boosting exports. Yet no country can devalue its way to

prosperity. Robert Mundell, a Nobel laureate in economics, once stated a simple truth: "The only closed economy is the world economy." This matters a great deal because production is increasingly globalized. The Jeep Wrangler, Ford Taurus and Ford F-150 are among the most American-made cars in the world, but nearly a third of their parts are imported. A weak dollar increases the cost of these inputs, limiting any supposed gains from the initial devaluation.

Oil prices have a similar effect. When the dollar is in decline, oil prices are on the rise. The weak-dollar policies of Presidents Richard Nixon, Jimmy Carter and George W. Bush are what explain high oil prices during the 1970s and 2000s. It's not as though crude suddenly became scarce. A shrunken dollar under Mr. Trump would also push energy

prices up—which increases the cost of exporting.

The quickest path to competitive exports is investing to improve productivity. Investment is the greatest enemy rising prices have ever known. Think of Henry Ford, pouring his initially slim profits back into his

valuation acts like a tax on the investment needed to improve American competitiveness. The same goes for job creation, since work opportunities are similarly a function of investment.

A final simple point is that American workers are paid in dollars. Devaluing the currency erodes their ability to buy the necessities and pleasures of life, whether they're created across the street, or on the other side of the world. This obvious truth has long eluded proponents of a weak currency, who are prone to limiting their analysis to first-stage implications. They focus on the economy as an abstract blob, forgetting that it's made up of millions of individual workers who earn dollars. Never explained by Mr. Trump or any backer of a weak currency is how eroding its value will help these people and companies.

Devaluation proponents can't rationalize the irrational. The reality, seemingly ignored in the discussion of economic growth, is that workers produce in order to consume. The making is all about the *getting*. But if the dollar is in decline Americans will, at best, be exporting more in return for fewer imports. It would be hard to conceive a more impoverishing policy.

Yet that is what President Trump is proposing. A weaker dollar will harm American competitiveness, raise prices, tax job creation, and sap workers' earnings and savings. It does not work in theory, and it has never worked in practice. Unless Mr. Trump changes course, it sounds like the path to a one-term presidency.

Mr. Tamny is director of the Center for Economic Freedom at FreedomWorks, editor of RealClearMarkets, and author of "Popular Economics" (2015, Regnery).

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Notable & Quotable: Humor

The abstract of "The Funny Side of Drug Dealing: Risk, Humor, and Narrative Identity," a paper published by the scholarly journal Criminology, July 11:

In this study, we explore the role humor plays in the narrated identities of drug dealers, in their negotiation of the threat of formal punishment, and in their cultural membership and authority. By drawing from interview and observation data gathered from 33 active drug dealers residing in St. Louis, Missouri, we find that humor facilitates identity work among illicit drug dealers in several ways. Humor is an important symbolic boundary marker distinguishing dealers from others they consider "stupid" or less

circumspect. It also indicates dealers' identities as "smart" and simultaneously establishes and validates their subcultural authority and membership in the symbolic group of "smart" dealers. Furthermore, drug dealers use denigrating humor in their narratives to distance their former and virtual identities from their present identities. Finally, humor also reduces dealers' perceptions of the threats posed by police and potential snitches by casting dealers' present identities and former reactions to the threat of punishment in a positive light. We conclude by discussing implications for narrative criminology, extant humor research, and current understanding of symbolic boundaries, identity work, and deterrence.

Mr. Tamny is director of the Center for Economic Freedom at FreedomWorks, editor of RealClearMarkets, and author of "Popular Economics" (2015, Regnery).

WORLD NEWS

U.S. Demand for Mexican Laborers Jumps

Growth comes as the administration moves to curb immigration and rework trade ties

BY ROBBIE WHELAN

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

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

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

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

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

Among the employers that applied in the past year for guest workers under the H-2B program are two operations owned by the Trump Organiza-



Mexican farmworkers harvest celery in Brawley, Calif. Growing demand is prompting a search for ways to ease U.S. labor shortages.

tion, the real-estate company controlled by President Donald Trump's family: the Mar-a-Lago resort in Florida and a Virginia vineyard. The Trump Organization declined to comment.

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

American farmers for several years have voiced concerns about labor shortages, often paired with complaints about the H-2A visa program, which many see as overly bureaucratic, costly and time-consuming.

The program requires employers to pay for food, housing and transportation for sea-

sonal guest workers. Still, most farmers say the program is crucial to the U.S. agricultural industry.

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

Last week, Mr. Trump unveiled legislation alongside two Republican senators that would make the U.S. immigra-

tion system more merit-based and change how the country issues permanent resident cards to foreigners with the aim of raising wages. The proposal doesn't address temporary worker visas.

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

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

"If there are possibilities to have legal, temporary immi-

gration, that deals with the problem of the work force supply, and then you won't have an illegal immigration problem," said Ildefonso Guajardo, Mexico's economy minister.

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

Advocates for migrants have pushed to expand that program to include a broader range of professions. But U.S. Agriculture Secretary Sonny Perdue said in a recent interview that

Hungry for Workers

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

■ H-2A (agricultural)

■ H-2B (nonagricultural)

350,000 positions certified



*Through third quarter

Note: Fiscal year ends Sept. 30.

Source: U.S. Department of Labor

THE WALL STREET JOURNAL.

the Nafta talks likely won't address the concerns by U.S. growers about labor shortages.

Temporary worker visas are controversial in Washington. In May, a bipartisan group of four U.S. senators wrote to the DHS urging it not to raise the cap on H-2B visas. They argued the program "puts all workers at risk" by eliminating U.S. jobs and depressing wages for American laborers, and by allowing some employers to abuse foreign guest workers, deprive them of wages and engage in human trafficking.

Immigration lawyers and migrant-rights groups say fraud in the recruitment of temporary workers is rising.

Regional Leaders Reject Venezuela Assembly

BY RYAN DUBE

LIMA, Peru—Governments from across Latin America agreed Tuesday that they wouldn't recognize Venezuela's powerful new constituent assembly, saying that it represented a breakdown in the country's democratic order.

"What we have in Venezuela is a dictatorship," Peru's Foreign Relations Minister Ricardo Luna said while surrounded by his counterparts from Latin America's biggest countries, including Brazil, Mexico, Chile and Colombia. "This is a regional crisis, without precedent."

In a declaration, foreign ministers and other top officials from 12 countries, including Canada, said the decisions by Venezuela's 545-member constituent assembly will be considered illegitimate.

The assembly was installed on Friday after an election widely considered fraudulent amid concerns that it will be used by embattled President

Nicolás Maduro to wipe out dissent as it rewrites the constitution. On Tuesday, it passed a decree saying that its decisions will override those of all other government branches. The assembly agreed to convene for the next two years, which the opposition fears will result in the suspension of the 2018 presidential election.

The Venezuelan government didn't return a request for comment. Mr. Maduro says the constituent assembly will bring peace to Venezuela, blaming the country's political and economic crisis on the opposition and foreign powers.

In the past, he has called Latin American leaders critical of his administration pawns of the U.S.

The assembly, which is made up of Mr. Maduro's allies, including his wife and son, has already moved quickly to crack down on critics. During its first session on Saturday, it voted to remove from office dissident Attorney General Lu-

isa Ortega, a onetime ally of Mr. Maduro who broke with the government over her opposition to the assembly.

Ms. Ortega, who was barred from entering the attorney general's office by soldiers in riot gear, has said she won't recognize the decision. She has said she would continue with her investigations into

corruption and human-rights abuses by the government.

The Latin American officials meeting in Peru said they supported Ms. Ortega and will continue to recognize the opposition-controlled Congress.

Mr. Maduro and his allies have threatened to close the Congress and strip lawmakers of immunity from prosecution,

saying some could be thrown in jail.

The declaration condemned the use of violence, the government's persecution of critics and detention of hundreds of political prisoners. The Latin American nations also urged other countries to halt the sale of weapons to Venezuela, and said they wouldn't support any Venezuelan candidate put forward by the government for positions at international and regional organizations.

The meeting in Lima follows Venezuela's suspension from South America's Mercosur trade bloc for failing to follow democratic norms and the U.S. decision to hit the increasingly isolated Mr. Maduro with sanctions, calling him a dictator.

It came two days after an attack on a key army base in Venezuela's third city of Valencia by former army officers and civilians, highlighting discontent with the government among lower-ranking military officials.



Latin American officials announced their declaration in Lima.

MARIANA BAZO/REUTERS

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corruption and human-rights abuses by the government.

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Pakistan's Ousted Premier Is Still in Fray

BY SAEED SHAH

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

"We want democracy to be respected, the Pakistani people's mandate to be respected, rule of law, for the constitution to be implemented," Mr. Sharif told journalists Tuesday.

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

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

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

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

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

Mr. Sharif has been elected prime minister three times, and each of his terms has been cut short, two by military intervention. No Pakistan prime minister has been able to complete his or her tenure in the country's 70-year history.

—Qasim Nauman contributed to this article.

CHINA

Strong Earthquakes Hit in Two Regions

A strong earthquake shook a mountainous region in southwestern China, killing at least 13 people, injuring 175 and knocking out power and phone networks. At least five of the dead were tourists. China's official Xinhua News Agency said.

President Xi Jinping called for rapid efforts to respond to the quake and rescue the injured.

Tuesday night's quake struck a region bordered by the provinces of Sichuan and Gansu. The area is on the edge of the Tibetan Plateau and home to many Tibetan and other ethnic minority villages. It is near Jiuzhaigou, or Jiuzhai Valley, a national park known for spectacular waterfalls and karst formations.

The U.S. Geological Survey said it was magnitude-6.5 and just 5.5 miles deep.

About seven hours after the quake, another strong earthquake struck in far northwestern China. That earthquake, measured at magnitude 6.3 by the USGS, was centered in a sparsely populated area of the Xinjiang region near the Kazakhstan border. Aftershocks followed but there were no immediate reports of casualties or damage.

—Associated Press



CHINA STRINGER NETWORK/REUTERS

Fallen trees block a road after an earthquake in Jiuzhaigou in China's Sichuan province on Tuesday. The magnitude-6.5 quake struck a mountainous region near a national park known for its waterfalls.

leads an opposition coalition aimed at ousting Prime Minister Najib Razak in general elections due in mid-2018.

Mr. Mahathir, 92 years old, led the country for 22 years before stepping down in 2003. He has been spearheading calls for Mr. Najib to resign over a multi-billion-dollar financial scandal at state fund 1Malaysia Development Bhd. The fund is being investigated in several countries for money laundering. Mr. Najib has denied any wrongdoing.

A five-member Royal Commission of Inquiry said it would investigate how much the cen-

tral bank lost in currency trading in the 1990s and determine if there had been a coverup.

The inquiry was set up after the government said a preliminary investigation found that the extent of losses was larger than what was reported to the cabinet and Parliament.

The inquiry panel said a hearing would begin Aug. 21 and it would aim to submit a report to the king by Oct. 13. The panel can make recommendations on action to be taken against people who are found guilty, but it is up to the attorney general to prosecute.

—Associated Press

IRAN

Drone Flies Near To U.S. Fighter Jet

An unarmed Iranian drone came within 100 feet of a U.S. Navy warplane as the plane prepared to land on an aircraft carrier in the Gulf, a U.S. official said Tuesday.

Despite repeated radio calls from the U.S. to stay clear of the plane, the Iranian drone "executed unsafe and unprofessional altitude changes" close to the Navy F/A-18E, the official said.

The warplane was in a holding pattern and preparing to land aboard the USS Nimitz. The official described the interaction as "unsafe and unprofessional."

This appears to be the first time an Iranian drone has come dangerously close to a U.S. fighter plane in the Gulf.

This was the 13th unsafe and unprofessional interaction between the U.S. and Iranian maritime forces in 2017, the official said.

Years of mutual animosity had eased when Washington lifted sanctions on Tehran last year as part of a deal to curb Iran's nuclear ambitions. But differences remain over Iran's ballistic-missile program and conflicts in Syria and Iraq.

—Reuters

Malaysia's government launched an inquiry into big foreign-exchange losses by the central bank more than two decades ago, in a probe that could lead to criminal prosecution of former Prime Minister Mahathir Mohamad.

Opposition leaders on Tuesday slammed the inquiry as a political ploy to discredit Mr. Mahathir just months after he set up a new political party. He

leads an opposition coalition aimed at ousting Prime Minister Najib Razak in general elections due in mid-2018.

Mr. Mahathir, 92 years old, led the country for 22 years before stepping down in 2003. He has been spearheading calls for Mr. Najib to resign over a multi-billion-dollar financial scandal at state fund 1Malaysia Development Bhd. The fund is being investigated in several countries for money laundering. Mr. Najib has denied any wrongdoing.

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BUSINESS & FINANCE

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S&P 2474.92 ▼ 0.24%

S&P FIN ▼ 0.17%

S&PIT ▼ 0.13%

DJ TRANS ▼ 0.56%

WSJ \$IDX ▲ 0.06%

LIBOR 3M 1.309

NIKKEI (Midday) 19739.88 ▼ 1.28%

See more at WSJMarkets.com

Stock Rally Fails to Fill Pension Shortfalls

Public retiree funds mark a banner year, but gains fall short of ensuring benefits

BY HEATHER GILLERS

A run-up in stocks helped deliver a banner year for America's public pensions. But the gains won't be nearly enough to ensure all state and local retirees receive their promised future benefits.

Large U.S. systems that oversee retirement funds for police, firefighters, teachers and other public workers earned median returns of 12.4% in the fiscal year ended

June 30, according to Wilshire Trust Universe Comparison Service. That is their best annual result since 2014.

Yet many of these public pensions remain severely underfunded despite the recent gains, meaning they don't have enough assets on hand to fulfill all promises made to their workers. Estimates of their collective shortfall vary from \$1.6 trillion to \$4 trillion.

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

The pensions' predicament is the result of decades of low government contributions, overly optimistic investment

assumptions, over-promises on benefits and two recessions that left many retirement systems with deep funding holes. Demographics are also a factor: Liabilities are rising as waves of baby boomers retire, leaving fewer active workers left to contribute to pension plans.

For many pensions, funding problems worsened in the years following the 2008 financial crisis as interest rates hit—and remained at—rock bottom. Some states pushed through benefit cuts that moved new employees onto less-generous, 401(k)-style plans, but those changes often failed to alleviate funding woes because they didn't af-

fect existing retirees.

Many funds tried to address the issue by ramping up their ownership of equities in the hopes of benefiting from an eight-year bull market. Public pension funds had a median 56.61% of their holdings in equities as of June 30, compared with 54.9% a year earlier, according to Moody's Investors Service.

But that level of exposure to stocks means public pensions will experience even more funding stress if a bear market returns.

Many pensions are preparing for lower returns by scaling back predictions of what they will earn in the future, an accounting adjustment that pushes liabilities higher. Public

pensions use a combination of investment income and contributions from employees, states and cities to fund benefits.

Even if returns remain elevated, large public pensions won't be able to reverse their shortfall in coming years, according to Moody's Investors Service.

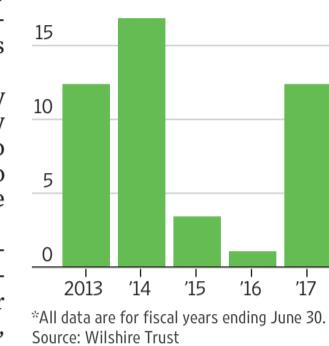
Large public plans currently have just 70% of what they need to pay future benefits to their retirees, according to 2016 figures from Wilshire Consulting.

Funding levels won't improve significantly unless cities and states ramp up their yearly pension contributions, according to a recent report by Please see PENSION page B2

Upswing

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

20%



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



Gone in an Instant

Chase no longer offers instant debit cards, a fast-growing service hampered in part by fraud.

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

6,000 banks Projections

60,000 branches Projections

40,000 branches Projections

20,000 branches Projections

0 2013 '14 '15 '16 '17 '18 '19 '20 '21

Counterfeit card 44%

Fraudulent use of account number 39%

Other 6%

Lost or stolen card 11%

Card fraud by type, 2015

*Includes banks and credit unions. †Counterfeit and lost or stolen card generally reflects in-person fraud. Fraudulent use of account number reflects remote fraud.

Sources: Aite Group (banks, branches); Federal Reserve (fraud). Photos: Daniel Acker/Bloomberg News (4); Justin Sullivan/Getty Images (1)

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Instant Debit Cards? Not So Fast

BY KATE FAZZINI AND EMILY GLAZER

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

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

mailed to them.

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

Other banks also have faced problems when expanding new financial technology. For example, some banks have placed more restrictions on mobile check-cashing tech-

nology to cut down on fraud, such as longer wait times for a deposit to post and dollar limits on daily deposits.

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

Since then, a cross-section of national, regional and local banks and credit unions have introduced the service, which often is used to quickly re-

place the cards of customers who might have been the victim of a retail data breach.

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

The swindlers then requested new replacement debit cards on the spot, the people said. They could use Please see CARDS page B2

SoftBank Backs Web Retailer

BY TRIPP MICKLE AND LIZ HOFFMAN

SoftBank Group Corp. and its Vision Fund are closing a \$1 billion investment in online sports retail company Fanatics Inc., part of a sizable bet the startup's licensing agreements with the National Football League and others give it the power to compete with e-commerce giant Amazon.com Inc., according to people familiar with the matter.

The investment in the e-commerce company is scheduled to close this month as part of a round of funding that will lift its total valuation to \$4.5 billion from \$3 billion, the people said. Other investors in this round include the NFL and Major League Baseball, which invested about \$95 million and \$50 million, respectively, earlier this year.

SoftBank in April made an initial investment of an undisclosed sum, according to a person familiar with the matter,

but the bulk of the \$1 billion investment comes from SoftBank's \$100 billion Vision Fund. The fund, whose investors include Saudi Arabia and Abu Dhabi sovereign-wealth funds as well as companies such as Apple Inc. and Qualcomm Inc.,

Expected investment in startup Fanatics by Vision Fund

is still being completed after gathering \$93 billion in an initial closing in May.

In addition to Fanatics, the Vision Fund has committed to invest nearly \$3 billion in shared-office-space giant WeWork Cos. and \$1 billion in satellite-internet startup OneWeb Ltd., among others.

The Fanatics deal reflects the belief by SoftBank and its Vision Fund that the company has built

an e-commerce business that can withstand the pressures of Amazon, the people said.

Still, selling sports jerseys and caps online appears to stray from Vision Fund's stated mission: investing in startups at the forefront of artificial intelligence and machine learning. Investments fitting that mold include the acquisition of Google's robotics division Boston Dynamics and a stake in chip maker Nvidia Corp.

Fanatics has signed long-term licensing agreements through at least 2030 with major U.S. sports leagues, giving it exclusive rights to sell and make licensed merchandise. It also has agreements to manage e-commerce sales and operations for international soccer clubs such as Manchester United and Real Madrid.

The company's revenue last year topped \$1.4 billion, up from about \$1 billion in 2015. It expects to generate \$2.2 billion in revenue this year. About three-quarters of revenue Please see WEB page B2

INSIDE



JUDGE JUDY BOOKS A DEAL WITH CBS

MEDIA, B3



BLUE CHIPS END THEIR STREAK

EQUITIES, B15

to live up to the higher expectations. The first test for Coach will come when it reports earnings next week.

The company, which is hoping Kate Spade's colorful designs will help it attract younger consumers, said in May that the deal would deliver about \$50 million in cost savings within three years of closing.

Yet as of Aug. 3, Coach's share price implied that the market was expecting pretax synergies of \$233 million, according to an analysis by Citigroup.

This takes into account Coach's plans to stop selling Kate Spade's bags via online flash sales and to rein in its wholesale business.

The market appears to be ignoring some sizable risks. Reducing Kate Spade's flash sales could hurt its revenue. The Kate Spade brand was already showing signs of weakness, posting its first negative quarterly same-store sales figure since 2008 just before the announcement of the Coach deal.

Both Coach and Michael Kors are investor favorites again, but they know that the affair will be fleeting unless they keep delivering strong results.

◆ Optimism grows at Michael Kors and Ralph Lauren..... B3

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CARDS

Continued from the prior page
the new card made in the branch to make purchases or withdraw an unsuspecting customer's money from a teller or the bank's ATM. New pins are set for new cards.

After bank officials started noticing the problem picking up, Chase started requiring customers to produce the same form of ID they had used to open their account, such as a driver's license or passport.

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

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

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

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

In May, TD Bank released an ad touting its instant-issue cards. In the ad, a young woman leaves her wallet in a taxi, walks right into a branch,

and has her card replaced instantly.

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

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

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

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

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

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

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

Few states are having more trouble with these issues than Illinois, which has struggled for years to agree on budget priorities and pay for mounting pension liabilities. One result is that the fund that oversees retirement money for state employees, judges and lawmakers now has just 35% of what it needs to pay for all future retirement obligations.

Funds overseen by the Illinois State Board of Investment earned nearly 12% in the fiscal year ended June 30—its best result since 2014—but Chairman Marc Levine said he expects the funding deficit to widen.

"Our liabilities are three

times our assets," said Mr. Levine. "Maintaining our funding level would require investment returns over 20% annually. That's not going to happen."

Many other public pensions around the country reported robust returns in the year ended June 30 but warned of difficult budget choices ahead.

The **California Public Employees' Retirement System**, the biggest in the U.S., earned 11.2% in fiscal 2017—largely

because of stocks and private equity. But the fund, known by its acronym Calpers, noted that it has just 68% of the assets it needs to pay for future benefits. That is up from 65% in 2016.

"We welcome this fiscal

year's strong returns, but we

also remain about 68 percent

funded and vulnerable to a

downturn in stock markets,"

Calpers Chief Executive Marcie Frost said in a statement. The fund has about \$332 billion in

assets for 1.8 million workers and retirees.

The **California State Teachers' Retirement System**, which sits roughly one mile from Calpers in Sacramento, Calif., reported a fiscal 2017 return of 13.4%.

One of the best gains

among public pensions hap-

pened in Connecticut, where

retirement funds earned a col-

lective return of 14.3% in the

fiscal year ending June 30.

"It was a jackpot for the

taxpayers," said state Treas-

urer Denise Nappier.

But the fund that oversees

retirements for state employ-

ees has just 35.5% of what it

needs to pay for future obli-

gations and a fund for teachers

has 56%. The state, Ms. Nappier said, made a mistake by

not contributing more to the

funds in past years.

Now she wants the teach-

ers' fund to reduce expecta-

tions for future gains, calling

its current goal of 8% "an un-

realistic expectation."

The state employee fund last year

dropped its assumption to

6.9% from 8%.

BUSINESS & FINANCE

States Vie to Host Auto Factory

By PETER GRANT

Toyota Motor Corp.'s and **Mazda Motor** Corp.'s announcement last week that they have joined together to develop a \$1.6 billion factory in the U.S. set off cheers among auto-parts manufacturers and other businesses.

But officials in the states and cities that are in hot pursuit of the plant are holding off on celebrating until the venture makes the critical decision of where to locate the facility and up to 4,000 jobs.

The shortlist, according to people familiar with the matter, includes: Alabama, Florida, Kentucky, Illinois, Indiana, Iowa, Michigan, Mississippi, North Carolina, South Carolina and Texas.

For more than six months,

Toyota has been exploring those states for a plant location, according to people familiar with the matter. Working through real-estate services firm JLL, the auto giant until last week had been keeping its identity secret, the people said.

Now the search is public, and a second assembly line is being added to the requirement. That increases the space needed to greater than 1,000 acres. If it were just a Toyota plant, the requirement could have been as small as 700 acres, the people said.

Foreign automobile manufacturers have been making cars in the U.S. for more than 30 years. The southeast has become the preferred location for many because of the business-friendly labor laws of

many of the region's states.

Suppliers set up facilities near some of the region's early plants, like the BMW factory in Spartanburg, S.C. The presence of those suppliers in the southeast adds to the region's appeal to car makers looking now, according to Jason Hickey, president of Hickey & Associates, a corporate site-selection consultant.

"The assembly operations are saying we want suppliers close by," Mr. Hickey said. "When Toyota comes into a market, they'll already be there."

Experts say the Toyota-Mazda venture is likely to make its decision in part based on labor force and government incentives. Over the years, state and local governments have provided foreign

auto makers a wide range of tax breaks, free land, infrastructure, training programs and other inducements that can be worth hundreds of millions of dollars.

Toyota and Mazda are hoping to open the new plant, which will have an estimated production capacity of about 300,000 units, in 2021. Toyota plans to use it to produce the Corolla for the North American market. Mazda plans to use it to introduce to the market crossover models, which include features of sport-utility vehicles and passenger cars.

JLL has worked with Toyota in the past. The firm represented the car company in 2014 when it decided to move its North American headquarters from California to Plano, Texas.



Investors in Fanatics include Major League Baseball. Boston Red Sox player Hanley Ramirez poses for a photo with fans in April.

WEB

Continued from the prior page
nue is direct-to-consumer sales from Fanatics.com or the 200-plus team and league sites that the company operates.

SoftBank has been burned by previous e-commerce investments. It invested \$627 million in India's Snapdeal in 2014 only to see the online marketplace lose ground to Amazon. In May, SoftBank said it took a \$1.4 billion loss on investments in its most recent fiscal year, largely from its stakes in Snapdeal and India

those large e-commerce players will continue to grow by acquiring smaller competitors or forcing rivals out of business. Only some niche players are expected to survive.

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taxi-hailing app Ola.

Fanatics has tried to differentiate itself from other e-commerce companies by adding manufacturing capabilities. In May, it acquired Majestic, a division of VF Corp., giving it several manufacturing facilities. It is making Under Armour Inc.-branded MLB uniforms for retail and using the factories to accelerate its efforts to bring fast-fashion to sports.

For example, after New York Yankees slugger Aaron Judge won the home-run derby in July, Fanatics began

marketing and manufacturing T-shirts celebrating the victory. It was able to do so quickly, people familiar with the company said, because it is an official licensee of MLB and owned the manufacturing facilities to make the shirts.

Other Fanatics investors include Singapore state-owned investment company Temasek Holdings Pte. Ltd., Alibaba Group Holding Ltd., Insight Venture Partners and Andreesen Horowitz.

—Mayumi Negishi contributed to this article.

PENSION

Continued from the prior page
the Center for Retirement Research at Boston College. But budget problems in many states and cities mean governments either can't afford to make aggressive payments or opt to stretch them over decades so big outlays are delayed.

Few states are having more trouble with these issues than Illinois, which has struggled for years to agree on budget priorities and pay for mounting pension liabilities. One result is that the fund that oversees retirement money for state employees, judges and lawmakers now has just 35% of what it needs to pay for all future retirement obligations.

Funds overseen by the Illinois State Board of Investment earned nearly 12% in the fiscal year ended June 30—its best result since 2014—but Chairman Marc Levine said he expects the funding deficit to widen.

Andersson, who oversees the pension fund for state employees, judges and lawmakers, said the fund has just 35% of what it needs to pay for all future retirement obligations.

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BUSINESS NEWS

CVS Steps Further Onto Turf Of MDs

BY SHARON TERLEP

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

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

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

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

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

Prescription volumes were flat for the most recent quarter, the company said Tuesday, largely because of the loss of contracts to Walgreens. Overall, profit and revenue rose as an increase in pharmacy services offset declines in retail sales and pharmacy same-store sales.

Pharmacy services, such as managing drug claims for health plans, accounted for

\$32.3B

How much pharmacy services contributed to CVS revenue.

\$32.3 billion of the company's \$45.7 billion in second-quarter revenue.

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

Drugstore chains have long deployed resources to help patients combat chronic diseases. Walgreens has a program with **Express Scripts Holding** Co., the largest U.S. administrator of prescription-drug benefits, to improve medication adherence for people with diabetes.

But the CVS program is more extensive and unusual in that it aims to lure back insurers to its pharmacy-benefits management services.



Models took to the runway in Ralph Lauren fashions in New York in 2015. Ralph Lauren CEO Patrice Louvet says he wants to strengthen the brand's e-commerce efforts.

Optimism Grows at Two Brands

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

BY SUZANNE KAPNER

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

Both companies on Tuesday reported sharp sales declines in their latest quarters, as they reduced discounts at their own retail stores and pulled back the amount of goods sold through department stores. However, profits were better than expected and

executives at Michael Kors pointed to signs of improved consumer spending in the U.S.

Ralph Lauren shares rose 13% to \$88.53. Michael Kors shares added 22% to \$45.25. The gains recouped losses from earlier in the year.

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

But while the demand for full-price goods helped raise the company's average prices, it was more than offset by a decline in sales volume be-

cause of the reduced discounts, he continued.

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

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

Ralph Lauren's CEO, Patrice Louvet said he wanted to place more emphasis on boosting revenue. One way he hopes to do that is by strengthening e-commerce, where sales in North America fell 22% in the quarter. Mr. Louvet said he hasn't ruled

out deepening Ralph Lauren's relationship with **Amazon.com** Inc., where the luxury brand now sells a limited number of items.

Ralph Lauren recently struck a deal to sell through Zulily, which is owned by the home-shopping retailer **QVC** Inc.

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

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

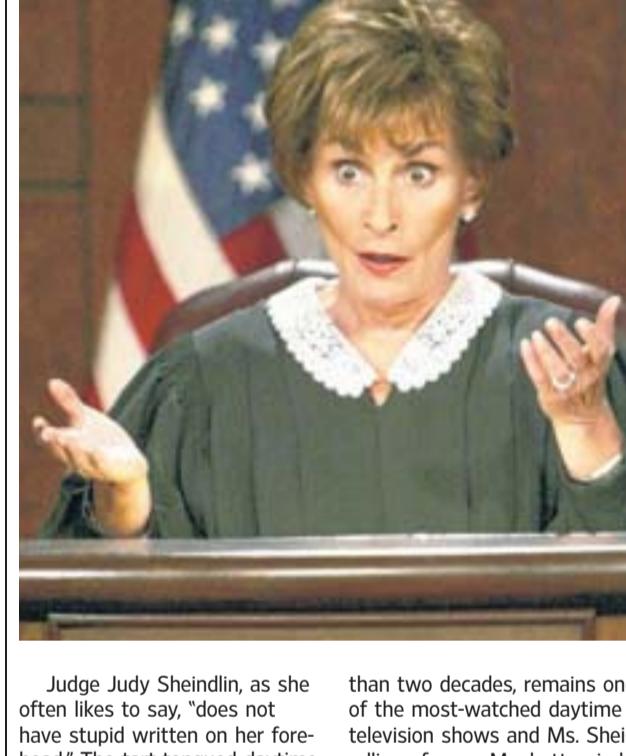
and elevating the brand is driving sales and margins.

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

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

Ralph Lauren said declines in spending by foreign tourists had moderated.

Judge Judy, CBS Make a Deal



PARAMOUNT/COURTESY EVERETT COLLECTION

Judge Judy Sheindlin, as she often likes to say, "does not have stupid written on her forehead." The tart-tongued daytime TV host of "Judge Judy" has sold the library of all the show's telecasts to **CBS** Corp. in a deal worth between \$95 million and \$100 million, according to people familiar with the matter.

"Judge Judy," a hit for more

than two decades, remains one of the most-watched daytime television shows and Ms. Sheindlin, a former Manhattan judge, has become a pop culture icon.

Although she will turn 75 this fall, she shows no sign of slowing down and renewed her deal to run through the 2020-2021 season, which will be her 25th on the air.

—Joe Flint

Time Plans Ambitious Cuts

BY JEFFREY A. TRACHTENBERG AND IMANI MOISE

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

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

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

In a later interview, he declined to comment on potential layoffs and said that two-thirds of the cost savings would result from becoming a more efficient operating company, including improvements to procurement and IT and the globalization of its workforce. "There are no sacred cows," he said.

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

It also said it sees revenue opportunities in licensing deals and new direct-to-con-

Troubled Transition

Time Inc. advertising revenue by type, change from a year earlier



Source: the company

THE WALL STREET JOURNAL.

sumer product offerings intended to make it less dependent on advertising. For example, on Monday, Time said it was launching a pet-related paid membership program that will offer discounts on veterinary expenses.

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

titles up for sale.

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

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

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

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

Revenue dropped 10% to \$694 million. Analysts polled by Thomson Reuters had forecast earnings of 11 cents a share on \$703.5 million in sales. The company's shares, down about 21% this year, rose 1.1% Tuesday, to \$13.95.

BUSINESS WATCH

ONLINE CONTENT

Indonesia Prods Google and Twitter

Alphabet Inc.'s Google and **Twitter** Inc. agreed to better police controversial online content including posts by extremists after Indonesia threatened to shut down social-media and messaging apps if they failed to stop users from spreading such content.

Google will work with several Indonesian nongovernmental organizations, which will flag offensive videos on Google's video-sharing service YouTube, Information Technology Minister Rudiantara said.

Mr. Rudiantara said the system, which is expected to be fully functional in the next two to three months, will be focused on stemming radicalism in the world's largest Muslim-majority country. Indonesian authorities have become concerned with domestic extremist groups' use of social media to spread propaganda from organizations such

as Islamic State.

The new initiative will also target posts seen as fueling religious divisions and those deemed to promote the use of illegal narcotics.

—I Made Sentana

ERA GROUP

Helicopter Operator Signals an Upturn

Era Group, a big helicopter operator for energy companies in the Gulf of Mexico, cited an increase in domestic customer activity "for the first time in a long while."

Era expects a bounce from the third quarter, including placing additional choppers. Era, like other helicopter operators such as **Bristow Group** Inc., has been forced to ground choppers and cut staff as oil and gas companies reduce exploration activity. They also provide an early warning of potential upturns. ERA, which has fallen by half in 2017, was up 0.6% to \$8.62 after hours.

—Doug Cameron

HERTZ GLOBAL HOLDINGS

Second-Period Loss Exceeded Forecasts

Hertz Global Holdings Inc. reported wider-than-expected quarterly losses and sales in line with expectations Tuesday.

Hertz said it lost \$158 million, or \$1.90 a share, in the second quarter, compared with a loss of \$43 million, or 33 cents a share, in the year-ago period. Adjusted for one-time items, the company reported a net loss of \$52 million, or 63 cents a share, in the quarter, versus net income of \$35 million, or 41 cents a share, in the year-earlier period.

Total revenue reached \$2.2 billion, compared with \$2.3 billion in the 2016 second quarter. Analysts polled by FactSet had expected an adjusted per share loss of 20 cents on sales of \$2.2 billion.

Hertz said it had made "significant progress" with its turnaround plan, but "the hard work always comes before" a payoff.

—Claudia Assis

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Batteries are sought-after areas of technology as car makers say they plan to boost sales coming from electric-powered cars.

Nissan Gets Out of E-Car Batteries

BY SEAN MC LAIN

TOKYO—Nissan Motor Co. agreed to sell its battery business, including its U.S. operations, to a Chinese investment firm, setting the stage for a potential ruling by a U.S. regulator on the transfer of sensitive technologies.

The buyer, **GSR Capital**, agreed Tuesday to buy the majority of Nissan's electric-car battery operations for an undisclosed sum. The deal, which the parties said they expected to close by the end of the year, includes Nissan's battery-manufacturing operations in Smyrna, Tenn.; Sunderland, England; and Japan.

Nissan also agreed to hand over part of its battery research operations in Japan and battery subsidiary Automotive Energy Supply Corp., which it has operated as a joint venture with **NEC** Corp. of Japan but would be fully owned by GSR Capital under

the deal. Batteries are among the most sought-after areas of technology because leading car makers have said they plan to sharply boost the proportion of their sales coming from electric-powered cars.

South Korea and Japan have some of the battery industry's leading companies, with China in fast pursuit.

GSR Capital Chairman Sonny Wu said the deal "represents an important step for us in the new energy vehicle industry chain."

Nissan has been seeking to get out of the battery-manufacturing business for some time. Chairman Carlos Ghosn has said the joint venture with NEC was set up a decade ago when Nissan had few options for getting electric-car batteries except making them itself. Today, there are a number of suppliers competing on price and technology, so it makes sense for Nissan to purchase from outside the com-

pany, he has said. Those options include LG Chem, which supplies batteries to Nissan's alliance partner Renault SA. Mr. Ghosn told The Wall Street Journal in 2015 that he would consider using LG batteries in future electric vehicles.

In 2015, GSR Capital raised a \$5 billion buyout fund. Its chairman, Mr. Wu, is also the co-founder of venture-capital firm **GSR Ventures**, which made its name investing in some of China's most famous tech startups, including ride-hailing company Didi Chuxing Technology Co.

One of GSR Venture's deals, for an automotive-lighting unit of Royal Philips NV, broke down over concerns from the Committee on Foreign Investment in the U.S., known as CFIUS—an inter-agency group led by the Treasury Department that has the power to review foreign investments. The battery deal with GSR Capital could face

scrutiny from CFIUS, since it includes the transfer of a U.S. manufacturing facility.

In a text message, Mr. Wu said, "We will jointly file for CFIUS with Nissan." He said GSR Ventures has acquired stakes in two U.S.-based battery companies in the past.

Mr. Wu and a Nissan spokesman declined to comment on expectations for the regulatory process.

The deal comes amid U.S. lawmakers' calls for greater scrutiny of deals involving Chinese investors.

GSR Capital expects close scrutiny of the deal from CFIUS and is lining up a charm offensive in the U.S. to ensure approval, said a person with knowledge of the company's thinking. The deal comes as Nissan prepares to introduce a new version of its Leaf electric car next month, which it says will have increased range and the ProPilot autonomous driving suite.

Race to Meet Next Threat To Security

Cryptography experts look to get ahead of future attacks from quantum computers

By SARA CASTELLANOS

Companies are advancing toward commercializing the world's first large-scale quantum computer sooner than previously thought, which has cryptography experts racing to develop new encryption systems capable of thwarting a quantum computing attack on internet security by a hacker or rogue nation state.

"Classes of problems that are impossible to solve on a classical supercomputer become easy to solve when you have a large-scale quantum computer. One of those is the underlying math that protects [our] secure transactions today," said Scott Totzke, co-founder and CEO of Isara Corp., a cybersecurity startup with a focus on quantum computers.

Government agencies such as the National Institute of Standards and Technology are researching quantum-resistant cryptography. NIST is accepting submissions from researchers for such cryptographic systems through Nov. 30 as part of a three- to five-year plan to study and standardize those techniques.

Classical computers, including supercomputers, use binary digits, or bits, which can either be 0s or 1s. Quantum computers use quantum binary digits, or qubits, which represent and store information in both 0s and 1s simultaneously. The computers have the potential to sort through a vast number of possibilities—more than the number of atoms in the universe—to come up with a probable solution. The calculations could be completed as fast as a fraction of a second, though no scalable, fault-tolerant quantum computer has been built yet.

A widely used encryption algorithm called RSA, used for securing electronic communications such as email, online banking and e-commerce, is among those particularly at risk when a large-scale quantum computer does come to market, said Brian LaMacchia, director of the security and cryptography team at Microsoft Research, a unit of Microsoft Corp.

"If you take a software update, an app update, pay for something online, or you've got

a smart device at home and it uploads data to the cloud...it's probably using RSA to secure that," Dr. LaMacchia said.

The RSA algorithm is vulnerable because it is based on integer factorization, which is essentially reverse multiplication, experts say. It would take classical computers, even supercomputers, several years to factor large numbers that are 500 or 600 digits long, which means solving for integer factorization is impractical and inefficient, said Dustin Moody, a mathematician at NIST. That is why RSA has been a popular cryptographic algorithm since it was invented 40 years ago.

Quantum computers, though, are capable of solving integer factorization problems

Government agencies are researching quantum-resistant cryptography.

perhaps trillions of times faster than a classical computer, said Mark Pecen, founder and chairman of a working group for quantum-safe cryptography at the European Telecommunications Standards Institute. Mr. Pecen is also chief operating officer of Isara.

Zulfikar Ramzan, chief technology officer at RSA Security LLC, a subsidiary of Dell EMC Infrastructure Solutions Group, said new algorithms will be available in the future.

"Our industry is driven by innovation, and when quantum computing is available at scale, there will be new cryptographic algorithms developed that are immune to the added power of quantum computers," he said in an email.

Microsoft's Dr. LaMacchia said the goal is to find a complex mathematical problem for which there is no known efficient algorithm that a quantum computer or a classical computer could use to solve it, and then turn that into a cryptographic system. "That's not the easiest thing to do," he said.

It is crucial that work is being done now to thwart a future quantum computing attack that could potentially cost corporations billions of dollars, Dr. LaMacchia said.

"We know if that happens it will be a catastrophic event, so we have to plan for that," he said.

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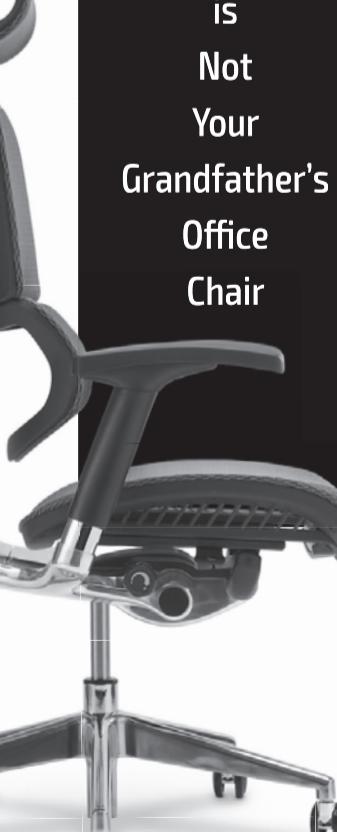
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MANAGEMENT

Wellness Programs Pay Off, Study Says

BY LAUREN WEBER

Healthy employees are more productive employees, according to new research bolstering the case for corporate wellness programs.

While that might seem like an obvious conclusion, the connection has been tough to establish with data to link workers' job performance and their health information.

A study of a small sample of workers at commercial laundry plants in the Midwest found employees who participated in an employer-sponsored health program increased their productivity by about 4% on average during the subsequent year. The greatest productivity change was in sick workers whose health noticeably improved from one annual screening to the next and who saw a 10.8% change in their output.

But even workers who were healthy at the outset of the study were able to get more done during the workday after participating in the program.

Lifestyle changes—better nutrition, more exercise, less stress—were responsible for most of the gains, the authors say.

"We forget that many people come to work not feeling their greatest," said Ian Lar-kin, a management professor at the University of California, Los Angeles, who wrote the paper with Timothy Gubler of University of California, River-side, and Lamar Pierce of Washington University in St. Louis. "Showing up feeling better means people work harder on a day-to-day basis."

Employers have embraced wellness programs, which seek to help workers identify health risks, find necessary treatment and improve their diet and exercise habits, as a way to reduce absenteeism and lower health-insurance costs. For example, nudging workers to quit smoking and offering access to treatment can reduce claims for ailments such as heart disease and lung cancer.

In a Hot Market, Gig Workers Vanish

Uber, other companies dangle improved benefits to attract and retain on-demand employees

By KELSEY GEE

Uber Technologies Inc., Instacart and other gig-economy companies are straining to attract and keep the short-term laborers who give rides, shop for groceries and deliver meals at the tap of an app.

Amid low unemployment and fierce competition, start-ups have begun offering richer perks, benefits and signing bonuses to lure on-demand workers to sign up for, and stay with, their platforms. Companies have beefed up recruiting, even touting the opportunity to join the staff full time—a sign that maintaining a steady labor pool is growing expensive and difficult.

"Founders know that showing these workers they can earn a stable living with some predictability in pay and hours is one major way to compete," said Roy Bahat, head of venture fund Bloomberg Beta, a unit of Bloomberg LP that invests in startups such as job-listing platform **Textio Inc.**

The so-called gig economy, which is composed of part-time and freelance jobs, came on the heels of the 2007-09 recession, when high unemployment and stagnant wages made short-term workers relatively easy to find.

Today, the pool of these workers remains significant. A 2016 McKinsey Global Institute report found that roughly 4% of the U.S. workforce has earned money using apps and platforms in the gig economy, while some economists peg the total closer to 1%, or 1.5 million Americans. But the gig economy is under pressure from a stronger labor market and some workers souring on piecemeal jobs, investors say.

Uber, seeking to repair rocky relations over pay and benefits with its roughly 600,000 active drivers, updated its app in July to enable tipping by customers. It has also rolled out a pilot insurance plan launched in partnership with Aon PLC to



Sidney Walker delivered DoorDash food orders in San Francisco in June. DoorDash leases GenZe motorized bikes for workers' use.

help cover on-the-job accidents.

In June, Uber also committed to developing a program to help drivers take on full-time roles. More than 100 drivers have been hired into customer-support jobs

Delivery service Postmates offers workers signing bonuses up to \$500.

in the U.S., according to a spokesman.

Ride-sharing competitor **Lyft Inc.** in 2015 launched a tiered perks program, giving enhanced tax, health and car-maintenance services depending on the number of rides completed by its roughly 700,000 drivers, a spokeswoman said.

Companies are also using signing bonuses to lure workers. Postmates Inc., an



on-demand delivery service, offers bonuses ranging from \$50 to \$500. Bonuses for new Uber drivers recently hit \$1,000 in San Francisco; for Lyft, it was \$800. Drivers get referral bonuses, too.

A 2015 analysis of Uber's workforce found 45% of new drivers left the platform in their first year, a rate that stayed steady in a separate 2016 study by economists in partnership with the firm.

In any given month, an estimated one in six participants in the gig economy is new, and more than half of such workers exit within a year, according to a November report from the JPMorgan Chase Institute.

Adding perks can "smooth out" any dips in service sparked by worker turnover for on-demand companies,

said Jennifer Fonstad, co-founder of venture firm **Aspect Ventures**, which has investments in UrbanSitter and other gig-economy start-ups. "These new, ancillary services can enhance the gig worker's ability to do a job better and more easily," she added.

Businesses can face lawsuits if they treat independent workers too much like employees who, unlike contractors, must legally be provided certain benefits and protections, said Scott Witlin, an employment attorney with law firm Barnes & Thornburg LLP. Sweeteners such as discounted cellphone plans and referrals to affordable benefits, offered by many firms, keep companies on safe legal ground, he said.

Food-delivery startup DoorDash Inc., based in San Francisco, has enlisted outside companies to connect its 100,000 independent contractors to health-insurance plans and offers next-day payments.

DoorDash is also trying to expand the pool of potential delivery workers—dubbed "dashers"—by leasing motorized bicycles for workers' use during delivery runs in four cities.

DoorDash could eventually rent the fleet to interested workers for a small daily fee, according to Chief Executive Tony Xu. For now, GenZe, the bikes' maker, is providing the \$1,600 vehicles to the company free of charge.

Instacart will begin offering workers discounted mobile-phone plans in the coming months.

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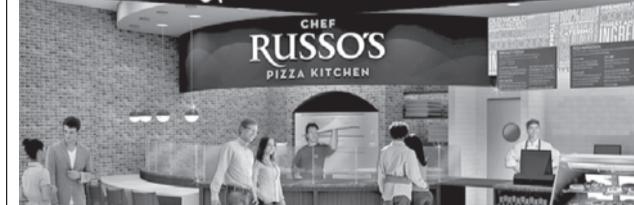
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THE PROPERTY REPORT

Bad Reviews Threaten RLJ's Hotel Deal

Analysts criticize offer price, strategic fit and timing of acquiring FelCor as vote nears

By PETER GRANT

Wall Street has been hammering shares of **RLJ Lodging Trust** ever since the hotel company founded by storied African-American entrepreneur Robert L. Johnson announced plans in April to acquire **FelCor**, another lodging real-estate investment trust, at what many considered too high a price.

The all-stock deal, if approved by shareholders, would create one of the largest hotel-focused real-estate investment trusts, with about 160 properties valued at more than \$7 billion.

Analysts have criticized the deal for being too costly to RLJ shareholders—given the low price its stock has been trading at—and for being a bad fit strategically, especially given slowing growth in the hotel industry.

Investor concern intensified after RLJ revealed that in June it was approached by an unidentified buyer offering to buy RLJ for about a 20% premium to its share price. That buyer turned out to be private-equity giant **Blackstone Group LP**, according to people familiar with the matter.

A Blackstone spokeswoman declined to comment.

Several analysts have argued the all-cash Blackstone offer would benefit investors far more than RLJ's proposed acquisition of FelCor.

"Shareholders can no longer trust that RLJ has their best interests in mind," wrote Green Street Advisors in a report after Blackstone's interest was reported.

Now the decision is coming down to the wire. RLJ share-



MICHAEL BUCHER/THE WALL STREET JOURNAL

RLJ is seeking approval to buy FelCor, whose properties include the Knickerbocker Hotel in Manhattan.

holders are scheduled to vote Aug. 15 on the transaction. While management teams typically win in situations like this, observers said the outcome could be closer than expected

given the poor stock performance and analyst skepticism.

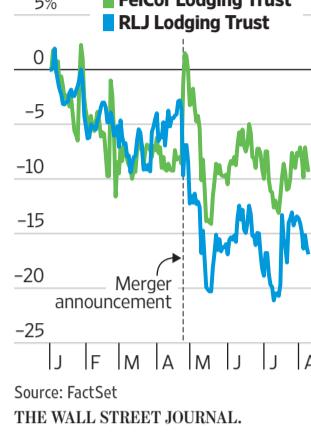
RLJ executives declined to comment. In a conference call with analysts in April after the deal was announced, RLJ Chief

Executive Ross Bierkan said the merged company would benefit from its increased size, more-efficient operations and increased negotiating leverage.

The deal would also provide

Wall Street Reacts

Share-price performance



Source: FactSet

THE WALL STREET JOURNAL.

growth opportunities not otherwise available given the slowdown hitting hotel prices and rates. "We are in a challenging period in the cycle to grow," Mr. Bierkan said.

If the deal is approved, the success of the merged company will depend largely on RLJ's ability to combine two hotel companies that target different parts of the hotel market. RLJ is a leader in what is known in the industry as select-service hotels, with brands like Hilton Garden Inns and Courtyard by Marriott, that have limited food and meeting services.

Select hotels basically just offer rooms with relatively low prices, a strategy that has made them attractive to cost-conscious business travelers and tourists in the years leading out of the downturn.

"Consumers want to check in somewhere, have free Wi-Fi and maybe a free banana or muffin they can grab on their way out to their first meeting," said Whitney Stevenson, an analyst at JMP Securities.

FelCor has focused on hotels with more services and food offerings, like the Knickerbocker Hotel in Midtown

Manhattan, which it purchased for \$115 million in 2012, upgraded and then reopened in 2015. The highly leveraged company has been under pressure to put itself up for sale since early 2016, when activist investor Jonathan Litt took a position in the company and began agitating for a sale of assets or the entire company.

Raymond James analyst William Crow said there was a "good bit of work" needed to integrate the two companies into "one cohesive portfolio." He added that it might be tough for the merged company to sell assets at this point in the cycle to reduce leverage.

"There's considerable risk in doing this," Mr. Crow said.

RLJ founder Mr. Johnson, 71 years old, was born in Hickory, Miss., one of 10 children in a family that had owned land in the area for four generations. A pioneer of the cable-television business, he launched Black Entertainment Television, or BET, in 1980. Twenty-one years later he sold the channel to Viacom Inc. for about \$2.3 billion in stock.

RLJ, which went public in 2011, has its roots in the hotel investments Mr. Johnson started making following his sale of BET. He currently serves as chairman.

With Mr. Johnson's consent, RLJ and FelCor started discussing a possible merger in November, just two months after FelCor's chief executive stepped down and FelCor began a review of its long-term strategy. RLJ's first offer implied a value of FelCor stock "in the low \$8 range," according to a Securities and Exchange Commission filing.

The deal unveiled in April put an implied value of \$8.54 a share on FelCor. It had been trading in the \$7.40 range before the deal was announced.

Retail REITs Say They Have Lots of Life Left

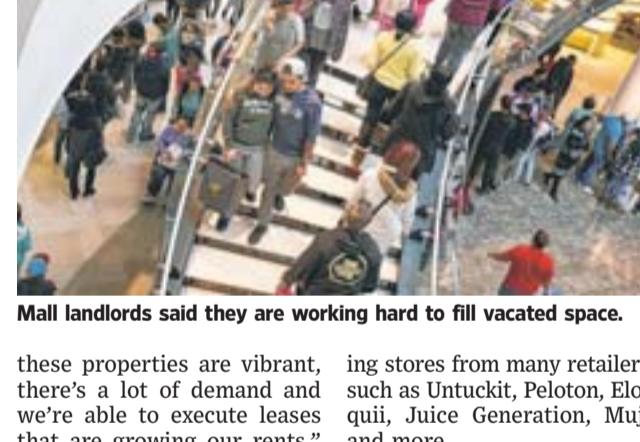
By ESTHER FUNG

Last week, the top mall operators delivered a blunt message to short sellers and naysayers who had expected more gloom for landlords in the bricks-and-mortar retail business: Don't count us out just yet.

The real-estate investment trusts delivered second-quarter results that showed some resilience, with average sales productivity holding steady and occupancy rates taking a smaller-than-expected hit from retailer bankruptcies and announced store closures.

Simon Property Group Inc. and **Macerich Co.** reported strong re-leasing activity and a pickup in same-store net operating-income growth, and their shares have climbed since their results were announced last week.

"The important message is,



MICHAEL NAGLE/BLOOMBERG NEWS

these properties are vibrant, there's a lot of demand and we're able to execute leases that are growing our rents," said Richard Sokolov, president and chief operating officer of Simon Property Group, during its Aug. 1 earnings call. He said the landlord is open-

ing stores from many retailers such as Untuckit, Peloton, Eloquii, Juice Generation, Muji and more.

The Indianapolis-based real-estate investment trust said there are challenges in the retail industry but that it remains confident.

The mall operator raised its full-year guidance on per-share funds from operations, a cash flow metric, by 4 cents after taking into account a debt charge.

Mall landlords said they are working hard to fill vacated space with tenants such as restaurants and entertainment providers that draw foot traffic.

Taubman Centers Inc., which has the smallest portfolio of the four A-mall REITs, was the only one to reduce its full-year guidance on growth in net operating income, to a range of 1% to 3% from 3.5%.

That was in part due to its narrower re-leasing spreads—the difference between leases that end and new leases—as shorter lease terms, modifications and rent concessions increasingly are part of rent negotiations.

Yet those tactics can be

beneficial because they keep tenants closer to current consumer tastes.

Landlords such as CBL & Associates Properties Inc., for instance, said some tenants use potential store closings as a pretense to reduce their occupancy cost, but end up closing fewer stores than anticipated.

"It never ends up being what they announce," said Stephen Lebovitz, chief executive of CBL & Associates Properties, during an earnings call Friday, adding that Gordmans Stores, for instance, initially planned to close four of five stores in CBL's portfolio but ended up closing just one.

"Claims that 55% of malls will be shuttered in the near future and nearly 9,000 stores will close this year are the product of poor research and sensationalism," Mr. Lebovitz added.

PLOTS & PLOYS

CONSTRUCTION

Worker Shortage Worsened in June

A shortage of construction labor that has squeezed property developers across the U.S. got worse in June after showing signs of improvement a month earlier. The number of open construction jobs increased to a seasonally adjusted 225,000 in June from 163,000 in May, according to the Labor Department.

That is the most open jobs since September 2016 and significantly more than the 171,000 open jobs reported a year ago, according to Robert Dietz, chief economist at the National Association of Home Builders.

Job openings as a percentage of total employment increased to 3.2% in June from 2.3% a month earlier, according to the Labor Department.

The number of open construction jobs has increased throughout the economic expansion but more recently has shown signs of leveling off.

The lack of available workers has been a critical issue for the housing market, delaying the construction of new homes and causing a supply shortage that is forcing prices higher.

—Laura Kusisto

COMMERCIAL PROPERTY

Loan Delinquency Rate Gets Better

Bad commercial real-estate debt is getting a little better.

The delinquency rate for commercial mortgage-backed securities slid in July to 5.49% after jumping to 5.75% in June, according to real-estate data provider Trepp Inc.

The rate for lodging debt rose by 15 basis points to 3.68% in July from June, the only property type to show an increase.

The other property types, industrial, multifamily residential, office and retail, all logged decreases, to 6.96%, 2.91%, 7.24% and 6.63%, respectively.

Multifamily residential recorded the biggest improvement in July, mostly due to an extension for two large portfolio loans that are now being reported as current.

Roughly \$1.4 billion in loans became delinquent in July, Trepp said.

—Esther Fung

The Best Location For New Warehouse Is Often an Old Mall

By ESTHER FUNG

The pressure for speedy online package delivery is prompting companies to look for distribution facilities closer to residential areas or highways.

Some of the best locations, it turns out, are dead malls.

Warehouse landlords say they like former malls because the shopping centers occupy swaths of space relatively close to where consumers live or near main highways.

But it isn't easy to convert a mall into logistics space quickly. Developers say it takes a community ready to accept that the mall has failed as well as understanding that there are viable job opportunities in logistics real estate.

The dramatic shift in the retail industry and growth of e-commerce have led some analysts to estimate that 400 or so of the roughly 1,100 malls in the U.S. will close in the coming years.



FedEx built a distribution facility on a Mesquite, Texas, plot that used to be home to Big Town Mall.

Meanwhile, the appetite for industrial space continues unabated. Roughly 247 million square feet of industrial space is expected to be delivered this year, according to real-estate services firm JLL.

In North Randall, Ohio, **Amazon.com Inc.** is considering the site of the former Randall Park Mall as a fulfillment center, according to Port of Cleveland, a local government agency focused on spurring job creation and economic growth in Cuyahoga County. Amazon didn't respond to requests to Fedex.

In Mesquite, Texas, FedEx Corp. next month will open a 340,000-square-foot distribution facility on what once was the site of the former Big Town Mall.

Located along U.S. Highway 80 in Texas, the mall declined after newer malls were built nearby. It was demolished in 2006 and the land was later

rezoned for industrial use. "Land uses do change," said Michael Landy, president and CEO of Monmouth Real Estate Investment Corp., which owns and leases the distribution facility to FedEx.

"After a review of developed and undeveloped properties in the Dallas and Fort Worth area, the site was chosen because of its ease of access to major highways, proximity to customers' distribution centers and a strong local community workforce for recruiting employees," said David Westrick, a FedEx spokesman.

Property developers in

increasingly are looking to accommodate delivery giants and retailers, either refurbishing former department stores or doing ground-up, build-to-suit construction. Local business communities are also hopeful that distribution centers will drive commerce and employment growth.

Amazon, for instance, said this year it plans to hire 100,000 full-time and 30,000 part-time workers in the U.S. by mid-2018.

"What's most meaningful to us is that it can bring new life to an unproductive piece of land," said Jade Davis, vice

president of external affairs at Port of Cleveland.

For a short time when it opened in 1976, Randall Park Mall was the largest shopping center in the world and had been "a thriving heartbeat" for the local economy, according to Mr. Davis. But the mall closed in 2009 as stores struggled with fewer shoppers.

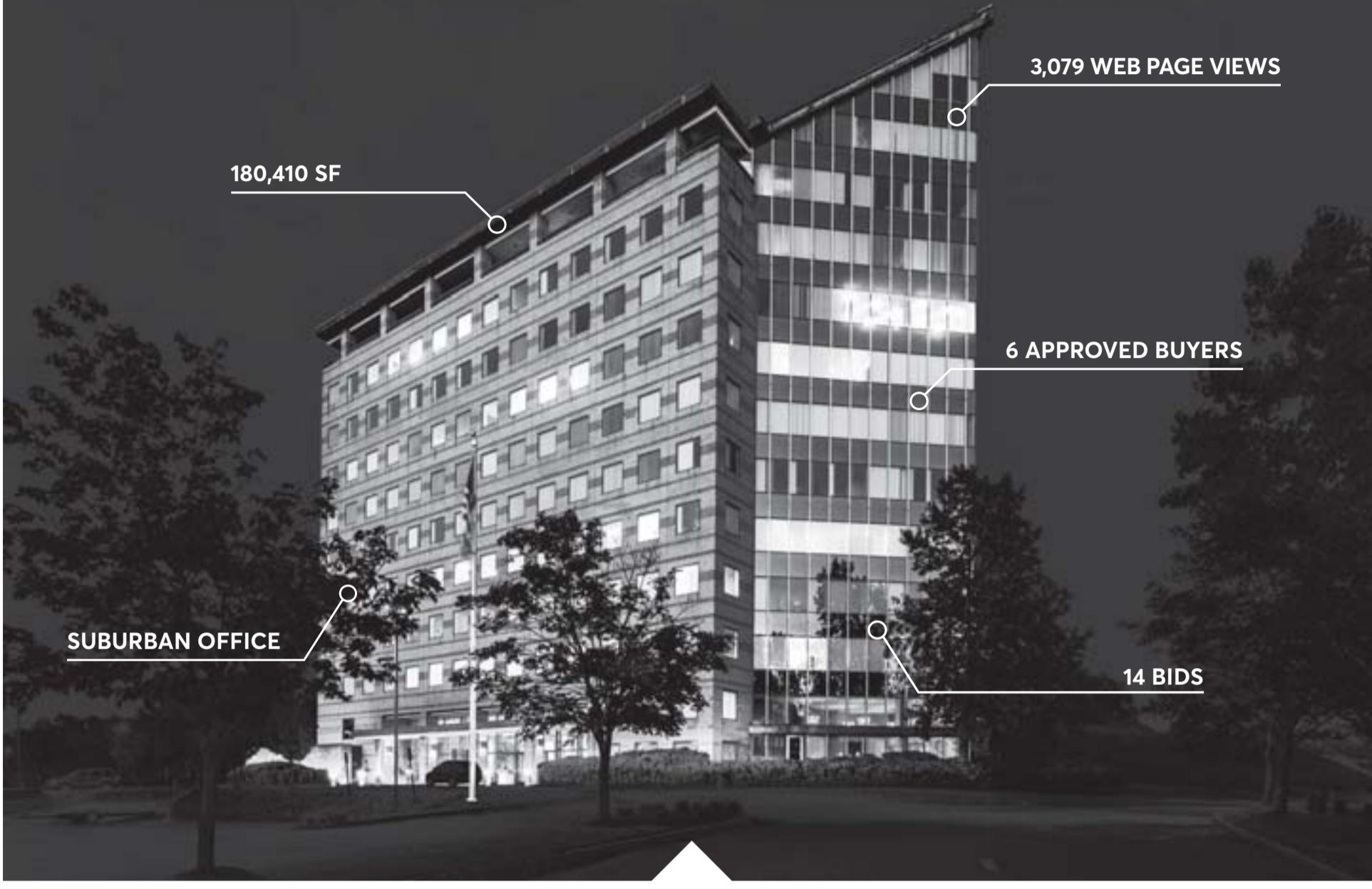
Amazon's possible entry there could eventually create 1,200 jobs, said Mr. Davis, noting that the large size of the site and its proximity to a deep-water port, airports and interstate highways are conducive for a distribution facility.

Roughly \$1.4 billion in loans became delinquent in July, Trepp said.

—Esther Fung

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Orca Backlash Persists at SeaWorld

Theme-park operator swings to a loss as negative perceptions cut into attendance

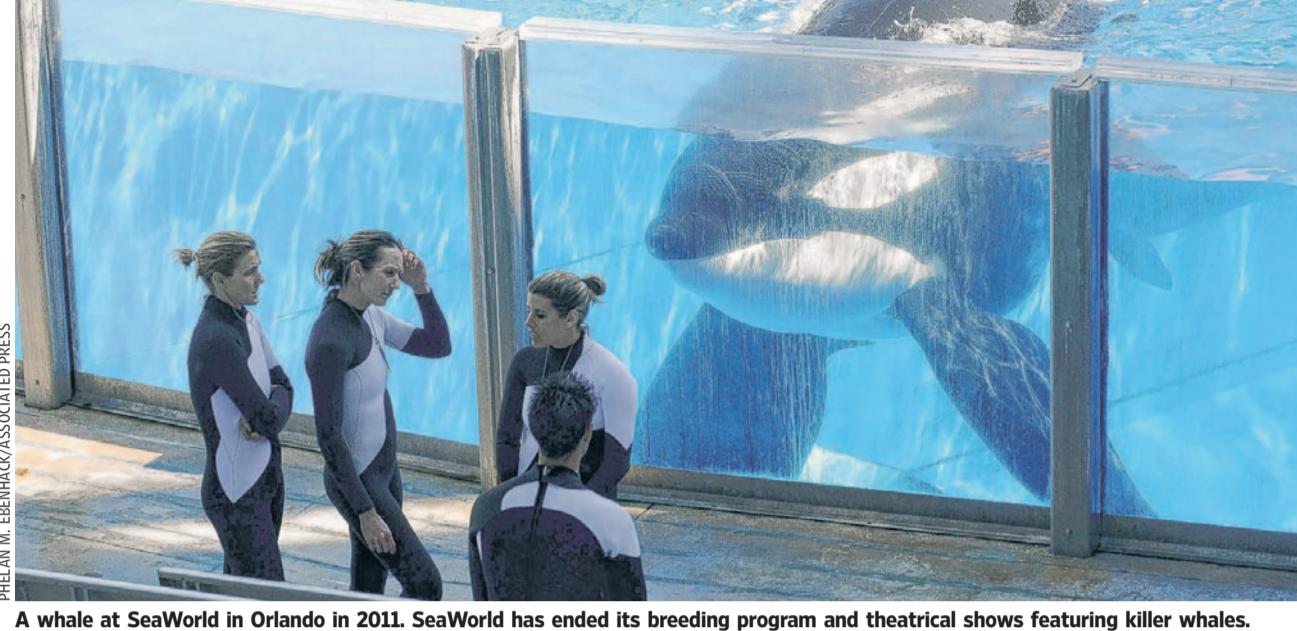
BY EZEQUIEL MINAYA

SeaWorld Entertainment Inc., troubled by a backlash over its use of its signature orcas, swung to a loss in its latest quarter as the company once again grappled with negative public perception cutting into attendance.

Company officials said that overall attendance has plunged some 353,000 guests during the first half of the year, compared with the same period a year ago. The decline was mostly due to shrinking domestic and international attendance at the parks in Orlando, Fla., and San Diego.

The theme-park operator said that its Orlando location was affected by reduced national advertising and competitive pressures, while the park in San Diego was hurt by "public perception issues" that have "resurfaced" since the company reduced spending on marketing.

Shares in the company, down 28% over the past six



A whale at SeaWorld in Orlando in 2011. SeaWorld has ended its breeding program and theatrical shows featuring killer whales.

months, plunged more than 6% to \$12.76 in Tuesday trading.

In a bid to reverse its fortunes, SeaWorld plans to increase spending on national advertising and reinvest "in our reputation messaging to target perceptions in key markets, particularly California," said Chief Executive Joel Manby in prepared remarks.

SeaWorld has faced criticism from lawmakers and ani-

mal-rights activists over its treatment of captive orcas, also known as killer whales.

Public outcry was fanned by the 2013 documentary "Blackfish," an exposé of SeaWorld's practices that inspired debate throughout national media.

And while SeaWorld has ended its breeding program and theatrical shows featuring killer whales, it still will have orcas for decades to come. It

has nearly 30 killer whales across its locations and said they typically live up to 50 years. Some animal-rights organizations have called for SeaWorld to release its remaining stock. SeaWorld has said it wants to highlight its animal-rescue efforts and add more educational and advocacy work to its parks.

But the debate has affected the company's results.

For the second quarter ended June 30, the company swung to a loss of \$175.9 million, or \$2.05 a share, from a year-earlier profit of \$17.8 million, or 21 cents.

The loss for the period includes a \$269.3 million non-cash goodwill impairment charge linked to its Orlando park. Revenue was nearly flat, edging up 0.4% to \$225 million.

Dean Foods' Shares Plunge

BY JACOB BUNGE
AND CARA LOMBARDO

The milk business is shaking **Dean Foods** Co.

The top U.S. milk processor by sales has been struggling amid slowing milk sales and rising costs. Now its largest customer, **Wal-Mart Stores** Inc., is preparing to open its own milk-processing plant, reducing its reliance on Dean.

The Texas-based milk supplier on Tuesday nearly halved its per-share profit expectations for 2017. Dean Foods shares plummeted nearly 21% on Tuesday.

"We are not satisfied with our performance and are determined to improve our execution," Chief Executive Ralph Scorzafava said. He pledged to reduce annual expenses by up to \$50 million by the end of the year.

For years processors have battled ebbing demand for milk, as consumers eat less breakfast cereal and gravitate toward plant-based milk alternatives made from almonds and soybeans. Dean's recent struggles, however, raised broader questions among some analysts on payoffs from the milk company's long-term strategy to focus investment on branded milk products.

Dean executives in 2015 unified its regional milk operations under a national brand in an effort to win market share and lift profit margins.

Retailers have added to the price pressure by aggressively pushing for cheaper milk for their own store brands.

Executives said that cut into sales of branded milk from Dean and other milk companies in the quarter.

Letterman Show to Air on Netflix

BY MARIA ARMENTAL

David Letterman, one of the late-night comedy kings whose broadcast career spanned more than three decades, will once again be putting on a show, this time on **Netflix** Inc.

Mr. Letterman's yet-to-be-named, six-episode series is slated to air in 2018, the company said, adding it would combine long one-on-one interviews and field reports "expressing his curiosity and humor."

It will be produced by Mr. Letterman's company, **Worldwide Pants** Inc., and **RadicalMedia**, the company behind Netflix's documentary on singer Nina Simone, "What Happened, Miss Simone?"

"Here's what I have learned," Mr. Letterman said in a statement, "if you retire to spend more time with your family, check with your family first."

Mr. Letterman, who stepped down from CBS's "The Late Show" in 2015, becomes the

latest addition to the streaming-video company, which has been courting rising stars and competitors' executives as it has grown into a multibillion-dollar behemoth of original content.

On Monday, Netflix disclosed its first acquisition: comic-book publisher **Millarworld**, with several well-known titles that have been adapted into movies and grossed a combined nearly \$1 billion in world-wide box-office receipts.



David Letterman's new series is set to debut on Netflix in 2018.

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Hickory Hills, IL	23,000± SF Commercial Building	\$575,000
Hickory Hills, IL	11,000± SF Commercial Building	\$575,000
New Lenox, IL	5,410± SF Commercial Building	\$750,000
Tinley Park, IL	3,870± SF Bldg on Ground Lease	Absolute
Tinley Park, IL	2.84± AC Vacant Land	\$200,000
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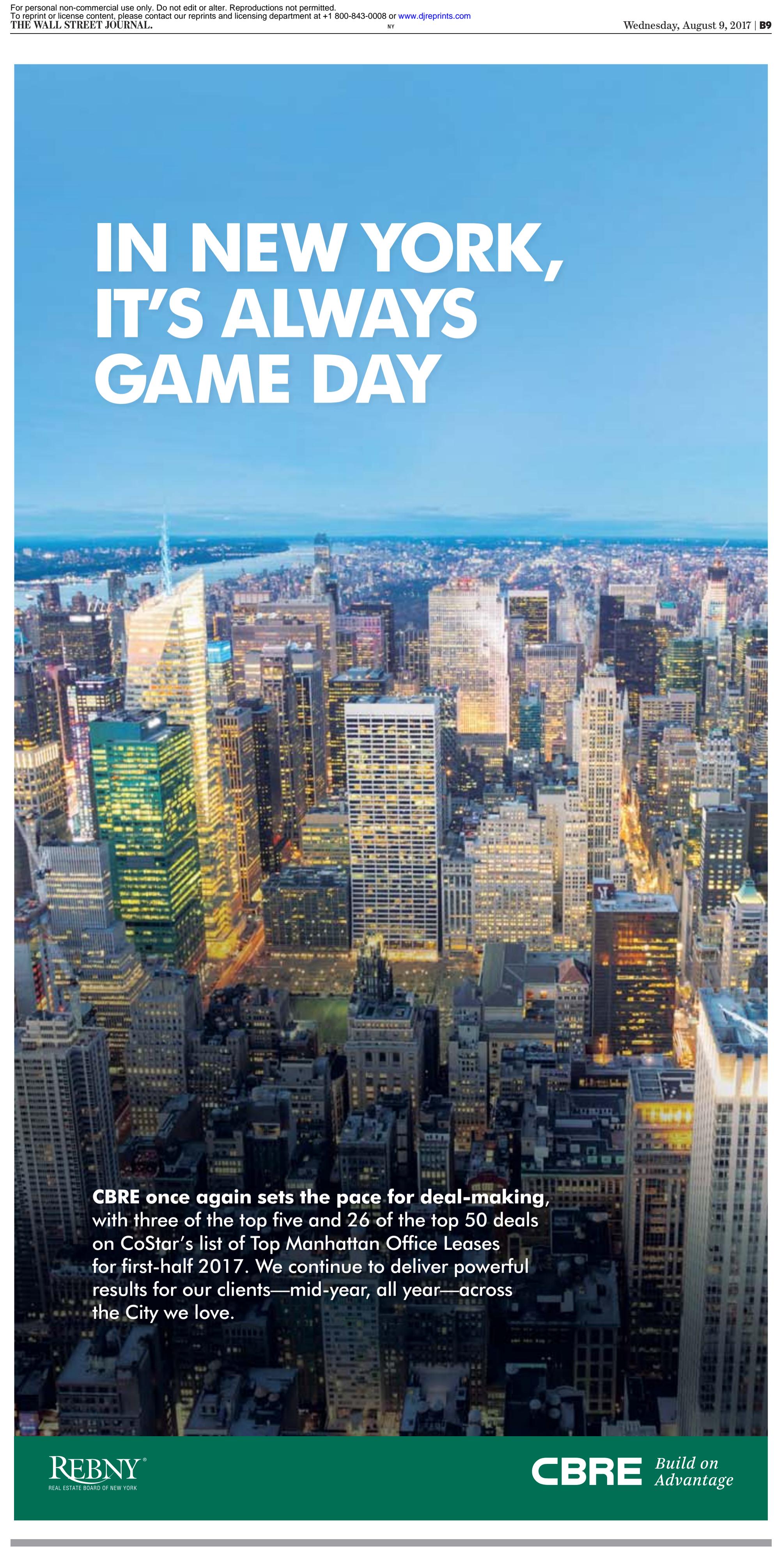
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IN THE HIGH COURT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION COURT OF FIRST INSTANCE MISCELLANEOUS PROCEEDINGS NO. 1278 OF 2017

In the Matter of ASIA TELEVISION LIMITED and in the Matter of SECTIONS 670, 671, 673 AND 674 OF THE COMPANIES ORDINANCE (CAP. 622 OF THE LAWS OF HONG KONG)

NOTICE OF SCHEME MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 21 July 2017 made in the above matter, the High Court of Hong Kong ("the Court") has directed a meeting (the "Scheme Meeting") to be convened of the unsecured creditors of the above-named company (the "Company") (persons referred to in the above are referred to as the "Scheme Creditors") for the purpose of considering and, if thought fit, approving the Scheme of Arrangement (the "Scheme") proposed to be made between the Company and the Scheme Creditors and that the Scheme Meeting will be held at 4:00 p.m. (Hong Kong time) on 12 September 2017 at 25-37 Daish Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong, at which time and place the Scheme Creditors are requested to attend. By the same Order, the Court has appointed Mr Yat Kit Jong, or, failing him, Mr Chan Sun, so to act as Chairman of the Scheme Meeting and has directed the Chairman to report the result of the Scheme Meeting to the Court. A copy of the Scheme and copy of the Explanatory Statement required to be furnished pursuant to section 671(3) of the aforementioned Ordinance are incorporated in the document which will be made available on the "Scheme Document". The Scheme Document together with the proxy form and a Notice of Claim for Voting Purposes, have been served personally or posted to the registered or known addresses of the Scheme Creditors in the books and records of the Company. Any Scheme Creditor who either (i) has not yet received the Scheme Document together with the proxy form and a Notice of Claim for Voting Purposes, or (ii) wants additional copies of the Scheme Document together with the proxy form and a Notice of Claim for Voting Purposes, may obtain the same, free of charge, during usual business hours on any day prior to the day appointed for the Scheme Meeting (other than a Saturday, a Sunday or a statutory holiday) at the offices of PricewaterhouseCoopers LLP at 22/F Prince's Building, Central, Hong Kong. Scheme Creditors who intend to attend and vote at the Scheme Meeting are requested to sign and return the Notice of Claim for Voting Purposes to the Chairman of the Scheme Meeting together with their proxy form, if applicable, no later than 4:00 p.m. (Hong Kong time) on 5 September 2017 (i.e., 5 business days before the Scheme Meeting). Notices of Claim for Voting Purposes are to be returned to the office of PricewaterhouseCoopers LLP at 22/F Prince's Building, Central, Hong Kong by personal delivery, or by email to hk.atv@pwc.com or by facsimile to +852 2289 5300 or by post, for the attention of Mr Yat Kit Jong/Mr Chan Sun, so to the Chairman of the Scheme Meeting.

It is requested that forms appointing proxies be lodged at the office of PricewaterhouseCoopers LLP at 22/F Prince's Building, Central, Hong Kong by personal delivery, or by email to hk.atv@pwc.com or by facsimile to +852 2289 5300 or by post, for the attention of Mr Yat Kit Jong/Mr Chan Sun, so to the Chairman of the Scheme Meeting.

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MARKETS DIGEST

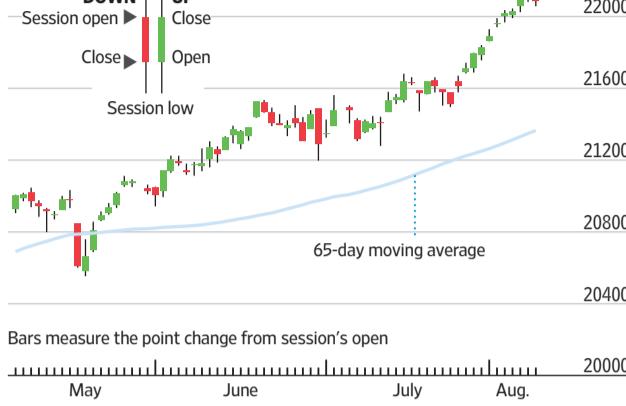
EQUITIES

Dow Jones Industrial Average

22085.34 ▼33.08, or 0.15%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 20.01 20.14
P/E estimate * 18.61 17.95
Dividend yield 2.25 2.45
All-time high 22118.42, 08/07/17

Current divisor 0.14602128057775



Bars measure the point change from session's open
May June July Aug.

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2474.92 ▼5.99, or 0.24%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.90 24.68
P/E estimate * 18.95 18.56
Dividend yield 1.97 2.10
All-time high 2480.91, 08/07/17



May June July Aug.

65-day moving average

Nasdaq Composite Index

6370.46 ▼13.31, or 0.21%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio *25.73 24.35
P/E estimate * 21.43 20.05
Dividend yield 1.10 1.22
All-time high: 6422.75, 07/26/17



May June July Aug.

65-day moving average

5660

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	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	iShares S&P 500	Bank of America	VanEck Vectors Gold Miner	iPath S&P 500 VIX ST Fut	Pfizer	Disney	Comcast Cl A	Fortress Inv Group Cl A	FIG	SPDR S&P 500	BAC	GDX	VXX	PFE	DIS	CMCSA	HSNI	2300	2330	2360	2390	2420	2450	2480	2510	2540	2570	2600	2630	2660	2690	2720	2750	2780	2810	2840	2870	2900	2930	2960	2990	3020	3050	3080	3110	3140	3170	3200	3230	3260	3290	3320	3350	3380	3410	3440	3470	3500	3530	3560	3590	3620	3650	3680
Industrial Average	22179.11	22057.29	22085.34	-33.08	-0.15	22118.42	17888.28	19.2	11.8	10.1								SPDR S&P 500	BAC	GDX	VXX	PFE	DIS	CMCSA	HSNI	2300	2330	2360	2390	2420	2450	2480	2510	2540	2570	2600	2630	2660	2690	2720	2750	2780	2810	2840	2870	2900	2930	2960	2990	3020	3050	3080	3110	3140	3170	3200	3230	3260	3290	3320	3350	3380	3410	3440	3470	3500	3530	3560	3590	3620	3650	3680
Transportation Avg	9328.85	9209.52	9232.85	-51.81	-0.56	9742.76	7755.40	17.8	2.1	4.5								SPDR S&P 500	BAC	GDX	VXX	PFE	DIS	CMCSA	HSNI	2300	2330	2360	2390	2420	2450	2480	2510	2540	2570	2600	2630	2660	2690	2720	2750	2780	2810	2840	2870	2900	2930	2960	2990	3020	3050	3080	3110	3140	3170	3200	3230	3260	3290	3320	3350	3380	3410	3440	3470	3500	3530	3560	3590	3620	3650	3680
Utility Average	735.86	731.37	735.68	2.09	0.28	737.51	625.44	6.5	11.5	10.7								SPDR S&P 500	BAC	GDX	VXX	PFE	DIS	CMCSA	HSNI	2300	2330	2360	2390	2420	2450	2480	2510	2540	2570	2600	2630	2660	2690	2720	2750	2780	2810	2840	2870	2900	2930	2960	2990	3020	3050	3080	3110	3140	3170	3200	3230	3260	3290	3320	3350	3380	3410	3440	3470	3500	3530	3560	3590	3620	3650	3680
Total Stock Market	25758.64	25534.36	25582.35	-65.76	-0.26	25692.25	21514.15	13.5	9.9	8.3								SPDR S&P 500	BAC	GDX	VXX	PFE	DIS	CMCSA	HSNI	2300	2330	2360	2390	2420	2450	2480	2510	2540	2570	2600	2630	2660	2690	2720	2750	2780	2810	2840	2870	2900	2930	2960	2990	3020	3050	3080	3110	3140	3170	3200	3230	3260	3290	3320	3350	3380	3410	3440	3470	3500	3530	3560	3590	3620	3650	3680
Barron's 400	655.73	648.63	649.72	-1.74	-0.27	661.93	521.59	18.3	8.0	7.6								SPDR S&P 500	BAC	GDX	VXX	PFE	DIS	CMCSA	HSNI	2300	2330	2360	2390	2420	2450	2480	2510	2540	2570	2600	2630	2660	2690	2720	2750	2780	2810	2840	2870	2900	2930	2960	2990	3020	3050	3080	3110	3140	3170	3200	3230	3260	3290	3320	3350	3380	3410	3440	3470	3500	3530	3560	3590	3620	3650	3680

Source: SIX Financial Information; WSJ Market Data Group

Source: 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	9,048.8	246.94	-0.32	-0.13	248.00	246.94	
Bank of America	BAC	4,737.6	24.86	-0.04	-0.16	25.24	24.86	
VanEck Vectors Gold Miner	GDX	3,840.8	22.27	0.02	0.09	22.27	22.20	
iPath S&P 500 VIX ST Fut	VXX	3,665.9	11.46	0.05	0.44	11.47	11.31	
Pfizer	PFE	2,581.6	33.28	...	unch.	33.32	33.10	
Disney	DIS	2,526.7	102.85	-4.13	-3.86	108.42	102.56	
Comcast Cl A	CMCSA	2,430.3	39.75	-0.17	-0.43	40.03	39.75	
Fortress Inv Group Cl A	FIG							

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.							
Aug 2,9080 2,9425 ▲	2,9080	2,9425	0.0345	2,015			
Sept 2,9140 2,9470 ▲	2,9290	2,9425	0.0355	152,454			
Gold (CMX)-100 troy oz.; \$ per troy oz.							
Aug 1256.90 1264.10	1251.40	1256.40	-1.80	2,512			
Oct 1259.80 1267.70	1254.00	1259.30	-2.10	47,692			
Dec 1262.90 1271.00	1257.10	1262.60	-2.10	345,281			
Feb'18 1267.10 1274.40	1261.00	1266.10	-2.10	19,019			
June 1274.70 1280.70	1269.10	1273.30	-1.90	8,518			
Dec 1288.90 1289.00	1280.60	1284.20	-1.60	7,637			
Palladium (NYM)-50 troy oz.; \$ per troy oz.							
Aug 885.00 885.00	885.00	903.40	13.20	4			
Sept 885.60 889.25	883.00	898.40	13.20	30,186			
Dec 881.10 893.55	880.00	893.00	13.10	5,017			
March'18 884.00 884.20	884.00	886.50	13.10	264			
Platinum (NYM)-50 troy oz.; \$ per troy oz.							
Aug 962.60 965.30	962.60	971.70	3.10	1			
Oct 970.80 982.80	969.50	974.50	2.90	62,551			
Silver (CMX)-5,000 troy oz.; \$ per troy oz.							
Aug 16,365 16,420	16,340	16,360	0.139	77			
Sept 16,240 16,460	16,205	16,389	0.138	152,725			
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.							
Sept 49.31 49.79	48.86	49.17	-0.22	47,032			
Oct 49.48 49.94	49.04	49.35	-0.22	260,308			
Nov 49.62 50.10	49.25	49.52	-0.23	139,585			
Dec 49.78 50.24	49.38	49.68	-0.24	310,223			
June'18 50.11 50.57	49.79	50.05	-0.25	156,172			
Dec 50.14 50.52	49.73	49.98	-0.25	17,676			
NY Harbor LUSD (NYM)-42,000 gal.; \$ per gal.							
Sept 1,635 1,651.00	1,614.3	1,629.2	-0.0106	118,691			
Oct 1,6402 1,6541	1,6184	1,6330	-0.0102	59,080			
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.							
Sept 1,6295 1,6345	1,5956	1,6208	-0.0091	117,077			
Oct 1,5378 1,5441	1,5096	1,5278	-0.0118	79,621			
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.							
Sept 2,805 2,832	2,783	2,822	.021	307,589			
Oct 2,838 2,867	2,819	2,860	.020	210,375			
Nov 2,930 2,951	2,907	2,941	.015	95,523			
Jan'18 3,173 3,199	3,160	3,188	.013	128,604			
March 3,119 3,147	3,111	3,140	.015	82,130			
April 2,835 2,850	2,824	2,850	.016	104,486			

Contract

Open High hilo Low Settle Chg Open interest

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.

Sept 372.50 374.25 368.25 369.75 -2.50 440,436

Dec 387.00 388.75 382.50 383.75 -3.00 611,901

Oats (CBT)-5,000 bu.; cents per bu.

Sept 275.00 276.25 272.75 273.50 -.75 718

Soybeans (CBT)-5,000 bu.; cents per bu.

Aug 967.00 965.70 962.50 963.00 3.25 633

Nov 971.50 979.75 969.25 973.25 3.50 353,811

Soybean Meal (CBT)-100 tons; \$ per ton.

Aug 310.00 310.50 308.00 307.80 -.20 1,120

Dec 315.00 317.70 313.70 314.30 .10 167,254

Soybean Oil (CBT)-60,000 lbs.; cents per lb.

Aug 33.81 33.95 33.80 33.80 .29 771

Dec 33.93 34.48 33.83 34.22 .29 191,155

Rough Rice (CBT)-2,000 cwt.; \$ per cwt.

Sept 1208.50 1222.50 1206.50 1214.50 10.00 7,239

Nov 1228.00 1248.50 1228.00 1240.50 10.00 2,469

Wheat (CBT)-5,000 bu.; cents per bu.

Sept 463.75 468.00 454.75 457.00 -.65 162,532

Dec 490.50 495.50 481.50 484.00 -.67 165,367

Wheat (KC)-5,000 bu.; cents per bu.

Sept 466.75 471.50 458.00 460.50 -.65 86,171

Dec 494.25 499.50 485.50 487.50 -.67 91,576

Wheat (MPLS)-5,000 bu.; cents per bu.

Sept 726.00 735.00 725.00 731.25 4.75 24,775

Dec 738.75 747.50 737.00 743.00 4.00 36,743

Cattle-Feeder (CME)-50,000 lbs.; cents per lb.

Aug 146,250 147,175 145,050 146,025 -.225 13,824

Sept 147,200 148,075 145,800 146,650 -.450 18,888

Cattle-Live (CME)-40,000 lbs.; cents per lb.

Aug 112,975 113,400 112,150 112,475 -.275 19,250

Oct 111,050 111,575 110,175 110,600 -.525 172,762

Hogs-Lean (CME)-40,000 lbs.; cents per lb.

Aug 83,675 83,925 83,350 83,525 -.125 15,886

Oct 86,550 86,900 67,700 67,750 -.375 117,750

Lumber (CME)-110,000 bd-ft.; \$ per 1,000 bd-ft.

Sept 366.20 371.60 364.10 368.00 .40 3,357

Nov 352.30 357.50 351.20 354.30 1.20 1,244

Milk (CME)-200,000 lbs.; cents per lb.

Aug 16.25 16.29 16.20 16.23 -.02 5,244

Sept 16.62 16.62 16.46 16.50 -.13 5,368

Cocoa (ICE-US)-10 metric tons; \$ per ton.

Sept 2,023 2,065 2,010 2,018 -.11 64,458

Dec 2,035 2,077 2,022 2,028 -.14 105,704

Fibers and Textiles

Burlap,10-oz,40-in NY yd-n,w

Aug 16,365 16,420 16,360 16,360 .05975

Cotton,11/16 std w-lwd,Mphs-u

Sept 16,420 16,461 16,330 16,330 .70401

Cotlook 'A' Index-t

Sept 16,461 16,475 16,400 16,400 .80755

Hides,hvy native stneers piece fob-u

Sept 16,461 16,475 16,400 16,400 .62000

Wool,64s,staple,Terr del-u,w

Sept 16,461 16,475 16,400 n.a.

Grains and Feeds

Barley,top-quality Mnpls-u

Sept 16,461 16,475 16,400 16,400 .47045

Bran,wheat middlings,Kc-u

Sept 16,461 16,475 16,400 16,400 .65

Corn,No.2 yellow,Cent IL-bp,u

Sept 16,461 16,

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 annotations 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.

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 8, 2017

NYSE

Net Stock Sym Close Chg

Stock Sym Close Chg

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BANKING & FINANCE

Wells Fargo Faces Auto-Loan Headache

Bank's new regulatory scrutiny concerns insurance sold through auto dealerships

By EMILY GLAZER

Wells Fargo & Co. is facing more regulatory scrutiny related to auto-insurance practices.

The latest questions concern guaranteed asset protection the bank sold through car dealerships, a person familiar with the matter said.

The San Francisco Federal Reserve made an inquiry about control breakdowns related to those matters, the person said. The Office of the Comptroller of the Currency is also probing the practices, people familiar with the situation said.

The insurance products offer consumers additional protection beyond standard auto-insurance policies and are often financed as part of the customer's loan.

For instance, if a customer has an accident and the vehicle is totaled, so-called GAP insurance could help pay off the loan balance not covered by the customer's primary insurance.

The San Francisco Fed, one of several regulators oversee-



JUSTIN SULLIVAN/GETTY IMAGES

The San Francisco Federal Reserve made an inquiry into Wells Fargo's controls on an insurance product.

ing different parts of San Francisco-based Wells Fargo, focuses on safety and soundness of banks, such as compliance and controls. The latest inquiry didn't trigger a new investigation and was part of the overall supervisory process, the person added.

Wells Fargo spokeswoman Catherine Pulley said in a statement: "During an internal review, we discovered issues

related to a lack of oversight and controls surrounding the administration of guaranteed asset protection...products."

Borrowers are entitled to a refund of some of the GAP insurance if loans are paid off early.

Ms. Pulley added the bank is working to make the customer-refund process "more consistent for customers" and pointed to the bank's disclo-

sures about these issues in its most recent quarterly filing in efforts to be more transparent.

Ms. Pulley declined to comment on how many customers might be affected or when these issues began.

The New York Times earlier reported the San Francisco Fed's inquiry into Wells Fargo on the matter.

This is the most recent headache for Wells Fargo. The

bank in late July said it is refinancing around \$80 million to as many as 570,000 auto-loan customers over other insurance practices known as collateral protection insurance. The Wall Street Journal reported Friday that the Office of the Comptroller of the Currency is considering taking further action in light of those insurance revelations, although it isn't clear yet what form that could take.

That is on top of the bank's sales-practices scandal that erupted about a year ago and resulted in a settlement, congressional hearings and the departure of then-Chief Executive John Stumpf. Several investigations related to that settlement continue; the bank has said it is cooperating.

In the bank's quarterly filing with the Securities and Exchange Commission, disclosed Friday, Wells Fargo said issues related to auto loans "may subject the company to formal or informal inquiries, investigations or examinations" from federal, state or local government agencies, as well as potential litigation.

The bank said the scrutiny included questions about origination, servicing, collection of loans and related insurance products.

The bank gave further detail, writing that it "has identified certain issues related to the unused portion of guaranteed auto protection waiver or insurance agreements.... which may result in refunds to customers in certain states."

Laws in nine states require that customers get refunds for unused coverage periods and the holder of the contract ensures the refund is made properly. Wells Fargo is evaluating its internal controls to confirm if the refunds weren't adequate, the person said.

The bank's auto division, Wells Fargo Dealer Services, is adjusting its so-called GAP insurance products to ensure customers get the appropriate refunds or claim benefits if loans end early or if they file claims, the person said.

Wells Fargo is taking over management of issuing refunds to customers with GAP products whose loans end early, the person said. Typically, that has been handled by the dealerships.

In June, the bank began issuing GAP refunds in several states where customers paid off their loan early, the person said. The bank plans to expand that effort across the country.

—Ryan Tracy contributed to this article.

Abu Dhabi Fund Gives 1MDB More Time

BY SAURABH CHATURVEDI

An Abu Dhabi sovereign-wealth fund on Tuesday said it has extended the deadline for a Malaysian state-investment fund to make a payment of about \$600 million, giving its former business partner until the end of August to honor its obligations.

The money is the first installment of a \$1.2 billion sum that 1Malaysia Development Bhd., known as 1MDB, agreed to pay Abu Dhabi's International Petroleum Investment Co. to compensate it for an emergency loan and other financial support extended after the Malaysian fund was unable to service its debt obligations.

As a condition for extending the July 31 deadline, IPIC said it will require the Malaysian Finance Ministry and 1MDB to pay at least \$310 million by Aug. 12. 1MDB will also have to pay default interest on the delayed payment, IPIC said in a statement filed to the London Stock Exchange.

Malaysia's Finance Ministry and 1MDB didn't immediately respond to requests for comment on Tuesday.

1MDB last week said it had been due to make the payment to IPIC by July 31, using proceeds from the sale of units it owns in offshore investment funds, but failed to do so because of regulatory hurdles in getting the money.

IPIC at the time confirmed it hadn't received the payment and said 1MDB and Malaysia's Finance Ministry had five business days to remedy the situation before they "become subject to additional obligations."

1MDB was launched in 2009 to spur economic development in Malaysia but accumulated \$13 billion in debt. It began struggling in 2015 to make payments on the debt and later was found to be missing billions of dollars. Investigations in search of the money sprang up in the U.S., Singapore and other countries. U.S. investigators allege that at least \$4.5 billion was stolen from 1MDB.

1MDB has denied wrongdoing and promised to cooperate with investigators.

IPIC and 1MDB signed a settlement agreement in April. The \$600 million payment owed to IPIC was the first to come due since the U.S. Justice Department in June and Singapore's public prosecutor in July alleged in court filings that units owned by 1MDB in an offshore investment fund were actually almost worthless. 1MDB had maintained they were worth about \$940 million. The fund hasn't commented on the allegations.

—Bradley Hope contributed to this article.

Bad-Loan Woes Bedevil European Banks

When a small Italian bank was looking to buy a portfolio of nonperforming loans last year, its due diligence turned up an unpleasant surprise: Vir-

By Giovanni Legorano
in Rome and Nektaria
Stamouli in Athens

tually all the documentation for the 40,000 loans was on paper.

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

Efforts have accelerated to combat the bad-loan problem afflicting much of southern Europe. In Italy, where the central bank says 16% of all loans are nonperforming, banks may shed more than €60 billion in bad loans this year, according to PricewaterhouseCoopers LLP, partly as a result of this summer's €25 billion government bailout of three ailing lenders.

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

Yet the lenders face such a long slog in bringing the bad debt to manageable levels that bank executives and analysts don't expect a resolution of the problem for years to come.

Instead, nonperforming loans will continue to eat up capital and depress lending, they say, possibly stifling the



A demonstrator in Barcelona throws a flower at riot police during a protest against the eviction of squatters from a former bank.

long-awaited recovery now under way in Europe.

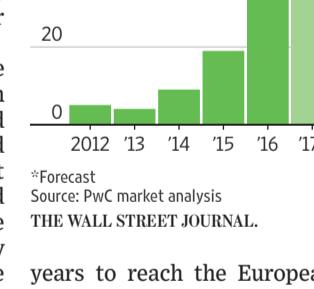
The enormity of the problem—notably in Italy, where sour loans more than doubled in six years to €350 billion—caused a crisis of confidence in southern banks last year. In response, the European Central Bank has forced several banks to present plans to trim their bad loans.

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

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

Gathering Steam

Gross value of nonperforming loans sold to investors in Italy



*Forecast

Source: PwC market analysis

THE WALL STREET JOURNAL

write-offs and sales, often at cut-rate prices that can eat into banks' capital cushions and profits, according to the analysis.

Indeed, most of the sales announced so far are of unsecured debt at steep discounts. Banks have struggled to sell debt secured by warehouses, buildings or machinery, for instance. In some cases, a lack of proper documentation—one debt servicer says half of all loans he manages lacks crucial information—forces banks or debt servicers to drop attempts to recover the loan.

"For a portfolio worth 300,000 to 400,000 euros, which can include 30,000 to 40,000 borrowers, it takes three months and costs us €20 per borrower simply to have the correct information to start out with," says Carmine Evangelista, head of debt servicer AZ Holding.

In Spain, organized groups

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

In Greece, cutting bad loans, which make up half of all lending, is a Sisyphean task for its crippled banks.

On a recent afternoon, a dozen protesters turned up at an Athens courthouse where properties foreclosed by a Greek bank were being auctioned. "Scum!" shouted the protesters, who are part of a group calling for overburdened debtors to refuse to repay their bills.

After forcing a notary involved in the proceedings from the courthouse, the group achieved its goal: The auction was canceled.

Prosecutors Drop Fraud Case Against Financier

By REBECCA DAVIS O'BRIEN

Federal prosecutors in Manhattan dropped the securities fraud case against Wall Street financier Benjamin Wey, two months after a federal judge ruled that improper law-enforcement raids in the case invalidated the vast majority of the government's evidence.

Mr. Wey, the 45-year-old founder of investment firm **New York Global Group**, was arrested in September 2015 and charged with manipulating the shares of Chinese companies he helped take public through reverse mergers, allegedly reaping tens of mil-

lions of dollars in illegal profits for himself.

In a court filing on Tuesday, the U.S. attorney's office in Manhattan asked a federal judge to dismiss the criminal charges against Mr. Wey, as prosecutors could no longer use the seized evidence.

"The government made the correct decision to drop charges in light of the significant constitutional violations" described in the judge's June ruling, said David Siegal, a lawyer for Mr. Wey.

A spokesman for the U.S. attorney's office declined to comment.

Mr. Wey had pleaded not guilty to eight counts, includ-

ing money laundering, securities fraud and conspiracy, and was released on a \$10 million bond.

"I was wrongly charged in the first place," Mr. Wey said Tuesday in a statement emailed by his lawyers. "This ordeal devastated our employees and our families, has done irreparable harm to our lives and closed our prospering businesses."

New York Global Group shut its offices and let go of all its employees in late 2015, Mr. Siegal said. Mr. Wey still faces civil charges brought by the Securities and Exchange Commission. He has denied any wrongdoing.

The case's collapse represents an embarrassing defeat for federal prosecutors and the FBI, and marks a rare instance of a judge condemning the sweeping tactics sometimes used by law-enforcement officers in raids and searches.

Mr. Wey's criminal case was set to go to trial this year. But, in June, U.S. District Judge Alison J. Nathan said in a 92-page ruling that none of the materials gathered in early 2012 raids of Mr. Wey's office and apartment—including emails, business receipts, computer hard drives and other records—could be used against him at trial.

The warrants authorizing the raids were too broad, Judge Nathan ruled, and FBI agents indiscriminately seized property at the two locations, taking family photographs, X-rays and other personal items that had no evident connection to the case.

A spokeswoman for the FBI declined to comment.

Judge Nathan also said that authorities didn't return Mr. Wey's property in a timely manner, conducted expanding and, in some cases, "plainly problematic" reviews of the seized materials and didn't charge Mr. Wey until more than three years after the raids.

MARKETS

Treasuries Slide on New Debt Supply

BY SAM GOLDFARB

Prices of U.S. government bonds pulled back as a large volume of new debt sales weighed on the prices of outstanding bonds.

The yield on the 10-year Treasury note settled at 2.282%, compared with 2.258% Monday.

CREDIT MARKETS Yields rise when bond prices fall.

British American Tobacco PLC sold \$17.25 billion of bonds Tuesday to help fund its purchase of the remainder of **Reynolds American Inc.** it didn't already own. That marked the second-largest U.S. corporate-bond deal of the year behind AT&T's \$22.5 billion issuance last month.

Big corporate-debt sales can sometimes weigh on Treasuries as underwriters sell government debt to neutralize unwanted swings in interest rates and fund managers look to free up cash.

Adding to pressure on the market was a \$24 billion sale of three-year Treasury notes and data that showed job openings rose to a record at the end of June. Investors also prepared for a \$23 billion sale of 10-year Treasury notes Wednesday and \$15 billion of 10-year bonds Thursday.

Treasuries were unusually active after the 3 p.m. EDT settlement, as investors bought haven assets and the 10-year yield fell to around 2.26% after President Donald Trump said he would respond to additional threats from North Korea with "fire and fury."

Treasuries are still caught in a tight trading range. For the past three weeks, the 10-year yield has mostly drifted between 2.25% and 2.3%—well below the 2.6% level it reached in March, though above the 2.14% level it touched in June.

Investors and analysts say yields are likely to remain at relatively low levels unless inflation picks up and moves closer to the Federal Reserve's 2% annual target.



Corporate results drove swings in stocks. Marriott International fell 2.1% after the hotelier forecast that the current quarter's profit wouldn't meet analysts' estimates.

Dow Streak of Record Closes Ends

Blue chips post first daily loss since July 24 as stocks continue their listless trading

BY RIVA GOLD
AND AKANE OTANI

The Dow Jones Industrial Average edged lower, bringing a streak of records to an end.

Major stock indexes traded in a narrow range throughout the day, with **EQUITIES** selling accelerating toward the end of trading before stocks pared losses.

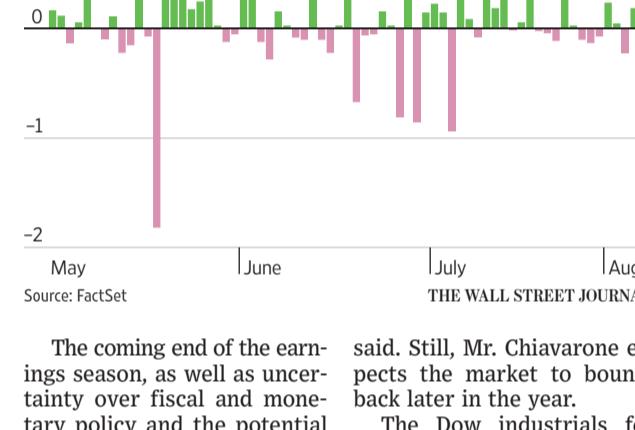
The Dow industrials were down as many as 61 points after President Donald Trump said the U.S. would respond to any additional threats from North Korea "with fire and fury like the world has never seen."

Still, the day's moves were relatively small, extending a pattern of largely listless trade for the stock market. Daily trading volumes have been below average this month compared with the rest of the year, and the S&P 500 hasn't posted a 1% daily move in either direction since the middle of May.

Muted

Stocks fell after President Trump said the U.S. was ready to respond to North Korea with 'fire and fury,' but the S&P 500's daily move was still relatively small.

Daily changes in the S&P 500



Source: FactSet

The coming end of the earnings season, as well as uncertainty over fiscal and monetary policy and the potential for weaker U.S. economic data, might put pressure on the stock market toward the end of the summer, said Steve Chiavarone, portfolio manager at Federated Investors.

"Earnings season is ending, and the steady drumbeat of good news won't be there," he said. Still, Mr. Chiavarone expects the market to bounce back later in the year.

The Dow industrials fell 33.08 points, or 0.1%, to 22085.34, posting their first daily loss since July 24 after nine consecutive sessions of record closes.

The S&P 500 edged down 5.99, or 0.2%, to 2474.92, and the Nasdaq Composite fell 13.31, or 0.2%, to 6370.46.

A flurry of corporate results drove swings in individual stocks.

Marriott International fell \$2.22, or 2.1%, to \$103.95 after the hotelier projected profit in the current quarter would come in slightly below analysts' estimates.

SeaWorld Entertainment shares slid 85 cents, or 6.3%, to \$12.76 after the company said overall attendance at its parks dropped in the first half.

Michael Kors Holdings jumped \$8.02, or 22%, to \$45.25. The clothing and accessories company beat expectations for earnings and revenue.

Bank shares rose with government-bond yields, with the KBW Nasdaq Bank Index of U.S. commercial lenders adding 0.2%.

The yield on the 10-year U.S. Treasury note rose to 2.282%, from 2.258% Monday.

Yields rise as bond prices fall.

U.S. crude oil for September delivery fell 0.4% to \$49.17 a barrel, its third drop in four sessions. The U.S. Energy Information Administration said Tuesday it expects U.S. crude-oil production to average 9.9 million barrels a day in 2018, the highest annual average production on record.

Stocks in Europe and Asia were little changed, with the Stoxx Europe 600 up 0.2% and the Shanghai Composite Index up 0.1%.

Caution hit markets in Asia on Wednesday on fresh North Korea tensions. Japanese stocks, amid a jump in the yen, led the way lower in Asia in early trading, with the Nikkei falling 1.2%. South Korea's benchmark Kospi index fell 0.7% even as that country's currency fell some 0.5% versus the dollar.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. 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	\$137,828,649,500
Accepted bids	\$45,000,064,500
"noncompetitively"	\$444,816,500
"foreign noncompetitively"	\$0

Auction price (rate)	99.923389
(0.985%)	0.99%

Coupon equivalent	\$99,821,100
Bids at clearing yield accepted	99.941564
Cusip number	912796174

The bills, dated Aug. 10, 2017, mature on Sept. 7, 2017.	
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THREE-YEAR NOTES

Applications	\$82,360,501,500
Accepted bids	\$31,221,297,500
"noncompetitively"	\$49,821,100
"foreign noncompetitively"	\$103,000,000
Auction price (rate)	99.941564
(1.520%)	1.500%

Interest rate	1.500%
Bids at clearing yield accepted	20.36%
Cusip number	912828202

The notes, dated Aug. 15, 2017, mature on Aug. 15, 2020.	
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Low Volatility Takes Toll on Virtu's Profit

BY ALEXANDER OSIPOVICH

Virtu Financial Inc.'s stock tumbled after the electronic-trading giant reported a steep slide in revenue, driven by stubbornly low volatility.

Shares of Virtu dropped more than 8% after markets opened Tuesday, but later pared losses and finished trading down 3.7% at \$15.50.

Revenue at Virtu was \$144.9 million in the second quarter, down 17% from the same period last year, the New York-based firm reported. Net income fell about 89% to \$4.4 million, partly due to expenses related to Virtu's acquisition of KCG Holdings Inc.

The results showed how listless markets are hurting high-speed traders, which thrive when markets swing. The CBOE Volatility Index, which is a measure of expected U.S. stock-market volatility, hit decade lows in the second quarter.

"Unhappily, we are in a prolonged famine period," Virtu Chief Executive Douglas Cifu told analysts on a conference call.

By Dave Michaels

WASHINGTON—A federal appeals court on Tuesday criticized the Securities and Exchange Commission for approving a fee plan by the options industry's major clearinghouse and told the regulator to redo its work.

A three-judge panel of the U.S. Court of Appeals for the D.C. Circuit wrote that the SEC "effectively abdicated" its responsibility to review Options Clearing Corp.'s plan and provided "few indications that the SEC even knew what the evidence was."

At issue is a plan by Options Clearing to lift its reserve funding after regulators proposed stricter requirements for clearinghouses deemed systemically important.

Options Clearing is a clearinghouse that guarantees trades in U.S.-listed options and some futures. Collateral raised from member firms can be used to insulate traders from losses in case a market player collapses or can't make good on its trades.

The clearinghouse's plan raised its capital reserves from \$25 million to a target of \$247

million, an amount deemed necessary to keep the entity operating in the case of a major member's default.

The plan allowed Options Clearing to share excess fee income raised from brokers and trading firms with exchanges that funded its capital plan, instead of giving all of the unused fees to member firms that paid them.

Several members or users

of Options Clearing sued the SEC, objecting to a decision to start sharing fee income with exchanges that own the clearinghouse and that kicked in capital. The move was meant to compensate exchanges by providing them with dividends. But in previous years, the excess fee income all had gone to members that funded Options Clearing's operations.

The plaintiffs included

Susquehanna International Group Inc., KCG Americas LLC, Miami International Securities Exchange LLC and BOX Options Exchange LLC.

"We are very pleased that the court has set aside the SEC's approval of a plan that would convert the OCC into a profit-maximizing monopoly at the expense of options customers across the country," said David H. Thompson, a partner at Cooper & Kirk PLLC who represented the plaintiffs.

The court's opinion doesn't overturn the fee plan, but requires the SEC to reconsider its approval and show how it complies with laws that govern financial-industry utilities such as clearinghouses.

An SEC spokeswoman declined to comment.

Craig Donohue, Options Clearing's executive chairman and chief executive, said the company was disappointed by the court's decision to send the plan back to the SEC but pleased that the regulator's approval remains in effect.

"We remain confident that the SEC will once again approve the capital plan," he said.

—Gurjan Banerji contributed to this article.

BY CHRIS DIETERICH

How quiet is it out there? One of the most heavily trafficked securities in the world barely got out of bed on Monday.

Trading volume in the SPDR S&P 500 ETF, known by its ticker SPY, was just shy of 32 million shares, the lowest since Nov. 24, 2006, a post-Thanksgiving half day.

It was also the lowest full-session trading volume since May 2006, according to FactSet.

There are plenty of signals that financial markets are un-

usually quiet.

The daily move in the Dow Jones Industrial Average this year is the smallest in more than five decades.

The CBOE Volatility Index, or VIX, is near its lowest level in history and the Treasury bond market's equivalent of the VIX, the Merrill Lynch Option Volatility Estimate Index, is likewise at its lowest level in at least two decades.

Keeping tabs on volume in SPY, the oldest and largest U.S. ETF, is a particularly useful gauge of overall market activity because traders traffic the ETF for different reasons.

In dollar terms, SPY's trad-

ing volume on Monday was less than half of the 71.1 million daily average for 2017.

In dollar terms, SPY's trad-

ing volume on Monday was \$365 million, the lowest since October.

Just 5,249 billion shares traded on Nasdaq and NYSE exchanges, the lowest since

July 17, according to WSJ Market Data Group.

Trading perked up a bit Tuesday, as President Donald Trump warned North Korea that threats to the U.S. will be met "with fire and fury."

Those remarks shook up an otherwise quiet summer trading session, and volume in the SPY climbed to nearly 60 million.

There has been plenty of hand-wringing about the meaning of recently calm markets.

Some technicians say that price gains on days of low vol-

ume than days with higher volume.

Others warn that the quiet means investors are growing complacent about the risks facing a stock market that has barely gone down in 2017.

Whether the long-awaited upswing in volatility occurs soon, the streaks and market anomalies keep stacking up. Jason Goepfert, founder of Sundial Capital Research, noted that Monday was the first time in history that the SPY trading volume was the lowest of the year on the same day the fund closed at a 52-week high.



The SEC 'effectively abdicated' its responsibility, the court says.

BY CHRIS DIETERICH

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MARKETS

Stock Investors Enjoy a Sleepy Summer

Shares have risen in unusually calm trading, but sometimes August brings jolts

By STEVEN RUSSOLILLO

It might seem like the dog days of summer for investors. But August is known for offering financial markets a range of surprises.

Trading has slowed as stocks have risen steadily around the world, a reflection of quiet markets and sleepy sessions that have stretched from Asia to Europe to the U.S. Volatility has remained historically low, traders have fled for vacations and pullbacks have been nonexistent.

Two years ago this week, though, China ruined the summers of many foreign-exchange and equity traders with a surprise devaluation of its currency. The move not only stoked fears about the world's second-largest economy, but it also rippled across Asian markets and sent tremors around the world. Chinese stocks plunged, and its foreign-exchange reserves fell, bringing an abrupt end to a sleepy summer.

Few at the moment expect a repeat of such magnitude as two years ago. In China, reserves rose in July for a sixth straight month and the yuan is up about 3% against the dollar this year. A rebound in exports fueled stronger-than-expected economic growth of 6.9% in the year's first half.

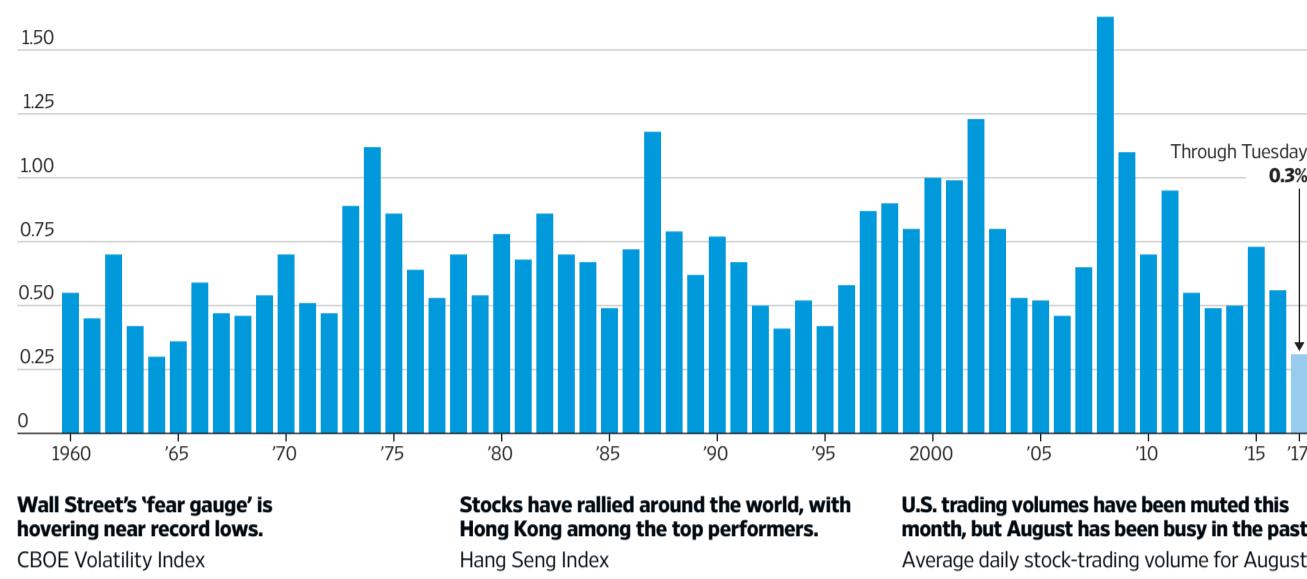
Asian stocks, broadly, have rallied as a result. Hong Kong's Hang Seng Index, which has risen in 19 of the past 22 trading days, is up 27% this year so far and is among the world's top-performing indexes. The MSCI AC Asia Pacific ex-Japan Index, a broad barometer that counts large Asian companies listed globally, is up 25% and trading at a nearly 10-year high.

Even hedge funds, long criticized for high fees and under-

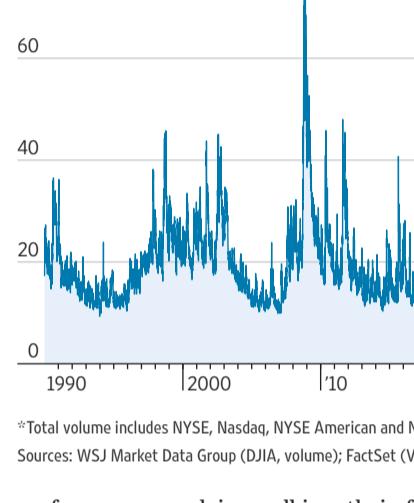
In the Doldrums

August isn't always a quiet time in the market, but this summer stocks' swings and trading volumes have ebbed as indexes have climbed.

Dow Jones Industrial Average, average daily percentage change



Wall Street's 'fear gauge' is hovering near record lows.



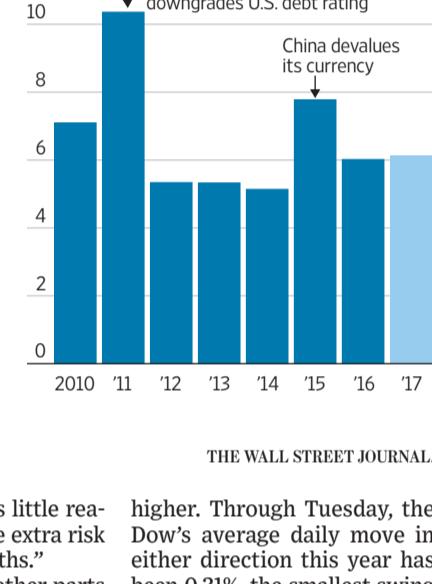
*Total volume includes NYSE, Nasdaq, NYSE American and NYSE Arca; 2017 data through Tuesday

Sources: WSJ Market Data Group (DJIA, volume); FactSet (VIX, Hang Seng Index)

Stocks have rallied around the world, with Hong Kong among the top performers.



U.S. trading volumes have been muted this month, but August has been busy in the past.



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their first quarterly asset inflow in two years, HFR said.

"It was a very good first six months for a lot of hedge funds and portfolio managers," said Arthur Kwong, head of Asia-Pacific equities at BNP Paribas Asset Management in Hong Kong. "If you made a lot of money in

the first half, there's little reason you need to take extra risk in the summer months."

The situation in other parts of the world is similar. In the U.S., the Dow Jones Industrial Average rose above 22,000 last week for the first time in what has been a methodical move

higher. Through Tuesday, the Dow's average daily move in either direction this year has been 0.31%, the smallest swing in 53 years, according to The Wall Street Journal's Market Data Group. Ten years ago, this average daily move was more than double its current level.

U.S. stocks got a slight jolt late in Tuesday's session, after President Donald Trump demanded North Korea not make any more threats to the U.S., saying the U.S. would respond with "fire and fury." The Dow Jones Industrial Average was down 0.3% at its intraday low, and closed down 0.1%.

August is typically a time for slow trading volume, too. Average daily activity in early August, as measured by NYSE composite volume, has been lower than this year's daily average.

History shows that just because markets are quiet now doesn't mean they will stay that way for the rest of the summer.

U.S. stocks got a slight jolt Tuesday, after the president's North Korea demands.

In August 2011, Standard & Poor's surprise downgrade of its U.S. debt rating prompted some of the most volatile days on record for U.S. stocks. In August 2007, the subprime-mortgage meltdown in the U.S. was morphing into the global financial crisis. And in the summer of 1997, a financial crisis that started in Thailand eventually spread throughout Asia, as currencies of many of the region's hardest-hit economies such as Thailand, Indonesia, Malaysia and South Korea lost more than 50% of their value against the U.S. dollar.

For now at least, investors say they wouldn't be surprised if the calm in markets continues.

"Nowadays, the market is behaving quite differently from the big moves in recent summers," Mr. Kwong of BNP Paribas Asset Management said. "But when everyone comes back from vacation, I'd still expect more volatility in September and October."

Source: WSJ Market Data Group (DJIA, volume); FactSet (VIX, Hang Seng Index)

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Not-So-Magic Kingdom

Walt Disney Co. share price



a long time from now. In the meantime, its stock-price performance will be more reliant on its ability to stem the decline in subscribers at ESPN. The company's sports-rights costs have been climbing at the same time as subscribers have been leaving. Disney said operating income for its cable networks

segment fell 23% in the third quarter due to a rate increase for its NBA contract. Affiliate revenue grew thanks to contractual rate increases, but subscriber declines cut into that growth.

Disney will have the opportunity to remedy that situation during its next round of negotiations with pay-TV

providers, which will begin with Altice USA, whose contract expires this fall. The media company can use a combination of price increases and provisions that stipulate that a portion of pay-TV subscribers must receive its channels. Disney will also be launching an ESPN streaming service in early 2018 that will feature content not available on its TV channels. This could also offer a boost to affiliate revenues.

For Netflix, it is impossible to know how many new subscribers have signed up to watch Disney's new releases. The company now has until 2019 to come up with a substitute. It said Monday it was acquiring comic book publishing house Millarworld for an undisclosed amount. That could offer a clue to its ambitions for competing with Disney's Marvel. In the meantime, Disney content may continue to aid its subscriber additions.

—Miriam Gottfried

Apple Plays Costly Game of Catch-Up

Apple Inc.'s new 10th Anniversary iPhone is still sight unseen, yet a glance at the company's latest quarterly results also raises the question of what else may be coming.

Apple's spending on research and development totaled \$2.9 billion for the third fiscal quarter ended July 1, rising 15% year over year against a revenue gain of just 7% for the same period. That brought Apple's R&D spending to \$11.2 billion for the trailing 12 months, which is about 5% of the company's revenue for the period. Apple hasn't expended a greater portion of its revenue on R&D on an annual basis since 2004—three years before the first iPhone launched.

That suggests other big things on the horizon, though what exactly is anyone's guess. Apple only claims "an increase in headcount-related expenses to support expanded R&D activities" in its quarterly filing.

The company is widely reported to be working on projects related to self-driving cars, health-care monitoring and augmented reality, to name just a few.

Apple, of course, is always loath to discuss any products it has in the works. But the company's pipeline is a salient question for investors who may rightfully be wondering what to do with the stock once this year's new iPhones see the light of day. Apple's market value has surged 35% this year to \$820 billion—adding \$45 billion since last week's earnings report, which all but confirmed that some new iPhones will indeed launch this quarter. And it is hard to forget that the stock has seen significant downturns twice in the past five years following big iPhone launches.

It is also worth noting that Apple is competing with other deep pockets willing to dig even deeper. The company's R&D spending over the past 12 months trails that of Microsoft, Amazon.com and Google parent Alphabet Inc.

As a percentage of revenue, Apple's R&D expenditures rank the lowest among big tech companies save for HP Inc. Of course, spending gobs of money now is never a guarantee of future success, but Apple has a distinct need to make its billions count. —Dan Gallagher

Email: heard@wsj.com

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Disney Thinks It's Better Off Alone

Walt Disney's decision to pull its content from Netflix marks a major shift, but it isn't going to be the thing that drives the media company's share price over the next few years. It also may not matter much for Netflix shares.

Disney, which reported fiscal third-quarter earnings Tuesday, said it will end its deal with Netflix, beginning with its 2019 film releases and will launch its own Disney-branded streaming service. The deal was struck in 2012 but didn't start until 2016. By then, it had become clear that the fees Netflix was paying to license media companies' content weren't enough to offset the loss of pay-TV subscribers who have cut the cord or downgraded to smaller bundles of channels, enabled by the availability of content on services such as Netflix.

Disney is doing what it can to limit the impact of the Netflix deal, but 2019 is

a long time from now. In the meantime, its stock-price performance will be more reliant on its ability to stem the decline in subscribers at ESPN. The company's sports-rights costs have been climbing at the same time as subscribers have been leaving. Disney said operating income for its cable networks

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The company is widely reported to be working on projects related to self-driving cars, health-care monitoring and augmented reality, to name just a few.

Not all markets are slumbering through the summer. In the past two weeks, the euro has leapt more than 4% against the Swiss franc—a decisive break out of the range that has held for two years. One of the most persistent legacies of the euro-zone debt crisis appears to be unwinding.

The move has taken the franc to 1.15 per euro, its weakest since January 2015. That was when the Swiss National Bank shocked global markets by abandoning a policy of preventing the franc from strengthening beyond 1.20 Swiss francs against the euro.

The strength of the franc was a headache for the SNB, but its efforts to stave off app-

preciation led its balance sheet to explode in size. The central bank has amassed close to \$750 billion in foreign-currency investments.

So the move will certainly be welcome to the SNB, as it may buoy Swiss inflation and growth. But it also reflects

the shift in sentiment both around the eurozone and the global outlook—which makes it more significant than just being a foreign-exchange trade. Growth in the eurozone has stepped up a gear, reaching an annualized pace of 2.3% in the second quarter, and political risks have faded. Meanwhile, global growth has been more synchronized. The need to cling to a haven such as the Swiss franc has faded.

It also reflects shifting monetary policy. The European Central Bank appears to be moving gradually toward less-stimulative policy; the SNB by contrast can afford to stand pat, with inflation near zero and the franc still strong by historic standards.

As European interest rates rise, holding still negative-rate Swiss assets will bite. That may lead to outflows from Swiss assets in search of higher returns elsewhere. The Swiss franc's role may be more as a currency to borrow to fund bets elsewhere.

The recent move has been so sharp that some consolidation might be expected; the ECB might yet start to sound concerned about the strength of the euro too, although financial conditions are still supportive. But if the global economy and the eurozone are emerging from the shadow of their crises, then the Swiss franc's haven status may take an extended break.

—Richard Barley

Not all markets are slumbering through the summer. In the past two weeks, the euro has leapt more than 4% against the Swiss franc—a decisive break out of the range that has held for two years. One of the most persistent legacies of the euro-zone debt crisis appears to be unwinding.

The move has taken the franc to 1.15 per euro, its weakest since January 2015. That was when the Swiss National Bank shocked global markets by abandoning a policy of preventing the franc from strengthening beyond 1.20 Swiss francs against the euro.

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