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U.S.-North Korea Talk Heats Up

Trump boasts over nuclear arsenal after Pyongyang responds to 'fire and fury' remark

By Paul Sonne And Louise Radnofsky

WASHINGTON—President Donald Trump touted the American nuclear arsenal's strength, vowing "there will never be a time that we are not the most powerful nation in the world," as world leaders tried to decipher a tangle of threats and pronouncements coming from the U.S. and North Korea.

At his Bedminster, N.J., golf club, Mr. Trump took to Twitter on Wednesday to say the U.S. nuclear arsenal was more powerful than ever before, adding, "Hopefully we will never have to use this power." He didn't mention North Korea.

The exchange of threats with North Korea began over the weekend when the United Nations Security Council unanimously approved a new round of sanctions against North Korea at the urging of the U.S. in response to a second ballistic missile test last month.

North Korea responded by rejecting any negotiations on its nuclear weapons and missile program, saying it stood "ready to teach the U.S. a severe lesson with its nuclear strategic force" if provoked militarily. Mr. Trump then warned Pyongyang against issuing further threats, saying it would be "met with fire and fury like the world has never seen." Hours later on Tuesday, North Korea said it was considering firing missiles at U.S. military forces in Guam.

Secretary of Defense Jim Mattis on Wednesday reinforced Mr. Trump's comments about U.S. capabilities and warned that North Korea would be "grossly outmatched" by the U.S. in any conflict or arms race the regime initiates. Mr. Mattis called on North Korea to stop taking actions that could "lead to the end of its regime and the destruction of its people."

Secretary of State Rex Tillerson sought to calm tensions, saying Americans needn't be alarmed, and clarifying that the president's statements didn't presage any imminent military action. But Mr. Tillerson's diplomatic effort was clouded by a discordant message from other Trump administration officials.

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◆ Opinion: Trumpian fury..... A10

French Police Make Arrest in Hit-and-Run Attack on Soldiers

PHILIPPE HUGUEN/AGENCE FRANCE-PRESSE/GETTY IMAGES

POSSIBLE TERRORIST ACT: Authorities detained a man suspected of ramming a car into a group of soldiers in a suburb of Paris. **A3**

FBI Raided Home of Manafort

By Del Quentin Wilber And Brett Forrest

Federal agents working with Special Counsel Robert Mueller raided the Virginia home of Paul Manafort, President Donald Trump's former campaign chairman, to obtain documents and other material last month, according to people familiar with the matter.

"FBI agents executed a search warrant at one of Mr. Manafort's residences," Jason Maloni, a spokesman for Mr. Manafort, confirmed in a statement. "Mr. Manafort has consistently cooperated with law enforcement and other serious inquiries and did so on this occasion as well."

The raid occurred July 26 at Mr. Manafort's home in Alexandria, a suburb of Washington, D.C. Federal Bureau of Investigation agents executed

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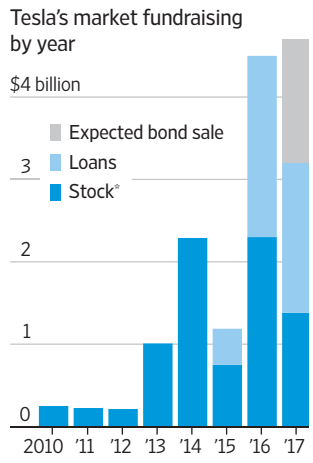
Tesla Pitch Tests Investors' Faith



The electric-car maker hopes to sell bond investors on its growth potential—just as the firm did with stock investors. **B1**

What's News

Business & Finance

Mylan cut its earnings forecast amid increased competition from generic drugs and delays in the launch of key drugs. **A1**

◆ **Vantiv agreed** to acquire Britain's Worldpay for about $10.4 billion, creating a trans-Atlantic payment-processing giant. **B1**

◆ **Some debt investors** are concerned about Tesla's losses and financial projections as the firm pitches a $1.5 billion bond deal. **B1**

◆ **Dairy companies** are fighting back with new products as milk sales decline. **B1**

◆ **An advertising study** found a variety of non-transparent practices in the production business. **B3**

◆ **Smartphone startup** Essential said its backers include Tencent and Amazon as it prepares to take on Apple and Samsung. **B4**

◆ **Fox posted** a rise in quarterly revenue, helped by higher ad and distribution fees for its cable channels. **B1**

◆ **Bank of America** will launch a premium rewards card, the last big credit-card issuer to do so. **B5**

◆ **China's consumer** inflation slowed a notch in July, a sign economic activity may be cooling. **A2**

◆ **Markets world-wide** were jolted by rising tension between the U.S. and North Korea. The Dow fell 36.64 points to 22048.70. **B8**

◆ **TripAdvisor** and Priceline cut their forecasts for growth in hotel bookings. **B3**

World-Wide

◆ **Trump touted** the strength of America's nuclear arsenal as an exchange of threats between the U.S. and North Korea heated up. **A1**

◆ **Seoul residents** displayed a lack of alarm, despite the South Korean capital's proximity to the border with North Korea. **A4**

◆ **FBI agents raided** the home of Trump's former campaign head Manafort to obtain documents and other material. **A1**

◆ **Kenya's president** held a big lead over his challenger in unofficial election results, but fraud allegations sparked protests. **A3**

◆ **Trump faces** a deadline on whether to approve a scientific report on climate change that contradicts his rhetoric. **A7**

◆ **The White House** has identified its leading choices for two top federal-prosecutor posts in New York. **A5**

◆ **Trump pledged** a tougher law-enforcement response to an epidemic of opioid addiction. **A5**

◆ **Latin American officials** said they wouldn't recognize Venezuela's new assembly, saying it represents a breakdown of democracy. **A3**

◆ **French police shot** and detained a man who is suspected of ramming a car into a group of soldiers in a Paris suburb. **A3**

◆ **The U.S. Treasury** imposed sanctions on the captain of Mexico's soccer team, saying he acted as a front-man for a drug trafficker. **A3**

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INSIDE

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CHINA'S DREAM IS A NIGHTMARE FOR APPLE

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A STARTUP'S THREAT: COPYCATS AT FACEBOOK

Tiny Houseparty has a hot chat app—the social-media giant has noticed

By Betsy Morris and Deepa Seetharaman

Tech startups live by the rule that speed is paramount. Houseparty, creator of a hot video app, has an extra reason for urgency.

Facebook Inc., a dominant force in Silicon Valley, is stalking the company, part of the social network's aggressive mimicking of smaller rivals. Facebook is being aided by an internal "early-bird" warning system that identifies potential threats, according to people familiar with the technology.

This fall, Facebook plans to launch an app similar to Houseparty, internally called Bonfire, people familiar with the project say. Both apps let groups of people hang out over live video on a smartphone.

"They see we're having traction," says Sima Sistani, co-founder of Houseparty, which is based in San Francisco. "That's why we're pushing so hard."

Silicon Valley is dominated by a few titans, a development that is fundamentally altering the nature of America's startup culture. While it's as easy as ever to start a company, it is getting harder to grow fast enough and big enough to avoid getting either acquired or squashed by one of the behemoths.

For months, Houseparty could see Facebook in the rearview mirror. Last year, Facebook executives approached it for meetings the startup interpreted as exploring an acquisition. Then, two months after Houseparty publicly introduced itself as "the internet's living room" in November, Facebook's Messenger app said it would become a "virtual living room."

Facebook in February launched a study of Houseparty, wooing its teenage users in a post that began: "Hi everyone!! Do you use Houseparty?"

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New York's Summer of Hell? Not on This Bus

* * *

Out-of-town drivers helping relieve commuter chaos are having a blast

By Paul Berger

When Jeffrey Zachary, a bus driver from Canton, Ohio, said he was going to New York City to help out during this summer's transit crisis, his friend warned him not to talk to strangers. "My buddy said, this is not the type of city where people will be so receptive," Mr. Zachary recalled.

But conversation is fundamental to Mr. Zachary's character. Last month, as a couple boarded his bus in South Orange, a New Jersey commuter town, he told them that their coffee sure smelled good. The next day, they returned carrying an extra coffee for him as well as a toasted, buttered bagel.

The 18 miles of road stretching between South Orange and Manhattan have thrown up all kinds of surprises for Mr. Zachary over the past month. But the biggest surprise of all has been the passengers: "Everybody seems really nice," he said.

Mr. Zachary, 51 years old, is one of more than 40 drivers from Coach USA subsidiaries in Indiana, Pennsylvania, Maryland and Ohio who have driven to the New York region for a two-month tour of duty during the "summer of hell." The phrase was coined by New York Gov. Andrew Cuomo after Amtrak announced it was closing several tracks for maintenance at New York Penn Sta-

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Mylan Hurt By Delays, Generic Competitors

By Imani Moise And Cara Lombardo

Mylan NV cut its earnings forecast for the next year and a half as the company faces increased competition from generic drugs and delays in the launch of key drugs amid regulatory questions.

The company said it couldn't count on launching this year the planned generic versions of **Teva Pharmaceutical Industries** Ltd.'s Copaxone and **GlaxoSmithKline** PLC's Advair, after the U.S. Food and Drug Administration asked for more information.

On a call with investors, the company blamed the delays on restructuring at the FDA and said that it didn't expect the

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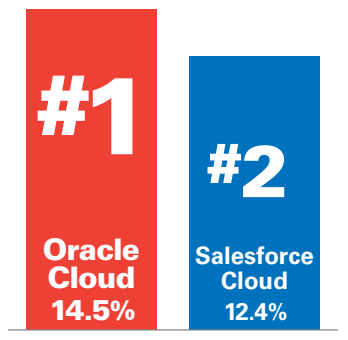
Oracle #1
SaaS Enterprise Applications Revenue



1,000+ Employees Segment, 2015

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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM. Copyright © 2017, Oracle and/or its affiliates. All rights reserved.

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Beijing's Dream Is a Nightmare for Apple

CHINA'S WORLD
By Andrew Browne

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, 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.

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. That is the case 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 manufacturing superpower.

Yet, not only do they refrain from criticism, some actively cooperate.

Call it the Stockholm syndrome, whereby hostages start to identify with their captors. U.S. tech giants have invested billions of dollars in tie-ups with state entities at the forefront of projects like "Made in China 2025" aimed at gaining Chinese dominance in emerging industries from driverless cars to robotics.

Among U.S. companies that have fallen in behind China's ambitions to make leading-edge computer chips are **Qualcomm**, **Intel** and **AMD**.

For a long time, U.S. tech executives have been reluctant to admit the scale of their intellectual property losses in China.

In 2011, then **Microsoft** Chief Executive Steve Ballmer put a figure on it in comments he thought were off-the-record. That year, he predicted, China revenues would be about 5% of the U.S., even though personal-computer sales back then were almost equal in the two markets.

Why the passivity? China now owns the world's fastest-growing consumer markets by far, and U.S. CEOs believe they must be there come what may. They expect retaliation for complaining.

THOMAS PETER/REUTERS

Apple Chief Executive Tim Cook at the China Development Forum in March.

But there is also a psychology at work that reflects the new dynamics of power in the global economy.

A China making rapid technological strides is feeling supremely confident, and this is reflected in its attitudes toward international investors. A figure like Mr. Cook commands a great deal of respect, even deference, in Washington. In Beijing, he's treated like any other business executive—as a supplicant, angling for favors to keep his market hopes alive.

Mr. Cook addressed the difficult business environment in China last week on an earnings call with analysts, saying: "We believe in engaging with governments even when we disagree."

In any U.S.-China trade conflict, U.S. CEOs will be caught in a tough bind between two arch-nationalists—U. S. President Donald Trump and Chinese President Xi Jinping. And it isn't at all clear how the companies will position themselves.

"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, even going so far as to holding major public events in China in efforts to endear itself with government officials, raise its public profile and attract Chinese engineering talent.

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 in one form or another, 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. Research by Molly Roberts, a professor at the University of California San Diego, shows that up to 20% of Chinese internet users in their 20s rely on such devices. Many buy them from the iPhone store.

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.

China Inflation Slows Down

BEIJING—China's consumer inflation slowed a notch in July, with softer nonfood prices signaling that economic activity may be cooling as Beijing works to reduce debt levels.

China's consumer-price index rose 1.4% in July from a year ago, compared with a 1.5% gain in June, the National Bureau of Statistics said on Wednesday. The result was also lower than a 1.5% increase expected by economists polled by The Wall Street Journal.

Food prices, the biggest component of the consumer inflation index, declined 1.1% from the same time a year ago, less steeply than their 1.2% drop in June. Prices of vegetables and eggs rose, driven up by a widespread heat wave and flooding, the statistics bureau said.

Meanwhile, the rate of increase in the price of nonfood items fell to a seven-month low of 2.0% last month, as health care and services became less expensive, the bureau said.

The absence of price pressure means Beijing may have to look for levers other than raising key interest rates in its campaign to bring down high rates of corporate debt, some economists said.

AGENCE FRANCE-PRESSE/GETTY IMAGES

A market in Hangzou. Food prices declined less steeply in July.

"Overall, China's inflation pressure is ebbing. That's a sign that shows monetary policy cannot be tightened further," said Yang Weixiao, an economist at Founder Securities.

July's consumer inflationary rate is well below Beijing's 3% target set for 2017. Some economists said the rate still has room to fall, to around 1%, before affecting monetary policy.

Beijing has made reducing financial risk and leverage its priority this year. After securing a higher-than-expected economic growth rate in the first half, many economists expect the momentum to ebb in the second half of the year as policy tightening damps economic activity.

Mr. Yang said there will be a risk of deflation if China's monetary policy tightens more.

Meanwhile, China's producer-price index stayed unchanged at 5.5% for a third consecutive month in July, and turned positive in month-over-month terms for the first time since March.

After falling for nearly five years, China's producer-price index only turned positive in September 2016. A decline of producer prices has burdened factories with shrinking profits and increasing debt.

While July's gain was the 11th in a row, the index is expected to sag in the months ahead amid slackening domestic demand and softening commodity prices, said Liu Xuezhi, an economist with Bank of Communications.

"With growth likely to slow further in the coming quarters, we think the pickup in price pressures witnessed during the past year will continue to unwind. This will disappoint those hoping for a sustained period of reflation that could help to erode corporate debt burdens," said Julian Evans-Pritchard, an economist with Capital Economics.

—Grace Zhu and Liyan Qi

MYLAN

Continued from Page One

agency to require any more clinical or device-related studies. "We honestly see the administrative as the barrier and not the science," said chief executive Heather Bresch.

A spokeswoman for the FDA didn't immediately respond to a request for comment.

Mylan would be the first company to bring a generic version of Advair to the market and one of the first to bring a generic version of Copaxone. The FDA has vowed to approve more generic-drug applications to encourage competition and lower prices, and has said it is prioritizing the approval of the first generic version of a drug. But Mylan President Rajiv Malik told investors Wednesday that the FDA seems more focused on quickly approving subsequent versions of generics.

Chad Landmon, an attorney who helps generic drugmakers gain FDA approval, said it has been a challenge for the FDA to prove generic versions of both Copaxone and Advair function the same as branded versions. Mr. Landmon, who doesn't work with Mylan, said this is especially true with Advair because it is administered through an inhaler.

Mylan executives said Wednesday that the company planned to submit a response to the FDA's concerns regarding Advair in the next few weeks.

Mylan also said it expects competition to erode prices for its generic drugs, by a rate in the mid-single digits globally and high-single digits in North America.

Competition from generic drugs has also hurt Mylan's brand-name products. The company said North American sales for its EpiPen Auto-Injector fell more than expected in the most recent quarter as cheaper generic versions launched. North American sales slid 9% overall in the quarter ended June 30; excluding EpiPen sales, they grew 4%.

Mylan now expects revenue this year to come in between $11.5 billion and $12.5 billion, compared with prior guidance of $12.25 billion to $13.75 billion. It cut its forecast for earnings per share to a range of $4.30 to $4.70, from $5.15 to $5.55 previously. For 2018, the firm now expects earnings per share of at least $5.40, down from its earlier target of $6.

Umer Raffat, a senior analyst with Evercore ISI, estimated in a research note that half of the revenue revision came from the delay of new launches, while the rest stemmed from increased price erosion and competition.

JEFF SWENSEN/GETTY IMAGES

Mylan is deferring launches amid regulatory uncertainty.

In all for the latest quarter, Mylan missed views, reporting earnings of $297 million, or 55 cents a share, up from $168.4 million or 33 cents a share a year earlier. On an adjusted basis, earnings fell to $1.10 a share from $1.16 a share. Revenue jumped 16% to $2.96 billion. Analysts polled by Thomson Reuters had forecast earnings of $1.16 a share on $3.04 billion in sales.

Shares were up nearly 1% at $32.10 in midafternoon trading Wednesday after opening 5.9% lower.

Death Toll Climbs to 19 in China Earthquake

WANG QIN/CHENGDU ECONOMIC DAILY/REUTERS

TO THE RESCUE: Paramilitary police carry a survivor of Tuesday's 6.5-magnitude quake in Jiuzhaigou county in southwest China.

CORRECTIONS & AMPLIFICATIONS

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WORLD NEWS

Kenya President Has Strong Lead in Vote

Unofficial results give Uhuru Kenyatta the edge; his challenger alleges fraud

By Matina Stevis And Joe Parkinson

NAIROBI, Kenya—Kenya's President Uhuru Kenyatta looked set for another four-year term as unofficial results from Tuesday elections handed him a big lead over opponent Raila Odinga, but allegations of fraud sparked protests, clouding an otherwise peaceful vote in one of Africa's largest economies.

With official results pending, Mr. Odinga cried foul on Wednesday, alleging that a hack of the electoral commission's software system had enabled "massive fraud" that rendered the vote "illegal."

The veteran leader's claim was followed by protests in several of his strongholds across the country, as supporters clashed with riot police in Nairobi's sprawling informal settlements and in small pockets in western Kenya.

There was no official estimate of injuries, but Doctors Without Borders, the medical organization, said two protesters had died in confrontations with security forces in Nairobi's Mathare slum.

"This morning's claims of election database hacking have raised suspicion and already pushed opposition supporters in some areas onto the streets," said Muthoni Wanyeki from rights group Amnesty International.

Still, the vast majority of the country and Nairobi, one of Africa's key business hubs, were calm throughout the day.

With all polling stations reporting, Mr. Kenyatta led Mr. Odinga by 54% to 45% of the vote from Tuesday's election, according to unauthenticated results streamed on the website of the Independent Electoral and Boundaries Commission.

Markets seemed broadly reassured by the news. Kenya's dollar-denominated eurobond yields fell on news of Mr. Kenyatta's projected victory, and the Kenyan shilling was largely flat in Wednesday trading.

Mr. Odinga, speaking at a news conference, rejected the commission's figures, saying its computer system had been hacked in "an audacious attempt to overrule the power of Kenyans."

Mr. Odinga produced a 52-page document that he said substantiated his claims. He also asserted that last week's gruesome killing of the election commission's top information technology official, Chris Msando, was part of an attempt to return Mr. Kenyatta to power at any cost.

"Chris Msando's blood has been shed on the altar for thirst for absolute power," Mr. Odinga said. "You can only cheat a people for so long. This election is illegal."

A senior official from the governing Jubilee coalition said Mr. Odinga had no evidence for his claims and was simply lashing out after an election loss to Mr. Kenyatta, who is seeking a second four-year term as president.

"This is disinformation. It comes after months of promising his supporters that the only way he could lose is if the poll was rigged," said Raphael Tuju, Jubilee's secretary-general. "I'm not concerned about widespread violence. He has campaigned to incite people but he has failed and will be isolated."

The head of the electoral commission, Wafula Chebukati, said the agency was looking into the claims of computer tampering.

In 2007 elections, allegations of vote rigging and voter intimidation escalated into tribal-related violence that left 1,100 people dead and drove hundreds of thousands of others from their homes.

While both Messrs. Kenyatta and Odinga pledged during the campaign to spend heavily on development projects for Kenya's 48 million people, tribal divisions continue to frame Kenyan politics.

Mr. Kenyatta says his leadership transcends ethnicity, even though he is dependent on support from his Kikuyu tribe, Kenya's largest, and its allies. Mr. Odinga says his Luo tribe, and others aligned with it, have been neglected.

"This is a dramatic statement [by Mr. Odinga]. It isn't quite a call to arms, but it is putting people on notice," said Justin Willis, an Africa specialist at Durham University. "But provisional results show Kenyatta leading by a large margin....Even if it is discovered that there are irregularities they'd have to be huge to nullify the result," he added.

Election monitors from the Carter Center, the National Democratic Institute and the European Union were scheduled on Thursday to issue statements about the conduct of the elections and the vote count.

At his news conference, Mr. Odinga said a hacker logged into the electoral system software between 12:37 p.m. and 4 p.m. on election day, using Mr. Msando's identification, and tweaked the software to distort the vote count.

Fears about election tampering escalated after Mr. Msando was found dead last week, his body showing signs of torture.

SIEGFRIED MODOLA/REUTERS

Ballot boxes from Tuesday's general election were stacked at a tallying center in Mombasa, Kenya, on Wednesday.

Latin America Heads Assail Maduro Move

By Ryan Dube

LIMA, Peru—Governments from across Latin America agreed 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 Tuesday 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 to 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 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 Luisa 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 would 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.

French Police Hold Suspect in Attack

By Noemie Bisserbe

PARIS—A man suspected of ramming a car into a group of soldiers in a Paris suburb, injuring six, was shot and detained on a highway hours after the attack, potentially ending a manhunt in a case prosecutors are treating as an act of terrorism.

The attacker ambushed the soldiers, waiting behind the wheel of a dark-colored BMW in an alley near the soldiers' local barracks and then slamming into a group as they walked to their vehicles to begin their morning patrol, officials said.

The car initially crept around a corner to approach the soldiers, then in a burst of acceleration mowed them down and sped off, added French Interior Minister Gérard Collomb.

"We know it was a deliberate act. This was no accident," Mr. Collomb said on French television.

The attack in Levallois-Perret is the latest in a string—including the Nov. 13, 2015, assault by Islamic State militants that killed 130 people in Paris and the truck attack in Nice that killed 86 on Bastille Day in July 2016—that has put France on edge.

Levallois-Perret, with a population of more than 65,000, is a wealthy suburb of Paris that is also home to the country's domestic-intelligence agency, the DGSI, which is less than half a mile from the scene of the attack. The suburb's clean streets are monitored by a large number of security cameras.

The soldiers who were attacked were among some 7,000 who have been deployed across the country to protect sensitive targets such as government offices, schools, places of worship and tourist attractions.

Witnesses speaking on French TV described hearing a loud crash like a car accident, followed by shouts of military officers and the quick arrival of emergency services.

Three were seriously injured but their injuries weren't life-threatening, Defense Minister Florence Parly said.

The suspect was detained on a highway north of Paris, after police spotted and followed the car used in the morning attack, according to a police officer. The suspect, who tried to flee, was shot during the arrest, but is alive, the police officer added.

Paris prosecutors are treating the attack as an act of terrorism, a spokeswoman for the prosecutor's office said.

French President Emmanuel Macron was following the situation closely, said government spokesman Christophe Castaner.

The government has declared and renewed a state of emergency, but the crackdown hasn't stopped the drumbeat of periodic attacks.

There have been roughly a dozen in France since Nov. 2015, and more than half of those targeted military patrols or police. Three police officers have been killed.

In June, two separate attackers targeted armed patrols near the Notre Dame Cathedral and on the Champs-Élysées, causing only minor injuries.

In April, a gunman opened fire on the Champs-Élysées, killing a police officer and wounding two other people. Police returned fire, killing the gunman, who was later identified as Karim Cheurfi, a French national. Islamic State claimed responsibility for the April attack, said SITE Intelligence Group, which monitors the extremist group's communications.

Wednesday's incident is the second potential terrorist attack in just a few days in the Paris region. On Saturday night, a knife-wielding man attempted to force his way into the Eiffel Tower.

The man, who was shouting "Allahu akbar"—Arabic for "God is great"—was quickly detained by police and no one was harmed, a spokeswoman for the Paris prosecutor's office said.

The man, who has a history of psychological problems, later told police that he was targeting soldiers.

—Sam Schechner contributed to this article.

CHRISTOPHE PETIT TESSON/REX/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

Police and soldiers guard the scene in a Paris suburb where a man in a BMW had slammed into troops.

WORLD WATCH

MARCO BERTORELLO/AGENCE FRANCE-PRESSE/GETTY IMAGES

REST: Migrants sleep in Ventimiglia, Italy. Tens of thousands of migrants have arrived in Europe from North Africa this year.

MEXICO

U.S. Sanctions Soccer Star in Drug Case

The U.S. Treasury Department imposed sanctions on Rafael Márquez, the captain of Mexico's national soccer team and one of the country's most popular players, saying he acted as a frontman for a drug trafficker.

Mr. Márquez was among the individuals the Treasury Department's Office of Foreign Assets Control said it linked to Raúl Flores Hernández and his organization, which the agency identified as significant foreign narcotics traffickers. Mr. Márquez couldn't be reached to comment.

The Treasury Department announced sanctions against Mr. Flores Hernández and 21 other individuals and businesses in what it said was the largest ever single Kingpin Act action against a Mexican drug-cartel network.

Mr. Flores Hernández was indicted in the U.S. on cocaine trafficking charges in March.

The Treasury Department said Mr. Márquez has longstanding ties to Mr. Flores Hernández, and has held assets on their behalf.

—Juan Montes

CANADA

Housing Starts Continue to Rise

Canadian housing starts rose in July, exceeding market expectations by a significant margin, in a sign the real-estate sector shows no signs of slowing despite government measures to tamp down price surges.

Housing starts rose 4.4% to a seasonally adjusted level of 222,324 units in July from June, Canada Mortgage and Housing Corp. said. Market expectations were for a rise to 205,000, according to Royal Bank of Canada economists.

The housing agency said July was the seventh straight month of increased residential construction. Further, July was the seventh time in eight months that housing starts exceeded 200,000 at a seasonally adjusted and annualized rate.

"Housing starts aren't showing many signs of cooling down in the summer," said economists at CIBC World Markets. "We had expected to see some slowing in starts already and for residential construction to become a drag on overall economic growth before the end of the year."

—Paul Vieira

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In Harm's Way, Seoul Carries On

South Korea's capital displays a notable lack of alarm at the risk of war with its neighbor

By Jonathan Cheng

SEOUL—Thirty-five miles from the world's most heavily fortified border, Song Youngkwon, 60 years old, isn't too concerned about the possibility of nuclear annihilation.

In South Korea, a close U.S. ally whose capital city risks bearing the brunt of any armed confrontation between Washington and Pyongyang, the most striking reaction on Wednesday to the latest escalation of nuclear threats was the general lack of public alarm.

Seoul's ubiquitous coffee shops were full of teenagers fiddling with their smartphones. Tourists swarmed the palace grounds, museums and barbecue restaurants. In the streets, hand-held electric fans have become a must-have item to beat the August heat.

"I didn't see the news about Guam," said Mr. Song, while browsing at a stationery store in downtown Seoul. "Where's Guam located?"

Hours earlier, North Korean leader Kim Jong Un ordered his military to examine a plan for a missile strike on the U.S. military base on Guam, making an unusually explicit threat to attack American soil.

The move came after President Donald Trump warned North Korea against making any more threats to the U.S., saying the country "will be met with fire and fury like the world has never seen."

In the event of a U.S. strike against Pyongyang, Seoul stands in the firing line. The city of some 10 million people is a 45-minute drive from the border where North and South Korean forces face off and where the North has amassed artillery capable of inflicting severe damage on Seoul.

For many South Koreans, this has always been the case. Some say they find it difficult to keep track of the barrage of threatening language coming out of, and aimed at, Pyongyang.

But with North Korea edging closer to being able to deliver a nuclear-tipped missile halfway around the world, and an unpredictable president in the White House, there are signs the mood may be shifting.

At times South Korea has become "a passenger, not really able to control the rhetorical escalation" between Washington and Pyongyang, says Andrew Gilholm, a Seoul-based director of Northeast Asia analysis for Control Risks, a consultancy. He points to the months following President George W. Bush's 2002 speech naming North Korea as a member of the "axis of evil."

"But it's worse for them on this occasion—the context that it's taking place in now is so much more serious than the period during the first George W. Bush administration, just because of the advanced state of the North Korean weapons program," Mr. Gilholm said.

More than in previous U.S. administrations, the mixed messages from different members of the Trump administration has worried South Korean policy makers, he added.

On Wednesday, senior government officials in Seoul sought to tamp down the tensions. An unnamed spokesman for the presidential Blue House, speaking to domestic media, acknowledged that tensions were high, but stressed that they didn't constitute a crisis, according to the semiofficial Yonhap News Agency.

Pedestrians walk past a TV broadcasting a warning to Pyongyang by President Donald Trump.

JUNG YEON-JE/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Moon Jae-in has called for dialogue between the two Koreas, while condemning Pyongyang's tests of two intercontinental ballistic missiles.

Go Myung-hyun, a research fellow at the Asan Institute for Policy Studies in Seoul, said South Korean concerns about President Donald Trump launching a strike on the North without first notifying the South have receded.

"What he has shown is that he is not that irrational on security and policy issues," Mr. Go said. "So far, he has surpassed our low expectations, and that's the reason the South Korean security establishment believes that Trump will do the right thing."

Few South Koreans believe Pyongyang would actually use its growing nuclear arsenal on the South, where longtime bonds of history, ethnicity and culture offer some measure of assurance, Mr. Go said.

The escalation in tensions didn't crack the top 10 trending news topics on Naver, South Korea's most popular online news portal. "Guam," though, was one of the fastest-rising search terms, behind a popular television variety show and news of a television anchor's drunken-driving case.

Not everyone is upbeat. Noh Su-ji, a 27-year-old office worker in Suwon, near Seoul, expressed concern, pointing to the mention of Guam as a target.

"If war does happen, then the whole Korean Peninsula is in danger and there's nothing I can do to prepare," she said. "Before, I used to think that the tensions will stop at some point. But this time, they are being really tough and I wonder about if they might actually provoke [armed conflict] this time."

—Min Sun Lee and Paul Sonne contributed to this article.

TRUMP

Continued from Page One

National security adviser H.R. McMaster, for example, said Sunday that the U.S. was preparing for the possibility of "preventive war" with North Korea, and the White House has repeatedly said all options remain on the table.

Last month, Central Intelligence Agency Director Mike Pompeo said the U.S. should "separate" Kim Jong Un from his nuclear weapons and made a thinly veiled reference to regime change. "The North Korean people I'm sure are lovely people and would love to see him go as well," he said.

Stephan Haggard, director of the Korea-Pacific Program at the University of California San Diego, said Mr. Tillerson had outlined a strategy of combining sanctions on North Korea and cooperation with the Chinese with the goal of returning to talks, while avoiding any reference to overthrowing Mr. Kim. Mr. Haggard said the secretary's attempt to outline a coherent strategy were undermined elsewhere in the administration.

"For those who do nuclear strategy, two parties that are talking about preemption simultaneously—that is the definition of instability," Mr. Haggard said. "The comments about preventive war in particular are not helpful. They not only reinforce the North Korean perception that they need this deterrent, but they also really risk crisis instability."

A U.S. Air Force plane prepares to take off from Andersen Air Force Base in Guam on Tuesday.

US AIR FORCE/EUROPEAN PRESSPHOTO AGENCY

North Korea also sent a mixed message, releasing a Korean-Canadian pastor this week following a detention of more than two years in a move that could potentially lower tensions between North Korea and the Western world.

Mr. Tillerson, who touched down in Guam on Wednesday for a refueling stop on his way back from a trip to Asia, said Mr. Trump's comments shouldn't worry Americans.

"What the president is doing is sending a strong message to North Korea in language that Kim Jong Un would understand, because he doesn't seem to understand diplomatic language," Mr. Tillerson said. "I think the president just wanted to be clear to the North Korean regime that the U.S. has unquestionable ability to defend itself, will defend itself and its allies," he added.

Mr. Tillerson dismissed the notion that Mr. Trump's comments were setting up a possible U.S. military strike on North Korea.

"I think Americans should sleep well at night, have no concerns about this particular rhetoric of the last few days," Mr. Tillerson said.

The White House said Wednesday afternoon that Mr. Trump had made his chief of staff and others on the National Security Council aware of the tone of his Tuesday statement before he made it, but that he composed the language himself. The White House hasn't specified which members of the NSC team were informed, or whether this extended to the secretaries of state or defense.

China's Foreign Ministry didn't address pressure from the Trump administration to be more active in reining in its ally in Pyongyang, calling the situation "complicated and sensitive." It appealed for calm and an early resumption of dialogue, as it usually does when tensions climb on the Korean Peninsula.

In an editorial published online Wednesday night, the populist, state-owned tabloid Global Times condemned Mr. Trump's remarks, saying they threatened to exacerbate matters.

"Now that President Trump has used a strong metaphor like 'fire and fury,' the North Korean nuclear train, going through a dark cave, will continue to run forward towards an even darker destination," said the tabloid, which is published by the Communist Party's flagship newspaper People's Daily.

Hong Huang, a popular lifestyle commentator with more than 11 million followers on her Weibo social-media feed, said Mr. Trump and "Fatty Kim" were engaged in a "madmen's dialogue."

In Japan, Prime Minister Shinzo Abe's government on Wednesday said it viewed favorably to the Trump administration's stance toward North Korea.

The government of Australian Prime Minister Malcolm Turnbull also supported the U.S., casting blame on Pyongyang for threatening security in the region.

On Guam, a U.S. territory in the Pacific that houses a large U.S. military contingent, the governor said the island has defenses in place to protect it following North Korea's threat to launch a missile strike against the American military base there.

"I've reached out to the White House this morning. An attack or threat on Guam is a threat or attack on the United States," Gov. Eddie Baza Calvo said in a video statement Wednesday. "They have said that America will be defended."

The increase in tensions rattled financial markets world-wide, interrupting a stock-market rally fueled by corporate earnings and global economic growth.

Investors Ride Out The Rising Tensions

Warlike rhetoric is intensifying on the Korean Peninsula, but that doesn't faze avid stock investor Park Young-sook.

The 60-year-old private-school owner has been putting money into South Korean stocks for more than a decade, and has seen tensions with the country's northern neighbor rise and fall. She sees North Korean belligerence as largely irrelevant to the performance of her portfolio—or a chance to buy more if the market dips.

"In the long term, North Korea risk is an investment opportunity," Ms. Park said. "Our country or companies will not fail because of North Korean risk."

People like Ms. Park are a big reason South Korea's stock market is near record highs despite a war of words between U.S. President Donald Trump and North Korean leaders.

Korea's benchmark stock index, the Kospi, has fallen slightly since its record of 2451.53 in July, and dropped a further 1.1% on Wednesday to 2368.39. Yet it is up 17% this year, making it one of the best-performing indexes in the world.

Far from feeling cowed, South Korea's mom-and-pop investors are taking on more risk.

Ms. Park lost money during the financial crisis. But now, she says she is making enough to expand her business and treat co-workers to dinner.

—Min Sun Lee

Thai Navy Carries Out Surgical Strike on Monkeys

When the marauding creatures pillage a naval base for food, the sailors turn to a long-term solution: monkey vasectomies

By James Hookway

SATTAHIP NAVAL BASE, Thailand—Here at Thailand's largest navy base, an enemy lurks within: packs of marauding monkeys that have taken over parts of the facility in their search for chips, nuts and maybe a bar of chocolate or two.

And the sailors are fighting back. Their weapon of choice? Monkey vasectomies.

Squeezed out of the nearby jungles by new housing developments and tourist resorts, the long-tailed macaques have chewed through telephone cables, knocking the entire base off the grid. They break into offices and rip up documents. They drag rocks onto roads to slow down cars and trucks so they can jump aboard and rummage for food. They've torn down signs—including one urging visitors not to feed them.

"They're smart, but they're a problem. I am sick of them," said Commander Suranart Jiemjit, whose superiors ordered him three years ago to head off the monkey menace.

But now, as the monkey population swells to 10,000, Cmdr. Suranart is implementing the new vasectomy strategy to defend the navy from attack without hurting their furry neighbors.

Thailand's navy has tried sterilizing the macaques before. Three years ago Cmdr. Suranart brought in a team of veterinarians to trap males and then castrate them. It didn't work. The vets found that castrating the males overturned the monkeys' social hierarchy. Dominant males who were castrated were sometimes ostracized from the troop and females would simply find a fertile male to mate with. The population continued to grow. Culling, or hunting, the population wasn't an option, either. Most Thais are Buddhists and frown upon the practice.

Now the navy is pursuing a different tactic. Vasectomies, while trickier to perform, make the monkeys easier to control and don't upset the tribe's social order.

Monkey Island at the Royal Thai Navy base in Sattahip.

WILAWAN WATCHARASAKWET

Praphat Sathitwat, who works on the problem for the local civilian government of the Thai district of Sattahip, says the new approach seems to be working.

"I see fewer babies than before, so this suggests that the population is growing slower than before and will stabilize," Mr. Praphat said. Around 280 monkeys have had vasectomies so far, and the navy plans to recruit a veterinarian to handle the procedures full time.

It is a neat solution to a problem prevalent across Asia. As economies grow, wild animal populations increasingly find themselves competing with humans for habitats. Snakes slither through subdivisions in Bangkok, while tigers in India slink closer to people and wild boars run loose in parts of Hong Kong.

In Thailand, monkeys have become a nuisance in various towns and Sattahip is a good example of the trend. The area around the naval base is a popular weekend getaway and is expected to become an even more attractive tourist destination, as the Thai government develops a nearby airfield into another international gateway.

Vasectomies, however, work only if you can catch the monkeys in the first place. And that is becoming something of a problem.

Sailors used to set cages with the door open and lure the macaques inside with fruit and other treats. If they were lucky, the sailors were sometimes able to slam the door shut and cart them off for surgery.

But the monkeys are getting wise to that. They won't enter the traps if they sense humans are nearby. Others try to get the food out without setting foot inside the trap.

"They're learning," said Mr. Praphat, who also complained about how the monkeys are stealing his golf balls during his weekly 18-hole games near the base. "They think they are eggs," he said.

Sailors sometimes now resort to firing pebbles from slingshots to keep the monkeys at bay. At a recent ceremony to commemorate the navy's anniversary day, a petty officer stood guard with a wooden catapult as white-suited officers laid out offerings of jasmine, roast duck, and brandy before a monument to the navy's founder, the 19th-century Prince of Chumphon, Admiral Abhakara Kiartiwongse.

Worse, there is another threat lying just offshore. For years, the navy dumped the few monkeys they could catch on a small island called Monkey Island, a short boat ride from the Sattahip base. They reproduced quickly, eating up the few resources available there and now wait for tourist boats to drift by so they can beg for snacks.

And, they can swim.

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Trump Vows Tough Response to Opioids

Top officials want to increase availability of antioverdose treatment in response to crisis

By Louise Radnofsky And Arian Campo-Flores

ANDREW HARRER/BLOOMBERG NEWS

Health and Human Services Secretary Tom Price speaking during a hearing in Washington in March.

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 antioverdose 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. It also suggested increasing access to antiaddiction medications such as buprenorphine and methadone.

Health and Human Services Secretary Tom Price said such emergencies were typically 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 Mr. Christie had suggested.

Dr. Price said the administration also wanted to make the overdose reversal drug naloxone available "present as needed and possible" everywhere in the U.S., and that federal officials were reviewing health privacy regulations to see if changes could be made to inform addicts' families of overdoses that had successfully 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.

—Jeanne Whalen contributed to this article.

Worker Efficiency Is Up But Still Lags

By Ben Leubsdorf

U.S. worker productivity picked up modestly in the second quarter but showed little sign of breaking out of the sluggish trend that has prevailed for more than a decade, holding back economic growth and living standards.

The lethargic pace of productivity growth seen in recent years could have a critical effect on the future trajectory of wages, prices, overall economic output and government budget balances.

Rapid productivity gains, as seen during the information technology-fueled boom of the late 1990s and early 2000s, can boost household incomes, economic growth and government tax receipts. But sluggish productivity gains can slow economic growth and prevent wages from rising much.

Following an "unusually bad" stretch in 2016, "we're pretty much on track with where we've been," said economist Martin Baily, a senior fellow at the Brookings Institution in Washington.

Nonfarm business-sector productivity, a measure of the goods and services produced per hour worked by individuals, rose at a 0.9% seasonally adjusted annual rate in the second quarter, compared with the first three months of 2017, up from a 0.1% growth pace in the first quarter.

Compared with a year earlier, which is how economists often look at the longer-term trend, productivity was up 1.2% in the second quarter. That was a pickup from last year, when productivity posted its first calendar-year decline since 1982. It also matched the average pace since 2007, but remained well below the post-World War II average of 2.1% annual growth.

"That's a very slow rate of growth, and something that I think all of us would like to see going faster," Mr. Baily said.

In the U.S., productivity growth was slowing before the recession began in December 2007 and has been historically weak throughout the recovery that began in mid-2009.

"If labor productivity grows an average of 2% per year, average living standards for our children's generation will be twice what we experienced," Federal Reserve Vice Chairman Stanley Fischer said in a July speech. "If labor productivity grows an average of 1% per year, the difference is dramatic: Living standards will take two generations to double."

Some forecasters think continued modest productivity gains will help keep overall economic growth from exceeding its recent pace of roughly 2% a year.

President Weighs Picks for N.Y. Prosecutors

By Erica Orden And Nicole Hong

WASHINGTON—The Trump administration has identified its leading choices for two top federal-prosecutor posts in New York, including one who is a law partner of White House ally Rudy Giuliani and another who is a law partner of the president's personal attorney, according to a document sent to the state's U.S. senators.

The White House's choice to succeed former U.S. Attorney Preet Bharara in the Southern District of New York, based in Manhattan, is Geoffrey Berman, a partner at Greenberg Traurig LLP, which also employs Mr. Giuliani, according to the document, which was described to The Wall Street Journal by a person who has seen it.

Mr. Giuliani, a former New York City mayor, has been an outspoken advocate of President Donald Trump, a fellow Republican, and had 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.

The other Eastern District candidate is Richard Donoghue, a former chief of the criminal division of that office. BuzzFeed reported on the document Monday.

M. SPENCER GREEN/ASSOCIATED PRESS

Edward McNally, shown when he was U.S. attorney in Chicago in 2006, is a partner at the firm of one of Donald Trump's lawyers.

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 the top job in the office since early summer, said people familiar with the matter.

The Southern District's jurisdiction includes Manhattan, the Bronx and other nearby counties outside New York City. The Eastern District covers the rest of New York City and Long Island.

A White House official said that "we do not comment on unconfirmed, leaked documents." A spokeswoman for Greenberg Traurig declined to comment on Mr. Berman's behalf. Mr. Giuliani didn't respond to a request for comment.

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

All U.S. attorney positions require Senate confirmation.

CHIP SOMODEVILLA/GETTY IMAGES

Sens. Lamar Alexander (R., Tenn.), right, and Patty Murray (D., Wash.), shown in January, are both working on legislation to stabilize health-insurance markets.

Bipartisan Health Experts Push Insurance Fix

By Michelle Hackman

WASHINGTON—A bipartisan group of health policy experts offered a proposal Wednesday to stabilize the Affordable Care Act's insurance markets, a blueprint intended in part to provide cover for lawmakers seeking to work across the aisle.

The group, composed of prominent advisers to former Republican and Democratic presidents, began holding monthly meetings in January to search for points of agreement on a possible package to address rising premiums and insurers leaving the individual insurance market.

In a Wednesday call with reporters, leaders of the group said they are pitching it to lawmakers including Sen. Lamar Alexander (R., Tenn.), chairman of the Senate Health Committee, and Sen. Patty Murray (D., Wash.), the committee's top Democrat, who are working to craft legislation with similar goals.

"We hope that our being able to find a balanced set of recommendations will be regarded as important to members of Congress who will ultimately need to make any changes," said Gail Wilensky, a former health policy adviser to President George W. Bush, who helped convene the group.

Other members, representing a range of ideological viewpoints, include Ron Pollack, the former head of Families USA, a liberal health-care advocacy organization, and Lanhee Chen, former policy adviser to Republican presidential nominee Mitt Romney.

The plan makes five primary recommendations. It encourages lawmakers to formally authorize the ACA's "cost-sharing reduction" payments, which help insurers subsidize costs for some low-income consumers. It recommends Congress ensure funding for the popular Children's Health Insurance Program, which is favored by members of both parties but has been floated as a vehicle to pass more contentious health-law changes.

The authors also endorse two GOP-backed ideas—expanding the use of health savings accounts and broadening the ACA's state innovation waivers, to give states additional flexibility in administering their insurance markets.

The plan comes as the White House is weighing its health-care options, particularly whether to bolster the ACA insurance markets. Some lawmakers in both parties say the markets can't be allowed to weaken further, but the ACA critics argue nothing should be done to bolster the law.

The bipartisan group's proposals are unlikely to satisfy some conservatives who favor a full-scale repeal of the ACA. But they could give a boost to Mr. Alexander, who has announced plans for bipartisan hearings in September on the individual market, over the objections of some in his party.

The individual market—where people who don't get insurance through work can buy coverage—is a current focus of lawmakers seeking a path forward following the collapse of the Republican health-care push. Some insurers have been pulling out of the market, citing their uncertain future.

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The deep pockets of giants such as Facebook, **Alphabet** Inc.'s Google, Apple Inc. and Amazon.com Inc. make it increasingly difficult for startups to compete and stay independent. The four firms have a combined market capitalization of almost $2.5 trillion, a rough equivalent to the annual gross domestic product of France.

Facebook acquired photo-sharing app Instagram in 2012 for $1 billion and messaging service WhatsApp in 2014 for $22 billion. Google in 2013 bought Waze, a rival to Google Maps. Amazon in 2010 bought Quidsi, the online retailing company behind diapers.com and other sites, after trying to copy it.

Lately, the titans also appear to be imitating smaller rivals more aggressively. In July, a week after the initial public offering of Blue Apron Holdings Inc., an Amazon subsidiary filed to trademark a meal-delivery kit with a tagline that echoed Blue Apron's offering. Both Google and Facebook have taken aim at features on Snap Inc.'s Snapchat platform. Amazon declined to comment. Google didn't respond to requests to comment.

At an all-hands meeting last summer, Facebook Chief Executive Mark Zuckerberg told employees they shouldn't let pride get in the way of serving users, another way of saying they shouldn't be afraid to copy rivals, according to someone who was at the meeting. The message became an informal internal slogan: "Don't be too proud to copy."

Facebook executives have said publicly it is common in tech for firms to build on technologies pioneered by others.

Regulators, politicians and academics are increasingly questioning how tech giants use their considerable clout. In June, the European Union's antitrust regulators fined Google $2.71 billion, saying its search engine favored its own comparison-shopping service over others. Google has said it disagrees with the conclusions and will consider an appeal.

"If you're an app, are you better off getting acquired or competing against one of the big platforms?" says Scott Stern, management professor at Massachusetts Institute of Technology. While getting acquired can be "a very good win for the founders, that might be at the expense of a more-competitive landscape."

Houseparty, formally known as Life on Air Inc., was one of the first startups to go all-in on video chat, with an app that lets small groups of friends drop into a video conversation as if hanging out in a dorm room. It has tapped a coveted audience: teens who love Snapchat but not necessarily Facebook.

The odds are already stacked against it. The average smartphone user has about 89 apps on a device but uses only seven or eight daily, according to Verto Analytics. Facebook, Apple and Google dominate, commanding about 60% of the time and 80% of the ad dollars spent on mobile, the market-research firm says.

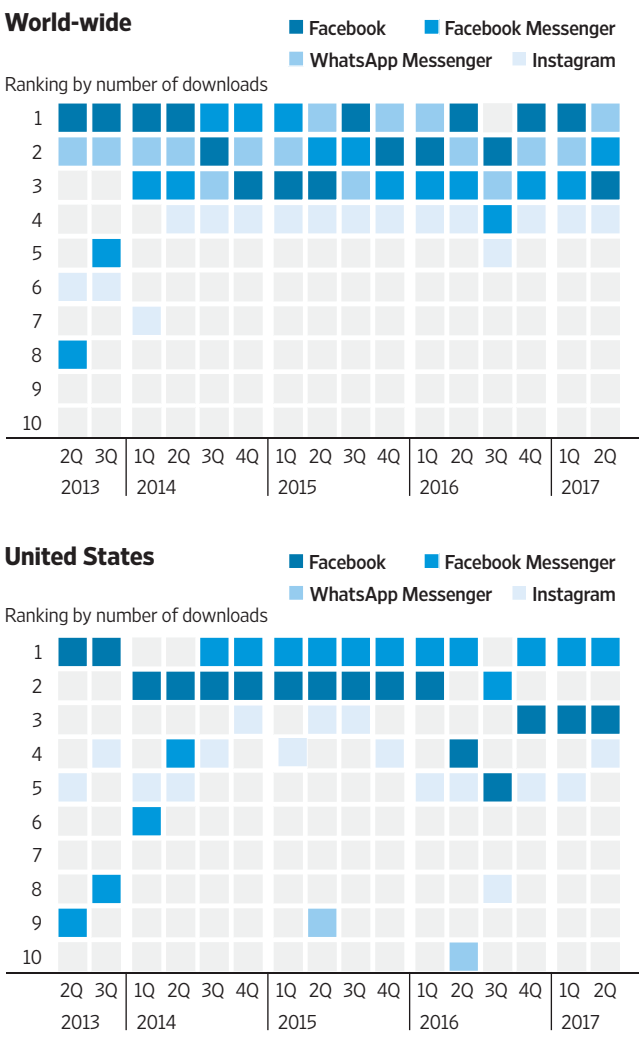
Houseparty "is one of the cool new apps—a good example of somebody who is challenging the status quo and may have success in a certain age group," says Verto CEO Hannu Verkasalo. But Facebook, Google and Apple "are extremely monopolistic," he says. "It's very difficult to break in."

JASON HENRY FOR THE WALL STREET JOURNAL (2)

Houseparty's office in San Francisco this month, above. Right, Houseparty co-founders Ben Rubin and Sima Sistani.

Social Dominance

Facebook's apps are among the most popular on mobile devices.



Note: Google apps like YouTube and Google Maps don't appear on this list because they come pre-installed on Android devices

Source: App Annie THE WALL STREET JOURNAL.

Houseparty's founders—Ms. Sistani, 38, and Ben Rubin, 29—have been on the verge of success before. They previously led one of the first live-video-streaming apps, Meerkat, but its downloads tumbled after Twitter Inc. booted the app off its platform in favor of its own live-streaming app.

Facebook delivered the death blow to Meerkat by deciding to go full force into live video. "We couldn't go head to head," recalls one of Meerkat's investors, Josh Elman, a former Facebook manager who is a partner at the venture-capital firm Greylock Partners and a Houseparty investor and board member.

Later that summer, Mr. Rubin, Ms. Sistani and several others including the third co-founder, Itai Danino, sequestered themselves for several days to brainstorm. What users loved about Meerkat, they decided, was a feature that let them share the screen for 60 seconds with a friend. That type of video interaction was more private than the live video broadcasts on Meerkat, they concluded, and more spontaneous than a phone call.

Their new app idea: "We want to remind people how nice it is to catch up with your friends. Or how easy it is to say hi to your mom," says Mr. Rubin. "It doesn't need to be this heavy thing."

In February 2016, Mr. Rubin and Ms. Sistani launched Houseparty and began to demo it on college campuses. In May 2016, it briefly became the top social-networking app for the iPhone, according to app-research firm Sensor Tower.

Houseparty downloads went from 10,000 to 100,000 in one day and then crashed, unable to handle the load. The app was down for several hours and then glitchy through July, when the team decided it needed a major overhaul.

When Houseparty was at its most vulnerable, Facebook came knocking. Fidji Simo, head of Facebook's video efforts, contacted Mr. Rubin, according to people familiar with the contact. She wanted to talk about live video, the people say. It was the first sign Facebook was scrutinizing Houseparty.

Mr. Zuckerberg is sensitive to anything that might disrupt Facebook, even the teeniest startup, say current and former executives and employees.

Facebook uses an internal database to track rivals, including young startups performing unusually well, people familiar with the system say. The database stems from Facebook's 2013 acquisition of a Tel Aviv-based startup, Onavo, which had built an app that secures users' privacy by routing their traffic through private servers. The app gives Facebook an unusually detailed look at what users collectively do on their phones, these people say.

The tool shaped Facebook's decision to buy WhatsApp and informed its live-video strategy, they say. Facebook used Onavo to build its early-bird tool that tips it off to promising services and that helped Facebook home in on Houseparty.

Houseparty says its growth had been stymied by the app's crash, which slowed its ability to introduce new features and attract new users. The calls from Facebook's Ms. Simo led to "natural conversations," says Mr. Elman, the Houseparty investor and director, in which Facebook was exploring whether Houseparty would be a good fit for an acquisition.

Mr. Rubin didn't want to sell but was under pressure from his board to keep Houseparty's options open, Mr. Elman says. "If a company like Facebook or Snapchat needs your team's expertise, that might be a better return for shareholders than the risk of going big," Mr. Elman says he told Mr. Rubin.

Mr. Rubin says in general he isn't against getting acquired as long as the opportunity would allow him "to continue to work on the mission on a larger scale."

Mr. Rubin communicated with Ms. Simo and others over email and phone and then met with Facebook executives at Facebook's offices, says a person familiar with the contacts. Messrs. Rubin and Elman declined to discuss details of the conversations.

Later, Ms. Simo informed Houseparty the talks wouldn't go further, the person says. Facebook said Ms. Simo declined to comment.

In December, Facebook began its group-video-chat offensive. Its Messenger app introduced the feature with the ability to see up to six people in a conversation, compared with the eight-person rooms on Houseparty.

In February, Facebook invited Houseparty users between the ages of 13 and 17 to come to its offices in Menlo Park, Calif., to participate in a study and keep a diary for a week afterward that they would share with Facebook, offering as an inducement $275 Amazon gift cards.

Meanwhile, Houseparty readied for battle with $50 million in fresh funding in December from a group led by Sequoia Capital, a venture-capital firm that invested in WhatsApp and Instagram. Mike Vernal, a former Facebook executive, a Sequoia partner and Houseparty director, says Facebook's interest in Houseparty and live video chat is to be expected because "Facebook has a mission that is fundamentally about helping people connect with each other." He says he is optimistic about Houseparty's growth potential.

Houseparty rebuilt its app so it could expand reliably without crashing. It added 25 employees, increasing its staff by 30%. Last month, it recruited a vice president of engineering, Kinshuk Mishra, who had helped Spotify AB, the music-streaming service, fend off Apple Music. It introduced a new chat feature called "passing notes" to attract more users.

In Houseparty's office in an unmarked warehouse in San Francisco's trendy Soma neighborhood, the startup's leaders huddled in a tense meeting in May to discuss plans to beef up the app. When Ms. Sistani heard the company's lawyer had delayed some minor changes to the terms of service, the latest in a series of delays, she jumped in and said: "No. No. No. No! Just update the policy."

The pressure increased later that month when Houseparty learned of Bonfire, Facebook's planned live group-chat app. (Tech news site The Verge reported on Bonfire in July.) "I have no problem with the copying," Mr. Rubin says. "It's just business. It's just a distraction."

Houseparty, which has one-million-plus monthly users, compared with Facebook's more than two billion, is determined to beat Bonfire, he says.

Mr. Elman says he is encouraged that Bonfire is a stand-alone app and that Facebook hasn't been particularly successful with those. But, he says, if Facebook figures out how to integrate the power of Houseparty "into a property that I'm already using 10 times a day, that would scare the crap out of me."

PROBE

Continued from Page One

the search warrant a day after Mr. Manafort met with the staff of the Senate Intelligence Committee. The Washington Post reported earlier Wednesday the execution of the search warrant.

Mr. Mueller and the FBI are scrutinizing Mr. Manafort for possible violations of lobbying and money-laundering laws, according to people familiar with the matter. A person familiar with the investigation said that agents were seeking detailed records related to foreign bank accounts and tax matters.

Mr. Manafort has maintained he has done nothing wrong.

The execution of a search warrant requires that prosecutors and agents convince a federal judge that they have probable cause to believe a crime has been committed.

Mr. Manafort has turned over records to Senate committees, including notes he took while attending a meeting with the president's eldest son, Donald Trump Jr., and a Russian lawyer who had promised to provide damaging information on Democratic presidential nominee Hillary Clinton.

Mr. Mueller was tapped by the Justice Department to spearhead the investigation into Russia's alleged meddling in the 2016 presidential election and whether any associates of Mr. Trump colluded with the Kremlin, as well as any matters arising from that investigation.

Russia has denied interfering in the election, and Mr. Trump has repeatedly called the investigations a "witch hunt."

According to a January report from the U.S. intelligence community, the interference was directed by the highest levels of the Russian government. The tactics included hacking state election systems, stealing and leaking information from party committees and political strategists, and using social media and other outlets to disseminate negative stories about Mrs. Clinton and positive ones about Mr. Trump.

The Senate and House intelligence committees are examining Mr. Manafort's history of working for pro-Russian causes, according to congressional officials.

Before the FBI raided Mr. Manafort's home, a federal judge blessed the move by signing off on a search warrant application brought by authorities.

The warrant and ensuing search don't necessarily mean that Mr. Mueller has enough evidence to charge Mr. Manafort with a crime. But it means that at least in the eyes of a federal judge, whose identity isn't publicly known, Mr. Mueller's investigative team established a likelihood that the raid would produce criminal evidence relevant to his probe.

Police generally need to have probable cause before searching someone's home and seizing evidence. That standard is set under the Constitution's Fourth Amendment, which protects against unreasonable searches and seizures.

"Probable cause" means investigators believe—and can show—that there is a fair probability of finding evidence of criminal activity. That threshold is higher than what Is required to get a criminal or civil subpoena to compel testimony or production of records. But it is a lower burden than the "beyond a reasonable" standard of proof to convict a defendant.

BRENDAN MCDERMID/REUTERS

Paul Manafort, former campaign chairman for President Donald Trump, in June in New York.

The process and standards that apply generally to federal prosecutors everywhere also apply to Mr. Mueller's investigative team.

The raid comes less than two months after Deputy Attorney General Rod Rosenstein tapped the former FBI director to lead the Russia probe. As special counsel, Mr. Mueller is granted "full power and independent authority to exercise all investigative and prosecutorial functions of any United States Attorney."

Special counsel aren't subject to day-to-day supervision, but Justice Department rules authorize the attorney general to "request that the Special Counsel provide an explanation for any investigative or prosecutorial step," such as carrying out a search warrant.

—Jacob Gershman contributed to this article.

Climate Report Is Test for Trump

By Timothy Puko

WASHINGTON—The Trump administration faces a deadline at the end of next week on whether to approve a scientific report that verifies climate change and attributes it to humans, a position that contradicts some of the rhetoric the president used during his 2016 campaign.

The White House's Office of Science and Technology Policy is supposed to decide by Aug. 18 whether to approve or recommend changes to the "Climate Change Special Report," the research on climate science that feeds its National Climate Assessment. That document, mandated by Congress, is a quadrennial government analysis of the effects of climate change in the U.S. Its last version, in 2014, concluded climate change cost the economy billions of dollars through flooding, droughts and other disasters in every region of the country.

The initial draft of the current report documents thousands of studies that show a changing climate with the hottest temperatures in 1,700 years, the fastest-rising seas in more than 2,000 years, and a five- to 10-fold increase in U.S. coastal flooding since the 1960s. New scientific advances since 2014 also show more clearly that climate change and extreme weather events come from humans, the draft report said.

The White House has to decide by Aug. 18 whether to approve or recommend changes.

"Many lines of evidence demonstrate that human activities, especially emissions of greenhouse gases, are primarily responsible," it said. "There are no alternative explanations."

That is at odds with President Donald Trump's Environmental Protection Agency administrator, Scott Pruitt, who has said it is "very challenging" to be precise about humans' role in climate change. And the president himself, while campaigning, called global warming a "hoax."

"So Obama's talking about all of this with the global warming and the—a lot of it's a hoax, it's a hoax," Mr. Trump said at a campaign stop in Hilton Head, S.C., in December 2015.

The scientific draft has been through several versions, one publicly available since late last year. The New York Times reported about the latest draft on Tuesday. Environmental groups and scientists say they are concerned that the Trump administration might try to change or quash the findings. The White House criticized the Times article but declined to discuss details.

"Drafts of this report have been published and made widely available online months ago during the public comment period," White House press secretary Sarah Huckabee Sanders said. "The White House will withhold comment on any draft report before its scheduled release date."

The Aug. 18 deadline is set by the U.S. Global Change Research Program, the administrative unit created by Congress in part to manage the assessment, said Katharine Hayhoe, director of the Texas Tech University Climate Science Center and a lead author of the report. That deadline is to ensure that the scientific report gets released by the fall so the National Climate Assessment can publish in late 2018.

This would be only the fourth assessment in 28 years, though Congress required one every four years. Two of the prior three assessments were published during Barack Obama's presidency.

Mr. Trump has reversed several Obama-era environmental policies, most notably announcing in June he planned to withdraw the U.S. from the Paris climate accord. Mr. Pruitt is reportedly considering an exercise that would serve as sort of a public debate in which the science of climate change would be thoroughly and publicly discussed. Backers of this concept say that there are questions about humans' role in climate science and that a public airing of the debate would be the best approach.

Scientists and environmentalists say the draft report shows how there is no longer a legitimate debate on whether the climate is changing and whether humans are responsible. And by bringing more attention to the report before the White House's decision, the authors made it more difficult for potentially hostile political leaders to meddle with those findings, those environmentalists and scientists said.

—Eli Stokols contributed to this article.

AARON P. BERNSTEIN/REUTERS

EPA Administrator Scott Pruitt has said it is 'very challenging' to be precise about humans' role in climate change.

AJ MAST FOR THE WALL STREET JOURNAL

Construction delays on I-69 have frustrated residents and businesses near the still-incomplete road, who are tired of traffic woes.

Road Deal Hits Potholes

Public-private efforts for infrastructure, like one in Indiana, can fail; backers cite successes

By Cameron McWhirter

At a time when Washington is promoting private investment in roads, bridges and other infrastructure, a 21-mile stretch of highway in Indiana provides what critics say is a cautionary tale.

The project, a partnership between the state and private investors, was signed by Vice President Mike Pence in 2014 when he was the state's governor. It is two years behind schedule and only 60% built. The state is in the process of taking it over and will have to issue debt to finish it.

"It became clear that the only way to ensure completion in a reasonable time frame would be to put it back under the state's control," said Stephanie Wilson, spokeswoman for current Republican Gov. Eric Holcomb. "As with any project, we must pivot and change course when needed. That's what we did here."

Asked about the failed partnership, vice presidential spokesman Mark Lotter said Mr. Pence "was proud of Indiana's many accomplishments during his tenure as governor" including investments in infrastructure.

The road's troubles come as more cash-strapped states explore deals with the private sector as an alternative to finance and fund infrastructure projects. More than 30 states have created rules for such deals to be possible. These arrangements, known as public-private partnerships, are still new to the U.S., where states typically have used bonds to pay for such deals. Some of these projects have saved states time and money. Others have landed in bankruptcy.

The Indiana project had a raft of setbacks early on. The state selected a consortium that included a Spanish construction company, Grupo Isolux Corsán SA, that hadn't worked on a road project in the U.S. Its $325 million winning bid was nearly $75 million below the next-lowest one. The company quickly ran into unrelated legal difficulties in Europe that hurt its finances.

President Donald Trump is calling for $1 trillion in infrastructure investments over the next decade—funded mostly from the private sector—to upgrade America's roads, bridges, ports, airports and railroads.

Supporters of this approach say one troubled project shouldn't tarnish the rest. They say the private sector has financial incentives to build the projects cheaply and on schedule.

"For every I-69 that gives the industry a bit of a black eye, there are many more successes with on-time, on-budget projects," said Dolly Mirchandani, a partner for law firm White & Case LP and an expert on infrastructure and public-private partnerships.

Indiana has another public-private partnership for a bridge over the Ohio River that was recently completed ahead of schedule and $200 million below the state's estimated cost.

There have been some notable public-private failures. Toll-road partnerships in Alabama, Texas and California declared bankruptcy in recent years after revenue from tolls used to finance these projects fell short of projections. Indiana's first major public-private partnership, a deal with Ferrovial SA's subsidiary Cintra to operate the Indiana Toll Road, fell into bankruptcy after revenue missed targets. It has since been bought by new owners.

"I might caution on drawing conclusions regarding all projects based on some individual project circumstances, as the role of private capital is undeniable in bringing large-scale congestion relief projects to market that otherwise may not exist," said Patrick Rhode, U.S. vice president for corporate affairs for Cintra, which now has projects in Dallas; Fort Worth, Texas; Charlotte, N.C.; and Toronto.

For Indiana, the I-69 partnership's failure and delays in construction put the responsibility for maintaining the road back on the state.

Matt Pierce, a Democratic state representative from Bloomington, said the private structure gave the state less ability to oversee the project and its finances. "I have never understood how putting a for-profit entity in the middle of a public-works project advances things," he said.

Despite the problems, Indiana will continue to team with private investors for future needs, according to the governor's spokeswoman.

U.S. WATCH

DETROIT

Mayor Wins 69% of Votes in Primary

Detroit Mayor Mike Duggan won 69% of votes in the city's mayoral primary, a strong sign that residents are pleased with the progress the city has made under his leadership.

The nonpartisan mayoral primary means Mr. Duggan will face off in November against his top challenger, Coleman A. Young II, who garnered 27% of the votes. Each of the six remaining candidates received less than 1% of the vote.

Tuesday's election was widely viewed as a referendum on the advances the city has made since its historic bankruptcy in 2013. Pre-election polling suggested Mr. Duggan had a wide lead over Mr. Young.

Mr. Duggan campaigned on Detroit's turnaround under his leadership, including a revitalization of its downtown and improvement in basic city services like streetlights, blight removal and public transportation. He was elected to his first term as mayor in 2013, the same year Detroit filed for the largest municipal bankruptcy ever.

But Mr. Young, the son of Detroit's first black mayor, Coleman A. Young, argued the changes haven't benefited lower income and black communities. Over 80% of Detroit's residents are black. Mr. Duggan is the city's first white mayor in four decades. Detroit's housing boom has been successful at attracting young residents, but Mr. Young has argued that it has made the city unaffordable for residents who stayed during its worst times.

—Shayndi Raice

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.

—Associated Press

ALASKA

Dead Whale Found On Bow of Cruise Ship

Federal wildlife officials are investigating the death of a humpback whale carried into an Alaska port on the bow of a cruise ship. Authorities said Wednesday they found the whale on the submerged, bulbous bow of the Grand Princess after it entered the harbor in Ketchikan, near the southern tip of the Alaska Panhandle.

Princess Cruises spokesman Brian O'Connor says the discovery was a surprise. He says no one on board felt an impact and no whales were seen close to the ship by navigators. Mr. O'Connor says it's not known whether the whale was alive or dead when it became lodged.

—Associated Press

Chicago Warms Up to Its Picasso

By Quint Forgey

CHICAGO—For five decades, a giant Picasso sculpture has stood as the most prominent piece of public art in this city. But even as Chicagoans celebrate the anniversary of its unveiling this week, many remain puzzled by what the sculpture depicts—and what it means.

The 50-foot work, which sits in a plaza, is made of welded steel, like the city's famous skyscrapers. It has a long face and a quizzical look. But is it a horse? A cow? A woman?

Bill Drendel, the 78-year-old former director of the Center for Book and Paper Arts at Columbia College Chicago, isn't sure, but he remembers the reaction 50 years ago, when he sneaked out of work to see the unveiling. "They hated it. Hated it," he said. "There were so many people that said, 'What's that piece of shit?' "

Joe Mankowski, a Chicago native who thinks the sculpture looks female, recalled similar outrage. "People didn't like it," he said. "They thought it was a joke Picasso was making on the city."

On Tuesday, Mayor Rahm Emanuel and other city leaders restaged that 1967 unveiling—and the reaction this time was warmer. "We come together to revisit the past and to bring fresh eyes to this iconic artwork," said Mark Kelly, commissioner of the Chicago Department of Cultural Affairs and Special Events.

Eileen Ordas said she walks across the street every day to eat lunch at Daley Plaza and admire the sculpture. She still doesn't know what it means. "I have no idea," she said. "I think it looks stunning."

Michael Darling, chief curator at Chicago's Museum of Contemporary Art, said the sculpture's ambiguity allows its meaning to morph with the times and reflect changing social and political conditions.

"It kind of is slippery in the best sense," he said. "I think that art that can't be pinned down like that has sort of guaranteed its own survival because people can keep bringing their own meaning to it."

Sharon Gaston, who studied art appreciation and works checking coats at the Civic Opera House during show season, teared up when discussing the sculpture.

"It brings me joy," she said, gesturing toward a group of laughing children sliding down the sculpture's slanted base.

Since Mr. Drendel first witnessed Chicagoans' reaction 50 years ago, he said he has seen the city come to embrace the art piece. He said the statue reminds him more of the city itself than any woman, animal or stringed instrument. "I don't care what it is," he said. "It is what it is."

G-JUN YAM/ASSOCIATED PRESS

Mayor Rahm Emanuel spoke Tuesday at the 50th anniversary commemoration of a Picasso sculpture. The public artwork initially bewildered many Chicagoans but most since have come around to it.

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

FROM TOP: ZOHAR LAZAR (ILLUSTRATION); JESSI THORNE

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.

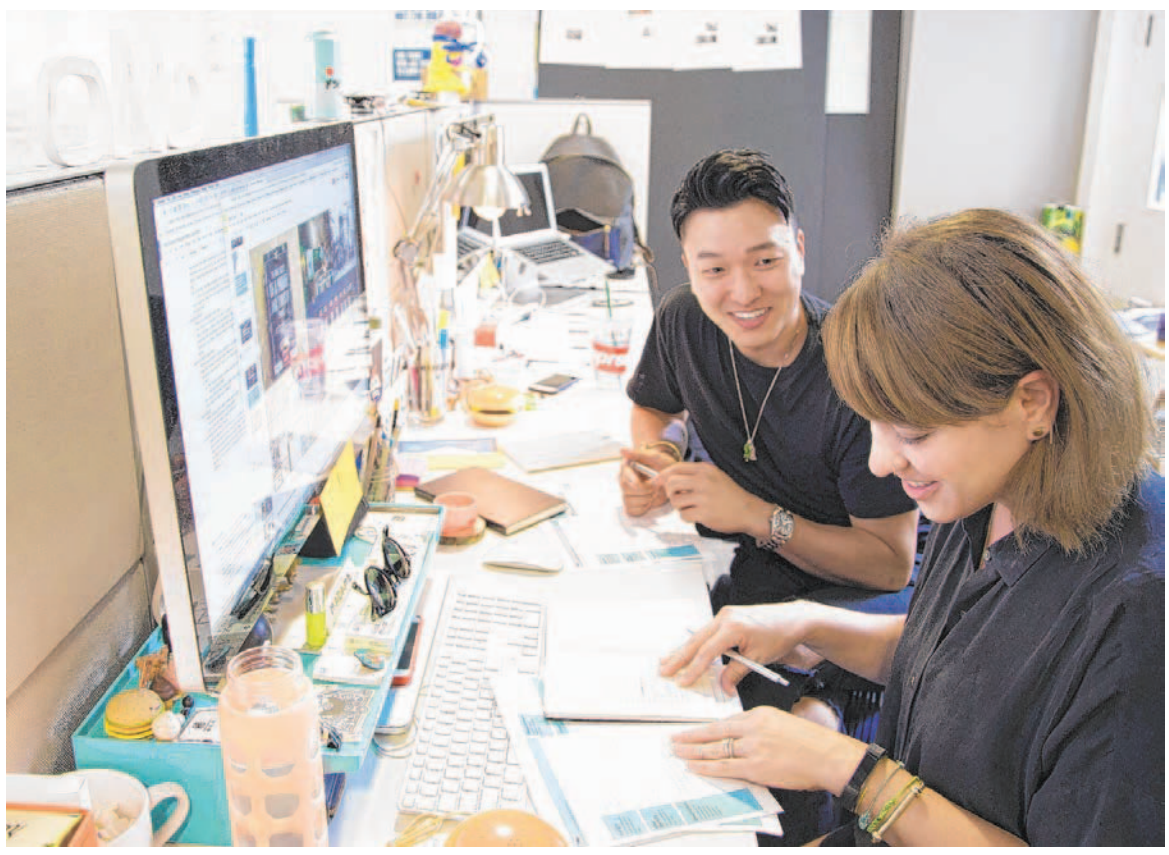
The study is the first to tease apart different aspects of performance in an office job and analyze spillover in each. Productive employees—those who finished tasks quickly—raised the output of slower colleagues by 8%. Effective employees, who could handle customers' problems without referring them to 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. Sedgwick 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.



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.

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 Venerate Media Group, a digital-marketing company in Tampa, Fla.

Weak teachers whose colleagues teaching the same grade in the 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 negative, 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.

FROM PAGE ONE

DRIVER

Continued from Page One

tion in July and August.

While train service is reduced, some New Jersey commuters have been diverted to the Hoboken waterfront where they must transfer to ferries or the PATH rail system to Manhattan. The alternative is a free express bus service provided by Coach USA and paid for by NJ Transit.

With so many options, every journey has turned into a game of transit Russian roulette for commuters. But for out-of town bus drivers, the summer of hell has been a blast.

Coach based its drivers at a La Quinta Inn & Suites on Route 3 in Clifton, N.J. On weekends, they have taken to grilling in the hotel parking lot or taking one of their buses to a local mall or diner. "I've put on a few pounds," said Grainger Davis, 48, a driver from Columbia, Md.

Mr. Davis is among a group of drivers based at the sprawling NJ Transit rail station in Secaucus. Sitting in a windowless break room there, with magnolia walls and white folding chairs, Mr. Davis said he and his colleagues have started walking 10 laps around the exterior of the building to lose weight.

CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL

Bus driver Jeffrey Zachary greets a passenger bound for Manhattan from South Orange, N.J.

The drivers' days begin at 4:30 a.m. when they leave the hotel to pick up their buses and fan out to Secaucus or to the commuter towns. After drivers complete their morning run into the city, they park in a midtown lot and then, usually, return to their hotel to rest. They must be back at their buses from 4 p.m. to 8 p.m. to provide backup in case of evening rail or bus disruptions.

Mr. Zachary, who has driven charter tours to New York many times, says he hopes to finally see some of the sights. "I've always driven around Central Park," he said. "I promise you, this time I will walk in it." He also intends to buy a ticket for the Hop-On Hop-Off bus tours in the city. Let someone else do the driving.

Although he has been in the region for a month, he still hasn't achieved any of those goals. He's too busy shopping at Wal-Mart and hanging out with fellow drivers. He posts pictures of their exploits on Facebook, including trips to the laundromat. "We are the envy of a lot of our co-workers and friends," he said. "We're planning a big powwow before this is over. Maybe driving down to the Jersey shore and have a big cookout."

On Monday, Mr. Zachary parked his bus next to the South Orange train station at 8:30 a.m., greeting two of the handful of passengers by name. Shortly before 9, when he was due to leave, people began flooding onto the bus because of delays on the trains. As soon as the 56 seats were full, he closed the doors and set off.

It was a gloomy day. Most faces were illuminated by smartphone screens, though some people dozed. When Mr. Zachary drives, he imagines that all of his passengers are leaning against the windows, asleep. "My job is not to wake them," he said. "I drive really smooth."

The bus zipped through New Jersey's suburbs, reaching the Lincoln Tunnel in less than 40 minutes. About midway through the tunnel, the bus directly in front of Mr. Zachary's, a Coach USA carrier from Chester, N.Y., stopped. Its emergency lights started blinking as if counting the seconds. A few minutes stretched to 10. Then 15. Then 30.

The tunnel lighted up with the flashing red lights of a tow truck. Fifteen minutes later, the tow truck pulled the broken-down bus through the tunnel, leaving an eerily empty tube for Mr. Zachary to escape through.

By the time the driver pulled into the Port Authority Bus Terminal in Manhattan, the journey had taken one hour and 45 minutes, about an hour longer than usual. Mr. Zachary stepped out of his seat and paused to look down the rows of captive commuters. "That's all folks," he said. "Please come again."

The passengers, who until that moment had mostly sat in silence, burst into laughter. Then, Mr. Zachary stepped down to the platform and said "goodbye" or "thank you" to each one as they left.

He apologized to one woman as she stepped off the bus. "That's OK," she replied. "It's not your fault."

A regular, Alvaro Montagna, said Mr. Zachary is one of about five out-of-town drivers he has gotten to know this summer. "They're all very genuine and nice," he said. "Probably because they're not from New York."

LIFE & ARTS

LIFE

Should You Kondo Your Kids?

Marie Kondo, the decluttering guru, now has two children and offers advice about how to reconcile a well-organized life with the messiness of parenting

TIMOTHY ARCHIBALD FOR THE WALL STREET JOURNAL

'When children go through the sadness of letting things go, that can be a good experience for them,' Ms. Kondo says. She's pictured here, with 10-month-old Miko, left, and 2-year-old Satsuki.

BY MEGUMI FUJIKAWA

AFTER MARIE KONDO became an international star with her book "The Life-Changing Magic of Tidying Up," she went through another life-changing experience. She gave birth to a baby girl.

Then she had a second one.

Could Ms. Kondo's decluttered world survive the havoc wrought by two babies? Here is her status report on older daughter Satsuki, 2 years old:

"I was surprised to see her putting books, stuffed animals and toys for playing house back in their place more precisely than I expected," says the proud mother. "She is also trying to copy me folding clothes, though I secretly fix them when she's not looking."

Yes, Marie Kondo is starting to kondo her own children.

The 32-year-old guru, known to her fans as KonMari, is more than just an author these days. Joined by her husband, she is running a business, **KonMari Media** Inc., based in New Jersey, that employs about 20 people to train consultants in her tidying methods with a mission to "organize the world."

The couple are looking at introducing KonMari-branded goods in the U.S. as soon as next year. She envisions her fans filling their rooms or closets—in a tidy way, of course—with items like aroma diffusers and hangers.

All this is happening while Ms. Kondo and family adapt to life in a new country. She is living mostly in Northern California these days and learning English, seeing the biggest opportunities in the U.S. market.

It has been a dizzying ride the past few years since her book, originally in Japanese, was published in the U.S. in 2014. The book has been translated into dozens of languages and together with its sequels has sold more than eight million copies worldwide, according to its Japanese publisher. Fans turned Ms. Kondo's name into a verb, "to kondo," which refers variously to purging one's home of unneeded items or folding clothes meticulously.

It was her unique tidying-up method that drew global attention. Readers were told to pile up all of their belongings in the same category, pick up each item and ask themselves whether it sparked joy.

If not, she wrote, they should express thanks to the item and send it on its way.

No sooner was she a celebrity than she got pregnant with her first child, and her method was poised for a test.

"When we found out we were having a child, my husband and I went through a decluttering festival by reviewing things we had. And we discussed how much space—for example, how many drawers—we could give to our daughter," says Ms. Kondo.

By creating clear boundaries for the children's things, she says, they made it easier to decide how much was too much.

> 'When my daughter is crying, I try to ask her what she wants and fulfill her wishes.'

So far, she says, the house is tidy—though she declined a request by The Wall Street Journal for an inspection tour—and 2-year-old Satsuki is already playing her part.

"It's never too early to learn how to tidy up. You can let your children take on a challenge when they turn about 1 year old, after they learn how to walk," she says.

That's what Satsuki did. The tot sometimes wields a mop and knows how to use a duster to get at those hard-to-reach corners. Younger sister Miko, 10 months, will get her turn soon.

That isn't to say that the 2-year-old always shares her mother's Zen-like calm. Satsuki was filled with energy during the photo shoot for this article, playing with her sister and initially disinclined to add to the orderliness of the clothing pile before her. But then she focused on the task and demonstrated her folding technique with clinical precision.

Ms. Kondo says she isn't the nagging type and values what makes her children joyful. "For example, when my daughter is crying, I try to ask her what she wants and fulfill her wishes as much as possible," she says.

Ms. Kondo's husband, Takumi Kawahara, 33, handles the cooking. He says he fancied himself a proficient hand at household chores, relative to the average Japanese man, before marrying Ms. Kondo, "but my skills got polished after I met her."

What about parents who are coming to Kondo-ism late? Ms. Kondo says she has realized her method needs a tweak for parents with kids because it's unrealistic. "Through my first parenting experience, I learned that I had no time to spare at all," Ms. Kondo says.

She now suggests busy parents start organizing in stages by tackling, say, just shirts at first instead of the entire closet. Though her normal technique calls for doing it all at once—it's more efficient that way—she says she carved out this exception for families with little children.

Ms. Kondo got her start during college by going to people's houses and helping them straighten up their things. These days, she is too busy for her own house calls and focuses on training others. Over the past year, Ms. Kondo has licensed about 30 consultants in the U.S., while her company lists more than 70 certified tidiness professionals in Japan.

Part of the business strategy is signing up luxury apartment buildings to pitch the service. Instrata Lifestyle Residences, a brand of Invesco Ltd.'s real-estate arm, has been encouraging tenants to consider a $500 session in which a consultant spends five hours walking clients through the KonMari method.

Morgan Gilbert, who lives in an Instrata building in New York City and has a 1-year-old boy, said the method let her work through her things in stages and left the most sentimental category—in her case, her son's clothes—for the end.

Ms. Kondo says she is in discussions to publish a picture book for children around the middle of next year. One of her messages: Learning to clean up is part of growing up.

MY RIDE | By A.J. Baime

THIS MOTORCYCLIST 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 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 [Ms. Texter is sponsored by a Dallas Honda dealership.] that we converted to a competition bike. 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. It's your body hitting the ground. 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.

FROM LEFT: ANDREA WILSON; ANGELA DECENZO FOR THE WALL STREET JOURNAL

Shayna Texter with her Honda CRF450R racing bike in July at the Calistoga Speedway in Calistoga, Calif., above. Ms. Texter in action, above left, at the Lima Half-Mile in Ohio in June.

OPINION

REVIEW & OUTLOOK

Trumpian Fury on North Korea

When Donald Trump threatened North Korea with "fire and fury" Tuesday if it continues to menace the U.S. with nuclear weapons, he provoked almost as much backlash at home as in Pyongyang. The usual diplomatic suspects, including some American lawmakers, claimed his remarks hurt U.S. credibility and were irresponsible.

China needs to know that the threat of military action is real.

The President's point was that the North's escalating threats are intolerable; he didn't set any red lines. True to form, Pyongyang responded by putting the U.S. island of Guam in its cross hairs. Mr. Trump may be guilty of hyperbole (*quelle surprise*), but that is far less damaging to U.S. credibility than Barack Obama's failure to enforce his prohibition on the Assad regime's use of chemical weapons in Syria. The foreign-policy elite who claim to be shocked also don't have much credibility after their policy of appeasement across three Administrations led us to the current North Korean danger.

While the President's words were unusually colorful, the Communist-style language may have been part of the message: Kim Jong Un isn't the only one who can raise the geopolitical temperature. The U.S. has military options to neutralize the regime's nuclear threat if it continues to develop long-range missiles, and the U.S. is considering those options.

National Security Adviser H.R. McMaster said as much in an interview with MSNBC Saturday. He explained that North Korea's nuclear threat is "intolerable from the President's perspective. So of course, we have to provide all options to do that. And that includes a military option."

Last week Senator Lindsey Graham told a morning television program, "There is a military option to destroy North Korea's program and North Korea itself." The South Carolina Republican revealed that Mr. Trump told him there will be war if the North continues to develop long-range missiles: "He has told me that. I believe him. If I were China, I would believe him, too, and do something about it."

The mention of China is a tip-off that the main audience for this rhetorical theater is in Beijing. Kim Jong Un won't change course now that he's so close to his goal of a nuclear deterrent. But China might restrict the flow of oil to the North, for example, if it believes that stronger action on its part could forestall a U.S. preemptive strike.

The other audience for Mr. Trump's remarks is the North Korean leadership around the young Kim. If they believe they are doomed by Kim's nuclear course, their best chance of self-preservation is to remove him. Regime change and then reunification is the ultimate solution to the North Korean problem.

One statement isn't going to change minds in Beijing or Pyongyang. The Trump Administration can also signal its seriousness by imposing secondary sanctions on more Chinese companies, financial institutions and individuals. The U.S. also needs to move more military assets into the region to make the use of force credible.

Striking North Korea remains a last resort because the regime can hit the South with nuclear, chemical and conventional weapons. Yet in 1994 then-President Bill Clinton used the threat of military action as he tried to force the North to give up its nuclear program. But former President Jimmy Carter exceeded his diplomatic mandate and helped to maneuver Mr. Clinton to accept an agreement that propped up Pyongyang and didn't provide for adequate inspections.

Diplomacy works best when there is a credible stick to go with the carrots. The Trump Administration has the right idea, even if the President's words lack the usual diplomatic politesse.

Would You Like a Job?

More evidence of a tight American job market arrived 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. 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 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. 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 his promised, he may need to increase guest worker visas by the tens of thousands.

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.

Progressive cultural taboos have migrated from campus to business.

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 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 quasimonopoly 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.

Some 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 U.S. Congress effectively ratified China's entrance into the WTO, Mr. Clinton predicted that "10 years from now we will look back on this day and be glad we did this." He wasn't 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 an underestimation of the extent and persistence of China's mercantilist practices. 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 China hawk, developments in the seven years since he testified have led other officials on both sides of the aisle to similar conclusions. Now the Trump administration wants to press the issue. 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 antidumping statutes.

It is China's techno-nationalism that poses the greatest threat to America's 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." This meant giving American firms an offer Don Corleone would have recognized—either to "share their technologies with Chinese competitors—or refuse and 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. In November 2015, Robert Holleyman II, then the U.S. 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."

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

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 still hasn't happened.

The Trump administration should demand 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 America's technological crown jewels to a foreign power is against the national interest, then the U.S. government should have the power to prevent it. But wielding this power without blowing up the international trade regime won't be easy.

LETTERS TO THE EDITOR

End Qatar's Policy of Strategic Ambiguity

Regarding "Tillerson Can End the Qatar Standoff" (op-ed, Aug. 3): Dennis Ross posits two reasons for the U.S. to resolve the Qatar standoff—restore unity among Sunni states and score a diplomatic success for Secretary of State Rex Tillerson. But success requires the resolution of the standoff that promotes U.S. strategic interests. Pressuring Riyadh to help Qatar save face without making any meaningful concessions on the Saudi-led Coalition's 13 demands doesn't achieve this goal.

For decades, Qatar has been the leading Middle East practitioner of a policy of strategic ambiguity, cooperating with the U.S. on some issues, while placating terrorist groups, inciting religious extremism through Al Jazeera and other channels, and cooperating with Iran. This policy has always been harmful to U.S. interests but has become particularly untenable given Tehran's intensifying drive to dominate the Persian Gulf. Getting Qatar's ruling Al-Thani family to abandon this policy will be difficult and time-consuming. But it would be a strategic coup for both American and Saudi statecraft.

The criticisms against this course of action are wrong. Avoiding strife within the Sunni world is desirable, but not the only consideration. The risks that Qatar will prevent the U.S. military from using Al Udeid Air Base are negligible, since Qatar views America's military presence as its ultimate security guarantee. The danger of Qatar evolving into a full-fledged Iranian client state is vastly overblown; this isn't something that the Al-Thani family would find palatable. The notion that it is somehow unfair to squeeze Qatar for sins that are not unique to it is best rebutted by U.S. long-standing policy against Cuba, which has dealt harsher with a Castro junta than with many other communist regimes.

The key U.S. strategic priority is to stop Iran's drive for regional domination. Bolstering Iranian sanctions and opposing Tehran's proxy forces in Syria, Iraq and Lebanon and bleeding the Revolutionary Guards are the key components of this effort. But, as President Trump said during his May Jeddah speech, the U.S. also needs a militarily viable and committed Sunni coalition that puts "boots on the ground" and opposes religious extremism, with Saudi Arabia, Egypt and Jordan as the key pillars. Cooperating fully with Saudi Arabia's new leadership—which is pursuing domestic reforms and working to stabilize the Gulf by opposing pro-Iranian forces in Yemen—playing the leadership role within the Gulf Cooperation Council and ending Qatar's policy of strategic ambiguity is an indispensable part of creating such a coalition.

DAVID B. RIVKIN, JR.
Falls Church, Va.

America's Partners Must Kill Barriers to Trade

It's refreshing to see a senior government leader, U.S. Commerce Secretary Wilbur Ross, offer a candid assessment of global trade ("Free-Trade Is a Two-Way Street," op-ed, Aug. 2). Much of the discussion in the U.S. has been dominated by academic theory instead of being based in reality.

The U.S. has the most open and accessible markets in the world with none of its partners reciprocating in kind. The media, government officials and economists will take other countries at their word when they say they support free trade, while failing to look critically at how they actually behave.

The steel industry knows that many countries still provide generous subsidies to their steel producers, thus propping up an inefficient capacity that would not survive in a truly free market. Our open trade policy makes the U.S. a dumping ground for excess steel to the detriment of U.S. steelmakers and their employees.

It is time other countries end their subsidies and remove other barriers to U.S. companies looking to export goods or do business in their countries. If not, we should treat them the same way they treat us.

JOHN FERRIOLA
Chairman, CEO and President
Nucor Corporation
Charlotte, N.C.

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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 isn't 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 U.S. 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 cyberwarfare, hacking, fake news and political interference for years. Last year, in addition to meddling in America's election, Russia was behind an attempted coup in Montenegro meant to prevent it from joining NATO.

Since 2007, Russia has hacked the servers of government, industrial or financial institutions in Bulgaria, Estonia, Georgia, Lithuania 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 alarmed enough about potential interference in their September parliamentary elections to have issued stern warnings to Moscow.

TASS/ZUMA PRESS

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

Judging by all this—and especially by what followed his election to a third term in 2012—Mr. Putin's 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, won't change Mr. Putin's strategy. 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.

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 doesn't 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 wasn't 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?

Shut up. Google is fighting the diversity furies and you're not helping.

"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 aren't 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.

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 fixations.

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 a 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.

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

By John Tamny

When Donald Trump was elected in 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 Nixon, 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 assembly line. Or modern factory automation that allows workers to do more in an hour. When investors put dollars to work, they're buying a future income stream denominated in dollars. Devaluation 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.

How does it help U.S. workers to erode the value of the currency in which they're paid?

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 across the globe.

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 Mr. Trump is proposing. A weaker dollar will harm American competitiveness, raise prices, tax job creation and sap workers' earnings and savings. It doesn't 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.

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THE MIDDLE SEAT | By Scott McCartney

Hate Basic Economy Fares? More Are Coming

Delta, United and American like the early results of the restriction-heavy tickets enough to expand them

BUYING AIRLINE TICKETS is getting even more dastardly: Basic Economy fares are spreading nationwide.

Only in the increasingly complex airline world is there a big difference between "basic" and "standard." Travel agencies have scrambled to display differences in coach fares so travelers don't buy the lowest price without realizing they won't get what they used to get.

What is Basic Economy? Delta, United and American, the three largest U.S. airlines, sell discounted fares about $30 to $50 less than standard coach tickets.

But there are major catches: Fliers are stripped of basic amenities like advance seat assignments and overhead bin space. Remember when airlines posted great-looking fares, only to reveal in the small print that they required a Saturday-night stay? Basic Economy is the new Saturday-night stay. Some people make it work, but the constraints push many to higher fares.

Now the big three airlines are rolling out Basic Economy across their entire domestic networks and some international routes. They're betting even more travelers will then buy up to higher coach fares.

Frequent fliers complain Basic Economy basically creates a loyalty-program tax—they have to pay more to get the amenities they used to get free. Fares have been rising this year, so to many, Basic Economy looks like a ketchup bottle with fewer ounces at the same price.

"You see that upcharge and it's kind of a kick in the teeth," says Scott Nealey, a San Francisco attorney who takes about 40 trips a year.

He says United's Basic Economy has shown up in his searches more than other airlines, even on expensive business trips. When he is paying $600 to $700 to go to Seattle, he wonders why any business traveler would agree to cede benefits to save $40. "It takes United off my map," Mr. Nealey says.

ROBERT NICKELSBERG/GETTY IMAGES

Basic Economy fares, spreading to all domestic markets, prohibit use of overhead bins on United and American. United says that's streamlined boarding. But unsuspecting travelers could get burned paying $25 to check a carry-on bag.

With Basic Economy, you can't get a seat assignment until right before departure and you can't make same-day flight changes. On Delta, you board in the last group and aren't eligible for upgrades or extra legroom seats, even if you have elite status. On United and American, you're last in the boarding line unless you have elite status or a qualifying credit card that gets you earlier boarding. You can bring a full-size carry-on for the overhead bin on Delta. You can't on United and American, unless you have elite status.

The fares are fraught for unsuspecting travelers who blindly book the lowest price. Slip up and bring a full-size carry-on to the gate and United and American will charge you $25 to check it when flying on Basic Economy. There go your savings, especially if you also check a bag on your return flight.

Families and groups should avoid Basic Economy tickets. There's no hope of sitting together. If you're worried about getting bumped from a flight, don't buy Basic Economy—cheap fares and no seat assignment make you an instant target for involuntary denied boarding. If you have elite status, you'll lose some benefits.

Many travelers are willing to give up perks to save some dollars on tickets. Still, airlines say when offered a Basic Economy fare, which they initially started to compete with discounters like Spirit and Frontier, half of all customers click to a higher fare.

American says the average upsell so far has been $23. Delta says it got an extra $100 million in revenue in the second quarter from its fare strategy, but that includes upsells to extra-legroom and first-class seats. On United's second-quarter earnings call, President Scott Kirby said the airline wasn't getting the expected revenue boost yet because it has been more aggressive rolling it out and was losing customers to airlines offering the same fares without reduced benefits. Still, United said it expects Basic Economy to boost revenue by $200 million in 2017.

Many companies have removed Basic Economy fares from corporate travel-booking sites, and online travel agencies and even some airline apps let you opt out. **American Express** Global Business Travel says 66% of its clients suppressed Basic Economy fares at the end of December. That has grown to 75%. One reason: fares that are completely unchangeable or nonrefundable end up being expensive to companies when travelers have to make changes.

Airlines say Basic Economy is another step in stripping down their product to core transportation, then letting customers add the services they want, like checking bags, early boarding or selecting seats in advance.

A Delta spokesman likens Basic Economy to selling a hamburger, then asking customers if they want fries, too. "We feel like it's been transparent and straightforward," spokesman Morgan Durrant says.

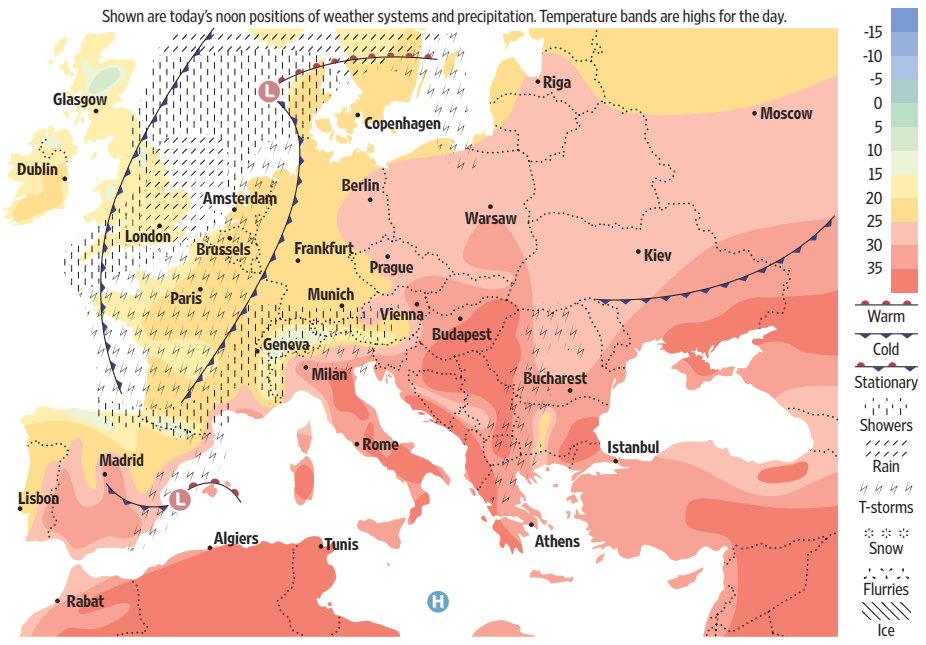
United says an added benefit, since most Basic Economy passengers don't get overhead bin space, has been a 30% decline in flights where overhead bins end up full and a 50% reduction in the number of bags tagged and checked at the gate. That means quicker boarding and more on-time departures. "The majority of customers who purchase a Basic Economy ticket are arriving at the airport aware of the details this fare entails," spokeswoman Maggie Schmerin says.

Tom Farmer, a Chicago-based communications consultant, finds Basic Economy tickets are indeed presented as the new normal in coach. He avoids them, but doesn't want to explain to clients why he bought a pricier ticket. Instead, he's avoiding United and flying more with American, which has a much more limited rollout so far, as well as Southwest and **JetBlue**. "It propels more guys like me into free agency," he says.

Weather

AccuWeather.com

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

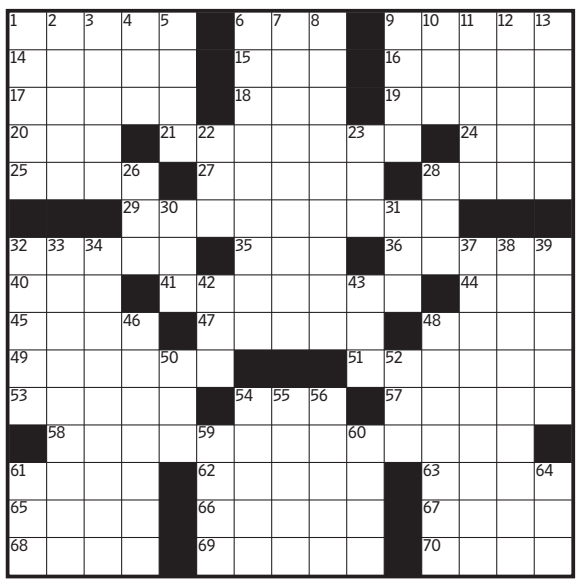


Global Forecasts

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

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

The WSJ Daily Crossword | Edited by Mike Shenk



NOTHING LEFT | By Peter A. Collins

Across

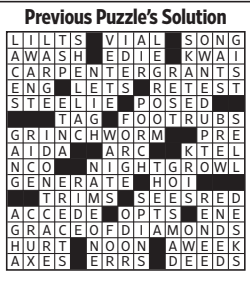
1 How some things are...
6 Indian address
9 It might be brushed in...
14 Expressed awe
15 #50 on a table
16 Lightened up?
17 Heat home
18 Insurance co. worker
19 Subject for une chanteuse
20 Symbol resembling a pitchfork
21 Ties
24 Home of the ACC's Noles
25 Daughter of Cronus
27 Expenses
28 Menu component
29 Financial world, figuratively
32 They have spines
35 In the capacity of
36 Home of the Mendoza College...
40 In the style of
41 Tried to win over
44 Punishment symbol
45 School safety...
47 Common Eastwood role
48 Sammy with 609 homers
49 Lenten purchase
51 Stuck
53 Foment unrest, in a way?
54 Bush bounder
57 Tour de France section
58 It's west of the Taiwan Strait
61 Keyboardist Saunders
62 Pair of hearts?
63 Wrong
65 Scott Turow title
66 Flourish
67 Box office total
68 JFK guesses
69 Intersection points
70 Once, once upon a time

Down

1 Energetic extra
2 Meaningless information
3 Department runner
4 Sleeper's state
5 ...purchased
6 Current condition
7 With 55-Down, sign at some corners, and a hint to four places in this grid
8 Do a calculus calculation
9 Where sweaters hang?
10 "Tropic Thunder" setting, for short
11 Up in the air
12 Part of an eco-friendly routine
13 ...a concert hall
22 Abbr. indicating a fair hirer
23 Future flounder
26 QB's try
28 Skater Midori
30 Fruity drink brand
31 Break off
32 Bookstore features, often
33 Midas offering
34 Hold
37 Paris instigated it
38 Bill Clinton awarded her the Presidential Medal of Freedom
39 ...of Business
42 Bravo relative
43 "___ tu" (Verdi aria)
46 ...exercises
48 Fill to excess
50 Hankering
52 O.T. book
54 Numeric comparison
55 See 7-Down
56 "Swan Lake" role
59 Sprinkler spot
60 Base men
61 Duff server, on TV
64 Despite that

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

Previous Puzzle's Solution



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TECHNOLOGY: AMAZON AND TENCENT BACK SMARTPHONE STARTUP B4

BUSINESS & FINANCE

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THE WALL STREET JOURNAL. Thursday, August 10, 2017 | B1

Euro vs. Dollar 1.1745 ▼ 0.06% | FTSE 100 7498.06 ▼ 0.59% | Gold 1273.00 ▲ 1.32% | WTI crude 49.56 ▲ 0.79% | German Bund yield 0.430% | 10-Year Treasury yield 2.246%

Vantiv Seals Worldpay Takeover

The $10.4 billion deal for U.K. firm comes as payments sector consolidates quickly

By Ben Dummett

LONDON—**Vantiv** Inc. agreed to acquire U.K. payments processor **Worldpay Group** PLC for about £8 billion ($10.4 billion) in cash and stock, in one of the biggest deals in the rapidly consolidating sector.

The tie-up, according to a joint statement Wednesday, will create a trans-Atlantic payments-processing giant with a combined market value of more than $20 billion. The companies disclosed their negotiations last month as Ohio-based Vantiv warded off a potential rival bid from J.P. Morgan Chase & Co.

Payments businesses are under pressure to join forces to cut costs, develop new products and add customers as greater regulatory scrutiny and rising competition from technology startups squeeze fees. In April, Mastercard Inc. received regulatory approval to acquire payment-technology firm **VocaLink Holdings** Ltd. for about $920 million. Last week, Atlanta-based **Global Payments** Inc. agreed to acquire certain assets of **Active Network** Inc. for about $1 billion from the private-equity firm Vista Equity Partners.

At the same time, buyout firms, which typically cash out of investments within a fixed period, are also driving deal activity. As businesses and consumers increasingly use mobile devices to transfer money, private-equity firms are betting the appetite for providers of secure online-payment services will remain strong.

On Friday, Blackstone Group LP and CVC Capital Partners struck a deal to acquire U.K. online-payments processor Paysafe Group PLC for $3.89 billion. That deal gives the private-equity giants significant exposure to the online gambling sector as a result of Paysafe's digital-wallet technology.

"Scale and having a cost-efficient [operation] is key in a consolidating industry, and we need to take advantage of that," Vantiv Chief Executive Charles Drucker said in an interview. Mr. Drucker will lead the new company, which will be called Worldpay, as executive chairman and co-CEO. Reporting to him will be Worldpay CEO Philip Jansen, who will also take on the title of co-CEO.

CHRIS RATCLIFFE/BLOOMBERG NEWS

Worldpay will add scale in U.S.

Vantiv helps merchants, banks and credit unions accept credit- and debit-card payments, as well as gift cards and online payments mainly in the U.S., where it is the biggest payments processor by transactions handled. Worldpay is about No. 9.

While further cementing Vantiv's U.S. position, the deal gives its U.K. rival the added scale needed to remain competitive in the U.S. market. It also gives Vantiv access to the British and international markets where Worldpay processes millions of payments daily in stores, online and on mobile phones.

Tesla Offer Is Testing Credit Market

By Matt Wirz And Sam Goldfarb

Tesla has raised billions of dollars in equity by selling stock investors a story of unlimited growth. Now the company is hoping the same playbook will work with bond investors.

It isn't yet clear how effective the approach will be. The deal is being proposed at a yield of 5.25%, low considering the company's junk rating. That reflects investors' willingness to accept modest yields in a market starved for new deals, but some are concerned about the company's losses and aggressive financial projections.

Although the electric-car maker's stock could produce high returns if Tesla succeeds in competing with conventional auto makers, bondholders will only collect interest on their investments and could be wiped out if the company flops. That capped return means potential bond buyers are focused mostly on the risk the company won't repay them.

"This is basically an equity story," said Michael Cazayoux, a high yield analyst at **KDP** Asset Management. "The bond market is more of a professional market and we're looking at it from credit metrics."

Debt investors who have heard Tesla's pitch for the eight-year, $1.5 billion unsecured bond this week say it is a little different than the normal one they get from potential borrowers. Executives and bankers have focused on Tesla's nearly $60 billion market value and lofty ambitions while placing less emphasis on the details of its actual financial performance.

Trying to assuage investors' concerns during a meeting in Manhattan on Monday, Chief Executive Elon Musk compared the Tesla's near-term production challenges to sausage-making, saying a somewhat ugly process would ultimately pay dividends.

Tesla's leadership in the electric-vehicle industry and its status as the most valuable U.S. auto maker are both factors that will help some bond buyers overlook the company's lack of profitability, some fund managers said. And the bond deal is small enough that underwriter Goldman Sachs Group Inc. is expected to find buyers for it, especially given this summer's scarcity of other new bond sales in the market.

The trouble for bond analysts evaluating Tesla is the uncertainty about when the company will start making cash rather than spending it. The firm had about $3 billion of cash in June—and would increase that by 50% with the

Please see TESLA page B2

HEARD ON THE STREET
By Justin Lahart

Chipotle Serves Up A Recipe For Trouble

This is the second in a series of summertime stock picks from The Wall Street Journal's Heard on the Street writers.

Chipotle Mexican Grill has an aggressive growth plan that could justify its heady stock price. Even a less aggressive plan wouldn't succeed if consumers aren't convinced the chain's food is safe.

Up until a couple of months ago, it seemed like Chipotle had put its problems behind it. After a series of food-safety problems in 2015, the company's shares rose 25% in eight weeks this spring.

Then all of the gains unwound. In June, Chipotle warned that sales in the second quarter for restaurants open for over a year would be lower than expected. Last month, more than 135 customers reported getting sick in one of its restaurants in Virginia, and a video that went viral showed mice scampering around a Chipotle in Dallas. The company said that business slowed as a result, and analysts' estimates for earnings over the next year have fallen sharply.

Chipotle's stock is down more than 30% from the high for the year hit in May. The problem is, at the current price, investors are still betting that Chipotle will grow strongly. The company's shares trade at 34 times ana-

Please see HEARD page B2

SUMMERTIME PICKS
Chipotle
4 p.m. share price: $334.61
Recommendation: Sell
Why: Won't meet growth expectations

BRENDON THORNE/BLOOMBERG NEWS

A bottling line at an A2 Milk plant in Sydney last year. A2 CEO Blake Waltrip says the dairy industry needs more innovation.

Milk Firms Move to Fix Sour Sales

By Mike Cherney And Heather Haddon

Dairy makers are hoping puréed fruit and genetically screened cows can help win back consumers who have soured on milk.

U.S. milk sales are down 11% by volume since 2000, according to U.S. Department of Agriculture data. Plant-based milk substitutes have taken some of the remaining market share. And a turn away from packaged foods has sapped sales of breakfast cereal, a key milk accompaniment.

Milk companies are fighting back with products they are billing as an improvement on the original.

"Innovation is the only way out," said Blake Waltrip, chief executive for the U.S. at **A2 Milk** Co., a New Zealand-based company that sells milk that lacks a protein that might cause indigestion for some.

Big food makers are testing new products, too. **Danone** SA's Sir Bananas product combines milk with puréed fruit, which it hopes will stand out from other flavored-milk drinks and is now available nationwide. **Fairlife** LLC, a partnership between **Coca-Cola** Co. and **Select Milk Producers** Inc., is selling "ultra-filtered" milk it says contains more calcium and protein than regular milk. It is also offering milkshakes containing antioxidants and prebiotic fiber, which is intended to aid digestive health.

A2 uses genetic tests on its cows to make sure they will produce milk that contains only a protein known as A2, not the additional A1 protein that some research suggests could cause indigestion. The company has captured more than 8% of the market in Australia, up from about 3% in 2012, according to Euromonitor International, in one of the few developed markets where milk sales continue to grow.

In Australia, where agriculture plays a bigger role in the economy than the U.S., "milk is still seen as a staple," said Alice Yu, research analyst at Euromonitor in Sydney. "Everyone has a bottle of milk in their fridge," she said.

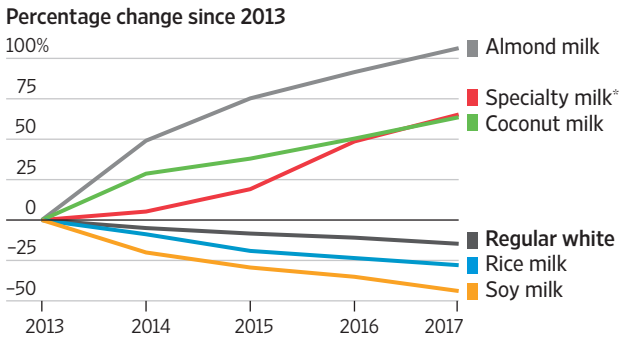
A2 Milk hopes to convince U.S. consumers that its milk can help them avoid the indigestion many people associate with lactose intolerance. "Literally within an hour, the consumer knows whether this solves their issue," Mr. Waltrip said. The company, which started selling milk in California in 2015, has struck distribution deals with Whole Foods Market Inc. and Publix Super Markets Inc.

Competitors and some scientists question A2's claim that milk without the A1 protein is easier to digest.

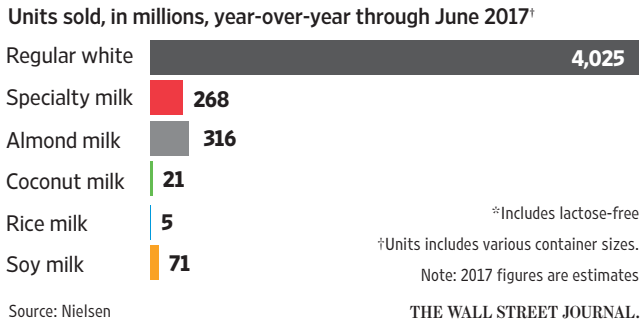
Please see MILK page B2

Rising to the Top

Sales of regular white milk have been dropping as other options have gained popularity...



...but sales of regular milk still dwarf the alternatives.



*Includes lactose-free
†Units includes various container sizes.
Note: 2017 figures are estimates
Source: Nielsen
THE WALL STREET JOURNAL.

21st Century Fox Gets Boost From Cable TV

By Maria Armental

Higher advertising and distribution fees for its cable channels drove up **21st Century Fox** Inc.'s results in its fourth quarter, helping it deliver a modest earnings beat.

The company, whose properties include the Fox television network along with the Twentieth Century Fox studio, reported a 1.5% increase in the most recent quarter from a year earlier. Fox News and the other cable networks drove the revenue growth, making up for continued weakness at the company's filmed entertainment segment.

Overall, net profit for the quarter ended June 30 fell 16% to $476 million or 26 cents a share. Excluding restructuring charges and other items, profit fell to 36 cents a share from 45 cents a share a year earlier, when results included a tax benefit of 7 cents a share.

Revenue rose to $6.75 billion. Analysts surveyed by Thomson Reuters had projected adjusted profit of 35 cents a share on $6.77 billion in revenue. The Wall Street Journal parent News Corp and 21st Century Fox share common ownership.

Epicenter of U.S. Oil Has a Gas Problem

By Alison Sider

Investors are getting nervous about the Permian.

The problem? Too much natural gas.

The West Texas oil field is the epicenter of U.S. drilling activity and is expected to drive the country's growth in oil production in the coming years. Investors have grown accustomed to companies reliably beating expectations there—producing ever greater amounts of oil and slashing their costs.

So they became alarmed when a handful of Permian producers reported more lackluster results last week.

It began when **Pioneer Natural Resources** reported that its Permian wells are producing more gas and natural gas liquids such as propane than expected, raising red flags for investors who care a lot more about oil.

Pioneer said its wells aren't producing less oil than its engineers predicted—just more gas. Analysts and some investors say that if anything, all that gas is basically a free byproduct that will make the wells more valuable.

"When we boil this down, oil is absolutely meeting our expectations on a per-well basis, and adding more gas and NGLs to the mix is a positive in terms of revenues and reserves without even affecting oil," Chief Executive Tim Dove told analysts.

The explanation didn't seem to help. Pioneer shares, trading under the ticker PXD, tumbled 17% over two days last week, and they haven't fully recovered.

Goldman Sachs analysts wrote that investors started asking where else to park their money. "The sharp selloff in bellwether PXD triggered risk reduction across well-owned and perceived high-quality Permian pure-plays," they wrote. The price premium for Permian producers compared with oil companies that focus on other regions shrank by 14% after Pioneer reported its results, Morgan Stanley analysts said Monday.

Analysts were quick to defend the Permian, saying the allegations regarding gas were just hot air. But the shift toward more gas output illuminates what is potentially a deeper issue: fewer new wells.

"We think it's execution risk that's the culprit," said Scott Hanold, an analyst at RBC Capital Markets. "The Permian is going to have some growing pains."

In a report titled "The Permian Remains an Oil Play," Morgan Stanley analysts noted

Please see OIL page B2

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TESLA

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bond offering—but is projected to spend $2 billion in the second half of 2017.

"The early-stage nature of Tesla makes it something we're not interested in," says William Zox, chief investment officer at mutual-fund firm Diamond Hill Capital Management Inc.

The cash burn is likely to continue throughout next year and the company could return to bond markets for more funds to pay for its new product line, the moderately priced Model 3, says Nishit Madlani, an analyst for **S&P** Global Ratings, which rates the company B-minus. Tesla's leverage, a risk measure that compares debt to earnings before interest, taxes, depreciation and amortization, is about six times but will likely rise to eight times by the end of the year, Mr. Madlani said.

Tesla is burning through cash at a rapid pace to ramp up production before traditional auto makers catch up. That means the company is likely to keep issuing junk bonds in coming years to keep growing, and subsequent debt sales could be harder to place, fund managers say. The more debt the company takes on, the riskier the investment becomes for bondholders and Tesla has already borrowed $4.5 billion of loans that would rank ahead of the bonds if the company ever defaulted.

Debt markets are typically inhospitable to startup ventures because bond investors put a priority on getting repaid on a fixed schedule, something nascent companies can rarely guarantee. The mass bankruptcies of startup telecommunications companies like Global Crossing Ltd. and Iridium Communications Inc. that borrowed tens of billions of dollars of junk debt in the 1990s serve as cautionary tales for many fund managers.

JASON REED/REUTERS

Tesla's cash burn is likely to continue throughout next year.

HEARD

Continued from the prior page

lysts' expected earnings over the next year, according to FactSet. **Jack in the Box**, which runs the Chipotle competitor Qdoba, has a price/earnings ratio of 19.

To validate that high P/E, Chipotle will need to grow rapidly—and it aims to. In the first half of this year, the company opened 102 new restaurants, bringing its total count to 2,339, and it says it expects to open 92 to 108 more stores before the year is out. Ultimately, the company has said it thinks it can bring its U.S. total to 5,000, and analysts have penciled in more than 200 new restaurants next year.

In addition to opening a lot of restaurants, Chipotle will also need sales at its existing restaurants to keep rising strongly and it will need to maintain high profit margins. Even without the company's recent challenges, doing all those things would be hard. Chipotle will need to find hundreds of profitable locations each year, reverse the slowdown in same-store sales growth and keep a handle on costs when low unemployment is pushing restaurant wages higher. All of this in the intensely competitive fast-food industry.

For any of this to happen, Chipotle must prevent any further food-safety problems and convince customers they won't get sick from their next burrito. This is harder and more expensive for the chain, which uses fresh ingredients and prepares food in front of its customers.

That is a strong argument for Chipotle to reset its growth expectations. Investors ought to reset their expectations, too.

BUSINESS & FINANCE

SIMON DAWSON/BLOOMBERG NEWS

So-called dockless bicycles provided by Singapore-based oBike await customers in London. City officials complained about the program's launch.

Bike Sharing Hits Bumps

Asian startups in race to expand abroad, but oBike finds Uber-like obstacles in London

By Stu Woo

LONDON—A throng of Asian bike-sharing startups is heading to the U.S. and Europe, but an early snafu in Britain's capital suggests the road could be bumpy.

The companies, which run so-called dockless bike-sharing programs that let customers rent and drop off bicycles anywhere, have already altered the way people move around cities across China and raised billions of dollars from investors. Now the businesses are racing to expand abroad.

Their aggressive growth plans mirror those of ride-hailing firms such as **Uber Technologies** Inc., whose efforts to upend the way people travel have caused regulators and incumbent operators to bristle around the world. As authorities throttle back Uber, some municipal governments threaten to do the same with the bike startups.

They say the firms, including China's Ofo and **Mobike Technology** Co., must first consult with local authorities to answer the questions: How many bikes does a neighborhood actually need, and how can people be discouraged from ditching their cycles in inconsiderate places?

Just weeks after Singapore-based oBike was launched in London in one of the industry's earliest Western forays, it ran into obstacles. Some locals left the two-wheelers in the middle of crowded sidewalks and in front of busy train stations, posing problems for wheelchairs and parents with strollers. One local council, in the London borough of Wandsworth, found the mustard-colored oBikes so problematic it confiscated 130 and dubbed them the "yellow bike plague."

"We're furious that oBike basically dumped hundreds of their bikes across London without any consultation," said Will Norman, London's walking and cycling commissioner, in a written statement. "Dockless bikes have real potential to make cycling more accessible, but they cannot be randomly strewn across the capital." Mr. Norman added that some oBike rivals were "constructively talking" with London authorities ahead of their own launches.

An oBike spokeswoman said the company was disappointed with the Wandsworth council's decision and was working with authorities to solve the issue of "indiscriminate parking." She said possible solutions include increasing public bike-parking areas and "reaching out to users on the responsible ways to park our bikes."

Incorrect parking, as well as vandalism, has also been a problem for rival Mobike with its recent launch in Manchester in the north of England.

The issue echoes problems in China, where shared bikes have been hung in trees, flung under cars and tossed into canals, and will likely be a concern ahead of launches in the U.S.

Ofo, which counts ride-hailing company Didi Chuxing Technology Co. among its backers, recently completed a trial in California and is preparing a full U.S. launch soon. Mobike, which has raised funds from investors Sequoia Capital and Warburg Pincus as well as Chinese tech giant Tencent Holdings Ltd., is considering expanding to Washington, D.C. The efforts come as several such startups in China are flush with cash after raising $2.4 billion from investors so far this year, according to Dow Jones VentureSource.

Other obstacles to the firms' international growth—important because their business models depend on volume rather than revenue per ride—are high setup costs and too much competition, said Martin Mignot, a partner at London venture-capital firm Index Ventures. As such, he said his firm hasn't invested in any of the startups despite describing bike-sharing programs as "the future of transportation."

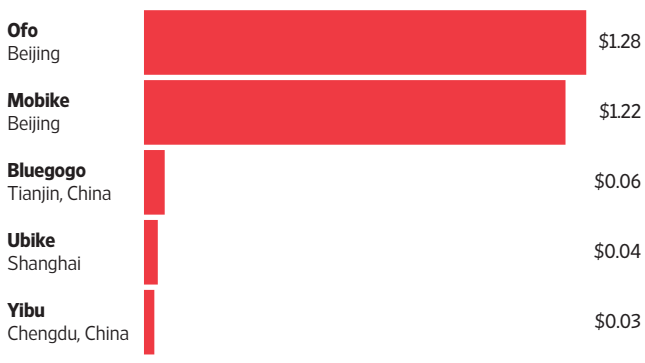
"A price war could really hit," he said.

They also face competition from incumbent services, some of which are publicly backed. However, the startups differ from the likes of New York's Citi Bike, Chicago's Divvy and London's Santander Cycles, which require people to rent bikes from and return them to designated stations. The drawback is the stations are often only in a city's center, and have limited spaces. If one station is full, a customer must go to another to drop off the bike.

Instead, the dockless providers allow customers to use a smartphone to unlock a bike and, once they are finished riding, to leave it essentially anywhere.

Betting on Bike Sharing

Investors have poured over $2.6 billion into bike-sharing startups in China alone this year. Figures in billions.



Source: Dow Jones VentureSource THE WALL STREET JOURNAL.

OIL

Continued from the prior page

that wells tend to produce more natural gas as they age. That phenomenon has been hard to see in the Permian as companies have been growing at breakneck pace, drilling new wells that are flush with oil.

But during the second quarter, some companies said they are slowing down. Pioneer said unforeseen drilling delays put it behind schedule this year. Rather than shelling out the cash to catch up, the company plans to defer completing about 30 wells until next year. Parsley Energy said it had delayed eight wells—part of the reason for the gassier production it reported during the quarter.

"Given the high oil cut associated with flush production, these delays impacted our mix as well," Chief Executive Bryan Sheffield said during an earnings conference call.

Analysts at Simmons & Co. International said the "frenzied rate of activity expansion" could be to blame for some of the challenges that producers faced during the quarter.

"One lesson, of which we were often reminded during the quarter, is that it's significantly easier to grow production in spreadsheets than the oil patch," they wrote.

ANN SAPHIR/REUTERS

A number of energy companies in Texas' Permian Basin reported more lackluster results last week.

MILK

Continued from the prior page

In Australia, A2 Milk sued competitor Lion Dairy & Drinks alleging that the rival's advertising misled customers into thinking Lion's milk didn't contain the A1 protein. Lion filed a countersuit challenging claims that milk without the A1 protein is easier to digest. A2 Milk says scientific studies suggest a benefit.

A2 Milk will also face competition in the U.S. from fast-growing, plant-based milk alternatives. The National Milk Producers Federation and other industry groups are pushing Congress to bar the makers of those products from marketing them as milk.

The dairy companies are fighting over a shrinking pool of milk demand. Milk sales in the U.S. dropped 14% in dollar terms for the year through June compared with that period in 2013, according to Nielsen figures. That is one reason U.S. farmers are pouring excess milk into their fields and manure pits. Farmers in parts of the Northeast and Midwest dumped more than 250 million pounds of milk last year, according to the USDA. They are on pace to dump even more milk this year.

Dean Foods Co. lowered profit guidance, and shares in the U.S.'s largest milk producer tumbled 19%, on Tuesday as executives acknowledged their struggles with declining fluid milk sales.

"At some point you will see a bottoming in this category, and I'm not sure when you will predict that," Dean Chief Executive Ralph Scozzafava told investors. The company earlier this year launched versions of its TruMoo flavored-milk drinks that it says are free from genetically modified material.

Nate Donnay, director of Dairy Market Insight at INTL FCStone, questioned whether A2 and other companies charging a premium for their enhanced milks can reverse the broader turn away from the beverage. "The target market is fairly narrow," he said.

—Jacob Bunge contributed to this article.

BUSINESS NEWS

Priceline, TripAdvisor Trim Forecasts

By Chris Kirkham

Shares of **Priceline Group** Inc. fell Wednesday after the online travel company cut forecasts for growth in hotel bookings.

TripAdvisor Inc. shares initially swooned after that company, too, said revenue growth would slow, but rebounded by the end of the trading day.

The reasons behind the reduced forecasts were very different for the two companies, as are the long-term implications, according to analysts.

TripAdvisor was briefly down more than 4% and Priceline Group fell nearly 8% in midday trading. Priceline closed 6.9% lower and TripAdvisor rose 2.5%.

Both companies earn money in online travel, but TripAdvisor is largely reliant on online advertising revenue associated with the company's hotel listings and reviews. Priceline earns money through customers booking on its sites.

TripAdvisor's revenue per hotel shopper was down 2% from a year earlier, according to its earnings release Tuesday, and the company cut revenue-growth expectations for the year. Executives pointed to a faster-than-expected shift toward mobile devices, where advertising generates less revenue than on desktop and laptop computers.

Priceline Group is projecting slower growth in gross bookings for the third quarter, about 9% to 14%, which compares with 15% to 20% growth for the same quarter last year.

Analysts said Priceline's decline is likely a one-time blip driven by the slower growth forecast, and the company has historically been conservative in its estimates.

For TripAdvisor, however, they see a longer-term challenge as more customers shift to mobile devices for shopping.

"A mobile shopper monetizes at less than a third of a desktop shopper," said Shyam Patil, an analyst with Susquehanna Financial Group. "More of your traffic is going to a channel where you're making less money off the eyeballs."

The company said mobile accounted for more than 40% of its hotel shoppers last quarter, which is up from about a third a year earlier. In prepared remarks, the company said the acceleration in mobile hotel shoppers is a short-term challenge, though it might become a benefit in the long run as people are likely to have more opportunities to shop online.

MIKE BLAKE/REUTERS

TripAdvisor's ad revenue is associated with hotel listings.

"On the one hand, it highlights our increasing engagement on this strategic platform," the company said. But less revenue per shopper "exacerbates the near-term revenue growth headwind." The company declined to elaborate on comments it made in the earnings call.

TripAdvisor had been trying to shift more toward a booking model in recent years where customers would find hotels, read reviews and book through the site. Executives earlier this year said they were de-emphasizing the approach after it failed to meet growth expectations.

"The solution they had clearly didn't work and now they're kind of left without a new solution," said Mr. Patil. "They're still in the early stages of figuring this out."

On its earnings call Wednesday, executives pointed to the non-hotel attractions segment of its business as a bright spot. Stephen Kaufer, TripAdvisor's president and chief executive, said the attractions space has "the biggest short-, medium- and long-term upside for us."

Priceline Group said it is still seeing healthy demand for global travel. On an earnings call Tuesday, Chief Executive Glenn Fogel said the slower growth projections were "consistent with our long-term trends and expectation for the business given our size now."

Misdeeds Alleged in Ad Production Sector

By Suzanne Vranica

The Association of National Advertisers said a new study has found a variety of non-transparent practices in the advertising production business, a conclusion that likely will add to concerns about how business is conducted on Madison Avenue.

The U.S. trade group, which represents big advertisers such as **AT&T** Inc., **Procter & Gamble** Co., **Wal-Mart Stores** Inc. and **General Motors** Co., didn't single out any advertising firms by name.

A trade group's new study alleges conflicts of interest in the bidding process.

But it detailed a range of improper behavior, including allegations that some agencies have steered production contracts to their in-house production and post-production outfits by urging other companies to inflate their prices during the bidding process.

In other cases, ad firms allegedly try to disguise their ownership of production outfits, so their clients aren't aware of the affiliation.

"The system is compromised by the fact that the agency is not only controlling the bidding process but is also part of the bidding process and that is a conflict of interest," said Bob Liodice, ANA's chief executive.

The report also zeroed in on the production incentives some states offer for filming in certain locations. About 39% of advertisers surveyed who were eligible for production incentives in the past two years either didn't receive those benefits or didn't know, the study said.

Marla Kaplowitz, CEO of the American Association of Advertising Agencies, an industry trade group that represents ad firms, said in a written statement that the group "condemns any activity or business practice that is unethical or, of course, illegal."

"We haven't seen a final version of the report, although the ANA did circulate a draft version some months ago, which we thought was flawed in several material ways," ad holding company WPP PLC said in a written statement. "It would not be appropriate to comment on this final report until we have seen a copy."

MDC Partners Inc. declined to comment because it hadn't seen the report. Omnicom Group Inc. and Publicis Groupe SA also declined to comment. **Interpublic Group** of Cos. didn't return calls.

BUSINESS WATCH

AUTO INDUSTRY

Toyota, Mazda to Pick Location for U.S. Plant

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.

—Peter Grant

TELEVISION

'Judge Judy' Makes Deal With CBS Corp.

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 known for her quips and low tolerance for people lacking in basic intelligence.

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. She is also one of the most well-compensated television stars with a deal valued at close to $50 million, according to a person close to the show.

CBS has been the longtime distributor of the program. By acquiring the library rights, CBS will now be able to monetize the show across multiple platforms including streaming services, in perpetuity.

—Joe Flint

PARAMOUNT/COURTESY EVERETT COLLECTION

'Judge Judy' is one the most-watched U.S. daytime TV shows.

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BUSINESS OPPORTUNITY

GOVERNMENT OF MAHARASHTRA
PUBLIC WORKS REGION, PUNE
PUBLIC WORKS CIRCLE, KOLHAPUR
PUBLIC WORKS (WEST) DIVISION, SANGLI

Notice For Hybrid Annuity (Online)Tender
E-Tender Notice No.10 For 2017-18

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, Public Works (West) Division, Sangli (the **"Authority"**) is engaged in the development of highways and as part of this endeavor, the Authority has decided to undertake development and operation/maintenance of the Project (the **"Project"**) on **Hybrid Annuity basis,** and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

Sr. No.	State	Dist.	Pack-ages	Project	Project Length in (km)	Project Cost	Earnest Money / Bid Security	Duration Of the Project	Cost of Tender Fee Document
1)	Maharashtra	SANGLI	PN-09	PN - 09 Improvements to Top Wadgaon Shigaon Aashta Tasgaon Bhivghat Atpadi Dighanchi Road, SH - 151, Km 0/000 to 127/950, District Sangli on Hybrid Annuity Basis	117.85 Km.	₹ 306.94 Crore	₹ 3.10 Crore	548 DAYS	₹ 35,000/- Online payment through NEFT / RTGS

E-Tender Time Table

Sr.. No	Event Description	Date
1.	Invitation of RFP (NIT) (Download period of online tender)	Dt. 31.07.2017 at 10.00 Hrs to Dt. 28.09.2017 at 18.00 pm
2.A	Last date for receiving queries for pre- bid No.1	22.08.2017 upto 11.00 Hrs
2.B	Pre-Bid meeting No.1	Online or in the office of the Chief Engineer, Public Works Region, Pune on or before Dt.22.08.2017 upto 11.00 Hrs
2.C	Authority response to queries for Pre-Bid Meeting No.1 latest by	28.08.2017
3.A	Last date for receiving queries for pre-bid No.2	12.09.2017 upto 11.00 Hrs
3.B	Pre-Bid meeting No.2	Online or in the office of the Chief Engineer, Public Works Region, Pune on or before Dt.12.09.2017 up to 11.00 Hrs
3.C	Authority response to queries for pre-Bid Meeting No.2 latest by	16.09.2017
4	Bid due Date (submit Hash to create online tender by bidder) (Technical and financial Bid Last date and time)	Dt. 29.09.2017 till 18.00 Hrs
5	Physical submission of Bid Security/ POA etc(as per clause 2.11.2 of RFP)	Till 11.00 Hrs on 03.10.2017 in the office of Superintending Engineer, Public Works Circle, Kolhapur. 416003
6	Opening of Technical Bids. (If Possible)	(at 11.30 on 03.10.2017 office of Superintending Engineer, Public Works Circle, Kolhapur. 416003
7	Opening of Financial Bids. (If Possible)	(at 11.30 on 27.10.2017 office of Superintending Engineer, Public Works Circle, Kolhapur. 416003

Note:-

1. The payment towards the cost of Tender forms will be done online only through RTGS / NEFT. It should be noted that one should complete these activities at least one day in advance.
2. All eligible/interested Bidders who want to participate in tendering process should compulsorily get enrolled on e-tendering portal **"http://mahatenders.in"**
3. Contact on numbers given below for difficulties in online submission of tenders,:- (NIC-Toll Free Ph.No.1800 30702232 / 7878107985-86)
4. Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. as specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or Before **03/10/2017** upto 11.00 hours.
5. Other terms and Conditions are detailed in online e-tender form. Right to reject any or all online bids of work, without assigning any reasons there of, is reserved with department.
6. Short Tender Notice is displayed on P.W.D. website **www.mahapwd.com**

(P.G. Chavan)
Executive Engineer,
Public Works (West)Division,
Sangli

D.G.I.P.R. 2017/2018/2001

BUSINESS OPPORTUNITY

GOVERNMENT OF MAHARASHTRA
SPECIAL PROJECT DIVISION, AMRAVATI

NOTICE FOR HYBRID ANNUITY (ONLINE) TENDER
E-Tender Notice No. 14 For 2017-18

NOTICE INVITING BID

Package No. AM 23 **Dated: 20/07/2017**

Subject:- RFP for Improvement of Roads in the Amravati District in Maharashtra state for Two Laning Road / Two Laning Road with paved shoulders under MRIP Package AM-23 on Hybrid Annuity Mode.

The Government of Maharashtra had entrusted to the Authority the development, maintenance and management of state highways and Major District Roads of State of Maharashtra. The Authority had resolved to augment the existing road for **Improvement to Amravati Mardi Kurha Kaundynapur Upto Dist Border Road in Amravati Dist Joining Kaundynapur Holy Place to Amravati Dist HQ (SH 280, SH 300 & SH 294), Improvement to Amravati Bhatkuli Asara Road Joining Bhatkuli Taluka HQ to Amravati Dist HQ (SH 280), Improvement to Amravati Chandur Railway Dhamangaon Road in Amravati Dist Joining Chandur Railway & Dhamangaon Taluka HQ to Amravati Dist HQ (SH 297 & 296)** in the state of Maharashtra by [Two Laning / Two Laning Road with paved shoulders thereof] (the "Project") on design, build, operate and transfer (the "DBOT Annuity" or "Hybrid Annuity") basis, and has decided to carry out the bidding process for selection of [a private entity] as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows :

Name of the State Highway / Major District Road Improvement to roads	Length (in Km.)	Estimated Project Cost (In Rs. Cr.)
A) Improvement to Amravati Mardi Kurha Kaundynapur Upto Dist Border Road in Amravati Dist Joining Kaundynapur Holy Place to Amravati Dist HQ (SH 280, SH 300 & SH 294)	118.32 Km.	Rs. 322.92 Crore
B) Improvement to Amravati Bhatkuli Asara Road Joining Bhatkuli Taluka HQ to Amravati Dist HQ (SH 280)		
C) Improvement to Amravati Chandur Railway Dhamangaon Road in Amravati Dist Joining Chandur Railway & Dhamangaon Taluka HQ to Amravati Dist HQ (SH 297 & 296)		

The complete BID document can be viewed / downloaded from e-procurement portal of [https://maharashtra.etenders.in] from Dt. 31.07.2017 to Dt. 28.09.2017 (up to 23.00 Hrs. IST) Bid must be submitted online only at [https://maharashtra.etenders.in] during the validity of registration with the [Maharashtra Government e-Tendering Portal] being managed by portal / website i.e. [https://maharashtra.etenders.in] on or before 28.09.2017 (up to 23.00 hours IST). Technical submission of the Bids received online shall be opened on Dt. 06.10.2017 (at 11.30 Hrs) to Dt. 11.10.2017 (at 18.00 Hrs IST).

Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. As specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before 06.10.2017 (at 11.00 hours IST). Please note that the Authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever.

Thanking You,

Yours faithfully,
(Sunil R. Kalamkar)
Executive Engineer,
Special Project Division, Amravati

DGIPR 2017-2018/1999

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♦ As with all investments, appropriate advice should be obtained prior to entering into any binding contract. ♦

Amazon, Tencent Back Phone Startup

By Rolfe Winkler

Essential Products Inc., the smartphone maker founded by the creator of Google's Android mobile software, confirmed it has a new $300 million war chest as it prepares for the seemingly insurmountable task of taking on **Apple** Inc. and **Samsung Electronics** Inc.

The startup on Wednesday unveiled the large roster of investors taking a chance on it, including Chinese internet company **Tencent Holdings** Ltd. and **Amazon.com** Inc.'s Alexa Fund. Essential also disclosed that **Best Buy** Co. stores and Amazon will be its retail launch partners in the U.S.

But the company stopped short of the big reveal: When exactly its $699 titanium-encased smartphone will be available.

"We're a few weeks away," said Niccolo De Masi, Essential's president, repeating what company founder Andy Rubin said a few weeks ago. "I will give you an exact date in a week."

Mr. Rubin's company is attempting to challenge Apple and Samsung with a new phone at roughly the same time as the smartphone behemoths unroll major releases. Apple in September is expected to unveil three new phones, instead of the usual two, including a special 10th-anniversary iPhone with a different display and new features like wireless charging and facial-recognition technology.

Samsung next month is expected to launch its premium Galaxy Note 8 phone.

Essential has gained attention largely because of the pedigree of Mr. Rubin, who sold his previous startup, Android, to Google—now a unit of **Alphabet** Inc.—in 2005, and then helped turn its software into the world's most-used smartphone operating system, rivaling Apple's iPhone.

Essential, founded by Google's Android creator, plans to take on Apple, Samsung

Ultimately, Essential is trying to create the same brand affinity that Apple has created by building a complete hardware-software ecosystem. The Essential smartphone itself comes with a special port that the company hopes will attract the development of a wide range of accessories, to go with its own 360-degree camera.

It also plans a device called Home that will control household smart devices. Mr. De Masi also declined to provide release-date details for that device.

Essential isn't targeting mass-market popularity out of the gate. The initial strategy is to take advantage of the company's small scale to innovate faster than larger rivals, said Mr. De Masi, pointing to his phone's titanium-ceramic shell, which he said wouldn't be possible to manufacture in iPhone-size quantities.

"If we are able to sell low single digit millions [in the first year] that's very successful for a startup," Mr. De Masi said.

Distribution will be limited at the start. Sprint Corp., the fourth-largest carrier in the U.S., is the only wireless company that will stock it in the U.S. **Telus** Corp. will carry it in Canada. The phone will also be available unlocked, for use on any carrier network, at Amazon.com, Best Buy and Essential.com.

Mr. De Masi declined to provide details for those carriers' offers. He said international carrier relationships would be announced later this year.

MICHAEL SHORT/BLOOMBERG NEWS

The engineer Google fired for writing a memo said he is 'exploring all possible legal remedies.'

Fired and Facing Legal Woes

By Jacob Gershman And Sara Randazzo

The Google engineer fired for writing a memo asserting biological causes behind the tech gender gap is likely to face significant hurdles in any legal action against his former employer, experts say.

Software engineer James Damore has said he is exploring "all possible legal remedies" after Google fired him late Monday over a leaked memo he wrote suggesting that women are less suited for tech careers than men and that Google's diversity efforts are too concerned with sexism. He already has filed a formal complaint with the federal agency that investigates labor practices.

In responding to any legal claim, **Alphabet** Inc.'s Google could argue that it took action to prevent a hostile work environment for women and to avoid workplace or customer disruptions, employment lawyers said.

Those interests could very well outweigh Mr. Damore's rights, according to the experts.

Already, Google appears to be framing such a potential legal defense in response to the firing.

In a staff email Monday, Google Chief Executive Sundar Pichai said portions of Mr. Damore's memo violate the company's code of conduct and "cross the line by advancing harmful gender stereotypes in our workplace."

Mr. Damore has said that prior to losing his job, he filed a formal complaint with the National Labor Relations Board, which enforces federal labor law.

He said the complaint was prompted by Google executives' criticism of the memo and that he has a right to express "concerns about the terms and conditions of [his] working environment and to bring up potentially illegal behavior."

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GOVERNMENT OF MAHARASHTRA
OFFICE OF EXECUTIVE ENGINEER
PUBLIC WORKS DIVISON, AMBAJOGAI

E-TENDER NOTICE NO. 02/2017-18
NOTICE INVITING BID

Package no. AU 66 **Dated: 07/08/2017**

Subject:- RFP for Improvement of Roads in the Beed District in Maharashtra State for Two laning road / Two Laning road with paved shoulders under MRIP Package AU-66 ON Hybrid Annuity Mode.

The Government of Maharashtra had entrusted to the Authority the development, maintenance and management of State Highways and Major District Roads of State of Maharashtra.

The Authority has resolved to augment the existing road section of **SH-221 from km.232/500 to Km. 262/00, the Parli - Pus Bardapur Road (Approx. 28.150 km) (hereinafter called the "SH221"), The Section of State Highway, SH-211 from km. 45/00 to Km 78/00, the Yelda-Chichkhandi - Ambejogai -Devla Road (Approx. 33.112 km) (Hereinafter called the "SH211") and The Section of State Highway, SH-232 from km. 00/00 to Km 85/00, the Padalsingi-Pimpalner-Vadavani-Dharur-Aadas - LokhandiSavargaon Road (Approx.79.362 km)(hereinafter called the "SH-232") in the state of Maharashtra by Two-Laning/Two Lane with Paved Shoulder thereof (the "Project")** on design, build, operate and transfer (the "DBOT Annuity" or "Hybrid Annuity") basis and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as below.

Name of the State Highway / Major District Road	Length (in km)	Estimated Project Cost (In Rs.Cr.)
The development and operation / maintenance of the Road No-1: The Section of State Highway, SH-221 from km.232/500 to Km. 262/00, the Parli- Pus Bardapur Road (Approx. 28.150 km), Road No-2, The Section of State Highway, SH-211 from km. 45/00 to Km 78/00, the Yelda - Chichkhandi - Ambejogai - Devla Road (Approx. 33.112 km) and Road No-3 The Section of State Highway, SH-232 from km. 00/00 to Km 85/00, the Padalsingi - Pimpalner - Vadavani - Dharur - Aadas - LokhandiSavargaon Road (Approx.79.362 km) by two laning road/ two laning road with paved shoulders on "Hybrid Annuity"	141.231	₹ 291.00 Crore

The complete BID document can be viewed / downloaded from e-procurement portal of **https://mahatenders.gov.in** from 07/08/2017 at 10.00 Hrs (IST) to 20/11/2017 at 17.45 Hrs. (IST). Bid must be submitted online only at **https://mahatenders.gov.in** during the validity of registration with the Maharashtra Government e-Tendering Portal being managed by portal / website (i.e. **https://mahatenders.gov.in**) on or before 20/11/2017 till 17.45 Hrs. (IST), Technical submission of the Bids received online shall be opened on at 11.30 Hrs. (IST) on 23/11/2017.

Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreements specified in the RFP shall be submitted physically by the Bidder on or before 17.00 Hrs. (IST) on 22/11/2017.

Please note that the Authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever.

Thanking you,

Yours faithfully
Executive Engineer
Public Works Division, Ambajogai
Ambajogai-431517
E-mail ID: ambejogai.ee@mahapwd.com
Phone No. 02446249575, 02446247760

D.G.I.P.R. 2017/2018/2002

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GOVERNMENT OF MAHARASHTRA
Office of The Executive Engineer
Construction Division (Special Project) Nagpur
E-Mail: constdivnagpur.ee@mahapwd.com
Telephone No.: 0712-2562976

E-Tender Notice No. 4 Year 2017-18

Online E-Tenders in "B-2 Forms are invited by Executive Engineer Construction Division (Special Project) Nagpur for the following works from bidders who satisfy the qualifying Criteria. The tender documents should be downloaded from the Government Website https://maharashtra.etenders.in The competent authority reserves the right to accept or reject any or all the tenders. Conditional Tenders will not be accepted.

Sr. No.	Name of work	Estimated Cost (in crore)
1	RFP for NAGPUR PACKAGE 69 Construction of Two Lanning with paved shoulders to package Nagpur 69 consisting of Kanhan Tarsa Nimkheda Tarodi Aroli Adegaoon Shivni Road, S.H. 345, Improvement to Chhattarpur Khumari Bhandarbodi Dhamangaon Mouda Road MDR-20, Improvement to Pachgaon Kuhi Ambhora Road Km. 14/000 to 39/200, S.H.347 in the State of Maharashtra under MRIP on Hybrid Annuity Mode	Rs. 331.27 Crore
2	Tender Download	From Dt. 31/07/2017 to Dt. 30/9/2017 up to 17.30 Hrs
3	Tender Pre-Bid Meeting	For work Sr. No. 1 on Dt. 01/9/2017 on 16.00 Hrs. at Chief Engineer, Public Work Region Nagpur
4	E-Tender Opening	For works Sr. No. 1 Office of the Superintending Engineer, Public Works Circle, Nagpur Dt. 06/10/2017 to Dt. 16/10/2017 up to 17.30 Hrs (As per Schedule)

All information of e-tendering is available on the following website / Notice Broad

1) https://mahatenders.gov.in
2) https://mahapwd.com
(If there is any changes in the notice, then the information will be communicated on the above website)
3) Executive Engineer, Construction Division (Special Project) Nagpur Office Notice Board.
4) For any correspondence contact Above mention E-mail & Telephone No.

Note:-

1) All eligible/interested Contractor are downloading and mandated to get enrolled on e-tendering portal https://mahatenders.gov.in in and further need to empanelled online on sup portal https://mahatenders.gov.in in the appropriate bidders applicable to them. Bidders are requested to contact on following telephone numbers for any doubts / information / difficulty regarding online enrollment or obtaining digital certificate. Help Desk Number 0120-4200462, 0120-4001002

2) Tender Document Fee and EMD is to be paid via Online E-Payment Gateway Mode only. EMD Exemption Certificate shall not be considered. The information of E-Payment Gateway is available on E-Tendering website https://mahatenders.gov.in

Outward No.2487/Tender/Dt.21/07/2017

Executive Engineer,
Construction Division (S.P.)
Nagpur

DGIPR. 2017-2018/2000

Japan Display Says It May Seek Alliance

By Takashi Mochizuki

TOKYO—Embattled **Apple** Inc. supplier **Japan Display** Inc. said it wouldn't rule out a partnership with a Chinese or Taiwanese company to survive—a departure from its original aim of being Japan's national champion in the display business.

Executives at the smartphone-screen maker apologized Wednesday for what they described as poor management and laid out an across-the-board restructuring plan, including the slashing of 3,700 jobs world-wide—nearly 30% of its total workforce. The company also intends to shut domestic factories and shrink its overseas operations.

Japan Display booked a net loss of ¥31.5 billion ($286 million) for its most recent quarter ended in June.

The company's struggles are the latest sign of difficulty in Japan's technology industry. **Toshiba** Corp. is trying to stay afloat after the bankruptcy of its U.S. nuclear subsidiary, **Westinghouse Electric** Co., left it with an estimated loss of nearly $9 billion. Last year, iPhone assembler Foxconn Technology Group of Taiwan acquired Sharp Corp.

Japan Display was created by the Japanese government in 2012 by combining units of Sony Corp., Hitachi Ltd. and Toshiba, part of an effort to keep the country's electronics-manufacturing knowledge out of foreign hands. However, Japan Display has been hurt by a shortage of cash, hampering its ability to spend on next-generation technology to stay competitive.

Nobuhiro Higashiiriki, who recently became Japan Display's chief executive, said it would rule no one out as a potential strategic partner, including companies from Taiwan and China, suggesting the government has approved of such a possibility. People familiar with the matter said display makers from China, South Korea and Taiwan have recently visited Japan Display's domestic factories.

Still, the extent of outside interest in the company remains uncertain. Visitors from Chinese companies have balked at the terms presented by Japan Display, people directly involved in the discussions said.

More than 50% of the company's revenue is derived from the liquid-display panels it supplies to Apple, but analysts have said they expect the iPhone maker to adopt newer organic light-emitting diode, or OLED, displays—which Japan Display doesn't manufacture—in future models.

A Japan Display executive recently said its "major North American customer" was making "a faster-than-expected shift to OLED."

Executives apologized for poor management and laid out plans for a broad restructuring.

The company said Wednesday it would accelerate its efforts to develop OLED display panels, but South Korean majors Samsung Electronics Co. and LG Corp. are far ahead of Japanese peers in that field. Analysts have said it would be almost impossible for the Japanese companies to catch up.

Japan Display has recorded net losses for three straight fiscal years, which Mr. Higashiiriki attributed to large fixed costs as a result of a heavy reliance on the volatile smartphone business.

"We continue to face very severe market conditions," financial chief Takanobu Oshima said, predicting a 15% to 25% drop in revenue for the year ending in March 2018 compared with a year earlier.

To prop up its fragile balance sheet, the company said banks agreed to provide a new loan window of ¥107 billion..

ISSEI KATO/REUTERS

CEO Nobuhiro Higashiiriki in Tokyo on Wednesday. He said the firm would consider potential partners from China and Taiwan.

Aug. 9, 2007: When Crisis Went Global

Ten years ago, fallout from U.S. housing bust shook bonds, marking start of wide upheaval

By Colin Barr

LOUIS LANZANO/ASSOCIATED PRESS

People left the offices of Lehman Brothers, a victim of the crisis, after the firm filed for bankruptcy protection in September 2008.

Ten years ago Wednesday, the first glimpses of the global financial crisis came into view.

The French bank BNP Paribas froze three investment funds, saying a lack of trading in subprime securities made valuing them impossible. The bond market seized up, rattling investors and central bankers who previously soft-pedaled the notion that the U.S. housing bust would hit the economy.

Aug. 9, 2007, marked the beginning of the most far-reaching economic disruption since World War II. The events on that Thursday made clear that subprime-lending excesses wouldn't be "contained," as Ben Bernanke, then Federal Reserve chairman, had predicted just months earlier. Yet few people appreciated the scope of the disaster that would unfold over the next 18 months.

By now it is widely understood that the global financial industry was overleveraged, that the U.S. mortgage market was rife with loans that wouldn't be repaid, that investors and financial institutions everywhere were paying high prices for highly rated securities that were actually extremely risky.

Ten years later, it is clear that those errors set in motion a crisis that in 2008 shook the world, bringing down Bear Stearns Cos. and Lehman Brothers Holdings Inc. and forcing the $182 billion rescue of American International Group Inc.

But at the time that larger meaning wasn't evident, even to financial industry executives and the central bankers charged with overseeing them. The economy was growing at a near-4% clip and stocks were hitting new highs. Many still believed the mortgage problems would blow over.

In the minds of many at the time, what Wall Street began grappling with on Aug. 9 was a liquidity outage in the trading of risky securities, one that might be solved with repeated infusions of central-bank money.

In hindsight, what Wall Street faced was an all-encompassing crisis of confidence, in a financial world whose countless interconnections would help transmit and amplify problems.

Investors knew before that day that souring subprime loans would cause losses. But few realized they would show up with such disruptive effects in Europe, thousands of miles from the epicenter of the subprime crisis in Southern California.

Investors understood the housing bust would hit the finances of major lenders such as Countrywide Financial Corp. But even after the firm warned that afternoon of "unprecedented disruptions" in markets, few appreciated how gravely impaired the entire U.S. mortgage sector would become as borrowing costs rose, housing prices fell and losses started to mount.

The depth of the existing losses and the efforts to keep the system running would ultimately combine to turn the August liquidity scare into a full-fledged run on markets.

That day didn't expose just the disarray of the global financial industry. It also illuminated behavioral patterns that helped accentuate the crisis, notably investors' expectation that central bankers and other policy makers would intervene when markets started to shake.

On Aug. 9, for instance, a spike in short-term interest rates such as Libor prompted central bankers to spring into action, pouring funds into the market and promising further support. Those efforts were successful—but they didn't create incentives for capital raising and deleveraging, which is what the markets needed most desperately.

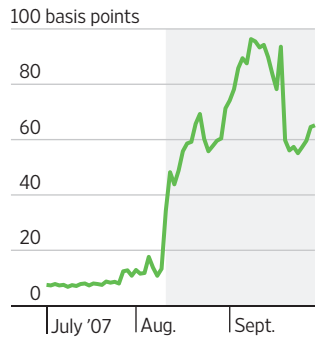
Ultimately, those behaviors together helped enact a recurring cycle of panic and intervention that wouldn't be broken until governments in the U.S. and Europe stepped in later in 2008 and put the tab on their national balance sheets.

From the vantage point of August 2017, it is clear there have been changes. Subprime has been banished from the lexicon. Banks are better capitalized and more liquid. Investors are constantly on the lookout for imbalances that might signal a coming market catastrophe.

Yet markets' dependence on central-bank largesse appears largely unabated. The decline of volatility readings and the rise of valuations in all asset classes seem to presume any market shock or economic downturn can be handily contained. Perhaps some lessons are easier learned than others.

Pain Point

A spike in short-term lending rates on Aug. 9, 2007 marked the start of the financial crisis



Note: Libor-OIS spread, measuring yield premium on interbank loans relative to market 'swap' rates in basis points, or hundredths of a percentage point.
Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

BofA Charges Into Premium Rewards Card Battle

By AnnaMaria Andriotis

Bank of America Corp. is preparing to join the premium rewards card fray, planning a new twist on hot products like the Sapphire Reserve card from **J.P. Morgan Chase** & Co.

Over the past year, rewards cards such as Sapphire Reserve and **American Express** Co.'s Platinum card have become much sought-after among millennials and big spenders. Cardholders can rack up more rewards with these cards, which they can use to cover travel and other expenses. The cards' popularity has prompted new entrants and ever-higher rewards—and caused some concern among issuers, who fear an overheated market.

Bank of America is the last of the four largest U.S. credit-card issuers to enter the premium rewards card market. Rolling out in September, its Bank of America Premium Rewards credit card will have a $95 annual fee, said Jason Gaughan, a card product executive at the bank. That is well below fees of $450 for Sapphire Reserve or $550 for AmEx's Platinum card.

Bank of America's card will distribute 2 points to cardholders for every dollar they spend on travel and dining and 1.5 points per dollar spent on everything else, without caps on the number of points users can earn. In this, it is similar to more mass-market cards from J.P. Morgan and Citigroup Inc.

But Bank of America cardholders who have at least $20,000 at the bank in checking, savings or investment accounts will earn more.

Customers who have between $20,000 and less than $50,000 at the bank will receive 2.5 points per dollar spent on travel and dining and 1.875 points on everything else. Those with between $50,000 and less than $100,000 will earn 3 points and 2.25 points, respectively.

At its most generous, the card offers 3.5 points per dollar spent on travel and dining to cardholders with at least $100,000 at the bank and about 2.6 points per dollar spent on all other purchases. Customers must enroll in the bank's Preferred Rewards program to benefit.

SPENCER PLATT/GETTY IMAGES

The bank is the last of the four largest U.S. credit-card issuers to enter the market.

Bank of America's new card is designed to compete against a range of cards, including airline and hotel co-brand programs, Mr. Gaughan said.

Even so, questions are arising over how profitable some of these premium cards are. J.P. Morgan lowered its initial 100,000-point sign-up bonus offer this year and is pushing for about $200 million in new cost cuts in the unit that oversees the card.

Among concerns in the industry are so-called gamers, cardholders who sign up for the rewards offered early on but stop using the cards when they redeem those rewards. Many issuers need to retain cardholders for years or run the risk that revenue will fall short, said Brian Riley, director of the credit advisory service at Mercator Advisory Group Inc.

By linking rewards to account balances, Bank of America potentially reduces its exposure to gaming since banking customers aren't quick to move balances.

The card is an extension of the bank's Preferred Rewards program. It offers higher interest rates for deposits and discounts on loan fees and interest rates in an attempt to get consumers to have more than one relationship with it. Bank of America launched the program to encourage customers to do all of their saving and borrowing with the bank.

—Rachel Louise Ensign contributed to this article.

Aluminum Is Riding High On Hope of China Cutbacks

Surges in Chinese steel-rebar futures to five-year highs and global aluminum prices to heights last reached in 2014 share a cause: the prospect of reduced production in China.

Beijing's stated aims in restructuring the country's metals industry include cutting costs—following years of losses—and cleaning up the environment, but its orders to major aluminum producers to wipe out illegal capacity have been occurring as pressure increases from a U.S. antidumping probe.

Alleging government subsidies, the Trump administration on Tuesday announced duties of 17% to 81% on aluminum foil from China. Analysts say reining in capacity would send a message to the U.S. that China takes the issue seriously.

China makes slightly more than half the world's aluminum—nearly 10 times as much as the U.S.—so the idea that it will cut back has been key to the rally. Three-month aluminum futures on the London Metal Exchange hit a three-year high Wednesday, and Shanghai futures are at levels not seen since 2012, up 22% this year, including 5% on Wednesday.

Orient Futures foresees a capacity cut of as much as 10% in China this year as Beijing squeezes. And Vivek Dhar, commodities strategist at **Commonwealth Bank of Australia**, said there could be an additional 2% reduction in global aluminum production as capacity goes offline during China's heating season. Aluminum production is very energy-intensive.

Still, as expectations grow of a global shortage by year-end, some analysts see signs of the speculative fervor common to China's boom-and-bust markets. On Tuesday, trading volume for Shanghai aluminum futures was nearly triple that of a week earlier.

The U.S. announced duties of 17% to 81% on aluminum foil from China.

"Rising hope for Beijing's stern efforts to cut aluminum output stoked bullish sentiment at home and spilled over to the global markets," said Cao Yang, senior analyst at Orient Futures. But soaring prices could encourage production.

"While the rally is based in large part on fear of a potential supply shortage in winter, speculative funds are also a key force behind the frenzied rally," added Mr. Cao. "This feels like a crazy ride all over again."

In April, China said aluminum production lacking the required government approvals would be shut down within six months; that followed its orders last winter to cut steel and aluminum output in 28 cities to reduce pollution.

Shandong province gave two giant aluminum producers until the end of July to shut down alleged illegal production, most of it at the world's biggest smelter. The shutdowns have taken place, investment bank **ING** said earlier this week.

In July China produced a record 2.9 million tons of aluminum, 7% more than a year earlier. The country's infrastructure projects have helped absorb the gush, but that demand is expected to weaken following the leadership shuffle this fall.

And U.S. barriers may force Chinese aluminum producers to find alternative markets, Macquarie said. Only 15% of China's aluminum output is exported, analyst Helen Lau at **Argonaut Securities** noted, but that is a lot of product to move.

Government steps to rein in aluminum production have occurred alongside steps dating to last year regarding low-grade steel. They have helped produce shortages in some products and have sent steel-rebar futures surging some 45% this year.

—Yifan Xie and Biman Mukherji

Yen Role as Haven Defies Danger

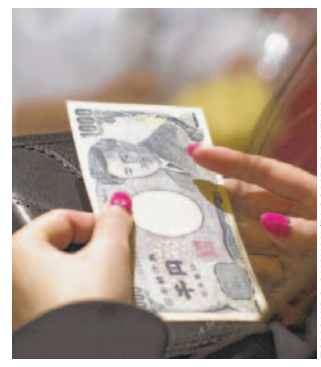
By Suryatapa Bhattacharya

TOKYO—Just a few hundred kilometers separate Japan from North Korea, so market news Wednesday baffled even some expert investors: Japan's currency gained ground against the dollar and euro just hours after U.S. President Donald Trump warned Pyongyang that it faced "fire and fury like the world has never seen."

The market's move, which also occurred in earlier cases of Korean Peninsula tension, shows that to a certain brand of investor, the yen's status as a haven outweighs Tokyo's proximity to Pyongyang.

Late afternoon Wednesday in New York, the yen was at ¥109.78 to the dollar, strengthening from ¥110.31 late Tuesday. The euro slipped to ¥129.07 from ¥129.66.

North Korea's media on Wednesday said leader Kim Jong Un ordered his forces to carefully examine a plan to strike the U.S. military base in Guam.



TOMOHIRO OHSUMI/BLOOMBERG NEWS

Tension over North Korea has lifted the Japanese currency.

"If they can make it to Guam, Japan's a third of the way there. I don't understand the safe-haven role it would play if an actual missile was fired," said Bart Wakabayashi, Tokyo branch manager for State Street Corp.

It isn't the first time Mr. Wakabayashi found the market's logic confounding. After North Korea tested an intercontinental ballistic missile on July 4 Tokyo time, the yen took a small jump up at one point on speculation about rising tensions, as was the case on April 10 after the U.S. said it was sending an aircraft carrier toward the peninsula.

Some market participants say there is a logic to buying the currency of a slow-growing country like Japan when global fears escalate. During peaceful times, investors' appetite for risk grows, and they are apt to seek out emerging-country currencies or the dollar, because the U.S., compared with Japan, offers more high-risk, high-return investments. Some investors may borrow yen at near-zero rates and turn the yen into other currencies to make investments elsewhere.

The flip side: When there is talk of war, risky investments look less attractive. Investors may seek haven in relatively stable stores of value—above all gold, but also currencies such as the Swiss franc and the Japanese yen. Those who borrowed yen for bets outside Japan may unwind those bets, which leads to demand for yen to pay back the loans.

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■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited		OT	OT	MUS 08/04	USD	312008.09	3.3	5.5	3.0

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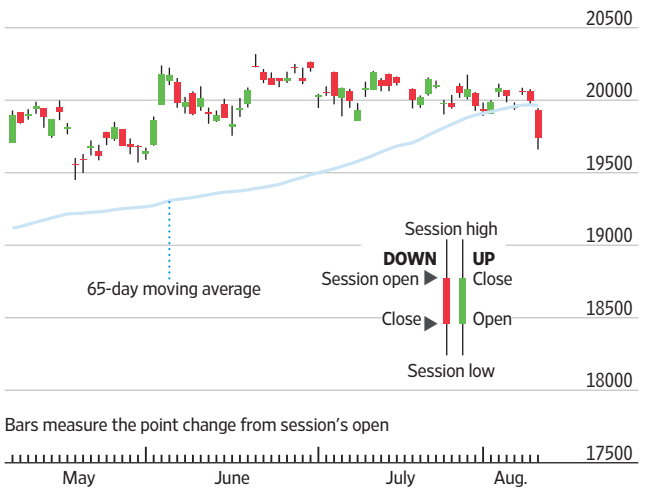
MARKETS DIGEST

Nikkei 225 Index

19738.71 ▼257.30, or 1.29%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲3.27%
52-wk high/low	20230.41	16251.54
All-time high	38915.87	12/29/89



STOXX 600 Index

379.84 ▼2.81, or 0.73%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲5.10%
52-wk high/low	396.45	328.80
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 4 p.m. New York time

2474.02 ▼0.90, or 0.04%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.90	24.68
P/E estimate *	18.95	18.56
Dividend yield	1.97	2.10
All-time high:	2480.91, 08/07/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range Close	52-Week Range High	YTD % chg
World	**The Global Dow**	2860.05	-12.94	-0.45	2386.93		2881.15	13.1
	MSCI EAFE	1940.15	-8.09	-0.42	1614.17		1955.39	13.0
	MSCI EM USD	1068.27	-10.26	-0.95	838.96		1078.53	34.5
Americas	**DJ Americas**	594.52	-0.78	-0.13	503.44		599.20	10.0
Brazil	**Sao Paulo Bovespa**	67548.75	-350.19	-0.52	56459.11		69487.58	12.2
Canada	**S&P/TSX Comp**	15204.89	-51.46	-0.34	14319.11		15943.09	-0.5
Mexico	**IPC All-Share**	51257.92	-70.84	-0.14	43998.98		51772.37	12.3
Chile	**Santiago IPSA**	3861.70	-31.50	-0.81	3120.87		3908.55	19.8
U.S.	**DJIA**	22048.70	-36.64	-0.17	17883.56		22179.11	11.6
	Nasdaq Composite	6352.33	-18.13	-0.28	5034.41		6460.84	18.0
	S&P 500	2474.02	-0.90	-0.04	2083.79		2490.87	10.5
	CBOE Volatility	11.59	0.63	5.75	8.84		23.01	-17.5
EMEA	**Stoxx Europe 600**	379.84	-2.81	-0.73	328.80		396.45	5.1
	Stoxx Europe 50	3103.02	-20.97	-0.67	2720.66		3279.71	3.1
Austria	**ATX**	3238.59	-41.89	-1.28	2245.45		3285.00	23.7
Belgium	**Bel-20**	3926.58	-39.05	-0.98	3384.68		4055.96	8.9
France	**CAC 40**	5145.70	-73.19	-1.40	4310.88		5442.10	5.8
Germany	**DAX**	12154.00	-138.05	-1.12	10174.92		12951.54	5.9
Greece	**ATG**	833.61	3.17	0.38	548.72		859.78	29.5
Hungary	**BUX**	36578.47	-192.80	-0.52	27383.55		36959.46	14.3
Israel	**Tel Aviv**	1376.87	-15.88	-1.14	1370.66		1490.23	-6.4
Italy	**FTSE MIB**	21848.37	-199.93	-0.91	15923.11		22065.42	13.6
Netherlands	**AEX**	528.21	-4.47	-0.84	436.28		537.84	9.3
Poland	**WIG**	62932.28	-418.96	-0.66	46321.24		63351.24	21.6
Russia	**RTS Index**	1034.98	-13.71	-1.31	937.32		1196.99	-10.2
Spain	**IBEX 35**	10596.00	-138.70	-1.29	8393.50		11184.40	13.3
Sweden	**SX All Share**	567.42	-3.80	-0.66	489.12		598.42	6.1
Switzerland	**Swiss Market**	9027.15	-135.18	-1.48	7585.56		9198.45	9.8
South Africa	**Johannesburg All Share**	55980.05	...	Closed	48935.90		56396.24	10.5
Turkey	**BIST 100**	108714.58	-924.54	-0.84	71792.96		110321.81	39.1
U.K.	**FTSE 100**	7498.06	-44.67	-0.59	6654.48		7598.99	5.0
Asia-Pacific								
Australia	**S&P/ASX 200**	5765.70	21.90	0.38	5156.60		5956.50	1.8
China	**Shanghai Composite**	3275.57	-6.30	-0.19	2980.43		3292.64	5.5
Hong Kong	**Hang Seng**	27757.09	-97.82	-0.35	21574.76		27854.91	26.2
India	**S&P BSE Sensex**	31797.84	-216.35	-0.68	25765.14		32575.17	19.4
Japan	**Nikkei Stock Avg**	19738.71	-257.30	-1.29	16251.54		20230.41	3.3
Singapore	**Straits Times**	3318.08	...	Closed	2787.27		3354.71	15.2
South Korea	**Kospi**	2368.39	-26.34	-1.10	1958.38		2451.53	16.9
Taiwan	**Weighted**	10470.38	-98.59	-0.93	8902.30		10579.38	13.2

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

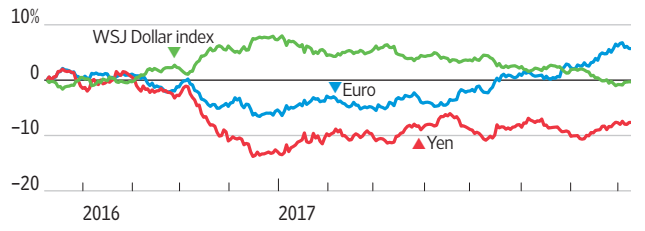
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
2.750	**Australia** 2	**1.811**	**47.2**	43.5	33.4	**77.0**	**1.794**	1.737	**1.480**
2.750	10	**2.651**	**41.2**	37.2	29.8	**39.3**	**2.636**	2.682	**1.944**
3.000	**Belgium** 2	**-0.552**	**-189.1**	-188.7	-187.8	**-132.8**	**-0.528**	-0.475	**-0.618**
0.800	10	**0.725**	**-151.4**	-149.6	-145.9	**-141.2**	**0.768**	0.925	**0.139**
0.000	**France** 2	**-0.478**	**-181.7**	-182.3	-177.1	**-127.8**	**-0.464**	-0.368	**-0.568**
1.000	10	**0.721**	**-151.8**	-150.5	-144.1	**-141.1**	**0.759**	0.943	**0.140**
0.000	**Germany** 2	**-0.687**	**-202.5**	-202.3	-200.4	**-132.9**	**-0.665**	-0.601	**-0.619**
0.500	10	**0.428**	**-181.1**	-178.9	-180.9	**-162.8**	**0.475**	0.575	**-0.077**
0.050	**Italy** 2	**-0.042**	**-138.0**	-138.9	-129.9	**-81.3**	**-0.030**	0.104	**-0.103**
2.200	10	**2.006**	**-23.3**	-26.4	-5.6	**-43.7**	**2.000**	2.328	**1.114**
0.100	**Japan** 2	**-0.117**	**-145.6**	-146.6	-150.7	**-89.5**	**-0.107**	-0.104	**-0.185**
0.100	10	**0.059**	**-218.0**	-219.5	-229.6	**-163.0**	**0.069**	0.088	**-0.079**
4.000	**Netherlands** 2	**-0.646**	**-198.4**	-197.9	-198.3	**-131.5**	**-0.620**	-0.580	**-0.605**
0.750	10	**0.546**	**-169.3**	-167.4	-161.7	**-153.8**	**0.590**	0.767	**0.013**
4.750	**Portugal** 2	**-0.058**	**-139.6**	-136.9	-133.8	**-33.6**	**-0.010**	0.065	**0.374**
4.125	10	**2.810**	**57.1**	56.6	75.0	**123.5**	**2.830**	3.134	**2.786**
2.750	**Spain** 2	**-0.355**	**-169.3**	-169.8	-158.8	**-88.7**	**-0.339**	-0.185	**-0.177**
1.500	10	**1.416**	**-82.3**	-83.3	-66.9	**-55.8**	**1.431**	1.715	**0.993**
4.250	**Sweden** 2	**-0.711**	**-205.0**	-204.8	-209.1	**-137.5**	**-0.689**	-0.688	**-0.665**
1.000	10	**0.590**	**-164.9**	-162.1	-170.4	**-143.1**	**0.643**	0.680	**0.119**
1.750	**U.K.** 2	**0.226**	**-111.2**	-112.3	-107.3	**-61.0**	**0.236**	0.330	**0.100**
4.250	10	**1.111**	**-112.8**	-110.7	-107.5	**-96.6**	**1.157**	1.309	**0.585**
1.375	**U.S.** 2	**1.339**	...	...	...	...	**1.359**	1.403	**0.710**
2.375	10	**2.239**	...	...	...	...	**2.264**	2.384	**1.551**

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners

London close on Aug. 9



Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0563	17.7745	**12.0**
Brazil real	0.3176	3.1490	**-3.3**
Canada dollar	0.7869	1.2708	**-5.5**
Chile peso	0.001541	648.90	**-3.1**
Colombia peso	0.0003321	3010.99	**0.3**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0557	17.9655	**-13.4**
Peru sol	0.3079	3.2482	**-3.1**
Uruguay peso-e	0.0350	28.600	**-2.6**
Venezuela bolivar	0.099059	10.09	**1.0**
Asia-Pacific			
Australia dollar	0.7875	1.2698	**-8.5**
China yuan	0.1498	6.6775	**-3.8**
Hong Kong dollar	0.1279	7.8172	**0.8**
India rupee	0.0157	63.8601	**-6.0**
Indonesia rupiah	0.0000750	13333	**-1.4**
Japan yen	0.009094	109.97	**-6.0**
Kazakhstan tenge	0.003007	332.54	**-0.3**
Macau pataca	0.1235	8.0998	**2.3**
Malaysia ringgit-c	0.2332	4.2890	**-4.4**
New Zealand dollar	0.7318	1.3665	**-5.4**
Pakistan rupee	0.0095	105.350	**0.9**
Philippines peso	0.0197	50.666	**2.1**
Singapore dollar	0.7329	1.3645	**-5.7**
South Korea won	0.0008773	1139.86	**-5.6**
Sri Lanka rupee	0.0065253	153.25	**3.2**
Taiwan dollar	0.03305	30.256	**-6.8**
Thailand baht	0.03008	33.240	**-7.2**
Europe			
Bulgaria lev	0.6006	1.6650	**-10.4**
Croatia kuna	0.1587	6.303	**-12.1**
Euro zone euro	1.1745	0.8515	**-10.4**
Czech Rep. koruna-b	0.0449	22.291	**-13.2**
Denmark krone	0.1578	6.3352	**-10.4**
Hungary forint	0.003843	260.22	**-11.6**
Iceland krona	0.009422	106.13	**-6.0**
Norway krone	0.1256	7.9649	**-7.9**
Poland zloty	0.2751	3.6355	**-13.2**
Russia ruble-d	0.01663	60.123	**-1.9**
Sweden krona	0.1220	8.1940	**-10.0**
Switzerland franc	1.0362	0.9651	**-5.3**
Turkey lira	0.2826	3.5383	**0.4**
Ukraine hryvnia	0.0389	25.7250	**-5.0**
U.K. pound	1.3003	0.7691	**-5.1**
Middle East/Africa			
Bahrain dinar	2.6522	0.3771	**-0.03**
Egypt pound-a	0.0563	17.7470	**-2.1**
Israel shekel	0.2780	3.5970	**-6.5**
Kuwait dinar	3.3120	0.3019	**-1.2**
Oman sul rial	2.5984	0.3849	**-0.03**
Qatar rial	0.2751	3.636	**-0.1**
Saudi Arabia riyal	0.2666	3.7504	**-0.01**
South Africa rand	0.0743	13.4535	**-1.8**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.34	-0.03	-0.03	**-7.09**

Sources: Tullett Prebon, WSJ Market Data Group

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 8/8/2017

Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	385.50	1.75	0.46%	417.25	374.00
Soybeans (cents/bu.)	CBOT	972.75	-0.50	-0.05%	1,047.00	907.00
Wheat (cents/bu.)	CBOT	486.75	2.75	0.57	592.25	454.75
Live cattle (cents/lb.)	CME	108.075	-2.525	-2.28	122.850	99.125
Cocoa ($/ton)	ICE-US	2,005	-23	-1.13	2,301	1,794
Coffee (cents/lb.)	ICE-US	146.30	unch.	unch.	166.75	119.10
Sugar (cents/lb.)	ICE-US	13.65	-0.13	-0.94	20.50	12.74
Cotton (cents/lb.)	ICE-US	71.17	0.04	0.06	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2132.00	-32.00	-1.48	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.9265	-0.0160	-0.54	2.9550	2.4850
Gold ($/troy oz.)	COMEX	1281.70	19.10	1.51	1,307.00	1,160.80
Silver ($/troy oz.)	COMEX	16.875	0.486	2.97	18.780	14.340
Aluminum ($/mt)*	LME	1,992.50	52.50	2.71	1,992.50	1,688.50
Tin ($/mt)*	LME	20,510.00	-45.00	-0.22	21,225.00	18,760.00
Copper ($/mt)*	LME	6,394.00	28.50	0.45	6,400.00	5,491.00
Lead ($/mt)*	LME	2,367.50	-6.50	-0.27	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,883.00	54.00	1.91	2,958.50	2,450.50
Nickel ($/mt)*	LME	10,330.00	-30.00	-0.29	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	215.40	5.60	2.67	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2630.00	1.00	0.04	2705.00	2376.00
Crude oil ($/bbl.)	NYMEX	49.53	0.36	0.73	58.36	42.29
NY Harbor ULSD ($/gal.)	NYMEX	1.6523	0.0231	1.42	1.8065	1.3703
RBOB gasoline ($/gal.)	NYMEX	1.6196	-0.0012	-0.07	1.8366	1.3805
Natural gas ($/mmBtu)	NYMEX	2.878	0.056	1.98	3.5490	2.7530
Brent crude ($/bbl.)	ICE-EU	52.69	0.55	1.05	60.13	44.88
Gas oil ($/ton)	ICE-EU	487.00	3.50	0.72	532.25	405.50

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Aug 9

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2698	1.6508	1.3158	0.0115	0.1624	1.4910	0.9992	...
Canada	1.2708	1.6522	1.3167	0.0116	0.1626	1.4923	...	1.0008
Euro	0.8515	1.1071	0.8823	0.0077	0.1089	...	0.6700	0.6706
Hong Kong	7.8172	10.1645	8.0998	0.0711	...	9.1807	6.1516	6.1567
Japan	109.9680	142.9900	113.9600	...	14.0680	129.1400	86.5500	86.6200
Switzerland	0.9651	1.2547	...	0.0088	0.1235	1.1334	0.7595	0.7601
U.K.	0.7691	...	0.7970	0.0070	0.0984	0.9033	0.6052	0.6057
U.S.	...	1.3003	1.0362	0.0091	0.1279	1.1745	0.7869	0.7875

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.22889%**	0.51765%
Three month	**1.30917**	0.81760
Six month	**1.45222**	1.20370
One year	**1.72789**	1.52450
Euro Libor		
One month	**-0.40143%**	-0.37214%
Three month	**-0.37271**	-0.31857
Six month	**-0.30114**	-0.19829
One year	**-0.19714**	-0.07171
Euribor		
One month	**-0.37400%**	-0.36900%
Three month	**-0.32800**	-0.29700
Six month	**-0.27100**	-0.18800
One year	**-0.15300**	-0.04800
Yen Libor		
One month	**-0.03743%**	-0.05843%
Three month	**-0.01736**	-0.02507
Six month	**0.00929**	0.00021
One year	**0.11200**	0.08886
	Offer	Bid
Eurodollars		
One month	**1.2900%**	1.1900%
Three month	**1.3600**	1.2600
Six month	**1.5100**	1.4100
One year	**1.7800**	1.6800
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.95**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.25
Switzerland	**0.50**	0.50
Australia	**1.50**	1.50
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.08%**	0.46%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

Top Stock Listings

4 p.m. New York time

Asia Titans

Cur	Stock	Sym	Last	% Chg	YTD% Chg
HK$	AIAGroup	1299	60.30	-1.95	37.83
¥	AstellasPharma	4503	1399.50	0.25	-13.80
AU$	AustNZBk	ANZ	29.91	0.74	-1.68
AU$	BHP	BHP	26.21	0.42	4.59
HK$	BankofChina	3988	3.93	-1.75	14.24
HK$	CKHutchison	0001	105.20	0.67	19.68
HK$	CNOOC	0883	8.78	-0.34	-9.48
AU$	CSL	CSL	128.48	1.20	27.96
¥	Canon	7751	3856.00	-0.03	17.03
¥	CentralJapanRwy	9022	18065	0.67	-6.06
HK$	ChinaConstructnBk	0939	6.56	-1.35	9.88
HK$	ChinaLifeInsurance	2628	24.75	-1.20	22.52
HK$	ChinaMobile	0941	84.65	0.24	2.98
HK$	ChinaPetro&Chem	0386	5.88	-0.34	6.91
AU$	CmwlthBkAust	CBA	81.11	0.57	-1.58
¥	EastJapanRailway	9020	10215	-1.68	1.14
¥	Fanuc	6954	22030	-1.43	11.18
¥	Hitachi	6501	724.90	-0.77	14.70
TW$	Hon Hai Precisn	2317	118.00	-2.48	40.14
¥	HondaMotor	7267	3072.00	-1.19	-10.04
KRW	HyundaiMtr	005380	146000	1.39	...
HK$	Ind&Comml	1398	5.62	-0.53	20.86
¥	JapanTobacco	2914	3821.00	-0.62	-0.60
¥	KDDI	9433	2946.00	-2.13	-0.46
¥	Mitsubishi	8058	2552.50	-0.41	2.51
¥	MitsubishiElectric	6503	1710.50	-0.78	4.97
¥	MitsubishiUFJFin	8306	703.00	-1.07	-2.39
¥	Mitsui	8031	1639.50	-0.58	2.02
¥	Mizuho Fin	8411	193.70	-0.51	-7.67
¥	NTTDoCoMo	9437	2577.50	-0.79	-3.21
AU$	NatAustBnk	NAB	30.45	0.89	-0.72
¥	NipponTeleg	9432	5378.00	-0.55	9.49
¥	NissanMotor	7201	1085.00	-0.50	-7.70
¥	Panasonic	6752	1486.50	-1.20	24.97
HK$	PingAnInsofChina	2318	58.55	-1.51	50.90
$	RelianceIndsGDR	RIGD	49.75	-0.50	57.69
KRW	SamsungElectronics	005930	2314000	-3.02	28.41
¥	Seven&I Hldgs	3382	4465.00	-1.13	0.27
¥	SoftBankGroup	9984	8806.00	-1.48	13.41
¥	Sony	6758	4402.00	-1.57	34.41
¥	Sumitomo Mitsui	8316	4205.00	-1.27	-5.72
HK$	SunHngKaiPrp	0016	123.90	1.47	26.43
TW$	TaiwanSemiMfg	2330	214.50	-1.38	18.18
¥	TakedaPharm	4502	5896.00	-1.02	21.94
HK$	TencentHoldings	0700	330.20	0.49	74.06
¥	TokioMarineHldg	8766	4574.00	-1.68	-4.63
¥	ToyotaMtr	7203	6236.00	-1.58	-9.33
AU$	Wesfarmers	WES	40.84	-0.39	-3.08
AU$	WestpacBanking	WBC	32.13	0.72	-1.44
AU$	Woolworths	WOW	26.97	0.11	11.91

Stoxx 50

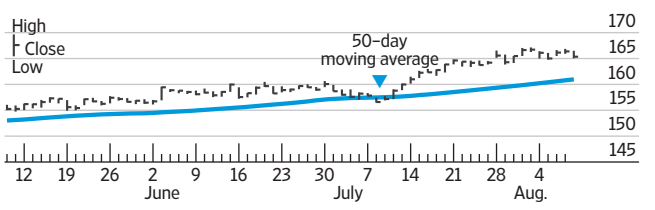
Cur	Stock	Sym	Last	% Chg	YTD% Chg
CHF	ABB	ABBN	22.35	-1.93	4.05
€	ASMLHolding	ASML	130.40	-0.69	22.27
€	AXA	CS	25.34	-1.29	5.65
€	AirLiquide	AI	104.15	-1.33	-1.42
€	Allianz	ALV	184.25	-1.52	17.36
€	AB InBev	ABI	99.96	-1.57	-0.59
£	AstraZeneca	AZN	4506.00	-1.27	1.54
€	BASF	BAS	80.64	-1.30	-8.69
€	BNP Paribas	BNP	67.27	-2.35	11.10
£	BT Group	BT.A	313.30	-1.15	-14.61
€	BancoBilVizAr	BBVA	7.73	-2.50	21.68
€	BancoSantander	SAN	5.73	-2.07	15.59
£	Barclays	BARC	208.75	-0.76	-6.58
€	Bayer	BAYN	105.90	-0.84	6.83
£	BP	BP.	468.85	-0.49	-8.00
£	BritishAmTob	BATS	4976.50	-0.27	7.68
€	Daimler	DAI	60.02	-0.79	-15.13
€	DeutscheTelekom	DTE	15.85	-0.81	-2.15
£	Diageo	DGE	2533.50	-0.02	20.07
€	ENI	ENI	13.50	-0.30	-12.73
£	GlaxoSmithKline	GSK	1508.50	-1.66	-3.43
£	Glencore	GLEN	339.80	-2.13	22.52
£	HSBC Hldgs	HSBA	764.20	-0.69	16.33
€	INGGroep	INGA	15.53	-1.40	16.16
£	ImperialBrands	IMB	3255.50	-0.06	-8.10
€	IntesaSanpaolo	ISP	2.88	-1.30	18.88
€	LVMHMoetHennessy	MC	217.15	-2.51	19.71
£	LloydsBankingGroup	LLOY	66.91	-0.52	7.04
€	LOreal	OR	175.60	-0.51	1.27
£	NationalGrid	NG.	962.70	0.54	-7.26
CHF	Nestle	NESN	82.20	-1.26	12.53
CHF	Novartis	NOVN	80.95	-1.82	9.24
DKK	NovoNordiskB	NOVO-B	282.50	7.87	10.91
£	Prudential	PRU	1841.50	-2.33	13.15
£	ReckittBenckiser	RB.	7399.00	-0.28	7.45
£	RioTinto	RIO	3599.00	-0.72	13.95
CHF	RocheHldgctf	ROG	244.90	-0.93	5.29
£	RoyDtchShell A	RDSA	2213.00	-0.02	-1.32
€	SAP	SAP	89.93	-0.98	8.60
€	Sanofi	SAN	80.84	-1.63	5.12
€	SchneiderElectric	SU	68.04	-3.08	2.92
€	Siemens	SIE	110.45	-1.38	-5.44
€	Telefonica	TEF	9.63	-1.93	9.17
€	Total	FP	43.45	-1.06	-9.02
CHF	UBSGroup	UBSG	16.66	-1.54	4.45
€	Unilever	UNA	49.98	0.21	27.78
£	Unilever	ULVR	4429.00	0.41	34.52
€	Vinci	DG	76.92	-0.50	18.89
£	VodafoneGroup	VOD	225.95	0.22	13.06
CHF	ZurichInsurance	ZURN	293.30	-1.35	4.60

DJIA

Cur	Stock	Sym	Last	% Chg	YTD% Chg
$	AmericanExpress	AXP	85.69	-0.29	15.67
$	Apple	AAPL	161.18	0.68	39.16
$	Boeing	BA	234.41	-1.54	50.57
$	Caterpillar	CAT	114.34	-0.06	23.29
$	Chevron	CVX	110.88	0.48	-5.79
$	CiscoSystems	CSCO	31.62	-0.16	4.63
$	Coca-Cola	KO	45.58	-0.04	9.94
$	Disney	DIS	102.98	-3.74	-1.19
$	DuPont	DD	81.33	0.26	10.80
$	ExxonMobil	XOM	80.20	0.30	-11.15
$	GeneralElec	GE	25.71	0.59	-18.64
$	GoldmanSachs	GS	231.01	-0.45	-3.52
$	HomeDepot	HD	155.30	1.27	15.83
$	Intel	INTC	36.59	0.49	0.88
$	IBM	IBM	141.74	-0.26	-14.61
$	JPMorganChase	JPM	93.53	-0.16	8.39
$	J&J	JNJ	133.28	0.76	15.68
$	McDonalds	MCD	154.84	-0.05	27.21
$	Merck	MRK	62.49	0.27	6.15
$	Microsoft	MSFT	72.47	-0.44	16.62
$	Nike	NKE	59.88	0.71	17.80
$	Pfizer	PFE	33.45	0.51	2.99
$	Procter&Gamble	PG	91.86	0.31	9.25
$	3M	MMM	206.48	0.02	15.63
$	Travelers	TRV	130.16	1.25	6.32
$	UnitedTech	UTX	117.15	-0.88	6.87
$	UnitedHealth	UNH	194.77	-0.07	21.70
$	Visa	V	100.94	-0.34	29.38
$	Verizon	VZ	48.22	-0.78	-9.67
$	Wal-Mart	WMT	81.59	0.63	18.04

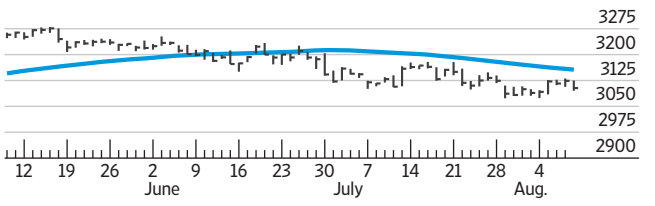
Asia Titans 50

Last: **165.35** ▼ 1.02, or 0.62% YTD ▲ **17.3%**



Stoxx 50

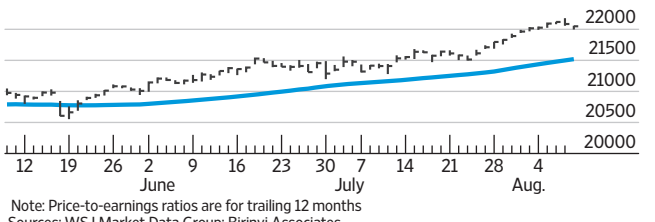
Last: **3103.02** ▼ 20.97, or 0.67% YTD ▲ **3.1%**



Dow Jones Industrial Average

P/E: 20

Last: **22048.70** ▼ 36.64, or 0.17% YTD ▲ **11.6%**



Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

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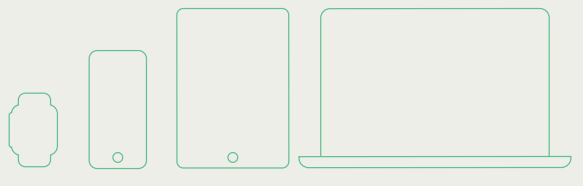

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MARKETS

Worries Over Korea Drag Stocks Down

By Justin Yang and Alexander Osipovich

Rising tensions between the U.S. and North Korea jolted markets around the world, interrupting a stock-market rally fueled by corporate earnings and global economic growth.

WEDNESDAY'S MARKETS

Declines in the U.S. came during what has been a placid stretch for markets. Wall Street's losses began Tuesday after President Donald Trump warned Pyongyang against making more threats, saying it faces 'fire and fury like the world has never seen.' North Korea responded that it was considering firing missiles at Guam.

The Dow Jones Industrial Average fell 36.64 points, or 0.2%, to 22048.70. The S&P 500 declined less than 0.1%, and the Nasdaq Composite shed 0.3%.

The slide—Tuesday's loss ended a 10-session winning streak for the Dow industrials—showed many investors are skittish that a correction is around the corner, said Philip Blancato, chief executive of Ladenburg Thalmann Asset Management.

"There are enough folks with fingers on the trigger that have made a lot of money for the past eight years," he said. Especially with trading volumes in the late-summer doldrums, "the slightest bit of negative news can change things faster than anyone realizes," Mr. Blancato said.

Declines in shares of Walt Disney also weighed on the Dow Jones Industrial Average. The entertainment giant fell 4.5% in late trading after it reported a worse-than-expected drop in operating income from its cable networks business and said it would end a deal with **Netflix** after 2018, in an earnings announcement that came after markets closed Tuesday.

Netflix shares fell 2%.

Corners of the market that tend to benefit from flare-ups of geopolitical risk were the bright spots amid Wednesday's declines.

The CBOE Volatility Index, known as Wall Street's "fear gauge," jumped more than 7% to 11.77.

U.S. defense stocks rallied. Shares of Raytheon, which manufactures Tomahawk cruise missiles, added 2.6%, while defense contractor Lockheed Martin rose 1.6% in late trading. Northrop Grumman added 1.1%. Defense shares also rose in April after the U.S. launched cruise missiles at a Syrian air base.

The markets, which have tended to brush off North Korean geopolitical issues in the past, are now "taking the prospect of a conflagration more seriously, albeit a tail risk," said Philip Shaw, chief economist at Investec.

"I think we're at a different level now compared with the previous war of words that we've heard now for decades," he said.

Markets in Europe and Asia slid. The Stoxx Europe 600 fell 0.7% to 379.84 and South Korea's benchmark Kospi index shed 1.1%. Japan's Nikkei Stock Average tumbled 1.3%, its largest decline since mid-May, also weighed down by the yen's appreciation against the dollar.

In times of tension, investors often seek havens in relatively stable stores of value, including gold and currencies like the Japanese yen and the Swiss franc.

Gold futures for August delivery rose 1.3% to $1,273.00 an ounce. U.S. government bonds strengthened, sending the yield on the 10-year U.S. Treasury note down to 2.246%, according to Tradeweb, from 2.282% Tuesday.

LUKE MACGREGOR/BLOOMBERG NEWS

A Raytheon display at an air show. Shares of defense companies such as Raytheon rallied.

Traders Prep for Swings in Retail

By Gunjan Banerji

Short sellers and options traders are betting on more turbulence for the struggling American retail sector.

U.S. retailers are shutting stores at the fastest pace in more than a decade. A wave of bankruptcies has hit the group, and an exchange-traded fund tracking major retailers is down 8% in 2017, as of late afternoon Wednesday in New York.

The stresses have pushed investors to take out about $130 million from the **SPDR S&P Retail ETF** in the past month, according to FactSet data.

Now, option traders are pricing in big swings for heavyweights such as **Macy's** Inc. and **J.C. Penney** Co. Both have shed more than a third of their market values this year.

Options traders are betting on a 15.9% one-day move in shares of J.C. Penney after the company's earnings are released on Friday—a move that is greater than the average 8.5% after the past eight releases, Trade Alert data show.

J.C. Penney's stock "is sitting near long-term lows, and some traders are shopping for another drop," wrote David Russell, Chicago-based senior manager at the brokerage E*Trade Financial Corp. in a note on the options activity ahead of the retailer's report. J.C. Penney shares hit a record closing low of $4.33 this year.

Options activity on major retailers such as Macy's and **Nordstrom** Inc. has also turned bearish, he said in an interview.

For Macy's, which reports results on Thursday, traders project a 10.2% move, slightly under the average 9.6% swing after the past eight earnings releases, the data show.

The estimates don't indicate which direction shares might sway, just the magnitude of the move. The percentages are based on a trade known as a straddle, which entails buying puts and calls—options to sell or buy a security—at the same price, called a "strike."

As earnings from some of the biggest U.S. retailers ramp up, investors are shorting, or betting against, the companies more heavily than other stocks within the S&P 500 index, data from the research firm IHS Markit show.

Investors have also increased bearish options bets on the SPDR S&P Retail ETF, or XRT. The number of bearish put options outstanding has increased by 25% since the beginning of April, while the number of calls, or bullish options, has fallen by 26% over that period as of Tuesday, data from Trade Alert show. Investors can use options to make directional bets or hedge existing holdings.

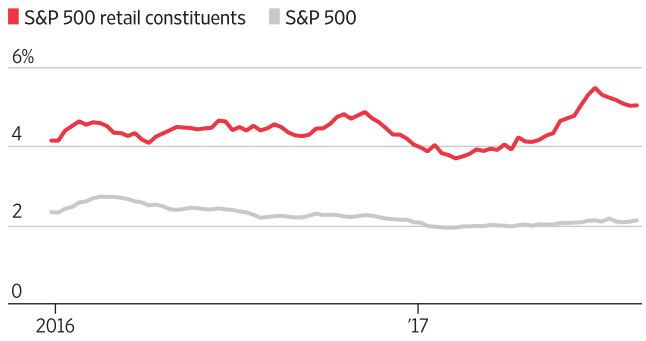
Earnings seasons have become crucial for stock performance, spurring greater volatility than in prior years, according to Goldman Sachs Group Inc. data. For many sectors, more than 30% of quarterly returns stemmed from earnings week itself, the firm wrote in a July report.

Still, others may be positioning for a rebound. E*Trade's Mr. Russell said traders have been scooping up call options on **Target** Corp. recently. The company's shares have fallen 19% this year through Tuesday.

"It looks like traders are hedging, or maybe even looking for a bounce," Mr. Russell said.

Bearish Bets

Retail constituents within the S&P 500 are more heavily shorted than the broader index. Average percentage of shares out on loan:



Source: IHS Markit THE WALL STREET JOURNAL.

HEARD ON THE STREET

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OPEC Has a Reason for Optimism

Is oil exporters' pain starting to result in a gain?

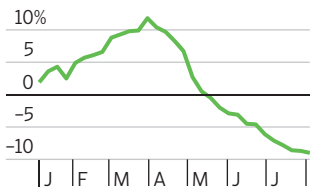
Measured by the price of a barrel of oil, arguably the benchmark that matters most, the evidence is scant. Crude futures are almost at the same price as the day before exporters' December agreement to cut output. But there has been a lot of zigging and zagging, and U.S. benchmark prices have climbed about 17% since their June low, in large part on bullish evidence from crude-inventory data. If the Organization of the Petroleum Exporting Countries and its confederates can bring global stockpiles back to normal, then it will be more than a symbolic victory.

The U.S., with its detailed inventory data, is Exhibit A for this trend. Wednesday's report from the U.S. Energy Information Administration confirmed private-sector data in showing another surprisingly large draw on crude inventory outside the Strategic Petroleum Reserve. The 6.5 million-barrel drop brought stockpiles to a level 9% below what they were three months earlier.

Inventory can be misleading, though. Summer drawdowns are rarely an indicator of future oil demand. In fact, they also fell sharply before big price slumps in the summers of 2008 and 2014. In the autumn, when the number of miles driven drops and refineries go into maintenance, crude stockpiles tend to recover.

Barreling Lower

Three-month change in U.S. oil inventory



Note: Excludes Strategic Petroleum Reserve.
Source: Energy Information Administration
THE WALL STREET JOURNAL.

The better piece of news for OPEC can be found in a far larger and more rapidly shifting arena: the crude-futures market. The price of futures contracts expiring in six months is barely higher than spot prices today, whereas they were substantially higher last summer. This reduces the financial incentive to buy a physical barrel, store it, and then immediately sell the same barrel on paper.

The biggest impact of the change in futures prices falls on OPEC's nemesis, the U.S. shale drillers, which regularly hedge by selling futures contracts. Lower futures prices relative to the current price means a few dollars less in realized revenue per barrel, which for the shale drillers could mean the difference between a profit and a loss.

It may not be a resounding victory for OPEC when one is looking at the price of a barrel of crude, but exporters' cuts are having an effect.

—Spencer Jakab

Ten Years After Crisis, Fear Is Never Far Away

Doesn't time fly? Or alternatively, things can last longer than you think.

Wednesday marked the 10th anniversary of one of the defining events of the global financial crisis. There had been rumblings before, but Aug. 9, 2007, saw money markets seize up after **BNP Paribas** suspended three funds holding U.S. asset-backed securities, saying they were impossible to value and blaming a "complete evaporation of liquidity." Central banks swung into action, led by the European Central Bank with an injection of €95 billion ($130.8 billion) in liquidity.

Ten years on, they haven't stopped. In quick succession, 2008's banking collapse, the eurozone crisis, a slowdown in emerging markets and finally the oil-price crash all posed challenges. Together, the balance sheets of the ECB, U.S. Federal Reserve and Bank of Japan have grown to around $14 trillion in size.

Indeed, the current central-bank debate is really about the beginning of the end of extraordinary monetary-policy measures. It is only in the past few quarters that global growth has become more synchronized. Inflation has remained low, allowing central banks to take a very gradual approach.

The financial crisis still looms large in market psychology. The prevailing tone is one of worry about the high level of asset prices, concern about the low level of volatility and a fear of complacency: Rising markets are a source of angst, not euphoria. But this persistent concern may yet be a positive factor, by helping to prevent markets from becoming too reckless. Low market volatility may simply reflect low economic volatility. BlackRock notes low-market-volatility regimes can last for years and have accompanied sustained economic expansions.

Undoubtedly, a shock will occur at some point. Geopolitical tensions over North Korea are just the latest focus. China's reliance on debt, persistent vulnerabilities in the eurozone, the removal of monetary stimulus and populist politics are all on the watch list. But the real time to worry should be when no one is worried. Ten years on from August 2007, that day has yet to arrive.

—Richard Barley

A New Victim of Falling Drug Prices

As promised, the Food and Drug Administration is bringing in more competition to the drug business. That means more pain for generic-drug manufacturers.

The generics sector is in the midst of another earnings season to forget. Shares of **Teva Pharmaceutical Industries** are down 42% since it lowered its earnings guidance and slashed its dividend last week, in large part due to the falling price of generic drugs in the U.S.

Mylan was next in line. The company's shares fell 5% Wednesday morning after it said it expected generic prices to fall in the "high single digits" and delayed the launch of some drugs. Falling prices have also hurt companies that make a profit from distributing and reselling drugs, like **Cardinal Health** and **AmerisourceBergen**.

The sector has struggled since last fall, but there is reason to believe the worst isn't yet over.

"To say that times are changing would be an understatement," Mylan CEO Heather Bresch said on the conference call.

One reason for the falling prices is a faster pace of generic-drug approvals by the FDA. Scott Gottlieb, who took over as commissioner in May, vowed to quicken the pace in a bid to encourage competition. Early results suggest Dr. Gottlieb will be able to back up his promises.

With two months left in the fiscal year, there were 633 approvals through July, including 233 since May, when Dr. Gottlieb took over as commissioner. That isn't far from last year's record of 651 approvals.

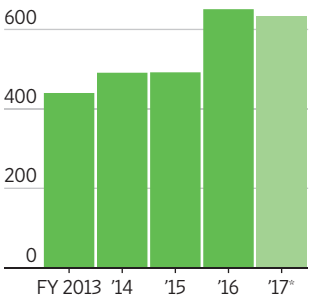
Some of Dr. Gottlieb's newer policies will take some time to have an effect. Earlier this summer, the FDA published a list of drugs that are no longer under patent protection but have no generic competitors to encourage fresh applications. That corner of the market has been home to price-gouging scandals in recent years, and it will take time for companies to assess commercial opportunities and prepare applications for the FDA.

The new applications will help lower prices as more competition arrives. Given that many manufacturers in the sector have leveraged balance sheets, the temptation to lower prices and win market share will be present. That can push prices even further down. The phrase "lower for longer" doesn't apply to just interest rates anymore.

—Charley Grant

Pain Medicine

U.S. generic drug approvals



Note: Fiscal year ends in September
*Through July.
Source: Food and Drug Administration
THE WALL STREET JOURNAL.

PHOTO: REUTERS

Mylan CEO Heather Bresch

OVERHEARD

Upon seeing a police car with flashing lights, who hasn't heard the quip "there must be fresh doughnuts?" The connection may be rooted in reality, or at least the reality of a few decades ago, when doughnut shops were one of the few places open at odd hours.

But that love affair may be fraying where it counts most—between America's largest police department and its largest doughnut chain, with over 8,500 restaurants. After two New York police officers were allegedly denied service by a server at a Dunkin' Donuts in Brooklyn because of their profession, police groups called for a boycott of Dunkin'.

Dunkin' Brands Group has apologized, and a company spokeswoman claimed earlier that the officers were standing at an unstaffed register. Police groups see a hole in the chain's alibi, though.