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What's News

Business & Finance

Bayer's $57 billion acquisition of Monsanto will undergo an in-depth investigation by the EU on concerns that the deal could hurt farmers. **A1**

◆ **The biggest mining** companies are enjoying profits from a sharp rise in commodities prices. **B1**

◆ **Great Wall's pursuit** of Jeep follows the path set by Geely's successful acquisition of Volvo in 2010. **A1**

◆ **Sahara, the owner** of the Plaza Hotel, has hired a broker to sell the New York City landmark. **B1**

◆ **Chevron CEO** John Watson is planning to step down, but his successor has yet to be finalized by the company's board. **B1**

◆ **Ford will start** a new company in China with a local auto maker to produce electric cars. **B4**

◆ **Affirm is in** talks to offer installment loans to Wal-Mart customers. **B3**

◆ **Tesla's first bonds** have fallen about 2% since their issuance, indicating Wall Street's hesitance to invest in the company. **B7**

◆ **Sony Music agreed** to license its songs to a startup that calculates the royalties owed for songs that are used in DJ mixes. **B4**

◆ **Electrobras shares** jumped 48% a day after Brazil announced it would cut its controlling stake in the power utility. **B4**

◆ **BHP said it** plans to sell its U.S. shale assets. **B2**

World-Wide

◆ **Macron looks to** shake up France's labor market, but the French president is losing public support amid unpopular budget cuts and critical news coverage. **A1**

◆ **Trump's new military** approach boosted Afghanistan's fight against the Taliban, but Pakistani officials think that peace talks are the better route. **A1**

◆ **The U.S. and South** Korea failed to reach an agreement in their talks over a trade deal that the U.S. wants to be amended or terminated. **A2**

◆ **U.S. trade officials** are looking to withdraw the U.S. from Nafta arbitration panels, a plan opposed by some business groups. **A6**

◆ **North Korea sharply** threatened the U.S. after the country held military exercises with South Korean forces. **A3**

◆ **At least one body** and other unidentified remains have been found as the search for 10 missing U.S. sailors continues. **A3**

◆ **The Barcelona attacks** have highlighted tensions between Spain's government in Madrid and the region of Catalonia. **A4**

◆ **The election of** Angola's next president is being clouded by corruption cases that raise doubts about the country. **A4**

◆ **India's Supreme** Court declared unconstitutional a practice that allowed Muslim men to instantly divorce their wives. **A5**

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After Deadly Quake, a Dramatic Rescue in Italy

ANTONIO DILAURENZO/REUTERS

OUT OF THE RUBBLE: Rescuers pull a 7-month-old boy named Pasquale from a collapsed home on the island of Ischia, which was struck by a 4.0-magnitude earthquake that killed at least two people. Firefighters worked through the night to free the child and two brothers. **A5**

Macron's Shining Star Dims

Criticism of his budget cuts and authoritarian style pours cold water on president's big plans

By Matthew Dalton

PARIS—As Emmanuel Macron sets out to shake up France's rigid labor market, the young president is losing the public support he may need to weather protests by the country's powerful unions.

Less than four months after handing him the presidency in a landslide election win, voters are souring on a leader many hailed as a reformer who would help address Europe's economic dilemmas and break down traditional ideological divides.

Unpopular budget cuts, accusations of an authoritarian approach and weeks of critical news coverage have sent Mr. Macron's approval ratings into a downward spiral. The latest poll, published in mid-August by public-opinion firm Harris Interactive, found that 37% of voters were satisfied with the president; he had the confidence of 51% of those polled in July and 59% in June.

Given that drop, Mr. Macron will have to tread carefully in rolling out his labor overhauls in September. For months, the 39-year-old president has been in talks with powerful labor unions in a bid to contain planned street protests. Now the prospect is growing that the ranks of those demonstrations could swell with students, retirees and other segments of French society unhappy with Mr. Macron's early steps.

The Macron government, one union official said, "could face an alliance of the aggrieved."

The labor overhaul forms the linchpin of what Mr. Ma-

Please see MACRON page A4

Bayer's Big Move Faces Slowdown In Europe

By Natalia Drozdiak

BRUSSELS—Bayer AG's $57 billion deal for Monsanto Co. will undergo an in-depth investigation by the European Union on concerns the creation of an agrochemicals powerhouse could hurt farmers, throwing into doubt the companies' plans to complete the takeover by year-end.

The European Commission, which has antitrust powers in the EU, said on Tuesday it aims to complete its review by Jan. 8, but that date could be pushed back if there are delays or extensions. Regulators rarely complete their analyses well in advance of set deadlines.

The commission said it was concerned the acquisition of St. Louis-based Monsanto would lead to higher prices, lower quality, limited choice and less innovation in the markets for pesticides and seeds and for plant genetic traits, which are developed in laboratories and introduced in some varieties of plants.

Bayer and Monsanto have already submitted commitments to the EU in a bid to win approval, but regulators deemed them insufficient to dismiss their "serious doubts" about the merger.

"We need to ensure effective competition so that farmers can have access to innovative products, better quality and also purchase products at com-

Please see DEAL page A2

RAILROAD TRAFFIC JAM SOWS EPIC CHAOS

Changes pushed by CSX's new CEO cause summer of woe in supply chains

By Paul Ziobro

The freight-train ride from Chicago to Colesburg, Tenn., usually takes a few days. Earlier this month, though, the ride was 18 days, 13 hours and 57 minutes, logs show.

Congestion, delays and erratic service are hitting CSX Corp., one of only two railroad operators that handle nearly all the shipments that move by train east of the Mississippi River. The problems began in May and became much worse this summer, according to customers and weekly performance data reported by the Jacksonville, Fla., company.

It's a colossal mess for businesses that have spent years streamlining supply chains to run with just-in-time inventories.

Coal producers say their stockpiles are growing because CSX is taking longer than it should to pick up coal-filled railcars from mines in Ohio and West Virginia. Food makers have slowed production in hopes that ingredients such as oils and sweeteners will last until the next delivery. Some companies are trying to avoid the worst bottlenecks in CSX's system, including by switching to trucks and other railroads.

McDonald's Corp. has supplemented its regular train shipments of frozen french fries into the Nashville, Tenn., area with truck deliveries, according to a person famil-

Please see TRAINS page A8

U.S. Boosts Afghans, Pressures Pakistan

By *Ehsanullah Amiri* in Kabul, *Saeed Shah* in Islamabad and *Margherita Stancati* in Jeddah, Saudi Arabia

The Trump administration's tougher approach to Pakistan bolstered Afghan officials fighting the Taliban, but officials and analysts in Islamabad warned that Washington's new stance encourages it to deepen ties with China and risks fueling the 16-year war in Afghanistan.

A day after President Donald Trump said the U.S. would expand its military involvement in the country, Afghan President Ashraf Ghani said Tuesday the greater U.S. role would help counter the Taliban, which has expanded the territory it controls in recent months.

"The U.S.-Afghan partnership is stronger than ever in overcoming the threat of terrorism that threatens us all," Mr. Ghani said. "The strength of our security forces should show the Taliban and others that they cannot win a military victory. The objective of peace is paramount."

But Pakistani officials believe there is no military solution to the Afghan war and that peace talks with the Taliban are needed, not additional

Please see AFGHAN page A2

Jeep's Chinese Suitor Takes Cue From Volvo

By Trefor Moss

SHANGHAI—Many assumed it was a disaster in the making when Geely Automobile Holdings Ltd.—a little-known Chinese car maker with virtually no international experience—bought Sweden's Volvo Cars from Ford Motor Co. in 2010.

Seven years later, Geely and Volvo are both motoring along, and inspiring other Chinese auto makers to take the same road.

Great Wall Motors Co.'s interest in buying the legendary Jeep brand from Fiat Chrysler Automobiles NV is being seen as fitting a bid for global prominence—an ambition that analysts are taking seriously in part because of the success of the Geely-Volvo marriage.

"Volvo is certainly much better off than it was under Ford," said Janet Lewis, Macquarie Capital Research's managing director of equity research.

Great Wall said Tuesday that it was still evaluating a move for Jeep or Fiat Chrysler

Please see GEELY page A2

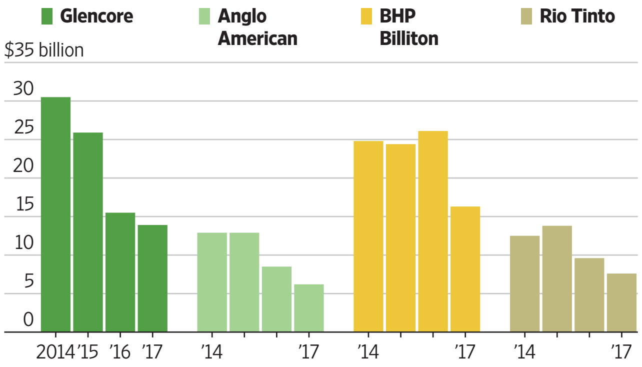
THIERRY ROGE/ZUMA PRESS

Officials Seek Clarity on EU Court

POST-BREXIT RELATIONSHIP: Theresa May's government said it wants to end the 'direct jurisdiction' of the European Court of Justice after it leaves the EU, a move that some say could leave the door open for judicial influence. **A5**

Miners Are Flush in Cash Again

The world's biggest mining companies have used a commodity price rally to cut their net debt. **B1**



Source: the companies

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Naples Needed a Hero. It Chose Diego Maradona

* * *

City feels kinship with an admitted soccer cheat; 'a little crazy'

By Ian Lovett

NAPLES, Italy—Neapolitans venerate an array of saints. They hold feasts for Santa Patrizia, who devoted her life to the needy, and honor the city's patron saint, San Gennaro, in a ceremony in which his preserved blood is said to miraculously liquefy.

Above all, they worship Diego Maradona, who isn't Italian and whose past is, to say the least, somewhat checkered. His supernatural achievement involves leading their soccer team, S.S.C. Napoli, to its first-ever Italian-league title in 1987 and to another in 1990; the team hasn't won the title since.

Shrines to Mr. Maradona dot nearly every Naples neighborhood. Families hang replicas of his jersey from balconies. His face is plastered onto walls, chalked onto sidewalks and taped onto restaurant doors. Shop-window posters

Please see DIEGO page A8

Diego Maradona

U.S., South Korea at Impasse Over Trade

Washington insists on modifying pact, which it blames for imbalance; Seoul opposes change

BY KWANWOO JUN

SEOUL—The U.S. and South Korea wrapped up fruitless talks over a trade agreement that protectionist Washington blames for an imbalance requiring the pact's amendment or termination.

"Both sides have reached no agreement," Trade Minister Kim Hyun-chong said after the daylong talks ended in Seoul on Tuesday. Mr. Kim said both sides reaffirmed their opposing views: The U.S. insists on modifying the deal, but South Korea opposes any change without recommendation from an objective joint study.

U.S. President Donald Trump has said the agreement, called the Korus FTA, is a "horrible" deal. The U.S. had a trade deficit of $28 billion with South Korea last year. Five years earlier, the deficit stood at about $13 billion.

South Korea has said the five-year-old agreement has benefited both sides and the U.S.'s protectionist rhetoric doesn't tell the whole story.

"While we have a profit in goods trade with the U.S., we have a deficit in services trade with the U.S. We invest a lot more in the U.S.," South Korean President Moon Jae-in said last week.

Mr. Moon and others on the Korean side say the deal—which has removed 95% of tariffs on goods over the past five years, with remaining duties to be phased out over the next 10 years—has offset the global slowdown in trade and increased commerce between the U.S. and South Korea.

American industrial reaction to the Korus FTA talks has been mixed. The U.S. beef industry has seen its market share in South Korea increase and it doesn't support a change in terms.

"Simply put, the Korus created the ideal environment for the U.S. beef industry to thrive in South Korea," said the heads of three leading beef-exporter lobby groups—the National Cattlemen's Beef Association, the North American Meat Institute and the U.S. Meat Export Federation—in a July 27 letter to the government.

And Tami Overby, senior vice president for Asia at the U.S. Chamber of Commerce, said the U.S. trade deficit would have widened even more had it not been for the pact. "U.S. businesses believe the Korea-USA FTA is working well," she told the Yonhap news agency Aug. 16.

The Trump administration wants to renegotiate trade terms regarding cars and steel because the two sectors are where the U.S. has significant deficits, said Rajiv Biswas, IHS Markit's Asia Pacific chief economist.

The American auto and steel industries have expressed support for Mr. Trump and his protectionist policies. The U.S. exported $1.6 billion of cars last year to South Korea, up from $417 million five years earlier. South Korean car exports to the U.S. last year, however, were 10 times higher at $16 billion.

On steel, American officials say South Korea is partly to blame for the global glut that has caused prices to fall. The Trump administration is conducting a probe that could result in broad barriers against global steel imports.

Korean researchers who monitor trade with the U.S. say Washington may want to make tweaks to Korus FTA, rather than conducting a deep negotiation, given the conflicting interests of individual industries. In addition, the Trump administration is focused more on renegotiating the North American Free Trade Agreement with Canada and Mexico.

Growing Gap

The U.S. trade deficit in goods with South Korea has soared since a free-trade pact between the two nations took effect in 2012.

Source: U.S. Census Bureau

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AFGHAN

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U.S. troops and the "fight to win" position announced by Mr. Trump.

"The policy announced is a recipe for instability. It won't work. It has been tried, tested and failed," said Mushahid Hussain, chairman of the Senate defense committee in Pakistan's parliament.

Pakistan's foreign minister, Khawaja Muhammad Asif, reiterated Pakistan's "desire for peace and stability in Afghanistan" in a meeting Tuesday with the U.S. ambassador, David Hale, the Ministry of Foreign Affairs said. Mr. Asif is due to travel to the U.S. for talks with Secretary of State Rex Tillerson in the next few days.

NOORULLAH SHIRZADA/AGENCE FRANCE-PRESSE/GETTY IMAGES

A member of the Afghan security forces fires on Islamic State militants on April 11 during an operation in eastern Nangarhar province.

On Tuesday, Pakistani officials also bristled at Mr. Trump's comments, in which he said that Pakistan continued to harbor "agents of chaos," and threatened to cut American aid unless that changes.

Afghanistan and its Western allies have long accused Pakistan of providing covert support to the Taliban and harboring the group's leaders. Islamabad denies the allegations, although it has acknowledged some influence over Taliban officials.

"While Pakistan's efforts to eradicate terrorism from this region and beyond have gradually intensified in last four years, the support and recognition of our contributions by the international community have reduced," defense minister Khurram Dastagir said Tuesday.

The new pressure on Pakistan will deepen Islamabad's partnership with China, as will Mr. Trump's call on Monday for India to "help us more with Afghanistan," analysts said.

"Pakistan will be telling America, 'Don't push us too hard','" said Rustam Shah Mohmand, a former Pakistani ambassador to Afghanistan.

China has a $55 billion infrastructure-building program in Pakistan. On Tuesday, China's foreign ministry said "Pakistan is on the front lines in fighting terrorism and has made great sacrifices and contributions to fighting terrorism. The international community should fully affirm the efforts by Pakistan."

Islamabad, meanwhile, accuses archenemy India of using Afghan territory to support jihadist and separatist militants that fight Pakistan. In the 1990s, a proxy war between Pakistan and India for influence in Afghanistan tore the country apart in a civil war.

"This is a real apprehension in Pakistan that America is going to use India's presence inside Afghanistan to wage a proxy war against Pakistan for India's own reasons and for the reason that they will be able to subvert the China Pakistan Economic Corridor," said Rifaat Hussain, a defense analyst based in Islamabad.

New Delhi said it was ready to help more in Afghanistan. The foreign ministry said India would continue its reconstruction efforts in Afghanistan, where it has built dams, roads, government buildings and other infrastructure. India provides millions of dollars in aid to Afghanistan and trains Afghan security forces.

But India also remains wary of aggravating tensions with Pakistan. Vivek Katju, a former Indian ambassador to Kabul, said India would watch closely for signs of how Mr. Trump planned to implement his tough talk on Pakistan.

The Taliban on Tuesday warned the U.S. against widening its role in Afghanistan, saying they will continue fighting until all American troops have departed Afghan soil. "If America doesn't withdraw its forces from Afghanistan, the day won't be far when Afghanistan shall transform into a graveyard for the American empire," said Taliban spokesman Zabiullah Mujahid.

According to the United Nations, the group now has "significant influence" over, or fully controls, some 40% of Afghanistan's territory.

In his speech, Mr. Trump didn't spell out troop numbers. He said conditions on the ground, rather than timetables, would determine his administration's approach, even as he noted that the U.S. wouldn't remain in Afghanistan indefinitely or write "a blank check."

Former president Barack Obama's decision to announce U.S. plans for withdrawal in 2014 was criticized for emboldening the Taliban at a time when the U.S. was seeking a peaceful resolution to the war.

U.S. officials say Mr. Trump's revised approach will include an increase of up to 4,000 U.S. troops. The U.S. currently has about 8,400 troops in the country, working alongside about 4,000 troops of the North Atlantic Treaty Organization.

GEELY

Continued from Page One

itself. Amid speculation over its plans, the Hong Kong stock exchange suspended trading of its shares.

Acquiring a marquee name like Jeep would help Great Wall in its long-running rivalry with Geely, which as of late is in the lead. The unit of **Zhejiang Geely Holding Group** Co. recently took control of a second foreign auto maker, Malaysia's Proton.

Last week, Geely said its first-half revenue more than doubled to $5.88 billion, with profit rising sharply to $739 million. Auto sales were up 89% at 530,627, more than the company sold in the whole of 2015.

Geely is significantly outperforming the Chinese passenger car market, which grew only 1.6% in the first six months of this year.

"Right now Geely is in a class by itself" among Chinese auto makers thanks largely to the firm's technology connection with Volvo, said Michael Dunne, president of consultancy Dunne Automotive.

China has scores of domestic car makers, most of them state-run: They are broadly considered mediocre by industry analysts. Many operate joint ventures with foreign auto makers, but that structure has proved an ineffective means of absorbing advanced technologies.

In contrast, buying Volvo proved a transformative moment for privately owned Geely, Mr. Dunne said, giving the Chinese car maker access to the Swedish outfit's world-class resources and handing it a ready-made global sales and manufacturing network.

"Volvo has been a strong teacher and brother to Geely Auto," said a Geely spokesman, partly crediting technology and supply-chain sharing for the recent strong performance of both brands.

The turnaround wasn't instantaneous. Volvo was languishing when Geely bought it from Ford, and it took several years for its integration with the Hangzhou-based company to start paying dividends.

Volvo's annual sales increased by 25% between 2013 and 2016, and grew 8.2% in the first half of 2017.

So far, Geely is the only Chinese automotive company to have pulled off the takeover of a major foreign car maker. But that could soon change, now that Great Wall, a sport-utility vehicle specialist, is circling Jeep.

Great Wall, which is also privately owned, has been open about its global ambitions for years, but it has made relatively little headway outside China: Only 1% of the company's 1.07 million sales last year were made in foreign markets.

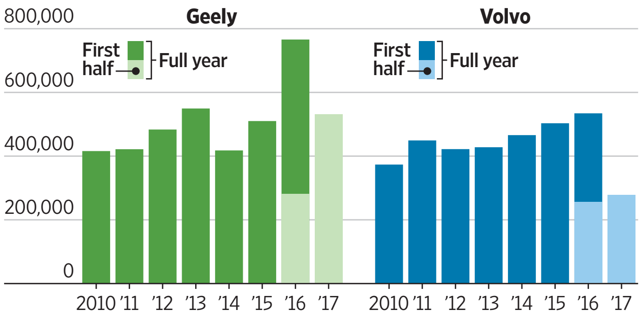
Great Wall's interest in acquiring Jeep is seen by many as a "very logical move," said Yale Zhang, managing director of Automotive Foresight, a Shanghai auto consultancy. "If they can buy Jeep, they get the brand, the products, the R&D, and the foreign distribution channels."

In the tussle between China's two top privately owned auto companies, Great Wall fell behind Geely in terms of deliveries for the first time in the January-to-June period, as its sales edged up 2.3% from a year earlier to 460,743 vehicles.

Geely's sales surged thanks in part to new SUV models that ate into Great Wall's once-dominant share of the popular segment. In response Great Wall heavily discounted some vehicles in the first half of the year, causing its profits to halve to $373 million.

Takeover Takeoff

Since Geely's 2010 acquisition of Volvo, sales of both car brands have soared.



Source: the companies

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DEAL

Continued from Page One

petitive prices," said EU antitrust chief Margrethe Vestager.

A review by U.S. regulators is ongoing. Bayer earlier this year said it had received requests for information from the U.S. Department of Justice.

In the EU, complex mergers often engender full-blown reviews, which allow companies several more months to come up with additional concessions. The commission could still clear the deal with or without conditions, or block it if it still deems the remedies inadequate.

In a statement, Bayer said it "looks forward to continuing to work constructively with the commission with a view to obtaining the commission's approval of the transaction by the end of this year."

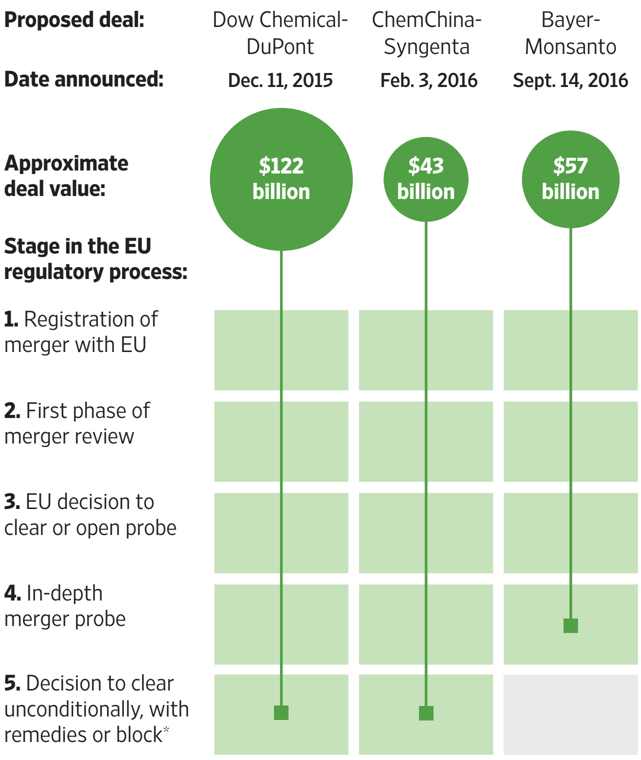
The Bayer-Monsanto deal is the last in a batch of three major mergers that are set to reshape the agrochemicals industry. Companies in the sector have raced to merge as declining prices for crops weigh on profit.

The EU has already cleared Dow Chemical Co. and DuPont Co.'s planned merger, as well as China National Chemical Corp.'s roughly $43 billion takeover of Swiss seed and pesticide maker Syngenta AG. In both cases, the companies had to make considerable concessions.

That leaves Bayer and Monsanto seeking approval in an already consolidated industry, which could require them to offer more-extensive remedies, like selling a wider array of assets than expected.

Seeking Permission

The EU has said it will look at the agrochemical industry as a whole as it weighs three separate, big deals.



*Both deals were cleared with conditions

Source: the companies

THE WALL STREET JOURNAL.

Germany's Bayer in May agreed to shed its glufosinate herbicide business along with related crop genes that render plants impervious to the chemical as a condition for approval from South African competition authorities. It is unclear to what extent these remedies differ from those offered to the EU.

Bayer is also looking to divest some cotton and canola seed units, according to people familiar with the discussions. Shedding those assets could potentially address some of the EU's issues.

In spelling out its concerns, the EU said the two companies each has a high market share in breeding or licensing—and in some cases both—vegetable, canola and cotton seeds.

The EU also noted the two companies were the only firms among a limited number of competitors capable of discovering new active ingredients and new formulas, such as those that could tackle the problem of increased weed resistance to existing herbicides.

If regulators approve the deal, Bayer would inherit Monsanto's market-leading position in seeds and crop genes. That would tilt the German pharmaceutical and chemical conglomerate heavily toward agriculture in a long-range bet on high-tech crops.

The deal has faced a backlash in Europe from environmental groups, farmers and some lawmakers on concerns it would cement the control by three companies of the world's agrochemicals and seeds supply.

In an unusual step, the EU said it had been "petitioned through emails, postcards, letters and tweets expressing concerns about the proposed acquisition of Monsanto by Bayer." The commission said its mandate was to assess the merger solely from a competition perspective and that the other concerns raised would be subject to different European and national rules.

The deal earlier this year received an apparent show of support from the White House after Bayer Chief Executive Werner Baumann in a meeting with then President-elect Donald Trump committed to investing in the U.S. and maintaining American jobs.

The deal boom in the agriculture sector has prompted concerns in farm states, drawing scrutiny even from Republican leaders often skeptical of government intervention.

—Jacob Bunge in Chicago contributed to this article.

CORRECTIONS & AMPLIFICATIONS

The DoubleLine Total Return Bond Fund gained 3.53% in 2017 through Aug. 17, according to Morningstar Inc. A Page One article on Monday about the fund incorrectly stated the return as 3.15%, which was the fund's gain through Aug. 8.

The city of Dandong in northeastern China borders North Korea. A World News article on Tuesday about the U.S.'s targeting of Chinese firms that officials say are critical financial conduits for North Korea's government incorrectly said that Dandong is located in southeastern China.

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

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WORLD NEWS

Sailors' Remains Found on Stricken Ship

At least one body and other remains are located as search for 10 missing continues

BY GAURAV RAGHUVANSHI AND JAKE MAXWELL WATTS


ROYAL MALAYSIAN NAVY

Malaysian personnel carry the body of a U.S. sailor found miles from the site of the collision.

Collision at Sea

The USS John S. McCain and merchant ship Alnic MC collided as both were on their way to Singapore.

Source: Malaysian Maritime Enforcement Agency THE WALL STREET JOURNAL.

SINGAPORE—At least one body and other unidentified remains were found as the search for 10 missing sailors from the USS John S. McCain extended into a second night, the Navy's Pacific Fleet Commander said Tuesday.

Malaysian search teams found one body in the waters off the coast of Malaysia and east of Singapore, where the USS McCain collided with a civilian tanker early Monday. U.S. Navy and Marine Corps divers had located other remains inside sealed compartments of the vessel, Adm. Scott Swift said at a news conference in Singapore.

Adm. Swift didn't address a suggestion that the McCain might have suffered steering difficulties. He also declined to comment on potential causes of the collision, saying an investigation is "in its earliest stages." The Navy hadn't seen any indications of attempts to interfere with the ship through cyberattacks, he added, but the investigation is considering all options. "We are not taking any considerations off the table, and every scenario will be reviewed and investigated in detail," he said.

The admiral, who oversees 60% of the U.S. Naval global deployment, said exhaustion didn't appear to be a problem for the McCain crew, but the investigation would determine whether negligence had occurred. He said the Navy didn't have concerns about its readiness and capability despite recent incidents involving four of its ships.

"I was on the McCain this morning looking at the eyes of those sailors," he said. "I didn't see exhaustion."

Adm. Swift said the Navy was seeking possession of the body found by Malaysian search-and-rescue teams and was in the process of trying to retrieve and identify the remains inside the USS McCain. He said search operations would continue until the chances of finding any remaining sailors were exhausted. "That remains our focus," he said.

Malaysian authorities said the body will be transferred to the U.S. Navy Wednesday. The remains were found by the KD Handalan, a fast-attack boat, 7.5 nautical miles (8.6 miles) northwest from the site of the collision, said Adm. Zulkifili Abu Bakar, director-general of Malaysia's maritime enforcement agency.

The guided-missile destroyer had a hole torn open below the waterline on the left side in a collision with the oil-and-chemical tanker Alnic MC. The warship made it to Singapore's Changi Naval Base under its own power, escorted by a Singaporean navy vessel. The Alnic, a much larger ship, suffered relatively minor damage.

The collision, the second such incident in just over two months, prompted the Navy to pause global operations and patrols.

In June an accident involving the McCain's sister ship, the USS Fitzgerald, and a merchant ship left seven sailors dead. Both are based in Japan and part of the U.S. Seventh Fleet, which is deeply engaged in a region confronting flashpoints including North Korea and territorial disputes in the South China Sea.

The McCain collision prompted China to respond with a barbed message of support. When asked about the incident Monday, a spokeswoman for **China's Foreign Ministry** said she hoped the missing were safe but flagged Beijing's concerns about "the threat and hidden danger posed by the relevant incident to the safety of navigation in the South China Sea and relevant waters."

Beijing, which claims sovereignty over most of the South China Sea, has long said the increase in U.S. naval traffic in those waters, including exercises and freedom-of-navigation patrols that challenge Chinese territorial claims, pose a threat to maritime safety.

Adm. Swift said Tuesday, without mentioning China specifically, that criticisms of the U.S. Navy as being a hazard were "out of step at the very least with all the other messages that I have received."

Other nations in Asia were hopeful the U.S. sailors would be found soon, especially at a time of security uncertainties in the region.

This is "a time when readiness for North Korean missile launches needs to be reinforced, and we cannot say [the collision] has no impact," said Adm. Yutaka Murakawa, chief of staff of Japan's navy.

The pause in operations taken by the U.S. military, announced Monday by Adm. John Richardson, chief of naval operations, was rare, and it signaled that the Navy believes it needs to examine whether there may be institutional problems behind the deadly collisions and may need to retrain some personnel in seamanship.

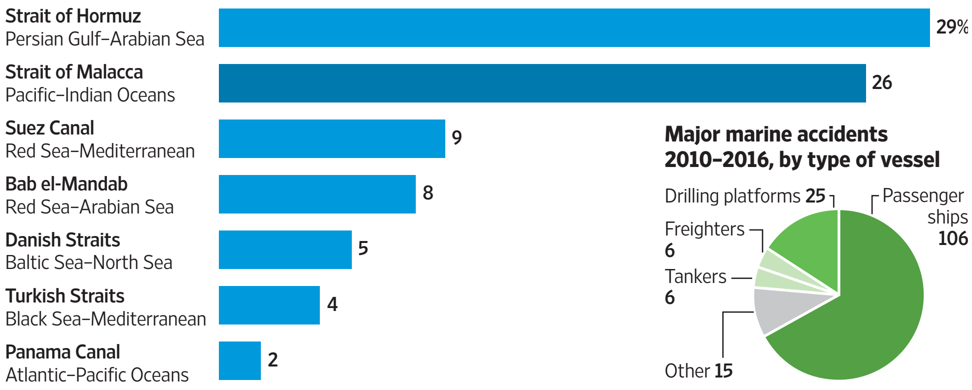
Speaking to reporters at Osan Air Base in South Korea, Adm. Harry Harris, commander of U.S. Pacific Command, said the operational pause is important and would enable commanding officers to look at procedures and work on crew readiness.

"As far as the operational pause having an effect on our availability to defend our nation and our allies: It will not have that effect," Adm. Harris said.

—Yantoultra Ngui in Kuala Lumpur, Malaysia, and Chieko Tsuneoka in Tokyo contributed to this article.

Troubled Waters

Monday's collision between a U.S. destroyer and a commerical tanker happened near the Malacca Strait, one the world's busiest shipping lanes. A look at other 'choke points' as well as recent maritime accidents:



Sources: International Energy Agency (2015 choke points); Insurance Information Institute (accidents) THE WALL STREET JOURNAL.

Navigation Errors

Several U.S. Navy vessels have collided with other ships in the past 12 months.

AUGUST 2016

Nuclear ballistic-missile submarine USS Louisiana collided with the support vessel USNS Eagleview off the coast of Washington state. Both vessels were damaged but returned to port under their own power.

JANUARY 2017

Guided-missile cruiser USS Antietam ran aground spilling 1,100 gallons of hydraulic fluid in Tokyo Bay. The U.S. Navy relieved the captain of the cruiser from command on March 1.

MAY 2017

Guided-missile cruiser USS Lake Champlain collided with a South Korean fishing boat east of the Korean Peninsula. No injures resulted from the accident and both ships were able to navigate after the collision.

JUNE 2017

Seven sailors died after the Japan-based destroyer USS Fitzgerald hit a Philippine-flagged merchant ship, the ACX Crystal, off the coast of Japan. On Aug. 18, the U.S. Navy removed from command the top officers of the ship, citing "inadequate leadership." The Seventh Fleet said the collision was avoidable and junior officers were relieved of duties for "poor seamanship and flawed teamwork in keeping watch."

AUGUST 2017

Ten American sailors went missing and five were injured after the guided-missile destroyer USS John S. McCain collided with a merchant vessel, the Alnic MC, damaging the destroyer's rear left side near the Strait of Malacca and Singapore. Both vessels had come through seas south of China.

—Staff and news reports

Strict Rules Aim to Prevent Collisions in 'Bottleneck'

BY COSTAS PARIS

The sea area east of Singapore, where the American destroyer USS John S. McCain collided with the Alnic MC tanker on Monday, is one of the world's busiest seaways leading into the Strait of Malacca where half of the world's seaborne shipments by tonnage pass through.

Captains describe the waterway, which separates Malaysia and Singapore from Indonesia, as a bottleneck where rules must be followed to avoid collisions.

Westbound vessels coming in from the South China Sea and eastbound ships heading from the Indian Ocean to the Pacific Ocean are on a double-lane sea highway where overtaking is allowed in only some spots.

Big draft vessels, like very large crude carriers (VLCCs), are usually steered by pilots when they enter the Strait with a maximum speed of 12 knots (13.8 miles). Smaller vessels can go up to 18 knots depending on traffic and weather conditions.

Officers on the bridge talk to peers on nearby vessels and to inland Vessel Tracking Stations (VTA) when they enter the Strait. U-turns aren't allowed and when a ship needs to cross through the opposing lane to berth, it waits for traffic to clear and crosses as fast as possible on a 90-degree turn.

Ships with engine or steering problems inform the VTA and other vessels in the vicinity and await instructions. Tugs are deployed to pull incapacitated ships out of the way.

Ships are obliged to keep their Automatic Identification System on.

The AIS gives inland stations and other vessels live information about a ship's position, speed and course.

Global marine regulator, the **International Maritime Organization**, requires AIS to be fitted aboard all oceangoing vessels of 300 tonnes or more, and all passenger ships regardless of size.

Navy vessels may turn off their AIS when they are on a mission. Otherwise, captains are advised to keep it on.

Ships on the right always have the right of way. Ships on the left must yield to allow them to cross their path.

North Korea Threatens 'Absolute Force' as Allies Drill

BY JONATHAN CHENG

SEOUL—North Korea threatened to turn the U.S. into "huge heaps of ashes" and warned that military exercises involving American and South Korean forces this week had worsened the standoff, which could only be resolved by "absolute force."

In a strongly worded commentary issued through its state media on Tuesday, Pyongyang attacked President Donald Trump, branding his approach to the crisis on the Korean Peninsula "unimaginably reckless."

The remarks came a day after the U.S. and South Korean militaries began annual drills, which the allies say are aimed at defending South Korea in the event of conflict but which Pyongyang says are rehearsals for an invasion.

North Korea is upset in particular about what it calls drills aimed at decapitating the leadership in Pyongyang—a direct attempt to kill dictator Kim Jong Un. It also says the drills can be quickly repurposed into an invasion of the North.

"No one can vouch that these huge forces concentrated in South Korea will not go over to an actual war action now that the military tensions have reached an extreme pitch," North Korea said in a separate statement attributed to its military forces stationed on the inter-Korean demilitarized zone.

The comments followed a week in which tensions between Washington and Pyongyang appeared to ease somewhat, after North Korea backed away from an immediate threat to fire missiles toward Guam, a U.S. Pacific territory.

Mr. Trump had warned North Korea this month that the U.S. was ready to unleash "fire and fury" on the regime and that military options were "locked and loaded."

"Mad guy Trump's unrestrained war-inciting tongue-lashing might turn the U.S. mainland into huge heaps of ashes," North Korea said on Tuesday through its main party newspaper, Rodong Sinmun, in remarks carried by its state mouthpiece, the Korean Central News Agency. "Trump has not yet come to his senses."


AHN YOUNG-JOON/ASSOCIATED PRESS

Civilians watch police officers in an antiterror exercise at a subway station in Seoul, South Korea.

Through its July tests of two intercontinental ballistic missiles, North Korea had shown it could turn "the whole U.S. mainland into a sea of flames," the statement added.

It is routine for Pyongyang to respond angrily to the U.S.-South Korean military maneuvers, known as Ulchi Freedom Guardian. A week after last year's drills ended, the regime carried out its fifth nuclear test.

In another report on Tuesday, the North accused the U.S. of "kicking up the hysteria of military confrontation."

In a sign of the heightened stakes around this year's exercises, the commanders of U.S. Strategic Command, U.S. Pacific Command and the U.S. Missile Defense Agency are in South Korea to oversee the proceedings.

Gen. Vincent Brooks, the top U.S. military commander in South Korea, said in a news conference at the U.S. Air Force base at Osan that the drills were conducted to send a clear message of deterrence.

"That may cause some noise from North Korea—that's what we routinely expect—but it doesn't stop us in our resolve," Gen. Brooks said, calling on Mr. Kim, the North Korean dictator, to make wise decisions about any countermeasures during the 10-day exercises.

Pacific Command chief Adm. Harry Harris added that the military options being prepared were only intended to help the U.S. in its efforts to rein in North Korea through sanctions and diplomacy.

"The diplomatic lever is stronger, more effective, more powerful if it's backed by credible military power," Adm. Harris said.

Separately on Tuesday, a congressional delegation to the region made up of three U.S. Senators and two House representatives urged Mr. Trump to rule out unilateral military action against North Korea.

Corruption Charges Cloud Angola Election

Angolans go to the polls this week to pick their first new president in decades, but money-laundering and bribery cases in Portuguese courts are raising questions about the ability of Africa's No. 2 oil producer to tackle corruption and right its economy.

By Gabriele Steinhauser in Luanda, Angola, and Patricia Kowsmann in Lisbon

João Lourenço, a former general who is favored to win Wednesday's election, has promised to increase transparency as low oil prices have crippled government resources and the kwanza currency.

How he responds to the cases in the country's old colonial master Portugal will go a long way toward determining whether Angola, which Transparency International has rated one of the world's most corrupt nations, can clean up its act.

Although Angola's per capita gross domestic product of $4,342 is among the highest in sub-Saharan Africa, the majority of its 29 million people live in poverty. At 52.4 years, it has the world's second-lowest average life expectancy, behind only much poorer Sierra Leone.

The cases have implicated key members of the regime of longtime President José Eduardo dos Santos, and Sonangol, the state oil company that has powered the southern African nation's economy since the country emerged from civil war in 2002.

They shine a light on how prominent Angolans were allegedly able to funnel millions of dollars into luxury Portuguese properties even as its citizens remained among the world's poorest, but also illustrate European authorities' heightened efforts to rein in potentially illicit financial flows from Africa.

A spokesman for Mr. dos Santos, who isn't implicated in any of the cases, declined to comment.

"The Portuguese seem to be kicking into action," said Ricardo Soares de Oliveira, associate professor of African politics at Oxford University.

Rulings by Portuguese courts have handed prosecutors more than a dozen investigations involving senior players in the ruling People's Movement for the Liberation of Angola, or MPLA, and the Angolan elite that lower Portuguese courts had shut down.

The Portuguese investigations have implicated some of Angola's top officials. Vice President Manuel Vicente, a former Sonangol president, will go on trial in Portugal for allegedly bribing a Portuguese prosecutor to end a money-laundering investigation against him. No trial date has been set.

Mr. Vicente's lawyer declined to comment.

Angola's government has denounced the charges against Mr. Vicente as an attack designed to disrupt the country's bilateral relations with Portugal.

In June, a Portuguese appeals court ruled that prosecutors there have the power to investigate suspected money laundering by Mr. dos Santos's daughter, Welwitschea, and Gen. Manuel Hélder Vieira Dias Jr., his security and intelligence chief.

A lawyer for Ms. dos Santos and Gen. Dias Jr. didn't respond to requests for comment. They have previously denied any wrongdoing.

Last month, Portuguese prosecutors accused seven individuals of allegedly siphoning off around €10 million ($11.7 million) from fake contracts between Sonair, Sonangol's aviation wing, and Portugal's airline, TAP.

The proceeds were used to buy luxury apartments in Portugal, the prosecutors allege, with the beneficiaries being Angolans including Mr. Vicente's stepson and another former Sonangol chief executive.

The two men weren't charged with any wrongdoing, nor were the companies.

"These cases all hang together," says Rafael Marques, an Angolan journalist who supplied evidence to Portuguese prosecutors for the case against Mr. Vicente and several other investigations.

The cases come against the backdrop of Wednesday's election, the first without Mr. dos Santos as a candidate since he took office in 1979.

The 74-year-old said last year that he wouldn't seek reelection, and the MPLA tapped Mr. Lourenço to run.

At the center of the case against Mr. Vicente is a ninth-floor apartment outside Lisbon, which he bought for €3.83 million in 2007, according to court documents. The multiple transfers that Mr. Vicente, then the president of Sonangol, made to pay for the apartment in the luxurious Estoril Sol complex—a popular pied-a-terre for prominent Angolans, including a former finance minister and Gen. Dias Jr.'s wife—raised questions with Portuguese authorities.

Opinion polls suggest the MPLA will retain its absolute majority in Parliament, but with a smaller share of the vote than the 72% it garnered in 2012, when U.S. democracy watchdog Freedom House deemed the poll deeply flawed.

The allegations have undermined the political ambitions of Mr. Vicente, once a favorite to succeed Mr. dos Santos. Portuguese prosecutors haven't asked for his extradition to Portugal for his trial, which can go ahead in his absence.

What will happen to Mr. Vicente if he is convicted will largely depend on the man who beat him to the candidacy.

Asked whether he would support prosecutions of corruption by foreign courts, Mr. Lourenço said no Angolan was above the law. But, he said, in proceedings that are politically motivated, he would have to defend his country's sovereignty. "We will have to decide case by case," he said.

Wealth Gap

Angola is Africa's second-largest oil producer, but corruption and graft have prevented many citizens from benefiting. Poverty is widespread and life expectancy is among the world's lowest.

2016 oil production, in thousands of barrels a day

Nigeria	1,871
Angola	1,770
Equatorial Guinea	227
D.R. Congo	20
South Africa	2
Sierra Leone	0
Kenya	0

Ranking on corruption-perception index (out of 176)*

South Africa	64th
Sierra Leone	123th
Nigeria	136th
Kenya	145th
D.R. Congo	156th
Angola	164th
Equatorial Guinea	Not ranked

Average life expectancy at birth (in years)

Kenya	63
South Africa	63
D.R. Congo	60
Equatorial Guinea	58
Nigeria	55
Angola	52
Sierra Leone	50

*With 1 being the least corrupt

Sources: U.S. Energy Information Administration; Transparency International; World Health Organization

THE WALL STREET JOURNAL.

MANUEL DE ALMEIDA/REX/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

President dos Santos, left, with João Lourenço at a rally in Luanda.

Catalonia Showcases Autonomy in Spain Terror Probe

BY DONATO PAOLO MANCINI AND MARINA FORCE

The Barcelona attacks have thrown tensions between Spain's central government in Madrid and the region of Catalonia into sharp relief just weeks before the northeastern region is slated to hold an independence referendum that Madrid considers illegal.

The investigation into the attacks, which killed 15 people, and the manhunt for the perpetrators have given the Catalan government an occasion to demonstrate that it can govern independently of Madrid.

Carles Puigdemont, the head of the region and a chief proponent of a vote to secede in the Oct. 1 referendum, has been the dominant public figure leading the response to the attack, overshadowing the role of the central state. On Monday, it was he who made the announcement, broadcast live on national television, that Catalan police had shot and killed the one remaining terrorist at large.

"The Catalan government has had sufficient autonomy to manage this conflict by itself, and it was prepared to face anything that might come," said Eulàlia Comas Codina, a 21-year-old student in Barcelona.

"Catalonia has reacted as if it were already a state," said Ferran Requejo, a political-science professor at Universitat Pompeu Fabra in Barcelona. But he and other experts say this show of independence isn't likely to shift public opinion on the deeply divisive question of whether Catalonia should be independent.

In the latest development in a decadeslong push for autonomy, Mr. Puigdemont set the October referendum as part of a fresh bid to win independence for Catalonia, one of Spain's richest regions, and home to Barcelona, the country's second-largest city.

Mr. Puigdemont responded with disdain. "Whoever wants to doubt the Catalan police's and institutions' engagement against terrorism is, let me say it clearly, a miserable [person]," he told radio station RAC1.

In 2014, the Catalan government held a nonbinding, symbolic referendum, in which more than 2 million of an estimated 5.4 million eligible voters took part. In that vote, partially boycotted by opponents of independence, an overwhelming majority favored independence. But Spain's top court deemed that referendum illegal.

The stakes this time are even higher. The Catalan government hasn't promulgated the law mandating the October vote, and is expected to wait as long as possible before doing so to limit the time available for a legal challenge from Madrid. Spanish Prime Minister Mariano Rajoy has said the referendum won't take place as long as he is prime minister.

Mr. Puigdemont has pledged to hold the referendum regardless of Madrid's opposition. Once the law is in place, the Rajoy government could take legal action against the leaders of the referendum movement to stop the vote. Artur Mas, a former president of Catalonia, was banned from public office after being found guilty of defying an order from Spain's top court to stop the informal independence ballot from 2014.

If the Catalan government proceeds and a majority opts for autonomy, Catalonia could unilaterally declare its independence, though the government is more likely to seek to use that threat to negotiate a more orderly exit. Either course would likely spark a political and constitutional crisis for Spain.

Because many police functions, including security, are in the hands of regional authorities. Catalonia has been in control of much of the investigation. Many other powers—including the administration of civil law and social welfare—have also been devolved from Madrid to Catalonia.

The governments of Spain and Catalonia pledged unity after last week's attack, with Mr. Rajoy emphasizing just after the assault that "Spain is a people united...in the values of democracy, liberty, and human rights."

On Saturday, Spanish Interior Minister Juan Ignacio Zoido told reporters the terror cell involved in the events last week had been "fully dismantled." Soon after, Joaquim Forn, Catalonia's interior minister, contradicted him, saying the group would be neutralized only when all the suspects are arrested.

The impact of the terror spree on the referendum and Madrid's response to a vote for secession remains unclear.

Opinion surveys conducted by the Catalan government found in June that 41% of Catalans polled want Catalonia to be an independent state, compared with 49% who don't. Overall, 62% want the region to have more autonomy, according to the same surveys.

But most Spaniards oppose granting regions the possibility of becoming independent. In a poll last month, only 10% of those polled nationally support this, while 41% wish to preserve Spain's territorial cohesion.

—Jon Sindreu contributed to this article.

MARTA PEREZ/EUROPEAN PRESSPHOTO AGENCY

Catalonian Regional President Carles Puigdemont, at lectern, listens to Home Minister Joaquim Forn.

Suspects Appear Before Madrid Judge

BARCELONA—The terror cell that killed 15 people in assaults on Barcelona's Las Ramblas and a Catalan coastal town on Thursday had been planning to strike multiple targets in the city, one of the suspected terrorists told judicial authorities Tuesday.

The suspect was one of four men who appeared before a judge in Madrid on Tuesday in a hearing to determine whether they could be held on preliminary charges of being part of a terrorist organization.

One of the four also said an imam who investigators believe was the cell's leader planned to blow himself up during the attacks, a court official said. Investigators believe he died instead while preparing the attacks.

One of the suspects told judicial authorities Tuesday the group initially planned to attack multiple targets in Barcelona, where a van plowed through crowds of people on Las Ramblas on Thursday, killing 13 and injuring scores more. It wasn't clear which other sites the terrorists planned to hit in the city.

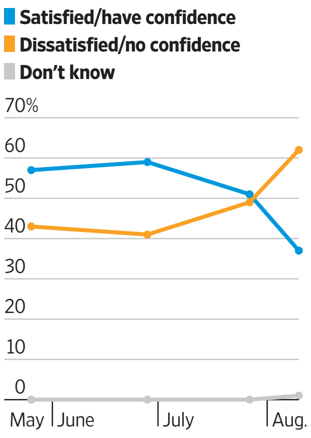
The man police suspect of having been the plot's leader was Abdelbaki Es Satty, an imam in the town of Ripoll, where most of the alleged terrorists grew up and lived.

Es Satty is believed to have died in an explosion Wednesday night in a house where the cell was trying to build bombs, police said Monday, adding that they suspect the explosion thwarted the group's more ambitious attack plans.

—Jeannette Neumann

Fading Appeal

The French public's approval of President Emmanuel Macron has dropped markedly since his election in May.



Source: Harris Interactive polls; most recent of 994 adults conducted Aug. 8–10; margin of error: +/-3.1 percentage points

THE WALL STREET JOURNAL.

MACRON

Continued from Page One

cron describes as a "new deal" to entice Germany and other northern eurozone countries to allow the currency bloc to pool financial resources to shield members from future crises.

Mr. Macron's government wants to make it easier for French firms to hire and fire workers. Similar proposals by former President François Hollande sparked union protests, some of them marred by violence, forcing him to water down his agenda. Mr. Hollande's wavering left him the most unpopular French leader in modern history.

A spokeswoman for Mr. Macron said he was focused on implementing his campaign pledges. "The president doesn't govern by looking at the polls," she said.

The French have a habit of quickly losing faith in their presidents, but Mr. Macron's slump has been exceptional. He is less popular than most French leaders have been at this point in their terms, including Mr. Hollande, who ended his tenure so widely disliked that one poll had his approval rating at 4%.

Analysts say Mr. Macron's popularity was primed to take a hit. His lopsided victory in May over the far-right nationalist Marine Le Pen obscured public distrust of him. A third of registered voters refused to vote for either candidate, by far the highest rate in recent presidential elections.

Mr. Macron's first month in office left him basking in approval after a series of political coups. His new party, La République en Marche, won a commanding majority in legislative elections in a vote that decimated traditional parties. He challenged U.S. President Donald Trump, highly unpopular in France, with a series of high-profile white-knuckle handshakes. He criticized Kremlin-sponsored media while standing next to Russian President Vladimir Putin.

But the bloom of his popularity has withered in the summer heat. His critics have turned Mr. Macron's self-described "Jupiterian" style—a vision of forceful presidential leadership named for the chief of the Roman gods—into an epithet, portraying him as aloof and intolerant of dissent.

After voting for Mr. Macron, 61-year-old teacher Dominique Hennino watched the first 100 days of his term with mounting dislike, irked by his style and vow to cut student housing.

"It would be better if he came back down to earth a bit," Mr. Hennino said.

With his party firmly in control of the legislature, Mr. Macron's agenda isn't at risk of being challenged by lawmakers, analysts say. But if his agenda falters, northern EU countries—which have long called for overhauls in France—may be unwilling to sign on to his proposals for the currency area, including increased spending by Germany and other wealthy economies and a shared crisis budget.

"This is going to make the environment less easy for him," said Bruno Cautrès, a political scientist at the Center for Political Research at Sciences Po in Paris.

The hard-left General Confederation of Labor, France's most militant union, is already calling for strikes and demonstrations.

Others are waiting to see the details of the new rules before deciding whether to hit the streets.

Mr. Macron's woes highlight the challenges facing a politician trying to enact big changes without appealing to established ideological or political loyalties, said Bruno Cautrès, a political scientist at the Center for Political Research at Sciences Po in Paris.

"Just because Emmanuel Macron has declared the end of the left and the right doesn't make it so," he said.

—William Horobin contributed to this article.

India Bans Muslim Path To Divorce

Court strikes down practice allowing men to instantly declare a marriage to be over

BY NIHARIKA MANDHANA

NEW DELHI—India's Supreme Court declared unconstitutional a practice that allowed Muslim men to instantly divorce their wives, in a decision applauded by gender-equality advocates.

The so-called triple talaq practice let Muslim men divorce by saying "talaq"—the Arabic word for divorce—three times, even in a letter or through text messages. Its opponents say it left women vulnerable.

"This is a landmark judgment for Muslim women," said Noorjehan Safia Niaz, founder of a Muslim women's group called the Bharatiya Muslim Mahila Andolan. "It has strengthened their hand against unilateral, arbitrary decisions and restored their constitutional rights."

A five-judge panel said in a 3-2 judgment on Tuesday that the practice violated women's right to equality and didn't provide an opportunity for reconciliation. Their decision came in response to a series of petitions challenging the practice. One petition was filed by Shayara Bano, a 36-year-old Muslim woman whose husband divorced her in a 2015 letter in which he repeated the words "I give talaq" three times.

Conservative Muslim groups had opposed any intervention by the court, saying such action would amount to interference in the observance of their faith.

All India Muslim Personal Law Board, a conservative group fighting against attempts to amend Muslim practices, said on Tuesday it would craft a response after reading the nearly 400-page judgment.

The Indian constitution protects gender equality, but on issues of marriage, divorce and inheritance, religious communities are governed by their own "personal laws." Many Muslim women and activists say the practice of triple talaq misinterprets the Quran and is protected by orthodox Muslim men to perpetuate patriarchy.

Indian Prime Minister Narendra Modi, whose government had strongly criticized the practice, hailed the verdict as "historic" and "a powerful measure for women empowerment" in a tweet from his official Twitter account.

But many of his critics view his party's opposition to the Muslim practice with suspicion. The Bharatiya Janata Party has deep roots in Hindu nationalism and champions a common code to replace religious laws. Many Muslims are worried Mr. Modi's administration could be trying to diminish their religious freedoms and impose the values of the Hindu majority.

The validity of "personal laws," rooted in religious beliefs, has been a contentious and politically charged issue in India. In 1985, the Supreme Court ordered the husband of a 62-year-old divorced Muslim woman to pay her continual alimony, which went beyond the scope of Muslim laws. Her husband had argued that Islamic law didn't require him to provide financial support to his wife in perpetuity. The judgment met stiff resistance from a section of the Muslim community.

The government, then led by the Congress party that counts millions of Muslims among its supporters, pushed a new law through Parliament that reversed the judgment by limiting a man's financial obligations after divorce.

Mr. Modi's party has said such actions are part of a broader electoral strategy by the Congress party and other left-leaning political players in India to appease the country's 180 million Muslims, or 14% of the country's population.

The two judges who declined to strike down the practice—including India's Chief Justice Jagdish Singh Khehar—said triple talaq had been prevalent among Muslims for 1,400 years and was protected.

"The Constitution assures believers of all faiths that their way of life is guaranteed, and would not be subjected to any challenge, even though they may seem to others unacceptable in today's world and age," they wrote.

The judges, writing the minority view, said India's lawmakers ought to enact legislation to disallow the practice rather than rely on the judiciary.

But other judges weighed individual rights against religious freedoms. In support of the majority decision, two wrote: "It is clear that this form of [divorce] is manifestly arbitrary in the sense that the marital tie can be broken capriciously and whimsically by a Muslim man without any attempt at reconciliation so as to save it."

MONEY SHARMA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Farha Faiz, center, an attorney who argues cases before India's Supreme Court, spoke to the media in New Delhi on Tuesday after the high court declared unconstitutional in a 3-2 vote a practice that allowed Muslim men to instantly divorce their wives.

WORLD WATCH

UNITED KINGDOM

Officials Seek Clarity On European Court

The British government said it wants to end the "direct jurisdiction" of the European Court of Justice after it leaves the European Union, a move some academic experts and proponents of a close post-Brexit relationship said could leave the door open for some judicial influence.

Prime Minister Theresa May has said for nine months that Europe's top court would have no say over U.K. law. In excerpts of a paper laying out Britain's negotiating position to be released in full on Wednesday, the government said it would set out more details on other dispute-resolution mechanisms used by the EU and countries that aren't members.

Crispin Blunt, a Conservative lawmaker who voted for Brexit, said he didn't think the government was shifting its position. "There needs to be a sensible compromise around finding the right court of arbitration for the different deals the U.K. is going to do with its different European Union partners."

—Jenny Gross

REUTERS

FIRING LINE: Shiite Popular Mobilization Forces launched a rocket toward Islamic State militants on the outskirts of Tal Afar, Iraq, on Tuesday, the third day of a multipronged effort to retake the town.

VENEZUELA

Ex-Attorney General Flees to Brazil

Ousted Venezuelan attorney general Luisa Ortega, who has threatened to release documents she says links Venezuelan officials to corruption and human-rights abuses, flew to Brazil to take part in a regional gathering of prosecutors, authorities said.

Ms. Ortega last week fled her home country where she has said President Nicolás Maduro's is trying to silence her critique of his administration's efforts to dissolve congress. She was fired this month after breaking ranks with Mr. Maduro following a decadelong tenure as the nation's top prosecutor and denouncing alleged corruption between Venezuelan leaders and the embattled Brazilian construction giant Odebrecht.

"Brazil is taking in this fugitive of the law," Mr. Maduro said in a televised press conference, promising to issue an arrest warrant through Interpol. "I hope these delinquents are turned over and face Venezuelan justice."

There was no immediate comment from Ms. Ortega and it wasn't immediately clear how long she would stay in Brazil.

—Kejal Vyas

BRAZIL

Prosecutors Charge Ex-Corporate Chiefs

Prosecutors leading Brazil's largest-ever corruption probe on Tuesday filed criminal charges against the former chief executive of two of the country's largest state-run firms.

Aldemir Bendine, who was at the helm of state-run oil giant Petróleo Brasileiro SA. between 2015 and 2016, and at state-owned bank Banco do Brasil before then, has been charged with corruption, money laundering and obstruction of justice.

Prosecutors say Mr. Bendine received bribes from construction giant Odebrecht SA. He has been under arrest since late July for his alleged role in the graft scheme.

Through his lawyer, Mr. Bendine has denied wrongdoing. The former CEO has said he never solicited or received any bribes.

Marcelo Odebrecht, former CEO of Odebrecht, is also in prison after admitting to prosecutors that the firm paid hundreds of millions of dollars in bribes to government officials in many countries to secure contracts in Brazil and elsewhere.

—Luciana Magalhaes

MEXICO

Economy Continues Strong Growth

The country chalked up its 16th consecutive quarter of economic growth in the April-to-June period as strong services output compensated for sluggish industrial production.

Gross domestic product, a measure of output in goods and services, expanded 0.6% seasonally adjusted from the first quarter and was up 1.8% from a year before, the National Statistics Institute said.

Growth from the first quarter, which translates into an annualized rate of 2.3%, was in line with the preliminary estimate published last month, but marked a slowdown from the 2.7% annualized growth in the previous quarter.

—Anthony Harrup

Earthquake on Idyllic Italian Island Kills Two People, Sends Tourists Fleeing

An earthquake hit the tourist-packed holiday island of Ischia, killing two people, injuring dozens and trapping three young brothers who survived for hours before being rescued.

Tourists and residents on the island off the coast of Naples ran out onto the narrow streets after the quake wrecked a church and several buildings. Fearing aftershocks, many decided to leave the island early.

Rescuers found a baby boy named Pasquale in the wreckage and pulled him out alive early Tuesday, seven hours after the shock. There was a hush followed by loud applause.

Fire crews found his brothers Mattia and Ciro, aged 7 and 11, stuck under a bed nearby. They kept talking to them and fed water to them through a tube. "I promised them that after this was all over we would all go get a pizza together," an emergency worker said.

They freed Mattia late Tuesday morning and extracted Ciro more than 16 hours after the quake hit. The parents were safe because they were in another room.

About six buildings in the town of Casamicciola, including a church, collapsed in the quake, which hit at 8:57 p.m. on Monday. The walls of one were ripped open, at right, exposing a kitchen with a table still set for dinner.

—Reuters

ELIANO IMPERATO/AGENCE FRANCE-PRESSE/GETTY IMAGES

U.S. NEWS

U.S. Mulls Exiting Nafta Dispute Panels

Businesses voice opposition to the plan, saying the current system protects them

By Bob Davis

WASHINGTON—U.S. trade officials are putting together a proposal to let the U.S. withdraw from a corporate arbitration system at the heart of the North American Free Trade Agreement, upsetting big U.S. companies that said the system protects their foreign investments.

The plan, drawn up by the Office of the U.S. Trade Representative, would remake what is known as the investor-state dispute settlement system. ISDS is a form of international arbitration in which corporations can sue governments for damages if they believe governmental decisions improperly diminish the value of their foreign investments.

The arbitration panels, which operate as an alternative to domestic court systems, have been widely criticized by labor and environmental groups and conservative nationalists as giving corporations—and only corporations—a way to circumvent domestic laws and regulations.

Under the plan, the three Nafta countries would need to "opt in" to the ISDS system in the future—essentially making participation in the system voluntary, according to people briefed on the plan. Mexico, for instance, could decide to keep the arbitration system as a way to give investors confidence that disputes won't drag out in the Mexican court system, which has long been criticized for delays and corruption.

But the U.S. could decide against joining the system, forcing investors to take any disputes through the U.S. court system. If the U.S. took that path, Canadian and Mexican companies wouldn't have the right under Nafta to submit investment disputes with the U.S. to arbitration panels. It isn't clear whether U.S. companies would continue to be able to use ISDS panels in other Nafta nations if the U.S. doesn't join the system in the future.

The U.S. trade representative is circulating its plan to other agencies and the White House, which haven't yet given their approval. The U.S. is trying to put together concrete plans to submit to Mexico and Canada in time for the third round of Nafta negotiations next month in Canada, which will follow a second round beginning Sept. 1 in Mexico City.

A spokeswoman for the agency declined to comment on the proposal.

The plan is generating opposition among business groups and on Capitol Hill.

"The business community supports no fundamental change" in the ISDS system, said Vanessa Sciarra, a trade specialist at the National Foreign Trade Council, an organization representing big U.S. exporters. Early this month, more than 100 U.S. trade associations sent a letter to the administration supporting the system as "a core element to protect the United States against the theft, discrimination and unfair treatment of U.S. property overseas."

The U.S. stance is among several evolving positions that put the administration at odds with big business, which has the potential to unleash its lobbying power among lawmakers to put pressure on U.S. negotiators and, potentially, prompt members of Congress to vote against the final pact when it comes to Capitol Hill. Already the U.S. side has suggested it wants to require a substantial portion of autos and auto parts produced under the pact be made in the U.S.—an idea Detroit auto makers generally oppose.

In the case of the dispute-settlement system, business officials fear that should the U.S. scrap the system, other countries would be bound to do the same.

"It's just a transparent excuse to delete the [arbitration] procedure," said Jeffrey Schott, a trade expert at the Peterson Institute for International Economics, a free-trade think tank.

Critics of the system have long said the arbitration panels infringe on U.S. sovereignty, an argument made by U.S. Trade Representative Robert Lighthizer in Senate testimony in June.

"I'm always troubled by the fact that nonelected non-Americans can make the final decision that the United States law is invalid," he said. "This is a matter of principle I find...offensive."

—Anthony Harrup contributed to this article.

TING SHEN/XINHUA/ZUMA PRESS

U.S. Trade Representative Robert Lighthizer, left, Canadian Foreign Minister Chrystia Freeland and Mexican Economic Secretary Ildefonso Guajardo Villarreal attend a round of Nafta negotiations in Washington earlier this month.

Owner of Dakota Access Pipeline Sues Greenpeace

By Christopher M. Matthews

The company behind the Dakota Access Pipeline launched an unusual legal attack Tuesday against Greenpeace International and other environmental groups, alleging that the organizations effectively ran a criminal enterprise through their protests of the project.

The suit by **Energy Transfer Partners** LP was filed in federal court in North Dakota under the Racketeer Influenced and Corrupt Organizations Act, a law created to prosecute the mafia. It represents an aggressive new front in the continuing battle over the nearly 1,200-mile pipeline, which became operational in June but remains the subject of legal challenges.

The company alleged that Greenpeace ran a "relentless campaign of lies and outright mob thuggery."

Among other things, it alleged Greenpeace and other groups solicited donations under false claims about the pipeline, threatened the company's investors and lenders, launched cyberattacks against the company and sought to sabotage the pipeline with serious "terrorist threats."

"For decades, Greenpeace has executed its fraudulent, slanderous campaigns against hundreds of companies and industries with virtual impunity, and its tactics have become increasingly aggressive as a result," the lawsuit alleged.

Greenpeace USA General Counsel Tom Wetterer said in a statement that the suit was "not designed to seek justice, but to silence free speech through expensive, time-consuming litigation. This has now become a pattern of harassment by corporate bullies."

The Trump administration gave a green light to the pipeline in February following months of opposition from Native American tribes and environmental groups. President Donald Trump made his support of the pipeline and other energy-infrastructure projects a prominent part of his campaign. The line can carry as many as 570,000 barrels of oil a day from North Dakota to Illinois.

The Standing Rock Sioux tribe filed a lawsuit to stop the project, arguing that a reservoir crossing could contaminate their water supply, which is 70 miles downstream from the project.

The lawsuit failed, but the tribe has since asked a federal court to shut down the line while the U.S. Army Corps of Engineers conducts another environmental assessment of the project.

Energy Transfer's lawsuit seeks at least $300 million in damages, which can be tripled under the RICO statute. The company alleged it lost revenue and investors as the project was delayed and incurred unnecessary expenses on construction.

The lawsuit is the second of its kind filed against Greenpeace by a law firm with ties to Mr. Trump. Kasowitz Benson Torres LLP, Energy Transfer's law firm, sued Greenpeace last year on similar grounds on behalf of another client, the multinational forestry company Resolute Forest Products.

Greenpeace has denied the allegations in that suit, which is pending.

One of the law firm's founders, Marc Kasowitz, served as Mr. Trump's personal lawyer. Michael Bowe, a partner at the law firm, is the lawyer for both Energy Transfer and Resolute.

ANDREW HARRER/BLOOMBERG NEWS

Protesters marching against the pipeline in Washington in March.

GOP Senator Draws President's Ire

By Siobhan Hughes

PHOENIX—Donald Trump's impulse to punch back at Republicans who challenge him is dividing the party in Arizona and threatening the 2018 reelection of Sen. Jeff Flake, one of the party's most vulnerable incumbents.

Mr. Flake opposes Mr. Trump's trade and border-wall plans, has criticized the president's remarks about protests over a Confederate statue in Virginia and wrote a book that alluded to "impulse-control problems" and suggested the president had won election on a "sugar high of populism, nativism, and demagoguery."

Mr. Trump, who last week called Mr. Flake "toxic" and "weak on borders," was likely to whip up even more negative feelings about Arizona's junior senator. Tuesday, the president was scheduled to visit a Marine Corps facility in Yuma, near the Mexican border, before holding a rally in Phoenix in the evening.

Already, the senator's criticism is turning off some Trump voters. "It's his attitude across the board to Trump," said Marilyn Higgins, a Republican from Fountain Hills who has called Mr. Flake's office to say she can't vote for the senator next year. "To him, Trump is the enemy."

Mr. Flake won in 2012 with 49% of the vote, three percentage points ahead of his Democratic rival. His is considered one of the most vulnerable GOP-held seats next year, when the overall map favors Republicans as they look to expand their 52-48-seat majority.

Mr. Flake faces a tough primary, with possibly two GOP challengers, and if he wins the nomination he is expected to face U.S. Rep. Kyrsten Sinema in November 2018.

Monday, at a breakfast in Gilbert, Mr. Flake talked about water management, taxes, health insurance and his interest in staying in trade agreements. He never mentioned Mr. Trump by name, though he did allude to the leader of his party.

"We've got to get away from calling our opponents losers or clowns," Mr. Flake said. He brushed off Mr. Trump's attacks on him. "I don't worry about it at all," Mr. Flake told reporters.

It is an uncomfortable dilemma for Mr. Flake—and other Arizona Republicans.

Saturday at a Fountain Hills Republican Club meeting, things started off with equanimity. An organizer announced a coming picnic and gun raffle. A deep-voiced pastor delivered a rousing encomium praising a unified GOP.

Then the cracks started showing. "I'm tired of the Republican leadership, congressmen, senators that are disparaging our president of the United States," Art Tolis, a mortgage broker who serves on the town council, told GOP Rep. David Schweikert.

Mr. Flake has his supporters. His book, "Conscience of a Conservative," is so popular that every copy is checked out of the public library in downtown Chandler. His backers are encouraged by the senator's demeanor and his willingness to speak up against what he has described as a new viciousness in politics.

"The civility that he's trying to bring back really means so much," said Rachel Smetana, a Scottsdale resident who is chief of staff to the city's mayor.

"We know the president holds grudges, and Trump has publicly said that when he is attacked, he will punch back harder," political analyst Nate Gonzales wrote on Inside Elections last week after downgrading his estimate of Mr. Flake's chances of winning. "That's not a good combination for Flake if he's trying to tamp down a primary."

AARON P. BERNSTEIN/GETTY IMAGES

Republican Sen. Jeff Flake of Arizona has opposed some of President Trump's policies and remarks.

Startup Eyes Private Medicare Coverage

By Anna Wilde Mathews

In the latest sign of the U.S. health-care industry's focus on the growing business of private Medicare coverage, several high-profile executives are planning to launch a new startup insurer focused on such plans.

Devoted Health expects to begin offering its first Medicare Advantage products in the fall of 2018 in Florida and West Virginia. The company is currently operating on around $7 million in seed money from Venrock and Devoted co-founders Todd and Ed Park, brothers who were a co-founder and early employee, respectively, of Athenahealth Inc.

Medicare Advantage plans are offered by private insurers as an alternative to government-run traditional Medicare. The insurers are paid by the federal government.

Like other Medicare Advantage insurers, Devoted says it aims to improve the quality of patients' experience and care, while holding down costs by avoiding unneeded procedures and working closely with physicians. Devoted says it will be closely tied to physician groups in the markets it enters, and will assign beneficiaries guides who are supposed to help them navigate their care.

Todd Park, who also worked in the White House and as chief technology officer of the Department of Health and Human Services during the Obama administration, will be executive chairman and Ed Park will be CEO of the new insurer; Venrock partner Bob Kocher will serve as Devoted's chief medical officer.

Venrock partner Bryan Roberts, who is on Devoted's board, said he was attracted by the team running Devoted—which, in addition to the Parks, includes Jeremy Delinsky, a former executive at home-décor retailer Wayfair.com, and Dariel Quintana, who worked for major Medicare insurer Humana Inc. in the key Florida market. "Medicare Advantage feels like a growing, well-regarded program in the health-care space," he said. "You're building into a growing market."

In focusing on Medicare Advantage, Devoted is choosing a business that existing managed-care giants such as UnitedHealth Group Inc., as well as other health-care players such as hospitals that are eyeing the insurance business, already view as a growth engine. Aging baby boomers are increasingly selecting the private plans as they age into Medicare eligibility.

Ed Park, who declined to disclose the current valuation for Devoted, said the company's leaders believe that they have an advantage in being a new company, "focused on Medicare Advantage, built from the ground up for that, partnered with the best physician groups." He argues the startup will be better-equipped to forge new payment methodologies.

GOOGLE (2)

A building in Cincinnati's Over-the-Rhine neighborhood in June 2011, left, and October 2016, right. The public-private partnership is gaining attention as other cities look to develop their most ailing areas.

Cincinnati Neighborhood Transformed

Corporate-backed development turned a violent city into mecca; change comes at a cost

By Shibani Mahtani

CINCINNATI—Georgia Keith has seen everything from the segregation of the Civil Rights era to riots and violent crime over some five decades in Ohio's third-largest city.

After a corporate-driven revival of the Over-the-Rhine neighborhood just north of downtown, where Ms. Keith has lived since 1965, she says her greatest challenge today is simply staying in her home.

"I keep saying no to individuals who want to buy the house. There have been maybe five or six different ones, others keep putting mailings in the mailbox," says Ms. Keith, 71 years old. "I don't respond."

Over-the-Rhine's transformation has largely been the product of a nonprofit development corporation armed with private capital, a unique concept that is gaining attention as other cities look to develop their most ailing, crime-filled neighborhoods. The success of this approach, however, can come at a cost to some longtime residents, who find themselves priced out or feeling alienated in neighborhoods they have called home for most of their lives.

Named for the Germans who settled here in the 1800s, Over-the-Rhine was among the country's most blighted neighborhoods in 2001, when riots erupted over the shooting of Timothy Thomas, an unarmed 19-year-old black man killed by a white police officer during an attempted arrest for a nonviolent misdemeanor.

Fearful that the neighborhood's decline would rub off on nearby downtown, the city's corporations—including **Procter & Gamble** Co., **Kroger** Co., **U.S. Bancorp** and **Macy's** Inc.—pumped capital into a nonprofit real-estate company that was formed in 2003 with a mission to buy up and repurpose abandoned buildings and vacant lots in the area.

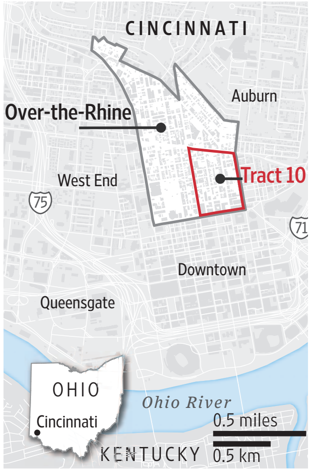
Almost 15 years and more than $1.1 billion later, Over-the-Rhine is now a mecca for trendy restaurants, loft apartments, cafes with home-cured meats and artisan doughnut shops. Modern condominiums have gone up, and public spaces, including two parks and a neighborhood pool, have been revived.

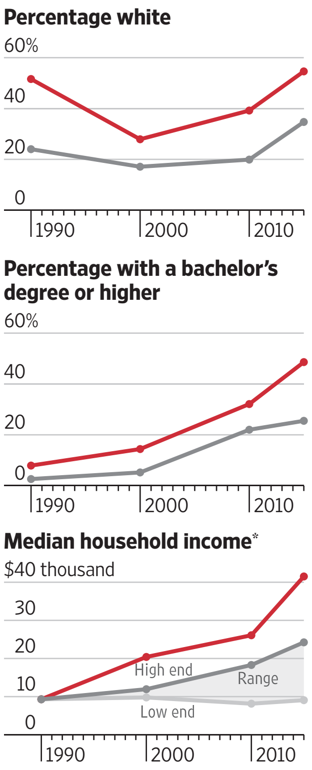
The nonprofit behind the development, 3CDC, has won praise from the city and some local residents for revitalizing the neighborhood while maintaining some affordable housing, investing in homeless shelters and consulting with Over-the-Rhine's longtime residents. The experiment has inspired similar efforts in St. Louis and Atlanta, where 3CDC is consulting with groups trying to revitalize ailing neighborhoods that hug the downtown core.

Uneven Rise

The section of Cincinnati's gentrifying Over-the-Rhine neighborhood where 3CDC has focused its efforts, Census Tract 10, is becoming whiter and wealthier.

Tract 10
The rest of Over-the-Rhine





*Adjusted to 2016 dollars.
Sources: Longitudinal Tract Database, Brown University (1990-2010); Census Bureau (2015)

THE WALL STREET JOURNAL.

In Atlanta, not-for-profit development company the West Side Future Fund is borrowing from Cincinnati's playbook, joining with corporations including the Chick-fil-A Foundation and **Home Depot** Inc. to reduce vacant housing units in neighborhoods west of downtown, implement a job-training program and build mixed-income housing.

U.S. Bancorp Community Development Corporation is among the St. Louis corporate entities talking with developers about similar plans in the city's Near North Side neighborhood, which was awarded a $29.5 million federal grant last year to rehabilitate a housing complex and fund social-services agencies, including a community center, microloan program and homeowners assistance program. U.S. Bank CDC also helped fund development in Over-the-Rhine.

Still, some question the sustainability and impact of such efforts, driven by corporate goals and often lacking an economic plan to keep longtime residents, many of whom are low-income, in the area.

"In terms of the development model, what 3CDC did was phenomenal," said Nate Pelletier, executive director of Joseph House, a drug-rehabilitation center for veterans in Over-the-Rhine. "But all the other parts of what makes this sustainable, that's falling apart exponentially," he said, specifically citing economic opportunity for some of the neighborhood's original residents.

Stephen Leeper, 3CDC's president and chief executive since 2004, describes the neighborhood as "gone" when the company came in and credits the corporate community with stepping up to the plate. "There was no easy exit strategy, huge financial risk and potential reputational risk," he said.

Cincinnati companies put $1.2 million into 3CDC in 2003, which amounted to 92% of the company's operating budget that year. Corporate funding has remained steady since but now only accounts for 15% of 3CDC's budget.

3CDC, which also taps other private capital and some government funds, has been part of redevelopment efforts in 25% of Over-the-Rhine. In the early stages, 3CDC courted new business owners with leases based on between 3% and 8% of gross revenue.

Still, rising property values have driven dozens of families out of the neighborhood, and longtime residents like Ms. Keith say the mom-and-pop shops, laundromats and neighborhood grocery stores they frequented are long gone, replaced by more expensive options. "The neighborhood has improved, I'm not saying it hasn't," said Ms. Keith. "But who has it benefited? The person with money."

Census figures from 2015 show shifting neighborhood demographics, with residents becoming whiter and wealthier. With landlords, especially those unrelated to 3CDC, able to charge more, affordable units have been lost.

Reginald Stroud, 56, lost his apartment, karate studio and corner store in 2014 when his landlord, who wasn't a 3CDC partner, sold the property, giving him 45 days to move.

"The store was my income and my business, so I basically lost my job," said Mr. Stroud, who now lives about five miles north of Over-the-Rhine. He recently found a new shop, which will open in October.

3CDC's Mr. Leeper said the issue of dislocation is "more perception than fact" and that his group is redoubling efforts build projects with both affordable units and market-rate units in the same building.

—Cameron McWhirter contributed to this article.

U.S. WATCH

DREW ANGERER/GETTY IMAGES

COOLING OFF: A fountain at Flushing Meadows-Corona Park in Queens, N.Y., offers relief from the heat.

PHILADELPHIA

Scores Injured in Train Crash Outside City

A Philadelphia commuter train crashed into an empty train at a transit station early Tuesday, injuring 42 people, in the latest accident involving commuter rail in the Northeast.

The train hit an unoccupied parked train around 12:15 a.m. at the 69th Street station in Upper Darby, Pa., just outside Philadelphia, said a spokeswoman for the Southeastern Pennsylvania Transportation Authority.

The operator and all 41 passengers on the train that hit the other train reported injuries, said spokeswoman Heather Redfern. She said none of the injuries appeared life-threatening.

The cause of the accident is under investigation, she said, adding that she didn't have information on the train's speed at the time of the collision.

In February four people were hurt near the same station when one out-of-service train rear-ended another.

In New York, Amtrak has reduced service into Penn Station for eight weeks this summer to allow crews to carry out extensive repairs to tracks and switches in the wake of two low-speed derailments in March and April. Days before those repairs were due to start in July, a North Jersey Coast Line train carrying 180 passengers derailed at New York Penn Station. No injuries were reported.

—Scott Calvert

LITIGATION

Cosby's New Lawyers Seek to Delay Retrial

Bill Cosby's retrial on sexual-assault charges will be delayed as his new legal team gets up to speed on the case.

Judge Steven O'Neill on Tuesday granted a defense request to postpone the retrial, which had been scheduled to start in November, saying there was no way the 80-year-old comedian's lawyers would be ready by then.

"To ask someone to review the voluminous record over 18 months—now 20 months in this case—simply cannot be done," Judge O'Neill said.

Mr. Cosby's new lawyers made their first court appearance on behalf of "The Cosby Show" star, who is charged with drugging and molesting a woman at his home near Philadelphia in 2004. His first trial in June ended in a hung jury.

The attorneys who represented Mr. Cosby at the first trial, Brian McMonagle and Angela Agrusa, had asked to be let off the case. Judge O'Neill approved the request, praising them for their "extraordinary advocacy."

Mr. Cosby's new legal team includes Tom Mesereau, the high-profile attorney who won an acquittal in Michael Jackson's child-molestation case. Other lawyers on the retooled legal team are former federal prosecutor Kathleen Bliss and Sam Silver, who represented now-imprisoned former U.S. Rep. Chaka Fattah in a corruption case.

—Associated Press

Company Opposes Use of Drug in Florida Execution

By Joe Palazzolo

A Johnson & Johnson company opposes plans by Florida authorities to use a drug it developed but no longer makes in a coming execution, marking the first time the world's largest pharmaceutical manufacturer has waded into the death-penalty debate.

Earlier this year, Florida amended its lethal-injection protocol to include etomidate, an anesthetic agent that has never been used in executions, after exhausting its supply of the sedative midazolam.

Florida authorities are slated to use the updated protocol for the first time Thursday in the execution of Mark Asay, who was sentenced to death for the 1987 killings of Robert Lee Booker and Robert McDowell in Jacksonville, Fla.

Scientists at Johnson & Johnson's Janssen Pharmaceuticals NV created etomidate in the 1960s. The company never distributed the drug in North America and divested the rest of the business in 2016.

But the company protested on Monday Florida's plan to use etomidate to render death-row inmates unconscious before injecting them with a paralytic agent and a third drug to stop their hearts.

"We do not support the use of our medicines for indications that have not been approved by regulatory authorities," a Janssen spokesman said in an email. "We do not condone the use of our medicines in lethal injections for capital punishment."

No Johnson & Johnson drugs have been used so far in executions, according to Reprieve, an international-rights group that opposes the death penalty.

At least eight companies make etomidate. Florida, like many states, keeps the identity of its suppliers secret.

Many manufacturers have curbed access to their drugs for lethal injections at the urging of death-penalty abolitionists, forcing corrections departments to reach for alternatives and create new protocols, which lawyers for death-row inmates have challenged vigorously.

'We do not condone the use of our medicines in lethal injections…'

In recent years, companies including Baxter International Inc., McKesson Corp., Pfizer Inc. and **Roche Holding** AG have publicly opposed the use of their drugs in executions.

Maya Foa, Reprieve's director, said Johnson & Johnson's opposition was a milestone in the industry's retreat from the death penalty. "The world's largest drug manufacturer has added its voice to the industrywide consensus that opposes the misuse of medical products in lethal injection executions," she said.

Kent Scheidegger, legal director and general counsel of the Criminal Justice Legal Foundation, which supports the death penalty, said drug companies have caved to pressure from abolitionists.

"The drug industry had no problem supplying execution drugs until they came under fire for it," he said. "As a matter of business, the profit from selling to this very small market is not worth the problems the opponents can generate."

Julie Jones, secretary of the Florida Department of Corrections, said in a January letter to Gov. Rick Scott that the new protocol "will not involve unnecessary lingering or the unnecessary or wanton infliction of pain and suffering."

Mr. Scott's press secretary referred questions to a spokeswoman for the Florida Department of Corrections.

The spokeswoman said the department follows the law and carries out sentences of the courts. "This is the department's most solemn duty, and the foremost objective with the lethal injection procedure is a humane and dignified process," she said.

The Florida protocol calls for an injection of etomidate, followed by the paralytic agent rocuronium bromide and potassium acetate to stop the heart. The Florida Supreme Court ruled last week that Mr. Asay is "at small risk of mild to moderate pain," and declined to halt his execution.

Left, a shrine to Diego Maradona at Bar Nilo in Naples. Above, a mural showing his ‘Hand of God’ move on a Naples building in 2016.

ALESSIO PADUANO/ANADOLU AGENCY/GETTY IMAGES (RIGHT); IAN LOVETT/THE WALL STREET JOURNAL

DIEGO

deem him *“Santo Originale,”* (the original saint) or simply *“Dios.”*

“He’s not a saint—he’s a god,” said Enzo Cozzolino, who owns a shop in the historic center that doubles as a house of Maradona worship. “He’s like San Gennaro.”

He also left Napoli in disgrace in 1992 after testing positive for cocaine and serving a 15-month suspension from professional soccer. In his 2000 autobiography, he admitted to using drugs during his playing days.

Mr. Maradona, 56 years old, scored one of the most infamous goals in soccer history—an illegal handball that defeated England in the quarterfinal stages of the 1986 World Cup, which has been dubbed the “hand of God” goal and led to decades of loathing from English fans.

More recently, he has drawn barbs for his support of Venezuelan leader Nicolás Maduro, whom he has said on Facebook he would be willing to fight for. He is now toiling in obscurity as manager of Al-Fujairah, a little-known team in the United Arab Emirates.

Not only is Mr. Maradona not Italian, he is an Argentine who helped knock Italy out of the 1990 World Cup.

No matter in Naples.

Twelve-year-old Gaetano Scotto, born long after Mr. Maradona’s 1997 retirement, proudly cites Maradona as his favorite player. Had he even seen him play?

“Of course!” Local television still frequently replays games from Mr. Maradona’s glory days. Plus, Young Gaetano’s father, Salvatore Scotto, requires Maradona devotion in the household. “I taught him,” said Mr. Scotto, 42. “Maradona is a saint. He’s given us so much.”

Mr. Maradona couldn’t be reached for comment.

At Mr. Cozzolino’s shop, drinks and snacks for sale are hardly visible behind the Napoli banners and Maradona photos, drawings and figurines. Mr. Maradona’s off-field lifestyle only endeared him to Mr. Cozzolino, 59, who reminisces about how the player would show up late for games after partying all night and still score.

“That’s like Naples—that’s how the Neapolitans do it,” Mr. Cozzolino said. “He has solidarity with Naples. He’s a little crazy.”

Somehow, Mr. Cozzolino isn’t the most devoted Maradona fan on his block. At Bar Nilo across the street, a shrine to El Diego adorns the wall, complete with strands of his black, curly hair. Owner Bruno Alcide, 56, said he saw Mr. Maradona on a 1990 flight and later snatched the hairs off his hero’s headrest.

“When Neapolitans wake up, they think first of soccer,” he said. “Family is second.”

Mr. Maradona arrived in 1984 at what many residents describe as a difficult time for Naples. An earthquake had devastated the city. The Camorra, a crime syndicate based in Naples, controlled the streets. Residents resented how they were viewed in wealthier Italian cities to the north. “Maradona gave the city new life,” Mr. Alcide said. “He would say, ‘We’re the best in the world.’ People started to believe it in other aspects of the city as well.”

Naples Mayor Luigi de Magistris said Mr. Maradona “let Neapolitans dream” and sparked a rebirth. Last month, he brought Mr. Maradona to Naples to make him an honorary citizen. During his time there, crowds watched as he sliced a cake, climbed on a car and partially removed his shirt. “No community,” Mr. Maradona said during a ceremony there, “has loved me as much as you.”

Comparisons of Mr. Maradona to saints may have begun with...Mr. Maradona.

After using his hand to score the 1986 World Cup goal, he claimed it was “a little with the head of Maradona, and a little with the hand of God.” The play has been called the “hand of God” ever since.

He met fellow Argentine Pope Francis before a charity match in 2014 and credits the pontiff with his return to the church. The esteem is only partly mutual: Pope Francis said during World Youth Day festivities last year that Lionel Messi, Argentina’s current star, is a better player than Mr. Maradona.

That view is heresy in Naples, where current Napoli and Italian national-team players are all but forgotten in the Maradona fervor.

At one official S.S.C. Napoli team shop, Mr. Maradona’s shirt isn’t for sale, because he no longer plays for the team. But there are four Maradona photographs on the door and only one of a current player. A photo of El Diego is taped to the register.

Alessandra Grieco, who sells soccer shirts from a sidewalk stand, said Maradona shirts are her biggest seller. “He’s always the most requested,” said Ms. Grieco, 48. “Because he’s always been a great champion, even if it was in the past.”

Agnostics include Carmela Esposito, 44, who called Mr. Maradona “a god” on the field but was troubled by some of his behavior. “He was great for the team,” she said, “but not necessarily for the city.”

Doubters are rare, though. Asked about Mr. Maradona on the street, Francesco de Pasquale led a reporter up to his apartment. A huge picture of Mr. Maradona hung over his mantle, dwarfing family photos below.

Like some other Neapolitans, he was glad Mr. Maradona defeated Italy in the 1990 World Cup. His allegiance to his country wasn’t as strong as his allegiance to Naples, he said, adding that Mr. Maradona was as important to the city as San Gennaro.

“He’s the King of Naples, after the Bourbons,” said Mr. De Pasquale, 44, referring to the monarchs deposed when Naples was unified with the rest of Italy in the 1800s. “I love Naples. But more than Naples, I love Maradona.”

—Francis X. Rocca contributed to this article.

TRAINS

Continued from Page One

iar with the matter. Kellogg Co. has called in truck-hauled tankers of cooking oil to ensure uninterrupted production of Pringles at a Jackson, Tenn., factory, a person familiar with the matter said.

A spokeswoman for McDonald’s said french fry eaters haven’t been affected because “we have contingencies in place to ensure there is no disruption in our supply.” Kellogg didn’t respond to a request for comment.

Much of the blame is aimed at Hunter Harrison, the 72-year-old railroad-industry veteran who became CSX’s president and chief executive in March as part of a shake-up led by an activist investor. He promised to run the company’s 21,000-mile network more efficiently by idling excess equipment, closing some freight yards and running trains on a tighter schedule.

Mr. Harrison used a similar strategy to turn around Canada’s two largest railroads, Canadian National Railway Co. and Canadian Pacific Railway Ltd. He conceded that the program is off to a rocky start at CSX but said any short-term problems will lead to improved service in the long run.

“I’m sensitive to the issues that we’ve had. I don’t want to give the impression that I’m not,” Mr. Harrison said in an interview. “Some of the characterizations of some of the issues have been inaccurate and have been far overstated.”

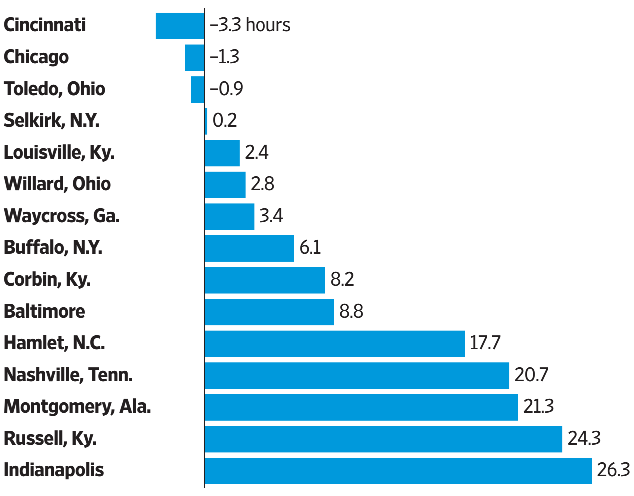
He added: “Each one that has come to our attention, we have worked and continue to work very diligently” to address the problem.

Mr. Harrison said some of the recent snarls were beyond his control, such a derailment in Pennsylvania that interrupted service in that region for more than a week in July. Some CSX employees also are resisting the efficiency plan, he said.

In June, CSX fired nine employees in Cincinnati who Mr. Harrison said falsified computer reports about train-car movements to avoid being criticized about delaying customer shipments. He said this month’s derailment of a CSX freight train in South Carolina appears to be suspicious. Local news reports said a bulldozer was partially blocking the tracks.

Delayed and Backed Up

Change in average dwell time at CSX terminals from a year earlier



Note: Week ended Aug. 11

Sources: the company; Railroad Performance Management THE WALL STREET JOURNAL.

Unions representing CSX workers disputed Mr. Harrison’s comments. In a letter to Mr. Harrison earlier this month, they said the unions refuse “to accept responsibility for service disruptions that negatively affect the customers when we have no input on operational changes.”

Late last month, the federal Surface Transportation Board ordered CSX to hold weekly meetings with the railroad regulator to discuss the problems. Last week, the STB told Mr. Harrison in a letter that it is concerned about “widespread degradation” of rail service.

“The network needs to be fluid,” Ann Begeman, the agency’s acting chairwoman, said in an interview. Several companies have told the STB that they were close to shutting down factories because of service-related problems at CSX, she added.

A broad group of freight shippers, the Rail Customer Coalition, told lawmakers in a letter that the service woes “put the health of our nation’s economy in jeopardy.” The group called on Congress to investigate the problems.

CSX’s Mr. Harrison responded that the letter contains “unfounded and grossly exaggerated” statements.

Chemical company Chemours Co. expected Mr. Harrison to make big changes at CSX but was in the dark about when they would occur, said Eddie Johnston, federal government affairs manager at Chemours. The Wilmington, Del., company, spun off from DuPont Co. in 2015, makes Teflon coatings, pigments for automotive paints and cosmetics ingredients.

In May, CSX trains started missing expected stops at Chemours plants in the eastern U.S., according to Mr. Johnston. Sometimes, CSX trains delivered raw materials to Chemours but left behind outbound freight cars meant for customers farther up the supply chain.

Other times, he said, CSX picked up finished goods from Chemours but didn’t deliver raw materials or empty freight cars needed for the next pickup.

Mr. Johnston said one Chemours plant came within hours of shutting down in late July before a CSX train arrived with a critical ingredient. Chemours has slowed production at one plant to make sure it can keep running.

“We’re sort of hanging by a thread,” he said. More than once, Chemours complained to a CSX employee about the problems and then found out the next day that the employee had left. CSX has eliminated 2,300 jobs this year. It had about 27,000 employees in December.

There and Back

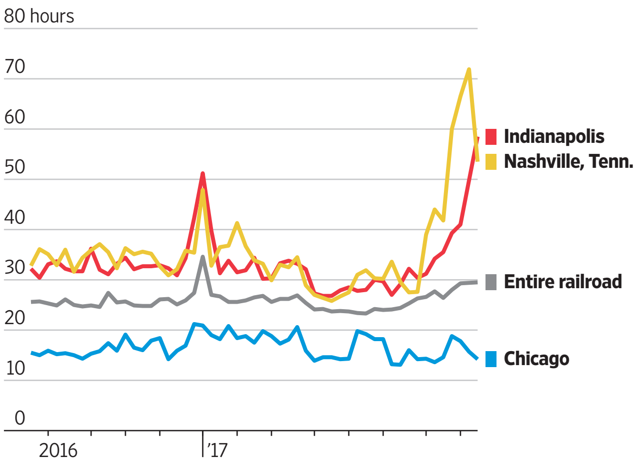
Because of problems at CSX, it took one freight train 18 days to complete a trip that usually takes a few days.

Source: the company

THE WALL STREET JOURNAL.

Trouble in the Hump Yard

CSX has shut down more than half of its hump yards, which are massive freight-sorting facilities. Average dwell times at some of the company’s terminals:



Sources: the company; Railroad Performance Management THE WALL STREET JOURNAL.

Chemours is using trucks to keep its plants running and deliver finished products to customers. A conversation last month between Mr. Harrison and Mark Vergnano, president and CEO of Chemours, has led to better communications, but service levels haven’t improved. “There are people that think normalcy still could be months away,” said Mr. Johnston.

Mr. Harrison said CSX customers were “well-informed” of what the changes would look like, given his record at other railroads. “I don’t think anyone got caught by surprise,” he said.

One of the most jarring changes by Mr. Harrison was the elimination of hump yards, massive facilities that sort long trains by rolling them down an incline and directing them toward tracks where new trains are built. Those trains then roll out to new destinations.

CSX’s Mr. Harrison wants more freight trains sorted when the railroad picks them up and to use locomotive power to break apart and reassemble trains. Soon after taking over at CSX, he closed eight of 12 hump yards, adding more strain to the four remaining locations.

One of the closed hump yards, the Avon Yard in Indianapolis, has since been reopened. “We might have made a mistake” there, said Mr. Harrison.

CSX’s closed Radnor hump yard in Nashville, Tenn., was part of a 500-acre facility. The entire terminal has struggled to adjust.

A measurement of freight-yard delays called dwell time averaged 53.5 hours in Nashville in the latest week for which CSX has released figures, up 63% from a year earlier. Dwell time has more than doubled since April.

Mr. Harrison said the Nashville terminal “didn’t have the best culture,” so he brought in some new managers to try to unclog it. He said the worst is behind CSX in Nashville, and dwell times have begun to rebound.

Some shippers complain that freight is taking roundabout routes that add days to the travel time. The railroad industry calls it ping-ponging.

“All of a sudden, we’re seeing a flood of these types of things,” said Dennis Wilmot, chief executive of Iron Horse Logistics Group, of Aurora, Ohio, which manages railcars for customers. CSX took an Alabama-bound metals shipment to New Orleans, where it was handed off to a Union Pacific Corp. train and then headed west before turning around and eventually reaching Alabama, according to Mr. Wilmot.

CSX said it has been “sending some cars to less-congested, out-of-route terminals for sorting” to keep “customer deliveries moving as efficiently as possible through some congested terminals.”

Poultry farmers are “incurring hundreds of thousands of dollars in additional business costs to make emergency purchases of ingredients transported by truck to keep poultry alive,” according to a letter to regulators last week from the National Grain and Feed Association and other agricultural trade groups. The groups said some CSX feed deliveries were delayed nearly three weeks.

Each day that a railcar is delayed costs the owner as much as $100, estimates Herman Haksteen, president of the Private Railcar Food and Beverage Association, which represents large food companies like PepsiCo Inc. and Kraft Heinz Co. For now, companies are absorbing the higher costs.

“They’re doing they’re everything they can so the consumer doesn’t see it,” said Mr. Haksteen. “The customer might see it next year.”

Brent Bilsland, chief executive of coal producer Hallador Energy Co., of Denver, said service improved in July and August after “subpar” performance in the second quarter. “The performance of the CSX has been much more precise and really, really quite good,” he told analysts Aug. 9.

Shipments of corn and soybean meal by CSX are arriving at a Gettysburg, Pa., facility in seven days, down from 12 days, said Dan Sharrer, co-owner of Agricultural Commodities Inc. The company makes pretzel flour, fertilizer and poultry feed.

“They stubbed their toe, but all in all, they have done me well,” he said.

CSX has told customers to brace for a few more rocky weeks. “Shortly after Labor Day, you’ll see things return to what we call normal,” Mr. Harrison said. “And then they’ll start tracking up again.”

LIFE & ARTS

LIFE

What Would Ben Franklin Say?

Modern fans give the founding father's 18th-century virtues a 21st-century twist

PHOTO ILLUSTRATION BY WILLIAM DUKE (PHOTO: LOC; HEATHER WALSH FOR THE WALL STREET JOURNAL

BY ANNE KADET

A GROUP OF FRIENDS sat in a circle on the beach in Huntington, N.Y., one recent night to talk about their progress cultivating tranquility. Initially, it hadn't gone that well, said Gerard Healy. He'd tried to kayak but the boat he borrowed from his sister was too small. "I got all wet and haven't used it since," he said.

The group of five was the Huntington Ben Franklin Circle, one of more than 70 groups that have formed around the country in the last 18 months. The groups focus on cultivating the founding father's 13 virtues including silence, frugality and humility.

Modeled on Franklin's Junto, his Philadelphia "club for mutual improvement" that met every Friday evening to discuss the virtues, the modern circles range from invitation-only dinner gatherings to public meetings in municipal libraries.

Some adhere to the suggested format: Members commit to practicing a given virtue and report back at the next session. Others simply offer a freewheeling discussion on a meaty topic, free of the rancor that characterizes a lot of contemporary debate.

The idea was spurred by New York City's 92nd Street Y, when a long email conversation between its executives prompted one to comment that the thread was serving as a sort of Junto for them. The cultural and community center began hosting pilot discussions, and eventually produced a downloadable tool kit to help people start their own Ben Franklin Circles.

Some, though, find applying Franklin's 18th century virtues to 2017 a little thorny.

When Lee Kuczewski joined a Ben Franklin Circle in New York City this summer, "I was expecting to discuss virtues and values," says the 35-year-old entrepreneur.

But the dozen attendees meeting in a small Manhattan church weren't totally on board with Franklin's virtues, starting with 'temperance'.

While Franklin admonished, "Eat not to dullness; drink not to elevation," members were far more interested in tempering their internet addictions.

"Drinking and eating disappeared out of the conversation almost completely," Mr. Kuczewksi says.

The group's second gathering included wine and dessert. "Strangely, we all lacked self-restraint," he says. But Mr. Kuczewksi says that the conversation did help him curb his screen time.

The 20-odd member circle hosted by the Commonwealth Club in San Francisco serves as less of a self-improvement program and more of a forum for discussing the merits of the virtues themselves, says organizer George Hammond, a retired mergers and acquisition lawyer who has written books on Plato and early Christianity.

"We ask, is this virtue actually good for us?" he says.

In many cases, the virtues are found lacking.

Sincerity? A white lie might spare someone's feelings. Silence? Society needs diverse opinions. Chastity? "Mr. Franklin certainly didn't practice it," says Mr. Hammond.

Other groups interpret the virtues to suit their situations. While Franklin issued clear direction on chastity ("Rarely use venery but for health or offspring"), in the Huntington, N.Y., circle, "we committed to more sex rather than less" with their committed partners and spouses, says organizer Patty Morrissey. Franklin forbade using sex for "injury," and some were concerned that withholding sex could be hurtful.

As for industry? While Franklin directed, "Lose no time; be always employ'd in something useful," some participants instead committed to paring their schedules. "We had a great conversation about the myth of multitasking," says Jena Cane, whose Seattle circle includes some hyper-busy entrepreneurs.

Asha Curran, director of the Belfer Center for Innovation & Social Impact, at the 92nd Street Y, says she considered updating Franklin's virtues with contemporary buzzwords such as 'mindfulness' and 'gratitude'. But she ultimately preserved his list verbatim.

"The value of knowing an old-fashioned word can apply to modern life is very profound," she says.

The Center, which helped launch the Circles in partnership with the Hoover Institution and the Citizen University, a nonprofit devoted to fostering citizenship, tweaked Franklin's Junto meeting format to broaden its reach via the internet. It also reduced time demands by suggesting a monthly rather than weekly meetup.

"It's an experiment—an open-source model of taking an idea that's 250 years old and updating it for the 21st Century. Who knows what to expect?" says Ms. Curran.

A Denver group combined a Ben Franklin Circle with its walking club. A Miami circle joins children and seniors. In Kittrell, N.C., Art Beveridge and his friends combined their Ben Franklin Circle with a book club, discussing how characters exemplify the virtues. "It works pretty well," says Mr. Beveridge. "Although 'cleanliness' is hard, because it's a book, and we don't know whether they did the dishes."

Mr. Beveridge, a construction consultant and blacksmith, says he does his best to take Franklin's suggestions. Following the discussion of temperance, for example, he began launching his evening cocktail hour with a soda instead of the usual vodka collins. A born storyteller, he is struggling with silence. "But I think I've gotten better," he says. "I listen to my wife more and she appreciates it."

Like Franklin, Tom McGuire, a web developer in Austin, Texas, selects a different virtue to practice every day. He chooses from a list on his smartphone. The biggest benefit of the circle he started, he says, comes from the monthly commitment.

"I know I need to fix some behavior, and having other people to check in with is really where the power is," he says.

In the Seattle circle, discussions on 'cleanliness' and 'order' stirred a lively debate between the neat-freaks and the artist types who insisted that creativity arises from chaos.

"It seems like a silly thing to talk about whether you are clean and tidy, who cares," says Ms. Cane. "But because of the format, people approached it with a seriousness: 'Why have I not considered this as a virtue?' "

"I still make my bed now," she says. "Even though I hate it."

Left: Huntington Ben Franklin Circle participants Patty Morrissey, Judith Van Hekken, Amy Endler and Gerard Healy discuss the 13 virtues over beer, wine, popcorn and chocolate.

MUSIC REVIEW | By Jim Fusilli

ROCK AND POP FOR THE MODERN WORLD

Nadine Shah's new album is 'Holiday Destination'

JULIA ROMANOVSKAYA

ON HER THIRD full-length album, "Holiday Destination" (PIAS America), out on Friday, the British vocalist-composer Nadine Shah steps into the world of geopolitics as she writes about identity, immigration and other related topics. The events of 2016—Brexit, the rise of nationalism, and attacks on immigrants both physical and verbal—shape her latest lyrics. Some appear as reportage, others from a fictionalized first-person perspective; many are informed by experience. The 31-year-old Ms. Shah's father is Pakistani, her mother Norwegian; she was born in Whitburn on the coast of Northeast England.

"I've been told I'm not English enough to be English and not Pakistani enough to be Pakistani," she said by phone last week from the garden at her home in Tottenham, London. She concedes she has an easier time of it than her darker-skinned relatives who, like she, are Muslim.

Accompanied by modern rock influenced by New Wave and the rhythms of Afrobeat, Ms. Shah's dark, burnished voice unwraps her tales with empathy and urgency, resulting in her best recording to date. Working again with Ben Hillier, who produced her first two albums (as well as discs by Blur, Depeche Mode, Elbow, Natalie Imbruglia and others), Ms. Shah turned over demos in which she sang complemented by her guitar or piano. Mr. Hillier often began to flesh out the instrumentation by adding drum parts, and many songs on the album have at their center Ms. Shah's voice and the sound of a drum kit. In the songs "2016" and "Evil," a simple pattern is at the center of the mix. "Ordinary" features a high-hat cymbal and bottom-heavy percussion that rumbles as if a microphone were set inside the kick drum. Opening the album, "Place Like This" jumps off with polyrhythmic percussion that intensifies as the track progresses.

Ms. Shah and Mr. Hillier, whom she refers to as a full partner in her music-making, haven't stinted on arrangements. Neill MacColl's big riff on electric guitar rings throughout "Yes Men" and Pete Wareham's staccato saxophone adds bitter commentary to the punk-influenced "Out the Way." In "Mother Fighter," the album's most fully realized track, Ms. Shah and the band charge hard, placing a thick sheet of sound and pounding drums under the top line.

Ms. Shah is a dramatic vocalist who is never overwrought or hyperbolic. She conveys honest emotions in her tales and thus she may be compared with Anna Calvi, Annie Lennox, Nina Simone and Scott Walker, among others—singers who know sincerity can be dressed up but never feigned. In "Mother Fighter," she pulls back from the rage to sing melodically, rather than bark angrily, "You're not staying with me / I can't promise all will be fine... / Just come back home when land is as calm as the sky," adding, "I'm a mother and a fighter / I can do both just as well."

Though it makes its points repeatedly, "Holiday Destination" is far from a screed. Ms. Shah encourages communication and understanding. Without identifying which side her narrator represents, in "Evil" she sings: "Look I'm standing right here before you / I can only offer what I've been taught." In "Relief," she sees exhausted workers dragging themselves home. "My bus is crammed with sad tired faces" is how the tale begins. Do those faces belong to native British or immigrant laborers? She doesn't specify.

Ms. Shah isn't well known in the States despite her appealing work prior to "Holiday Destination." She may be best recognized by American audiences for her guest slots with Maya Jane Coles and Ghostpoet. Ms. Shah wishes the message of her music could reach more who might not share her perspective. But there are advantages to playing to crowds that overwhelmingly agree with your viewpoint: A quietly intense performer on stage who sings standing behind a keyboard, Ms. Shah said she can feel a welcome sense of community at her shows.

"There is something to be said for being among people who are like-minded," she told me. "You can feel desperate, but for that small amount of time, your faith in humanity is restored."

Thus "Holiday Destination" is a balm as well as a provocation. Its messages can apply not only in the U.K., but in other countries, including the U.S., that face shifting attitudes on human-rights issues and where the goal of mutually beneficial dialogue is being hijacked by extremists. That is quite a lot to ask of a rock-and-pop album, but here Ms. Shah delivers a work that is thoughtful, affecting and satisfying.

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

OPINION

REVIEW & OUTLOOK

Trump's Afghan Commitment

> He listens to his generals and not to the isolationist right.

President Trump inherited a mess in Afghanistan, so give him credit for heeding his generals and committing to more troops and a new strategy. His decision has risks, like all uses of military force, but it will prevent a rout of our allies in Kabul and allow more aggressive operations against jihadists who would be delighted to plan global attacks with impunity.

Also give him credit for explaining a matter of war and peace to the American people Monday in a serious, thoughtful speech. Barack Obama unveiled his Afghan strategy in a major speech in 2009 and then tried to forget about the place, Mr. Trump should continue making the case for his strategy in more than Twitter bursts.

* * *

The heart of the new strategy is a commitment linked not to any timeline but to "conditions" on the ground and the larger war on terror. "We are not nation-building again. We are killing terrorists," he said, in a line that will resonate with his political supporters as well as the soldiers who will do the fighting.

One complaint against Mr. Obama's antiterror strategy is that he imposed political limits that made it harder to succeed. He did so in Afghanistan at the start of his surge when he put a timeline on withdrawal. And he did so at the end of his term when he refused to let U.S. forces in that country target Taliban soldiers even when they were killing our Afghan allies.

Mr. Trump said he is also lifting "restrictions" and "micromanagement" from Washington on the rules of military engagement. This means going after jihadists of all stripes, and it gives the generals flexibility to inflict enough pain on the Taliban that they begin to doubt that they can win. Mr. Trump didn't commit to a specific number of troops, though some sources have suggested 4,000 more in addition to the 8,400 currently there.

Those troops won't turn the tide by themselves, but we hope Defense Secretary Jim Mattis has the flexibility to deploy what he needs. If the strategy includes more close-air support, medical evacuation capability, Apache attack helicopters and officers embedded at the battalion level with Afghan military units, the U.S. troops will boost the morale of Afghan forces who ultimately have to win the war.

Mr. Trump's most significant shift—if he can follow through—is the challenge to Pakistan. "We have been paying Pakistan billions and billions of dollars at the same time they are housing the very terrorists that we are fighting," he said. "But that will have to change, and that will change immediately."

History shows that a key to defeating an insurgency is denying the kind of safe haven that Pakistan provides the Taliban and the closely allied Haqqani network. Mr. Trump's implication is that Pakistan must help in Afghanistan or face a cutoff in U.S. aid and perhaps cross-border strikes against terrorist sites inside Pakistan. Pakistani military leaders have never taken such a U.S. threat seriously, and if they play the same double game Mr. Trump will have to show he means it.

The Taliban now control as much as 40% of Afghan territory. But if the U.S. and Afghan army can stabilize more of the country, while training more Afghans to be as effective as its special forces have become, a diminished Taliban threat is achievable. The Afghan government will also have to do its part by providing better governance. Taliban leaders will have to be killed, but its foot soldiers might decide over time they can live with the government in Kabul.

And what, really, is the alternative? Senator Rand Paul and the isolationist right want a U.S. withdrawal. But as Mr. Trump explained, that could return Afghanistan to a jihadist playground. Mr. Trump would own the foreign-policy and political consequences as Mr. Obama did the rise of Islamic State after his retreat from Iraq. Opposition from Democrats now is also disingenuous given their silence as Mr. Obama's strategy led to the current road to defeat.

Erik Prince of Blackwater has proposed turning the Afghan duty over to mercenaries with experience in the country. But does anyone think the U.S. public would long support paying modern-day Hessians to fight, as the press corps highlights every mistaken use of force or alleged misuse of taxpayer funds? Democrats turned Blackwater into a dirty political word—unfairly, for the most part—even when it was working side by side with U.S. troops in Iraq.

* * *

As Mr. Trump acknowledged in his speech, the U.S. public is wary of spending money on war without results. But Americans have also shown they will support commitments abroad for decades as long as casualties are low and they serve U.S. security interests. That's been true in South Korea, Europe and the Persian Gulf. The long war against jihadists will require similar commitments abroad, albeit with the flexibility to adapt as the enemy does.

Mr. Trump's instincts are to avoid foreign entanglements, but the reality of the Presidency is that American's foreign commitments can't be abandoned without consequences. Mr. Trump has now made his own political commitment to Afghanistan, and his job will be maintaining public support and congressional funding. These obligations go with the title of Commander-in-Chief.

Washington's Economics Deficit

> What does the Trump trade rep have against the U.S. car industry?

Steve Bannon may be gone from the White House, but his trade agenda survives in the form of Robert Lighthizer. Last week the U.S. Trade Representative opened renegotiation of the North American Free Trade Agreement (Nafta), and he has made reducing U.S. trade deficits with Canada and Mexico his top priority. But what good is success for Mr. Lighthizer if it means failure for President Trump's agenda of faster growth?

Free trade is always good for consumers, but Nafta has also been a boon to North American producers. Companies have allocated capital to its highest use on the continent, investing where they find a comparative advantage. Two examples are U.S. agriculture and Mexican low-skilled manufacturing. The result has been an explosion in North American trade. Total trilateral merchandise trade has grown to more than $1 trillion annually from less than $300 billion in 1993.

Enter Mr. Lighthizer's trade-deficit preoccupation, which holds that unless Mexico buys the same dollar amount of wheat and corn from the U.S. that the U.S. buys in widgets from Mexico, Americans are losing out. This bizarre economics is dangerous to American prosperity.

One of Nafta's many benefits to American global competitiveness is that it allows U.S. manufacturers to access low-priced intermediate goods from its neighbors, add value in the U.S., and then export the final product around the world. Consumers at home and abroad find these U.S. products attractive because they are well-made and competitively priced thanks to continental supply chains.

Workers and wages have benefitted too. The growth of high-paying U.S. jobs in technology, innovation, design and marketing depend on this free-trade web of supply chains.

U.S. car and truck makers benefit in particular from intracontinental trade. Production facilities in all three Nafta countries ship unfinished products across borders, often multiple times, before completion. It isn't an exaggeration to say that free-trade access to labor and capital across North America is largely responsible for the survival of the U.S. auto industry.

John Bozzella, CEO of the Association of Global Automakers, told Reuters last week that U.S. auto production has increased by more than one million vehicles annually since Nafta and there has been a boom in exports. Whether the industry can survive Mr. Lighthizer is another matter.

Nafta requires that 62.5% of a duty-free vehicle be made in North America. Mr. Lighthizer wants to increase the Nafta-content percentage—though he hasn't said by how much. His goal is to lower the content coming from Asia or Europe that could be included in a duty-free Nafta vehicle.

This would make production in Mexico less competitive than it is now, and let's not forget that Mr. Lighthizer previously toiled as a trade lawyer for the American steel industry. Squeezing foreign steel producers may also be one of his Nafta goals.

Mr. Lighthizer also wants to add a new mandate that Nafta vehicles contain "substantial U.S. content." The Lighthizer logic is that this will create jobs in the U.S. Yet if higher U.S. content were good for making and selling cars around the world, the government would not have to mandate it.

As Mexico's economy minister Ildefonso Guajardo said this weekend, "National content is not used in any [trade] agreement in the world, because it puts too much rigidities to the companies."

Mr. Lighthizer may not want to listen to his Mexican counterpart or to Canadian Foreign Minister Chrystia Freeland, who also opposes national content rules. But American manufacturers, aka the job creators, have issued their own warnings.

"We certainly think a U.S.-specific requirement would greatly complicate the ability of companies, particularly small- and medium-size enterprises, to take advantage of the benefits of Nafta," said Matt Blunt, president of the American Automotive Policy Council, which represents GM, Ford and Fiat Chrysler.

Mr. Lighthizer says he wants to restore jobs that have been lost since 1994 when Nafta was launched. But most of those jobs were lost to technology and higher labor productivity.

New employment opportunities depend on new export markets and enhanced competitiveness. Step one is to let go of the obsession with Nafta trade deficits.

Steve Bannon Isn't Going Away

By Walter Russell Mead

The defenestration of Steve Bannon will bring some badly needed calm to the White House, at least in the short term. But the deepest crisis of confidence in American foreign policy since the 1940s isn't going away. Neither is Mr. Bannon, as he told me in a late-night telephone conversation over the weekend.

President Trump's highest officials remain committed, one way or another, to defending the global order the U.S. has been building since the Truman era. That includes Secretary of State Rex Tillerson, Defense Secretary Jim Mattis, Chief of Staff John Kelly and national security adviser Gen. H.R. McMaster.

These men share a disdain for the Obama administration's retrenchment and retreat, though they are less hopeful than former President George W. Bush's neoconservative advisers about the prospects for promoting democracy abroad. They want to check the ambitions of America's rivals while restoring the foundations, both military and economic, of U.S. world power.

For Team Trump, defending Pax Americana, costly as it may be, remains the best and even the only realistic foreign-policy option.

As they seek to "normalize" Mr. Trump's foreign policy post-Bannon, they will face two sets of challenges. One is external: Pax Americana is growing more difficult and costly to maintain in an increasingly disorderly world. From Venezuela's implosion to North Korea's drive for an intercontinental nuclear missile, from the standoff in the South China Sea to the madness of the Middle East, there are urgent problems that resist easy or elegant solutions.

The second challenge is skepticism—both among the wider public and in the Oval Office—about the continuing value of conventional international relations in an evolving world. Mr. Bannon aims to deepen that skepticism, which he sees as a force that can change the trajectory of American foreign policy and politics alike.

For Mr. Bannon, the assumptions and institutions of the Pax Americana brought victory over the Soviet Union, but they are already failing in a contest with China. Beijing, he claims, has learned to game the very system that most of Washington's established analysts believe is the key to American strength.

The traditional view is that institutions such as the World Trade Organization support U.S. power and security. Mr. Bannon sees them instead as facilitating a deliberate Chinese attack on the economic strength that underpins American social cohesion and military strength. To deal with a new kind of competitor in a new kind of contest, Mr. Bannon believes, the U.S. must move away from the international architecture of the past and embark on a radically new course.

In his view, voters already sense this, even if Washington's power brokers don't. "The country is ahead of the elites," he told me. As China continues to export deflation as a means to stave off economic crisis at home—what Mr. Bannon calls Beijing's mercantilist trade strategy—he expects growing effects on the incomes and jobs of Americans. At the same time, the geopolitical threat of rising Chinese power will be increasingly felt.

> He aims to defeat the 'globalist' crew by pushing China into the 2018 campaign.

Mr. Bannon's former White House colleagues are committed to defending free trade and the "globalist" diplomacy that he thinks will be increasingly unpopular. So he hopes to separate President Trump from the national-security team now in power by making foreign policy a key issue in the 2018 and 2020 campaigns.

Leveraging the Breitbart media empire and his own star power, Mr. Bannon seeks to play the role of a latter-day Paul Revere, riding through cyberspace to warn the American people that the Chinese are coming. The goal is to create conditions for a new domestic political alignment and a fundamental shift in American strategy abroad.

This is a goal of extraordinary ambition and, some would say, arrogance. But Mr. Bannon's ability to connect with public opinion in ways most thought impossible in 2016 suggests he should not be dismissed out of hand.

Even if his campaign is only partly successful, the foreign-policy divide inside both parties will widen. To the extent that "globalist" foreign policy comes to be identified with tolerating Chinese mercantilism, the public's skepticism about it will likely deepen. As allies and opponents around the world perceive that domestic political support for America's current foreign policy is weakening, friends will begin to hedge, adversaries will test and the international environment will grow ever more challenging.

The White House will probably be a calmer place now that Steve Bannon has gone. It remains to be seen whether that quiet can extend to the country and the world.

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

Making a Mockery Of a Trade Deal

By Michael Taube

The North American Free Trade Agreement renegotiation process began last week. The U.S. released its 17-page platform in July with more than 100 proposals, including to examine "non-tariff barriers that constrain U.S. exports to Nafta countries," to devise "fair and open conditions for services trade," and to establish a "timely, effective . . . transparent" system for trade disputes.

Canada has a small list, only 10 proposals. Some, including reforms of the investor-state dispute settlement process, are good topics of discussion at the bargaining table.

But Foreign Affairs Minister Chrystia Freeland wants to make Nafta "progressive." So Canada's Liberal government proposes including new chapters related to "gender rights" and "indigenous rights." Seriously. Ms. Freeland wants Nafta to reflect the government's "commitment to gender equality" and "our commitment to improving our relationship with Indigenous peoples."

These topics should be discussed in an appropriate forum, but this isn't it. Gender and indigenous rights have nothing to do with a trade deal. Moreover, Nafta's successful renegotiation would benefit citizens of Mexico, Canada and the U.S., including the "progressive" elements Ms. Freeland is worried about.

This is another frustrating example of Canada's political culture. The Liberals are perennial fence-sitters, content to shift with the prevailing political winds. The current government is one of the most left-leaning in years, regularly casting leery looks at the free market, business community and foreign policy.

The Liberals also seem intent on blurring the lines between political and economic reality and becoming a political and economic alternative to America.

Prime Minister Justin Trudeau's recent profile in Rolling Stone—cover line: "Why Can't He Be Our President?"—is part of a long-term marketing strategy to make the young, hip, photogenic leader a progressive hero in the age of Donald Trump.

Displeasure with Mr. Trump's leadership has caused a shift in overall perceptions, too. A June Pew Research study found that only 43% of Canadians hold a favorable view of the U.S. That's down from 65% during President Obama's final year in office.

> Canadians want to expand Nafta to cover 'gender rights' and 'indigenous rights.'

Canadians, many of whom share Mr. Trudeau's and Mr. Obama's political tendencies, seem content with this left-leaning direction. A majority of Canadians, 52.7%, approve of Mr. Trudeau, though that's down from 61.7% last year. Canada's political culture approves of preposterous proposals like gender and indigenous rights in Nafta. It's the type of modern progressive agenda many Canadians want.

For the country, though, it may be a tactical error. The wiser strategy is for Canada to defend trade liberalization, elimination of unnecessary tariffs and protection of business. If Canada and the U.S. can't find common ground on Nafta, Mexico may end up becoming North America's voice of economic sanity.

Mr. Taube, a Troy Media syndicated columnist and political commentator, was a speechwriter for former Prime Minister Stephen Harper.

OPINION

The Disturbing Inevitability of Cyberattacks

By Brian E. Finch

A small but growing number of cybersecurity experts warn that we are a few keystrokes away from a dystopian world with no lights, running water or modern communications. Some even argue that it will take such a disastrous attack to jolt us into finally building more effective virtual defenses. While the possibility of large-scale cyberattacks gets the lion's share of attention, chaos by small doses is more probable.

While a systemwide cataclysm is possible, targeted hacks against businesses do more harm.

Government and private businesses have invested billions of dollars in cybersecurity measures to protect critical infrastructure, dramatically decreasing the likelihood that hackers could bring about another Stone Age. While rogue squirrels nesting in utility components are responsible for thousands of blackouts, cyberattacks have caused few. Recent incidents reveal a far likelier scenario: paralyzed operations for countless businesses. And even concerns about cyberattacks against business operations have historically taken a back seat to worries about personal data hacks, which can affect millions of individual consumers.

Hackers are increasingly turning to "ransomware," a type of virus that encrypts computer systems and data without the owner's approval. Unless prepared to pay a "ransom" to the hacker, the victim is effectively blocked from ever again accessing the system. Ransomware attacks are bad enough, but their effect can be much worse if the damage is irreversible. And that is exactly how "NotPetya," the latest in a string of global cyberattacks, appears to be playing out.

Businesses of all sizes are suffering significant and lasting damage due to NotPetya because it appears to be modified ransomware code that has no unlock key (even when payment is made). One multibillion-dollar consumer-goods conglomerate, Reckitt Benckiser Group, has had many of its supply-chains systems rendered inoperable by NotPetya, leading to shipment delays, invoicing issues and manufacturing problems. Those business disruptions are expected to cost the company close to $130 million.

FedEx has also been hit hard by NotPetya. On July 17 it informed the U.S. Securities and Exchange Commission that NotPetya was still causing its European subsidiary TNT Express to suffer from widespread service delays and that it may never be able to restore fully the systems and data encrypted by the virus. FedEx's revenue has already declined as a result, compelling it to report a potential "material" financial impact to the SEC.

Smaller businesses are also vulnerable. One rural hospital in West Virginia had its systems so badly

GETTY IMAGES

infected by NotPetya that it is being forced to replace its entire information-technology infrastructure. A hospital system in Pennsylvania canceled surgeries due to NotPetya.

Past ransomware attacks have forced hospitals across the U.S. and U.K. to close down. In those attacks, ambulances had to be turned away until the hospitals expunged the computer virus or paid the hackers for the decryption key.

The problem isn't going anywhere. Cybercriminals launch hundreds of millions of attacks daily across the globe, and recent studies have found that as many as 60% involve ransomware.

The dominance of ransomware is simple to explain. It can be obtained free or easily made. It has a high success rate and generates handsome profits for hackers. Ransomware also tends to be used indiscriminately. While targeted attacks do happen, ransomware is typically blasted out en masse to infect any susceptible computer system.

Sometimes the only solution to a destructive hack is to rip out and replace the information infrastructure, much like what the Saudi national oil company did in 2012 and the U.S. Marine Corps did in 2014. The fix they ultimately settled on—physically shredding fatally infected laptops, servers and even keyboards—would be financially ruinous to most companies.

Ransomware isn't the only threat. The online world is awash in destructive viruses and poorly built malware that causes unintentional harm. Still, the ransomware plague illustrates a larger point: businesses of every size are vulnerable. Someday a company will take a fatal hit to its revenue or reputation.

Fortunately, much can be done to mitigate these threats. For starters, the U.S. government can spur increased cybersecurity through wider use of the Safety Act of 2002, a law that provides liability protections for companies that use proven defensive technologies. Such protections will help protect companies against lawsuits claiming that they—not their hackers—were responsible for a successful cyberattack.

Next, rather than creating a gargantuan new cybersecurity agency, Washington should empower existing cabinet agencies to act more quickly against cyberthreats. It must also take the fight to the hackers. Arrest them. Name and shame foreign governments who enable cyberattacks or host hackers on their territory. These aggressive measures have led to material decreases in hacks.

Companies can also help protect themselves by purchasing insurance that covers business-interruption losses, rather than standard policies that only reimburse costs associated with compromised personal data.

While cataclysmic cyberattacks are always possible, mundane attacks are likelier to cripple companies permanently. The failure to focus on that threat will not only be painful, it will also be painfully obvious in retrospect.

Mr. Finch is a co-chairman of the cybersecurity practice at Pillsbury Winthrop Shaw Pittman LLP. He served as a member of President Trump's Homeland Security transition team.

If the CEO Is Overpaid, Blame the Compensation Committee

By Robert C. Pozen And S.P. Kothari

Every year, shareholders of U.S. companies weigh in on executive pay by casting advisory votes on the reports of compensation committees. The committees are appointed by corporate boards to make recommendations about appropriate pay levels. Shareholders tend to take their reports at face value, voting to approve them in more than 97% of cases. But their confidence is undermined by a lack of awareness about the often flawed methods compensation committees use to determine pay.

The trouble is that compensation committees frequently rely on faulty performance metrics that inflate executive pay. But the committee reports do not provide a sufficient explanation of these metrics to shareholders.

First, their reports routinely use "adjusted" earnings that are much higher than the figures calculated under Generally Accepted Accounting Principles. While many companies tout adjusted numbers in their press releases on earnings, regulations require these releases to give their GAAP figures equal prominence. By contrast, there is no similar rule for compensation reports, which may use only the adjusted numbers without quantifying their differences from GAAP.

Take Merck & Co., whose CEO had a bonus goal for 2015 of $3.40 in adjusted earnings per share. The compensation committee concluded that he had met that target, since the company's adjusted earnings were $3.56 per share. But the committee's report failed to mention that GAAP earnings were only $1.56 per share.

This example isn't unique. In 2015, 93 companies in the S&P 500 announced adjusted earnings that were more than 50% above their GAAP earnings. At most of these firms, the compensation committees set executive pay using the adjusted earnings without quantifying how they differed from GAAP metrics.

There are valid reasons for excluding certain expenses from the GAAP figures. The costs of one-time events like layoffs might reasonably be omitted when calculating CEO pay. But most compensation reports don't provide sufficient justifications for these omissions. For example, they may write-off "one-time" restructurings that their companies actually undergo almost every year.

More broadly, compensation reports often leave out expenses that truly ought to factor into executive pay, such as litigation settlements for alleged financial misstatements by management. Depreciation and amortization are excluded on the grounds that they aren't core operating expenses. Yet they represent wear and

Its report will probably be approved by shareholders, even if it relies on metrics that inflate performance.

tear on the plant and equipment that generate operating income. Committees also exclude taxes, although tax management is clearly relevant to financial performance.

Committees frequently exclude expenses for granting restricted shares or stock options. In 2014 LinkedIn projected adjusted income of $950 million for the following year, but only by excluding $630 million of stock-related grants given to its executives. But it seems wrong to calculate pay packages for top managers with a metric that omits the cost of grants made to those same managers.

A second problem is that when compensation committees compare what CEOs make at similar firms, they often use an inappropriate set of peers. To provide a fair benchmark, peer companies should be of similar size. But often compensation committees choose peers bigger than themselves, most likely because bigger companies have higher executive pay.

In 2010, the Investor Responsibility Research Center Institute found that companies with relatively high executive pay were 25% smaller than their self-selected peers by revenue and 45% smaller by market cap. Or consider Office Depot, whose filings we examined. Of the 20 companies in its peer group, all had higher market capitalizations and 13 had higher revenues. It isn't hard to see how this is likely to skew executive compensation upward.

Moreover, although CEOs get large rewards for beating their peer group's average, the penalties for underperforming are usually modest. Take Merck in 2015: Its annualized shareholder return over the previous three years ranked in the bottom quartile of its self-selected peer group, but its CEO still received 80% of the possible payout for that metric.

What's the solution? The U.S. Securities and Exchange Commission should require compensation committees to explain and quantify the differences between GAAP earnings and any adjusted figures they use. Committees should also be required to disclose the revenues and market capitalizations of the peers they select.

At the same time, shareholders should become more proactive about advisory votes on executive pay. Institutional investors should formulate public guidelines for compensation committees to follow. Companies should then hold conference calls in which the committee members would explain any variances.

Setting executive pay will always be a tricky process, since the goal is to reflect performance while attracting top talent. To help shareholders accurately judge pay packages, compensation committees must use clearer and more standardized metrics.

Mr. Pozen is a senior lecturer and Mr. Kothari is a professor at MIT's Sloan School of Management. This op-ed is based on a study published in the July-August issue of the Harvard Business Review.

Europe Owes More to a Truth-Teller in Athens

By Thanos Catsambas

Few debacles in recent memory better represent the moral collapse of modern Greek society than the persecution of Andreas Georgiou. This endless ordeal is the culmination of failure at multiple levels of stakeholders, not least of which being the European institutions that have repeatedly bailed the country out over the past seven years.

From 1997 to 2009, a succession of Greek governments provided false data to the European Commission's bureau of statistics, Eurostat. This led to three years of underreported deficits, which prevented Greece from taking earlier and more effective measures, according to EU rules. Reports from the Commission and the European Parliament have noted that some of these data were outright fraudulent. The term "Greek statistics" began to assume derogatory connotations.

Mr. Georgiou, a former member of the statistics department at the International Monetary Fund, in August 2010 took over the Greek statistics office, known as Elstat, and began to improve the quality of the data. His efforts helped remove the reservations international creditors had about the quality of the information coming out of Elstat.

Mr. Georgiou's long-overdue truth-telling about the government's finances revealed that Athens had been spending far beyond its means for many years. Crucially, the new reliability of Greek statistics also enabled the rescues that international creditors have offered Greece since 2010. Other eurozone governments and the IMF wouldn't have provided these loans to save Greece from bankruptcy had they been unable to trust Elstat.

But not everyone was pleased with Mr. Georgiou. He was attacked from within Elstat by those who represented the ancien régime and were disturbed by Mr. Georgiou's technocratic and nonpolitical approach. These internal critics either found willing allies among the many political parties or were instigated by politicians to bring charges of "breach of duty" and "falsifying the deficit" against Mr. Georgiou.

Such accusations should have been dismissed as being without merit. But in Greece Mr. Georgiou's judicial prosecution has continued for six years, extending beyond the end of his term in 2015. Several probes and charges against Mr. Georgiou have repeatedly been dropped by lower-level courts, after no evidence of wrongdoing was found, only to be revived by higher-level prosecutors seeking to keep the case alive.

In the latest development, on Aug. 1 Athens's appeals court, in a reversal of an earlier acquittal, handed Mr. Georgiou a two-year suspended jail sentence for breaching his duties in the revision of the 2009 deficit. The court ruled that Mr. Georgiou should have sought the approval of the Elstat board before communicating the revised deficit data to the EU. Never mind that, according to EU rules, statistics aren't subject to approval by a board.

Few are without blame in this fiasco. Certainly not the morally bankrupt political class of Greece, leading members of which have for years suggested that Mr. Georgiou exaggerated Greece's 2009 deficit to justify the country's externally imposed bailout.

Creditors have been too timid in their support for the statistician who corrected Greece's books.

Officials of the main opposition New Democracy party want to repair the reputation of their former leader and prime minister, Costas Karamanlis, during whose term until late 2009 the public finances deteriorated precipitously. Current government officials of the ruling left-wing Syriza party have conveniently sought to make Mr. Georgiou a scapegoat for the fiscal-austerity measures dictated by the bailout.

But substantial blame must also go to the three European institutions in charge of the Greek bailout programs: the European Commission, the European Stability Mechanism and the Eurogroup, which comprises the eurozone finance ministers.

The European Union has repeatedly certified that Mr. Georgiou reported Greece's fiscal data accurately. Several investigators and prosecutors have concluded that Mr. Georgiou correctly applied EU law in revising the 2009 deficit and followed EU standards on how these statistical decisions were made. Yet despite this overwhelming evidence and an international outcry of support, Europe has only provided muted responses.

Europe's irresponsible dithering comes ahead of an expected ruling on a second, more serious charge against Mr. Georgiou: Greece's Supreme Court will decide within the next year whether to annul his earlier acquittal on the charge that he falsified the deficit and caused massive financial damage to his country. This felony charge, which could result in a life sentence, has been dropped and revived several times since 2013.

Greece's international creditors have complained to Athens that Mr. Georgiou's yearslong prosecution risks undermining the political independence of Greek statistics, reviving doubts about their reliability. So far, however, creditors have stopped short of taking any drastic measures, including a suspension of ESM loan disbursements, which might cause prosecutors to reconsider.

After six years of politically motivated twists, the Georgiou case should have convinced Europe's institutions that a direct intervention isn't only permissible, it's absolutely necessary, dictated by both human-rights considerations and the importance of safeguarding the fiduciary integrity of the huge loans provided for the benefit of the Greek people.

Mr. Catsambas is a senior nonresident fellow at the Atlantic Council and former alternate executive director of the International Monetary Fund.

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MY RIDE | By A.J. Baime

The Jaguar XKR-S, Iron Maiden Edition

JOSH RITCHIE FOR THE WALL STREET JOURNAL

Nicko McBrain with Priscilla, his custom 2013 Jaguar XKR-S, in his driveway in Boca Raton, Fla.

Nicko McBrain, 65, the Boca Raton, Fla.-based drummer for British hard rock band Iron Maiden, on his 2013 Jaguar XKR-S, as told to A.J. Baime.

I was 10 years old, walking down a street in North London with my dad, when we saw a Jaguar Mark X pass by. I'll never forget it. My dad turned and said, "That is the most beautiful car. I'm going to own one someday." When I started making money in the 1980s, I wanted to buy him a Mark X, but I lost him in 1985. He never did get to own one.

Around the time he passed away, I started driving these cars myself. On Iron Maiden's mid-80s World Slavery Tour, the whole band rented Jaguar XJ6s. There were five of us at the time, driving these cars across Britain. Two years later, I bought my first Jaguar (also an XJ6). Now I have four "cats" in my garage, and my daily driver is Priscilla (my wife Rebecca came up with the name), an XKR-S customized at the factory in England.

I had the Jaguar Growler logo made to look like Eddie, the Iron Maiden mascot, on the center wheel caps, the grille of the car, and embroidered on the seat backs. The writing on the car is done in Iron Maiden font—the word "supercharged" on the hood, the "Jaguar" on the wheels, and on the running board it says "Nicko McBrain XKR-S."

The glove box is done in piano-black lacquer, and on it is written the words "Made In Aluminium," with the extra i, the correct way of spelling the word [as it is spelled in Britain]. The car is the only XKR-S in the world with this color, Ultra Blue. At the time it was built, the supercharged 5.0-liter V-8 was the most powerful production Jaguar engine ever (550 horsepower). All in, I paid about $150,000. I got a VIP deal on the custom work.

Just last week, we got a new cat in the litter. I bought my wife a new Jaguar F-Type R. That car has basically the same engine as Priscilla, but it's a lighter vehicle, so that means it's the fastest pussycat in my garage.

I'm not so much a petrol head that I know the torque values on all kinds of cars. I'm just a Jag nut. That's me.

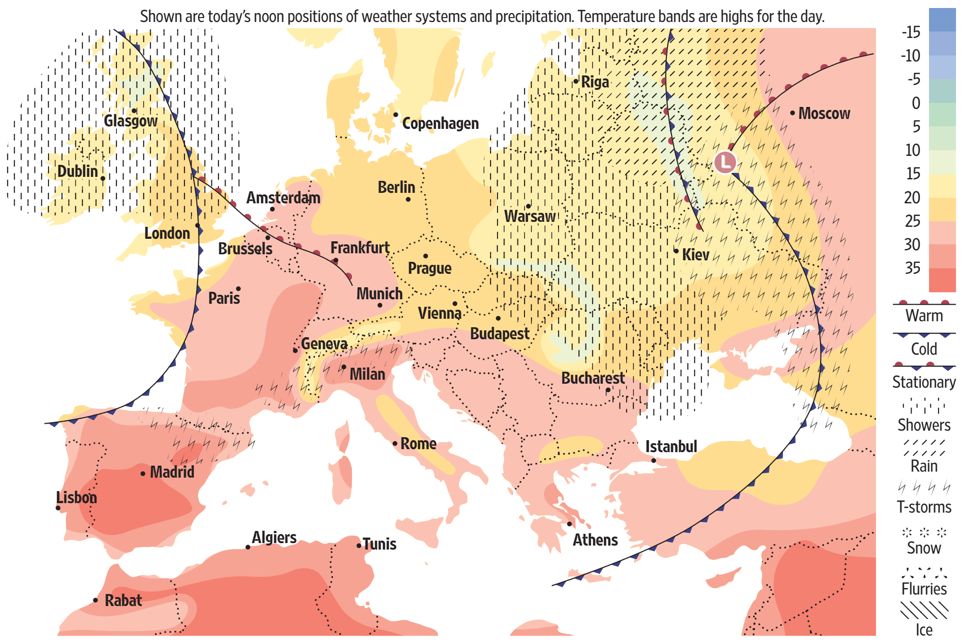
Contact A.J. Baime at Facebook.com/ajbaime.

The Jaguar 'Growler' logo was customized to look like Eddie, Iron Maiden's mascot, on even the lug nuts, left. 'Supercharged' is written in the band's signature font on the hood, above.

Weather

AccuWeather.com

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

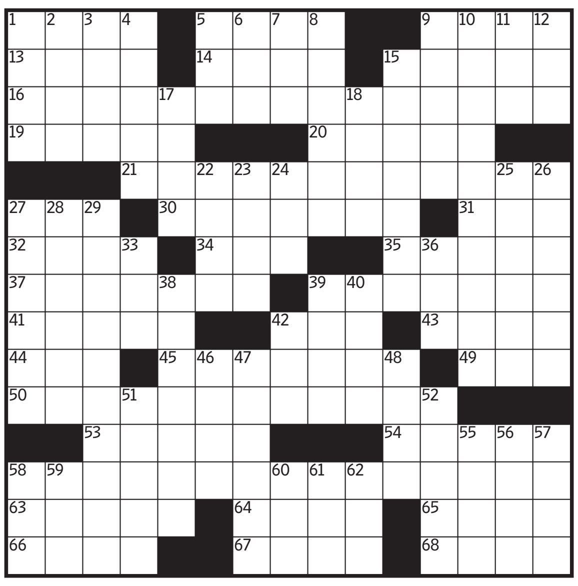


Global Forecasts

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	26	16	pc	21	14	pc
Anchorage	16	11	sh	15	11	sh
Athens	30	23	s	31	23	s
Atlanta	32	23	t	30	21	c
Baghdad	42	27	s	43	27	s
Baltimore	29	16	pc	26	15	s
Bangkok	33	27	t	33	26	t
Beijing	32	21	r	31	19	s
Berlin	21	11	pc	24	14	pc
Bogota	20	8	pc	19	9	c
Boise	33	18	pc	31	14	pc
Boston	28	17	t	26	16	pc
Brussels	28	14	pc	22	13	pc
Buenos Aires	23	14	c	23	16	c
Cairo	36	24	s	36	24	s
Calgary	29	13	s	26	8	pc
Caracas	31	25	pc	31	25	pc
Charlotte	33	21	t	30	19	c
Chicago	25	15	s	22	13	pc
Dallas	33	23	t	31	23	c
Denver	31	15	c	30	14	t
Detroit	25	12	pc	23	11	pc
Dubai	42	32	s	40	31	s
Dublin	19	11	c	18	12	c
Edinburgh	20	11	r	18	11	sh
Frankfurt	26	15	pc	25	15	pc
Geneva	30	17	pc	28	17	pc
Hanoi	37	26	t	29	26	c
Havana	31	23	t	31	23	pc
Hong Kong	30	27	r	33	28	t
Honolulu	31	25	pc	31	24	sh
Houston	35	25	t	34	25	t
Istanbul	28	20	s	28	21	s
Jakarta	33	25	pc	34	25	pc
Johannesburg	19	5	s	20	3	s
Kansas City	26	15	s	27	16	s
Las Vegas	38	26	pc	38	28	s
Lima	20	15	pc	20	15	pc
London	22	13	pc	21	12	pc
Los Angeles	27	18	pc	27	19	pc
Madrid	37	20	pc	36	20	pc
Manila	31	26	sh	29	26	t
Melbourne	16	6	sh	14	5	pc
Mexico City	25	13	pc	25	14	pc
Miami	32	27	t	31	26	t
Milan	31	17	s	32	19	pc
Minneapolis	24	13	s	23	14	pc
Monterrey	34	20	s	35	21	t
Montreal	22	12	pc	20	11	pc
Moscow	25	15	r	18	11	sh
Mumbai	30	26	t	30	27	t
Nashville	29	17	c	29	16	s
New Delhi	32	27	t	34	27	t
New Orleans	32	25	pc	31	25	t
New York City	28	18	t	26	17	s
Omaha	28	17	s	27	18	pc
Orlando	33	24	t	32	24	t
Ottawa	23	10	pc	20	9	pc
Paris	28	13	pc	25	15	pc
Philadelphia	30	19	pc	27	17	s
Phoenix	41	28	t	41	29	pc
Pittsburgh	25	14	pc	22	11	pc
Port-au-Prince	35	24	t	34	24	t
Portland, Ore.	26	13	pc	23	11	c
Rio de Janeiro	24	17	pc	24	17	s
Riyadh	43	28	s	42	26	pc
Rome	29	19	s	30	18	s
Salt Lake City	33	20	pc	33	19	pc
San Diego	24	19	pc	24	19	pc
San Francisco	22	15	pc	22	14	pc
San Juan	32	26	pc	32	26	sh
Santiago	17	3	r	15	3	s
Santo Domingo	32	24	t	32	24	t
Sao Paulo	21	13	s	22	12	pc
Seattle	23	12	pc	21	11	c
Seoul	28	25	r	27	21	r
Shanghai	34	28	s	35	28	s
Singapore	32	26	t	32	26	t
Stockholm	18	8	c	21	11	c
Sydney	21	10	s	17	10	sh
Taipei	36	27	t	36	27	t
Tehran	37	25	s	38	24	s
Tel Aviv	31	25	s	32	26	s
Tokyo	32	26	pc	31	26	pc
Toronto	23	11	pc	19	10	pc
Vancouver	21	12	c	19	10	pc
Washington, D.C.	29	20	t	27	19	s
Zurich	28	15	s	28	16	pc

The WSJ Daily Crossword | Edited by Mike Shenk



HEAD FIRST | By Dan Fisher

Across

1 Burn superficially
5 Thames paddler
9 Presumed author of Acts
13 Freight-hopping fellow
14 Capitol runner
15 Serve a function at a function
16 Job in the cosmetics plant?
19 Mathematical comparison
20 Bedouin bearer
21 Florist's reaction to a job well done?
27 Tube top
30 Like focus groups
31 S.E. Hinton novel
32 "A Perfect Peace" author Oz
34 Capital of Zimbabwe?
35 Discreet meeting
37 Still clueless
39 Early delivery
41 Automaker Citroën
42 Chantelle product
43 "Rats!"
44 Before, when before
45 Deal with empty shelves
49 Mariners' catcher?
50 Site of disgusting swab exhibits?
53 Prince William's sister-in-law
54 Couleur d'une tomate
58 Benefactor to a harmonica band?
63 Braves white water
64 Hail target
65 "Show Boat" writer Ferber
66 In doubt
67 Flight part
68 A few pointers, say

Down

1 Oscar winner as Loretta Castorini
2 Georgetown athlete
3 Help when one shouldn't
4 Stern-to-bow application
5 Upscale hotel feature
6 Gum mass
7 Before now
8 Purchase with an enviable smell
9 Less strict
10 Versatile baseball player
11 Barbie's pal
12 Dyne-centimeter
15 Go head to head
17 Parka part
18 Cartographic notches
22 Fitting number
23 Now or in the past
24 "How about that!"
25 Really fancy
26 Scope
27 Party bite
28 Dualistic Egyptian god
29 Makeup applier
33 Polite address
36 Color of a tomato
38 Heavenly beings
39 Players in the majors
40 Dash, e.g.
42 A/C abbr.
46 Convention center event
47 Acumen
48 Many an Iraqi
51 Quick with quips
52 Made a cattle call
55 Edit menu choice
56 Resonant disk
57 Memorable stretches
58 3-D test
59 Palooka
60 Gangland gun
61 Rail splitter
62 Frost bite

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

Previous Puzzle's Solution

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

TECHNOLOGY: NFL, TENCENT TAKE AIM AT CHINA'S SMARTPHONE SCREENS B4

BUSINESS & FINANCE

THE WALL STREET JOURNAL. | Wednesday, August 23, 2017 | B1

Euro vs. Dollar 1.1769 ▼ 0.41% | FTSE 100 7381.74 ▲ 0.86% | Gold 1285.10 ▼ 0.44% | WTI crude 47.64 ▲ 0.57% | German Bund yield 0.403% | 10-Year Treasury yield 2.215%

Mining Makes Strong Comeback

BHP and others raise dividends, lower debt as commodity prices stage sharp rebound

By Scott Patterson

LONDON—The world's biggest miners are on a tear.

Fueled by a sharp rise in commodities prices, companies such as **BHP Billiton**, **Glencore** PLC and **Rio Tinto** are flush with cash again, boosting dividends, cutting debt and shelling out cash for expansion projects. Just a couple of years ago, they were trying to survive a historic downturn in the sector.

The world's biggest mining company, BHP, on Tuesday posted a net profit of $5.9 billion for the year ended June 30. That is a sharp turnaround from the previous year's loss of $6.4 billion, when the company took charges from its U.S. oil-and-gas business and a fatal 2015 dam failure at an iron-ore operation in Brazil.

BHP boosted its annual dividend 177% and said its net debt had fallen 38% from the previous year to $16.3 billion.

The BHP report caps a strong financial showing for mining companies such as Rio Tinto, **Anglo American** PLC and Glencore.

An important sign of these companies' renewed health is their shrinking debt load. As of June, BHP, Rio Tinto, Anglo and Glencore collectively held net debt of about $44 billion, down about 50% from the end of 2014, according to a review of their earnings reports.

It is a significant shift from two years ago, when the mining industry was reeling. Slowing Chinese growth had sent commodity prices lower. Mining companies loaded up with debt and cut dividends as their share prices sank.

A return to profit by BHP Billiton adds to a string of healthy financial results.

But a surprise rally in the past year in commodities such as copper, iron ore and coal has brought in much-needed cash, breathing new life into the beleaguered industry and boosting mining stocks. The S&P 500 Metals & Mining index has doubled since bottoming in January 2016.

The question for investors is whether mining companies will continue to pay down debt—and boost dividends—or, lured by rising commodity prices, return to the big-spending ways that got them into trouble two years ago.

Paul Gait, a Bernstein mining-industry analyst, said the rally has returned companies to the financial position they held before the commodity-price bust but not further. That suggests the companies remain scarred after the share-price collapse two years ago and are unlikely to launch aggressive spending plans any time soon.

"I don't think management wants to live through the volatility that we saw in the last few years and the near-death experience many of these companies saw," Mr. Gait said.

That is likely bullish for commodity prices in the long run, he said, because it means few new large mines are likely to get started in the coming years, limiting the supply of materials such as copper even as demand rises.

To be sure, other mining companies aren't standing still. Rio Tinto is plowing billions into a Mongolian copper mine and is moving ahead on a bauxite and iron-ore project in Australia. BHP said last week

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F. CARTER SMITH/BLOOMBERG NEWS

Chief Executive John Watson

Chevron Leader Plans To Exit

By Bradley Olson

Chevron Corp. Chief Executive John Watson is planning to step down as the energy giant seeks new leadership for a changing oil world, according to people familiar with the matter.

The transition is expected to be announced next month, although Mr. Watson's successor hasn't yet been finalized by the board and could change, the people said. Mr. Watson isn't expected to depart immediately and is likely to remain after the announcement for an orderly transfer, the people said.

The leading candidate to succeed Mr. Watson, 60 years old, is Michael Wirth, 56, a refining specialist who earlier this year was elevated to the position of vice chairman at the oil company, the second-largest in the U.S. behind Exxon Mobil Corp., the people said.

Chevron directors see Mr. Wirth's years of experience wringing costs out of big plants that process fuel and chemicals as a critical need in a new era for oil markets defined by low prices, the people said.

Such a background has grown far more important for executives at the world's largest oil companies as they seek out investment opportunities that pay back quickly and move to allay investor concerns about when demand for crude will peak.

A Chevron spokesman declined to comment. Attempts to reach Mr. Watson on Tuesday weren't successful.

Mr. Wirth's ascent would mean four of the five largest public energy companies—including Exxon, **Royal Dutch Shell** PLC and **Total** SA—would be led by former refining specialists, a telling indication of transformation in oil markets. BP PLC's Bob Dudley would be the last holdover from the time of $100-a-barrel crude. Oil now trades at about half that price.

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HEARD ON THE STREET

By Richard Barley

Why ECB Can't Get A Break On Euro

Does gravity work differently in bonds and foreign exchange? At the start of July, both German bond yields and the euro were rising. But in August they have diverged, with bond yields off the boil but the euro maintaining its poise. The reason may lie outside the eurozone.

German bond yields and the euro rose sharply after a June speech by European Central Bank President Mario Draghi that pointed to less-accommodative monetary policy in the future. By mid-July, 10-year German yields stood at 0.6%, their highest level since the end of 2015. But they have since fallen by some 0.2 percentage point.

The euro has continued to fly high. At $1.175, it is close to its peak for the year against the dollar. Against sterling, it has reached a seven-year high. That is a worry for the ECB: The account of its July policy meeting betrayed concerns about the rising euro while sounding far less fazed by higher bond yields.

There may be a common explanation. Global markets have been more jittery of late. German bunds are playing a haven role, amplified by ECB bond purchases.

But the source of the jitters isn't in the eurozone, unlike earlier in the year, when European elections dominated attention. Instead, uncertainty has risen around the U.S. The White House is in turmoil, and soft inflation has markets doubting whether the Federal Reserve will press on with lifting interest rates. The U.K., meanwhile, is struggling to reconcile the political and economic challenges of Brexit. Such uncertainty tends to support the euro against the dollar and pound.

What might ease the ECB's concerns? Better economic data from the U.S. might lend the dollar support and provide reassurance that political theater isn't damaging growth. If U.S. inflation shows signs of life then that might make the market assign a higher probability to U.S. rate increases. What Fed Chairwoman Janet Yellen does or doesn't say at this week's Jackson Hole meeting may matter as much as Mr. Draghi's words.

Unhappily for the ECB, that may leave the currency mostly outside its control. For now, it may not be able to catch a break from the stronger euro.

NOAM GALAI/WIREIMAGE/GETTY IMAGES

Sahara Group, a conglomerate based in India, intends to sell the New York City property, which could fetch more than $500 million.

Famed Plaza Hotel Is on the Block

By Craig Karmin

The Indian owners of the Plaza Hotel have hired a broker to sell the New York City landmark, a sign that a worldwide scramble among investors, celebrities and governments to acquire the property could be nearing an end.

Sahara Group, a Lucknow, India-based conglomerate and the hotel's majority owner, has enlisted JLL Hotels and Hospitality Group, a unit of real-estate firm **JLL**, to find a buyer, according to a person familiar with the matter.

While it is unclear how much a buyer would pay for a trophy property like the Plaza, hotel investors and brokers suggest it could be one of the most expensive hotel sales on a per-room basis, a popular industry metric.

By that method of valuation it could bring in more than $500 million.

A Sahara spokesman didn't comment on the hiring of a broker but said a "sale is under process and it has not yet concluded."

Dozens of real-estate moguls, foreign government funds and other hotel investors around the globe in recent years have looked into buying the Plaza after Sahara indicated it would listen to offers, according to people familiar with the matter.

A Qatari sovereign-wealth fund, a Shanghai municipal investment fund and Pras Michel, the Grammy-winning co-founder of the hip-hop group Fugees, are among those that have expressed interest, say people who have been close to the process.

Sahara founder and Chairman Subrata Roy, who spent two years in a New Delhi jail on contempt charges, even negotiated with potential buyers from the jail's guesthouse, according to people familiar with the situation.

None of those talks led to a sale, and several of the Plaza's suitors walked away frustrated, some questioning whether Sahara was a serious seller, according to hotel brokers and investors involved with the discussions.

But recruiting a broker to run a formal sales process signals that Sahara is getting more serious about unloading its crown jewel, said Sean Hennessey, chief executive of hotel consultant Lodging Advi-

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Pricey Lodging

Top 10 largest U.S. hotel sales

PROPERTY NAME	YEAR SOLD	PRICE
Waldorf Astoria New York	2015	$1.95B
Waldorf Astoria Orlando & Hilton Orlando Bonnet Creek	2015	$1.76B
The Palace Hotel (New York)	2015	$805M
Hilton New York Midtown	2007	$765M
Hyatt Regency Waikiki Beach Resort (Hawaii)	2016	$756M
Hotel del Coronado (California)	2006	$745M
Peabody Orlando	2013	$717M
Fontainebleau Miami Beach Resort	2008	$700M
The Plaza Hotel (New York)	2004	$675M
Hilton San Francisco Union Square	2005	$668M

Source: STR

THE WALL STREET JOURNAL.

China Has Yuan on Roll—at Least for Now

By Lingling Wei in Beijing and Saumya Vaishampayan in Hong Kong

After more than a year of weakening, the yuan has been on a tear lately.

The currency, which plunged 6.6% last year, is up more than 4% against the U.S. dollar in 2017. And its climb has accelerated this month. On Tuesday, China's central bank set the yuan's reference rate at 6.6597 per dollar, the strongest level in nearly a year.

Sheng Songcheng, a senior adviser at the People's Bank of China, said it is "entirely possible" that by the end of the year the currency will have recouped all of last year's losses, ending 2017 at around 6.5 yuan per dollar.

Nonetheless, few investors believe the yuan has started a new appreciation cycle.

"I don't see much upside from here," says Edmund Goh, Asian fixed-income investment manager at Aberdeen Asset Management in Singapore.

Just two years ago, Beijing's sudden 2% devaluation of the yuan unleashed a global market selloff. The yuan's current vigor has surprised many investors and analysts and owes a great deal to Beijing's push to prop it up with aggressive government controls in a year of political transition. It has also benefited from broad weakness in the dollar.

Fundamentally, however, the yuan's recent rise doesn't have a lot to do with market forces, according to economists and investors. They say that the government needs to keep credit flowing to spur growth because the economy is showing signs of cooling again. Keeping the credit tap running, together with pent-up demand among companies and individuals for foreign assets and potential renewed dollar appreciation, will weigh on the yuan even if Beijing continues trying to drive it up.

That explains why Wall Street analysts still expect the yuan to weaken against the dollar over the long haul even as several have raised their forecasts for the near term.

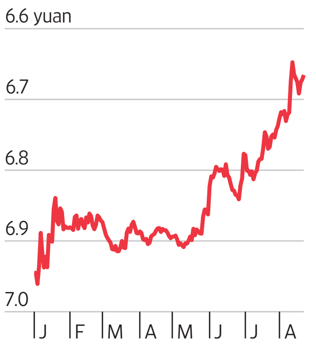
Standard Chartered on Friday said it expects one dollar to buy 6.82 yuan at the end of the year, stronger than the 6.99 yuan in its previous forecast. Over time, the bank's forecasts still bake in some depreciation, predicting one dollar will buy 6.90 yuan in the second quarter of 2018.

"We shouldn't get our bull caps on and think the renminbi

Please see YUAN page B2

Rising

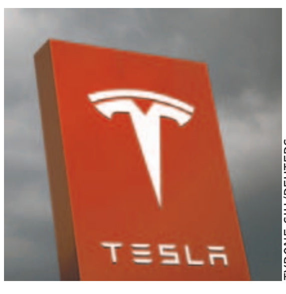
How many onshore Chinese yuan one dollar buys



Note: Scale inverted to show rising yuan.
Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

INSIDE



TYRONE SIU/REUTERS

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BUSINESS & FINANCE

BHP Will Exit U.S. Shale

By Robb M. Stewart in Melbourne and Michael Amon in London

Activist investor **Elliott Management** Corp. scored a victory as **BHP Billiton** Ltd. said Tuesday it now plans to sell its onshore U.S. oil-and-gas operations.

BHP, the British-Australian company that is the world's largest listed miner by market value, said its American shale operations aren't core, a departure for a company that holds more than 838,000 acres in shale-rich U.S. regions.

BHP's decision followed months of campaigning by Elliott, the New York hedge fund that questioned the fit of its shale business between BHP's petroleum division and its main units that mine iron ore, copper and other minerals. Elliott accumulated 5% of BHP and called for sweeping changes, including spinning off the shale business and launching an independent review of BHP's global petroleum operations.

"The shale acquisitions were poorly timed," BHP Chief Executive Officer Andrew Mackenzie said on a conference call Tuesday. "We paid too much and the rapid pace of early development was not optimal." Mr. Mackenzie had previously acknowledged the company overspent on its shale assets. Shares of BHP, which also announced improved earnings, moved higher on Tuesday, closing up 2.1% in London.

"It goes without saying that the performance [of BHP's U.S. shale business] has not been spectacular," said Fidelis Madavo, an executive at Public Investment Corp., South Africa's state-run pension fund and one of BHP's largest investors. "It's not a surprise" that the company would look to sell the assets, he said.

BHP's capitulation on shale oil wasn't a total win for Elliott. Amid Australian government opposition, the activist investor in May backtracked on its call for the global miner to incorporate itself in the U.K. and agreed that BHP continue to be incorporated in Australia. BHP has also so far resisted Elliott's push for the company to adopt a consistent plan of buying back shares.

Elliott declined to comment on BHP's plan for its onshore U.S. energy business.

Elliott's stake in BHP's London shares is valued at about $1.9 billion. This investment represents one of its largest bets amid of a flurry of activity that demonstrated the fund's power to disrupt some of the world's most vaunted boardrooms.

The hedge fund scored another win this month by moving to block Warren Buffett's Berkshire Hathaway Inc. from buying power-transmission company **Oncor**. Elliott, a key investor in Oncor's bankrupt parent, **Energy Future Holdings** Inc., backed a higher $9.45 billion offer from Sempra Energy.

Earlier this year, Elliott forced the ouster of Klaus Kleinfield, the chief executive of Arconic Inc., the metal-parts manufacturer spun off from Alcoa Inc. last year. That battle turned personal when Elliott released a letter with veiled threats from Mr. Kleinfield to Elliott's chief, Paul Singer. Elliott reached a truce with Dutch chemicals company Akzo Nobel NV last week.

Though it failed to force Akzo into sale talks over a $28 billion takeover bid from U.S. rival **PPG Industries**, Elliott got Akzo to separate its specialty-chemicals business and backed two new nominations to the company's board.

—Ben Dummett and Scott Patterson in London contributed to this article.

CARLA GOTTGENS/BLOOMBERG NEWS

The miner's planned sale is a win for Elliott Management, which had pressed for major changes.

CEO

Continued from the prior page

The retirement of Mr. Watson, who has led Chevron since 2010, is taking place on amicable terms: He decided to step down well before Chevron's mandatory retirement age for executives of 65 to allow some of the company's new leaders to flourish, the people said. His planned departure comes within the period that he had long outlined to the board, they added. Mr. Watson's predecessor as chief executive, David O'Reilly, also retired years before turning 65.

In Mr. Watson's seven-and-a-half years at the helm, Chevron's shareholder returns—which include dividends—have increased by more than 80%. That performance far outstripped that of peers such as Exxon and Shell in that time period, although it fell short of the advance by the S&P 500 index.

Mr. Watson's tenure was defined by spending on an epic scale to build out projects all over the world as oil prices ballooned, including some in which costs far exceeded initial projections. In Australia, two mammoth gas export projects cost Chevron and its partners almost $90 billion, or $23 billion higher than initial projections, according to analyst estimates.

That spending was a sore spot for some investors, although many analysts have come to see the company in a favorable position for the next several years due to how much cash the developments will generate.

Last year, investors came close to rejecting Mr. Watson's compensation in a "say on pay" advisory vote. Although the compensation measure ultimately passed with more than 50% of the vote, company officials and directors made an effort to meet with investors about their concerns and make changes.

After implementing a number of pay reforms, including one provision that holds executives accountable for cost overruns, Chevron this year won the support of more than 93% of shareholders who cast ballots at its annual meeting in May.

Among major oil companies, Chevron has by far the biggest position in the Permian basin in West Texas and New Mexico, among the busiest and most sought-after oil fields in the world. Under Mr. Watson and production chief Jay Johnson, Chevron has moved to exploit the resource at a breakneck pace, a strategy that has been lauded by analysts.

A University of Chicago graduate and fan of free-market economist Milton Friedman, Mr. Watson is an unabashed believer in the importance of oil and gas in the world economy.

In media interviews, he has extolled the virtues of cheap energy in alleviating poverty as more people around the world move into the middle class. He has also expressed concerns about far-reaching interventions by governments to reduce warming temperatures, often making note of the potential costs to societies.

Mr. Watson was alone among major oil company executives in his opposition to a carbon tax or broader price on carbon. Still, he saw Chevron as being in a position to benefit if the world transitioned to energy with less carbon intensity because he saw it spurring greater use of natural gas.

His views on climate change aren't believed to have played any role in his plans to step down, the people familiar with the matter said.

MINERS

Continued from the prior page

that it would spend $2.5 billion to extend the life of a copper mine in Chile.

Indeed, copper and a byproduct of copper mining, cobalt, have become darlings of the industry as mining companies position themselves for what many describe as the next wave of development in China and other industrializing countries. Such countries are likely to scale back demand for bulk commodities such as iron ore and coal, used in steel making, and shift to copper, used in electric grids and consumer products such as washing machines. Cobalt is a crucial ingredient in lithium-ion batteries that power mobile phones and electric vehicles.

"We should see strength in demand for those commodities as economies grow toward the later cycle," Glencore Chief Executive Ivan Glasenberg said on a recent conference call.

A trend away from developing so-called greenfield mines marks a reverse from the so-called commodity supercycle, when surging prices fueled by seemingly bottomless demand in China encouraged mining-company managements to splurge on new projects—and the debt that funded them. BHP in 2011, when it posted a record $24 billion in net profit, had plans to invest $20 billion in major projects and exploration over the following year, and more than $80 billion by 2015. Rio planned to invest $14 billion in new projects in 2012.

Hunter Hillcoat, a mining analyst at Investec Securities, says there is one exception to mining companies' more-cautious stance: Glencore. The Swiss mining company has been more focused on deal-making than its competitors, signing a $1.1 billion deal in July for a stake in Australian coal assets and considering a bid for $11 billion grain trader Bunge Ltd.

While Glencore has restored its dividend, returning $1 billion to shareholders in 2017, it didn't announce an increase in the payout in its latest earnings report this month as did BHP and Rio. Anglo American surprised investors by reinstating the dividend after having suspended it in 2015.

That is fine with David Herro, fund manager for Harris Associates LP, which controls about 5% of Glencore's stock valued at roughly $3 billion, according to FactSet. A year ago, Mr. Herro wanted Mr. Glasenberg to hold his fire on the deal-making front and focus on restoring the company's balance sheet after it faced down a share-price collapse in 2015.

That has changed.

"They are very astute deal makers," Mr. Herro said.

XINHUA/ZUMA PRESS

A self-driving truck transported iron-ore at a Rio Tinto mine in Australia's Pilbara region last year.

L.A. Paper Gets New Leader in Shake-Up

By Lukas I. Alpert

Tronc Inc. is undergoing a broad management shake-up at its flagship newspaper, the Los Angeles Times, bringing in internet and media industry veteran Ross Levinsohn as its new chief executive and publisher.

Mr. Levinsohn, who was an interim CEO at Yahoo and had a top role at Fox Interactive Media, succeeds Davan Maharaj, a 28-year veteran of the Times, Tronc said Monday.

Mr. Maharaj had been named publisher in 2016 in addition to his role as editor in chief as Tronc moved to consolidate the roles across its 11 daily newspapers.

Several other senior editors at the paper also were dismissed, the L.A. Times reported.

Jim Kirk, who until recently had served as publisher and editor in chief of the Chicago Sun-Times until being hired by Tronc earlier this month after a failed acquisition bid, was named interim executive editor to spearhead the search for a new editor in chief, the company said.

The moves highlight the central role the Times has played for Tronc in its efforts to digitally transform a company that over the years has endured a long-running bankruptcy, a spinoff, an ugly shareholder fight and a spurned takeover effort by rival **Gannett** Co.

All this while the newspaper industry has suffered sharp declines in print advertising and slow growth in digital ad revenue as readership has shifted online.

"We haven't really progressed to where we need to be," said Tronc Chief Executive Justin Dearborn.

Mr. Levinsohn also served as CEO of Guggenheim Digital Media for a period after his term at Yahoo, where he was succeeded by Marissa Mayer in 2012.

While working for News Corp.'s Fox digital properties in the early 2000s, he oversaw the acquisition of Myspace and helped create the company that is now Hulu. (Since then, 21st Century Fox split with News Corp, owner of The Wall Street Journal, in 2013.)

In a statement, Tronc said Mr. Levinsohn will be tasked with expanding the Times' global footprint, content initiatives and revenue opportunities, among other things.

YUAN

Continued from the prior page

is just going to appreciate," says Eddie Cheung, a foreign-exchange strategist at Standard Chartered in Hong Kong, using another name for the yuan.

Many Chinese exporters are feeling the squeeze from a rising yuan this year. But exporters—the main players in the country's foreign-exchange market—nonetheless indicate reluctance to part with the dollars they earn for their wares.

"I don't think the renminbi will strengthen much further," says Huo Jun, general manager at Shaanxi United Trading Co., which sells wine glasses and other products to U.S. buyers.

Beijing is stepping up its controls. Last week, the State Council, China's cabinet, formalized measures aimed at restricting China Inc.'s outbound investments. To combat higher interest rates in the U.S., the PBOC has guided borrowing costs up as a way to keep money onshore. In addition, the central bank has introduced a new pricing measure that anchors the yuan more closely to the dollar.

All that has boosted the yuan—often seen as a barometer of faith in the economy—ahead of a Communist Party conclave this fall. These factors have also helped China fend off pressure from the U.S., where President Donald Trump had threatened to take it to task for what he depicted as Beijing's efforts to keep its currency artificially weak.

But along the way, the Chinese leadership has dialed back years of efforts to make the yuan more market-driven and reduced the country's monetary autonomy.

A broader debate is now under way among economists and officials about when and how to start giving markets greater sway over the currency.

Analysts still expect the yuan to weaken against the dollar over the long haul.

"The current regime is not the final destination," says Luke Spajic, head of portfolio management for emerging Asia at Pacific Investment Management Co. "They do need to have a game plan to increase the yuan's flexibility."

Some reform-minded officials and academics have urged the leadership to act now, arguing the current stability provides an opportunity to let markets play a bigger role. But others said it isn't likely that any substantial step to liberalize the currency will come in a key political year.

Some officials close to the central bank have floated the idea of widening the yuan's trading band, while others view that as an empty gesture for a currency that barely moves from the daily reference rate set by the central bank, which is called the fixing. The yuan is allowed to go up and down 2% from the fixing, but that limit is rarely hit.

Zhang Ming, a senior economist at the Chinese Academy of Social Sciences, a government think tank, suggested the central bank should return to its goal to set the fixing based on the yuan's previous close. The PBOC attempted to set such a mechanism in place two years ago but the yuan's heavy selloff prompted it to quietly abandon the effort.

After the party conclave, analysts say, China may let the yuan drift lower again as a way to help the economy and squeezed exporters.

Liu Yixin, a sales manager at Xiamen Golden Huanan Group, an exporter of gym equipment and furniture in southern China, says the company's products have become a lot more expensive for clients. "They don't have to buy from us anymore," Mr. Liu says.

—Liyan Qi contributed to this article.

Brand Weakness Hits Coty Result

By Sharon Terlep

Coty Inc. spent billions on dozens of **Procter & Gamble** Co. brands with the goal of becoming one of the world's top players in the beauty business. So far, the deal has brought mostly pain.

The New York-based company posted a surprise quarterly loss Tuesday that executives attributed largely to sinking sales of those products, which include CoverGirl and Max Factor cosmetics and Clairol hair dye, and unexpected costs associated with the business it has owned since October.

Shares in Coty were off 12% at $17.20 Tuesday afternoon.

Retailers have been reducing shelf space allotted to those long-struggling P&G brands, exacerbating the already challenging market for mass-market beauty products.

In an interview, Coty Chief Executive Camillo Pane said executives didn't realize the extent to which the P&G brands were suffering until the deal closed. Mr. Pane said he remains confident that the $11.6 billion acquisition was a good move for Coty in the long run.

"We feel absolutely confident that we have a roster of brands that was much stronger than the two legacy companies before," he said.

Because P&G and Coty were competitors at the time of the acquisition, provisions of the deal prevented Coty from getting information on the inner workings of the business.

"We were not aware of anything," Mr. Pane said of the troubles P&G faced with its brands, such as high fixed costs in the business and retailers' plans to shrink shelf space. "I don't know how much they were aware."

Coty reported an adjusted net loss of $3.4 million. A year earlier, it reported an adjusted profit, which excluded the P&G beauty business, of $45.7 million. Organic sales fell 3%, including a 10% decline for the consumer beauty business.

Executives declined to provide details about how they would cut costs or when they expected the business to turn around.

The company plans to shed some of its brands, mainly fragrances and beauty products, that currently comprise 6% to 8% of its net sales.

Coty also is pouring money into relaunching struggling brands, including CoverGirl and Clairol, which contributed to higher-than-expected costs for the quarter. The company's costs rose to 53.1% of sales in the quarter ended June 30, from 46.6% a year earlier.

ELISE AMENDOLA/ASSOCIATED PRESS

Mass-market beauty products are in a challenging environment.

Wal-Mart Considers Loans

By AnnaMaria Andriotis

Upstart financing firm **Affirm** Inc. is in talks to offer installment loans to **Wal-Mart Stores** Inc. customers, said people familiar with the matter.

The development is the latest sign of retailers' desire to reach new customers with limited credit histories, and of the intensifying competition facing credit-card providers such as **Synchrony Financial**, the exclusive issuer of U.S. credit cards for the world's largest retailer.

Affirm, based in San Francisco, is run by PayPal cofounder Max Levchin. Affirm and Wal-Mart, which is based in Bentonville, Ark., are nearing an agreement on a pilot in which Affirm would offer installment loans to some Wal-Mart shoppers in the U.S. as soon as this fall, the people said.

The financing at first would be available in select locations and to certain customers online, though it could expand later if the program proves successful enough. Affirm's loans will be largely geared to costlier Wal-Mart items like tires and other purchases over $200, a person familiar with the matter said.

Installment loans, which are designed to be paid off by a certain date, generally appeal to shoppers who want to spread out their payments over time.

Affirm's installment loans have fixed annual percentage rates that often range from 10% to 30% depending in part on the borrower's creditworthiness.

Rates for purchases on Synchony Wal-Mart credit cards are variable and run from 17.9% to 23.9%. Affirm doesn't charge borrowers late fees, while those fees on Synchrony's Wal-Mart cards are up to $38.

Affirm's loans are often geared to people who don't have enough of a borrowing history to get a credit card. The firm's average loan is about $750, but its loan sizes generally run as much as $10,000. The company has repayment periods that range from three to 24 months, with an average term of nine months.

At Synchrony, the average balance per active store-card account across the company was $935 in the second quarter, according to an analysis by Autonomous Research.

Affirm wouldn't issue cards, but its loans could provide some customers with another financing option. That could create new problems for Synchrony, the largest U.S. issuer of store credit cards.

Synchrony's shares have fallen 17% this year amid concern that rising defaults could hit profits.

Warren Buffett's Berkshire Hathaway Inc. bought Synchrony shares during the second quarter, giving the stock a boost last week.

U.S. consumers are again taking on more debt, while credit-card charge-offs are rising after a long decline. Many retailers, under pressure from online competition, are seeking to expand their customers' access to financing as a way to boost sales.

Wal-Mart is one of Synchrony's largest retail card partners, accounting for more than 10% of its total interest and fees on loans in 2016, according to data from the lender.

Synchrony, which was spun out of General Electric Co., has been the exclusive Wal-Mart credit-card issuer for the past 17 years.

It will keep that post, though some Wal-Mart shoppers could soon be deciding between signing up for a Synchrony credit card or an Affirm loan to make their Wal-Mart purchases.

Affirm and Wal-Mart have been in contact since 2014, but the discussions picked up last year when Wal-Mart became more interested in increasing financing approvals for customers, one of the people said.

Retailers depend in part on their credit-card issuers to approve a large number of shoppers, hoping doing so will boost sales. The sales slump that has recently hit many retailers likely adds to that dependency, said Matthew O'Neill, an analyst at Autonomous Research who covers the store credit-card industry.

Wal-Mart has so far bucked the retail trend as its U.S. same-store sales have risen for 12 straight quarters. The retail giant, however, is facing more competition from Amazon.com Inc.

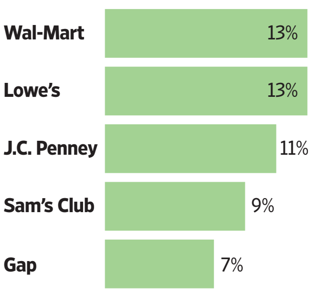
More retailers have been seeking out alternative options separate from their credit-card issuers in an attempt to get more approvals. That includes signing up an additional lender that will approve borrowers that the primary lender won't.

PATRICK T. FALLON/BLOOMBERG NEWS

The retailer is exploring an installment program to reach new customers. A Wal-Mart in Burbank, Calif.

Card Game

Synchrony's largest store-card partners, by estimated share of firm's total interest and fees



Note: Data from 2016
Source: Autonomous Research
THE WALL STREET JOURNAL.

NFL Calls a New Play in China

Tencent will stream games for mobile and desktop platforms under three-year deal

By Wayne Ma And Alyssa Abkowitz

BEIJING—Pro football might rule big-screen television sets in the U.S., but it is the small screens of smartphones where the **National Football League** hopes to make its play in China.

The NFL and **Tencent Holdings** Ltd. announced a deal this week that will give the Chinese internet company exclusive rights to digitally stream games online for three years. Financial terms weren't disclosed.

Tencent plans to stream live games and other NFL content free of charge on mobile and desktop platforms, including its flagship WeChat social-media app, which has more than 960 million monthly active users.

Expectations are that most of the viewing in China will be on mobile platforms, partly because of the time difference between the U.S. and China, said Richard Young, the head of the NFL's operations in China.

"Because our games came in on Monday, Tuesday and Friday mornings, people were often displaced from their TV sets," Mr. Young said. "Now, they are watching from home while getting ready for work, watching on their commute to work, putting it on pause, going to work and continuing to watch."

Children at an NFL event in Beijing in 2015. The Tencent deal recognizes a shift from TV viewing.

NG HAN GUAN/ASSOCIATED PRESS

Under the agreement, Tencent will pay the NFL to stream all of its Thursday, Sunday and Monday Night Football games, as well as the Super Bowl championship game and other selected games. Chinese viewers will be able to listen to live Chinese commentators as well as read NFL coverage on Tencent's news platform.

One of the NFL's biggest challenges has always been popularizing its games and players in a way that mirrored the path taken by basketball, the most popular spectator sport in China.

Former Houston Rockets player Yao Ming helped promote the National Basketball Association here, where current and retired players such as LeBron James and Kobe Bryant have large followings.

For Lian Xu, becoming a Boston Celtics basketball fan was the gateway to becoming a New England Patriots football fan. Mr. Lian said one of his favorite NFL players is the Patriots wide receiver Julian Edelman.

"He always plays hard and runs great routes," the 27-year-old graduate student from Shanghai said.

Several analysts and industry insiders are bullish on the NFL's prospects in China, even pointing to the spectacle of tailgating, in which fans gather near the back of parked vehicles to dine outside stadiums prior to games.

"The culture of the NFL, the fans, the tailgating and the drama that is delivered with the NFL is appealing," said Andrew Collins, chief executive of Mailman, a Shanghai-based sports- and digital-marketing agency. "It's not just sport, it's entertainment."

For Tencent, the deal is part of its overall strategy to keep its hundreds of millions of users engaged and available for advertisers. It also follows a template established in 2015, when Tencent paid at least $500 million to become the NBA's exclusive digital-streaming partner in China for five years.

For the NFL, the deal comes as the New York-based league faces headwinds in the U.S. Last season, the average television audience for an NFL game was 16.5 million viewers, down 8% from the previous season, according to TV-ratings firm Nielsen.

Analysts say oversaturation is an issue, along with viewing patterns shifting from TV to the internet.

Under the deal with Tencent, Chinese viewers will get to see more than 100 NFL games a year, including all the league's prime-time games, live or on-demand. In contrast, Amazon.com Inc.'s streaming deal with the NFL is for just 10 prime-time games this season.

The NFL began a significant push into China around 2009. That year, it produced a 16-episode reality-television series—about a Taiwanese pop band exploring football culture in the U.S.—to raise awareness for the game among Chinese viewers.

The league also sampled China's internet, signing a deal with social-media company Sina Corp. to digitally stream a single game.

Eventually, the NFL sold broadcast rights to 19 different provincial satellite-television channels to show NFL highlights and games.

Mr. Lian, the Patriots fan, said the more games he has watched, the more he appreciates how defense is played. "China is the most populous country in the world," he said. "If the NFL is able to connect a small portion of the population through the Tencent deal, it'll be considered very successful."

—Zhang Huan contributed to this article.

Royalty Deal in The Mix At Sony

By Anne Steele

One of the world's largest music companies agreed to license its songs to a startup that aims to help musicians and record labels make money when their material is used in DJ mixes and mashups played online.

Sony Music Entertainment is the first major music company to reach a deal with New York-based **Dubset Media** Inc., which has so far formed partnerships with about 35,000 smaller labels and music publishers. Dubset's technology determines how much of a given song is used in a mix created by a DJ and calculates royalties owed to various rights holders.

Dubset executives described the remix market as a massive untapped revenue source for the music industry. The company reached agreements last year to add its remixes to the libraries of **Spotify** AB and **Apple** Inc.'s Apple Music.

Andre Stapleton, a business-development executive at **Sony** Corp.'s recorded-music unit, said the Dubset deal "not only protects our artists, but also provides us with the tools to harness new revenues for them, while amplifying the popularity of the original master recordings at the same time."

Dubset Chief Executive Stephen White said the average DJ mix is 64 minutes long and contains 22 songs, with interests held by more than 100 different rights holders. In a written statement, Dubset said DJ-created remixes, like original music, must be independently registered, tagged and cleared before becoming available on any subscription music-streaming service. The company said its technology identifies recordings sampled within DJ sets, determines the label and publishing rights holders and clears the DJ sets across all rights holders in a matter of minutes.

"This brings huge value to artists who historically have not had the ability to monetize their content used in DJ mixes and [it is] also recognition of what amazing musicians DJs are," Mr. White said. Having Sony sign on is "a huge validation of what we're doing," he said.

It has been a long time coming, too. Mr. White said getting labels, artists and publishers on board and setting license agreements has been difficult.

"The cross-clearance network we've had to build requires us to have a large number of labels on board," he said. "It has been a heavy technology build."

He said Dubset is working toward license agreements with other labels.

Ford Sets China Electrics Project

By Trefor Moss

SHANGHAI—**Ford Motor** Co. will start a company to make electric cars in China, the company said Tuesday, as the world's largest auto market begins to shift decisively away from gasoline-powered vehicles.

The proposed joint venture with local auto maker **Anhui Zotye Automobile** Co., which is subject to regulatory approval, will produce electric cars "sold under an indigenous brand," rather than under the Ford marque, Ford said in a written statement.

The company didn't immediately respond to questions about why it was opting to use a new brand.

Chinese regulations require foreign auto makers to set up joint-venture companies to build cars locally. Imported cars incur a 25% tariff, making mass-market vehicles uncompetitive unless they are built in the country.

Ford already operates two joint ventures in China with local auto makers **Changan Automobile** Co. and **Jiangling Motors** Corp.

China is encouraging auto makers to build electric cars to help meet ambitious national targets for electric-vehicle adoption. Beijing normally limits foreign auto makers to two joint ventures, but it allows them to set up a third if it specializes in electric-car assembly.

Last year Beijing outlined draft rules requiring car makers to start producing a specific number of electric cars as a proportion of their total output from 2018.

A final version of these rules is expected to be published imminently.

The onset of the new regime is forcing auto makers—many of which have yet to build electric cars in China—to find ways of quickly increasing electric-car production. Many are struggling, according to auto analysts.

Earlier this year, **Volkswagen** AG said it would set up a third Chinese joint venture with **Anhui Jianghuai** Automobile Group to start producing electric cars next year.


JOHANNES EISELE/AGENCE FRANCE-PRESSE/GETTY IMAGES

A Zotye SR9 shown in Shanghai in April. Ford's joint venture would sell cars under a new brand.

Zotye, Ford's new partner, is a little-known electric-car specialist. The Chinese company sold more than 16,000 electric cars in the first seven months of this year, according to Ford's statement, or 7% of the 228,000 electric cars sold in China so far this year.

Ford had already announced plans to start building its first electric car in China—the Mondeo Energi plug-in hybrid—next year.

The Detroit auto maker wants 70% of its Chinese vehicle lineup to be electric by 2025, by which time it forecasts that Chinese consumers will be buying six million plug-in cars a year.

BUSINESS WATCH

DSW

Share Price Surges Amid Sales Growth

DSW Inc. shares rose sharply Tuesday as the shoe retailer posted same-store sales growth for the first time in six quarters.

The stock gain sets up DSW for its best single-day performance as a public company. On Tuesday, shares were up 18% at $18.50 in afternoon trading.

The closely followed metric that measures sales at stores open for at least a year rose 0.6% in the company's second quarter, compared with a 1.2% decline a year earlier, boosted by a significant increase in sales of full-price items. For the second quarter, DSW posted a profit of $28.6 million, or 35 cents a share, compared with $25 million, or 30 cents, a year earlier. On an adjusted basis, earnings per share rose to 38 cents from 35 cents. Revenue increased 3.3% to $680.4 million.

—Imani Moise

RICHARD B. LEVINE/LEVINE ROBERTS/NEWSCOM/ZUMA PRESS

U.S.-based shoe retailer DSW said its same-store sales rose 0.6% in the second quarter.

CNN

Network Launches Show for Snapchat

CNN is launching a daily news show for Snapchat called "The Update," the latest reflection of how media companies are stepping up their interest in the mobile-messaging platform.

The show will include a news roundup that airs at 6 p.m. ET, with updates from CNN's anchors and reporters around the world, said Turner, the network's parent company, in a written statement.

There will also be breaking-news segments.

The news, curated by editorial and design teams, will appear in a vertical video format.

"The Update" will also feature ads, according to a spokeswoman. Turner declined to provide more details.

—Alexandra Bruell

SEVEN GROUP HOLDINGS

Company to Sell WesTrac Business

Seven Group Holdings Ltd. said Tuesday that it agreed to sell its WesTrac heavy-machinery business in China for 540 million Australian dollars (US$429 million).

Seven said it would sell WesTrac China to Lei Shing Hong Machinery Ltd.

WesTrac sells Caterpillar-branded equipment used by the resources sector, including in the coal-mining hubs of Shanxi province and the Inner Mongolia autonomous region.

—David Winning

Eletrobras Shares Soar On Privatization Plan

By Paulo Trevisani and Paul Kiernan

BRASÍLIA—Brazil's stock market soared to a six-and-a-half year high Tuesday after the government announced a rough plan to privatize the country's largest electric utility in what could be the biggest such deal since the 1990s.

Shares of **Centrais Elétricas Brasileiras** SA, or Eletrobras, surged more than 40% in São Paulo, pushing the benchmark Ibovespa stock exchange past the 70,000-point threshold for the first time since 2011.

In a news conference Tuesday, officials said the government aims to reduce its approximately 63% stake in Eletrobras to a minority interest either by selling some of its shares or issuing new ones, likely in the first half of 2018. Eletrobras Chief Executive Wilson Ferreira Jr. and Energy Minister Fernando Coelho Filho declined to estimate the sale's value, though Reuters reported that Mr. Coelho said on Monday it could raise as much as 20 billion reais ($6 billion).

The transaction would likely amount to Brazil's largest privatization since the government relinquished control of assets such as mining firm Vale SA, aircraft manufacturer Embraer SA and telecommunications monopoly Telebras in the 1990s.

With 31% of the country's electricity-generation capacity and 63,387 kilometers of transmission lines, Eletrobras is the biggest power utility in Brazil and one of the largest in Latin America.

Analysts say it is also the country's most inefficient.

In 2013, for instance, then-President Dilma Rousseff forced Eletrobras and other power companies to reduce consumer prices by as much as 32% by decree, in an attempt to bolster the economy.

The move erased about two-thirds of the company's market value from the time it was announced.

Mr. Coelho said the government still hasn't decided the fate of strategically important assets that Eletrobras likely won't be able to sell. One is Itaipú, a 103 million megawatt/hour hydroelectric dam.

Mozilla Motivates Its Staff To Fix Bugs

By Lauren Weber

How do employers motivate workers to do the unglamorous tasks that keep companies running?

Mozilla Corp., maker of the Firefox web browser, faced that question last year when it weighed how to fix the bugs in its bug-fixing process. Programmers considered the task, which solves issues that slow or impede the browser, tedious compared with the flashier work of designing new features.

To kindle interest and get more employees involved, the company reorganized the process earlier this year. Previously, there was no systematic method for correcting problems that, for example, slowed the browser's ability to load images or froze the screen after a user tried to submit information to a website. Repairs were simply folded into the other responsibilities of separate engineering teams.

Fixes usually meant rewriting small sections of software code. But the teams had other priorities and sometimes took too long to make the revisions. More important, says Naveed Ihsanullah, the senior engineering manager who led the overhaul, they often focused too narrowly on glitches with a minor element of the browsing experience rather than address bugs that affected a key issue for all users, such as the speed of a new tab opening.

Mr. Ihsanullah says Mozilla needed to focus on Firefox's responsiveness—its ability to operate smoothly and without the interruptions signified by, for example, the spinning color wheel on a Mac—to make progress against another industry leader, the Chrome browser from Alphabet Inc.'s Google.

To identify critical issues and get them fixed, Mr. Ihsanullah revamped the tracking database where any employee can report a bug. He designated a core team of engineers, including himself, to review and prioritize problems, assign them to the right teams, and track progress.

Mozilla also had to engage the entire engineering organization. To sell employees, managers and senior leaders on the idea that everyone should pitch in, Mr. Ihsanullah gave employees two big goals: close 40 high-priority bugs between the effort's launch in February and the next beta release of Firefox on Sept. 20, and bring Mozilla within 20% of Chrome's score on a benchmarking service that evaluates browsers' performance.

Google didn't respond to a request for comment.

Since February, 165 Mozilla employees have closed 400 high-priority bugs and Firefox is "within the margin of error" of its goal of closing the performance gap with Chrome, Mr. Ihsanullah says.

The idea of catching up to a chief rival "resonated with everyone I talked to and that was motivation enough for them to jump on board," says Mr. Ihsanullah.

CEO Weighs In on Rivals, Ugly Produce

Head of Kroger grocery chain copes with slowing growth, Amazon and Wal-Mart


SANGSUK SYLVIA KANG/THE WALL STREET JOURNAL

By Heather Haddon

If you run America's largest supermarket chain, it should be easy to travel anywhere in the country and answer questions about where you work. But for **Kroger** Co.'s Rodney McMullen, those conversations can be a chore.

"I'll say 'Kroger,' and they don't even know what that is," says Mr. McMullen, who became the company's chief executive in 2014. Then, "they will **Google** it and go 'oh, wow.' "

BOSS TALK

Until recently, investors were just as enthralled with the world's third-largest retailer. But after three years presiding over steady growth, Mr. McMullen, a farm-raised Midwesterner, has been navigating Kroger through its stormiest period in more than a decade.

The Cincinnati-based company's stock fell 19% in June after it reported a slide in sales growth and lowered its guidance for the year. The next day, **Amazon.com** Inc. announced it was buying **Whole Foods Market** Inc.

To fend off Amazon and other online grocery services, Kroger is sacrificing profits to provide e-commerce pickup options at hundreds of stores. It is also lowering prices on staples as it competes with **Wal-Mart Stores** Inc. and European discount chains **Aldi** and **Lidl** for value-oriented shoppers.

Mr. McMullen, 57 years old, sat down with The Wall Street Journal this month to talk about the competition, Kroger's future and the value of ugly vegetables.

Edited excerpts:

WSJ: Where were you when you got news of the Amazon-Whole Foods deal?

Mr. McMullen: I was with our internal audit team. The average age is in their low 20s. One of our interns who is 20 years old, the very first question to the group is, 'I thought bricks and mortar was dead? If it's dead, why is Amazon buying Whole Foods?' It didn't surprise me at all. Several years ago, we decided that the customer wants a physical experience and an online experience. Obviously, it surprised the market a lot more than it did me.

WSJ: What does the deal mean for Kroger?

Mr. McMullen: There isn't anything from a strategy standpoint that we will change because the strategy we've been executing assumed something [like the Amazon deal] would happen. It makes it a lot easier in terms of helping [Kroger executives] understand the sense of urgency.

WSJ: Given the competition, have you had conversations with, say, **Albertsons** Cos., about a deal?

Mr. McMullen: I always tell people that if there's anything out there, you should assume we've looked at it.

WSJ: Which of these developments is making you lose the most sleep: Whole Foods/Amazon, a revitalized Wal-Mart or the growing presence of foreign chains like Aldi and Lidl?

Mr. McMullen: I worry about all of them. And I worry about restaurants. We operate in an industry that is $1.5 trillion in terms of how much people spend on food. If people are eating a meal, we want to get our fair share of that meal. Anybody who is getting a meaningful part of that, we'd worry about.

WSJ: What are you doing to cut down on food waste?

Mr. McMullen: Over the last four years, we've partnered with local food banks and provided over one billion meals. In some of our fresh departments, that would have been product we'd have thrown away. We were able to partner with local food banks so fresh product that is still high quality to eat, but you wouldn't sell from an appearance standpoint, [is donated]. We legitimately believe we will be able to get every store to be zero waste.

WSJ: Much of the food that's wasted in the U.S. is edible produce that doesn't meet aesthetic standards. Do you believe customers are open to eating less-attractive tomatoes?

Mr. McMullen: I grew up on a farm. Last Sunday, I went out to see my parents and their garden, and I find the produce that looks the ugliest tastes the best.

WSJ: You started as a stock clerk for Kroger. How does that experience inform the way you do your job today?

Mr. McMullen: I've done a lot of different jobs in the company so it helps you understand how hard each person's job is. You know how hard it is to stock shelves, to work an eight- or 10-hour shift. Every year I'll go and work in a store. In the old days, I could do any job in the store. Today, bagging is about the only job I can do. Which is embarrassing but at least I can still do something.

WSJ: Time travel to Kroger 2025. What would it look like?

Mr. McMullen: It wouldn't surprise me that customers would be in the store eating but they would use an app to order what they want. When they are finished, [the store clerk] would deliver the groceries to them. It will be so easy because we'll be able to predict a lot of the things you want. The associates you engage with will be so knowledgeable about where tortillas came from. I believe some stores will be big and some small. And it will be the combination of all those things that make it special.

How I Work

Biggest distraction in your workday? Unhelpful meetings.

You love cheese. Also stinky cheese? Absolutely.

One trait that won't get you hired: No values.

WSJ.COM Watch the video and find more management coverage at WSJ.com/Management

Macy's Hires eBay Executive Amid Shake-Up

By Suzanne Kapner

GETTY IMAGES

Hal Lawton helped lead eBay's turnaround after the 2015 split from PayPal. He will report to Macy's CEO Jeff Gennette.

Macy's Inc. poached a senior **eBay** Inc. executive and streamlined top management in an effort to speed up decision making at the struggling department-store chain.

Hal Lawton, 43 years old, will join Macy's on Sept. 8 as president, the company said. He will report to Macy's Chief Executive Jeff Gennette, who had previously held the president's title. Earlier Monday, eBay announced Mr. Lawton's resignation as senior vice president, North America.

Macy's also restructured its merchandising ranks by consolidating merchandising, planning and private-label functions into a single unit, resulting in the elimination of about 100 jobs. The move is expected to save about $30 million annually, with $5 million of the savings coming in the fourth quarter of the current fiscal year.

"We had a lot of decision makers at the table, and we weren't as fast as we needed to be," Mr. Gennette said of the old structure.

The new slimmed-down group will be run by Jeff Kantor, a 35-year Macy's veteran who is currently head of stores and human resources. As chief merchandising officer, he will succeed Tim Baxter, who is expected to leave the company early next month.

Since taking the helm in March, Mr. Gennette has vowed to cut through a "sea of sameness" in Macy's offerings and add more exclusive merchandise as the chain tries to keep shoppers from fleeing to fast-fashion retailers and off-price stores like T.J. Maxx.

To that end, he said Monday that he wants exclusive merchandise to account for 40% of Macy's sales, up from 29% currently. He is also bolstering the Macy's analytics team so the retailer can use more data to better inform how it marks down unsold goods.

Key to his idea was to hire an executive with a solid digital and technology background. Mr. Lawton fit the bill, according to Mr. Gennette, because he also has a strong merchandising track record.

At Home Depot Inc., where Mr. Lawton worked before joining eBay in 2015, he served as senior vice president of hardlines and was instrumental in expanding Home Depot's digital business to nearly $2 billion from $400 million, Mr. Gennette said.

At eBay, Mr. Lawton immersed himself in the details of the business, at one point becoming a top-rated seller, in an effort to improve the experience for other sellers on the site.

Mr. Lawton was a key player in eBay's turnaround effort after its 2015 split from PayPal, helping lead initiatives such as guaranteed delivery for millions of items in three days or less, as well as price-matching. The online marketplace is promoting Scott Cutler, now leading its StubHub ticket marketplace division, to the role of senior vice president, Americas.

—Laura Stevens contributed to this article.

Provident Financial Shares Dive

Subprime lender's plunge doesn't signal problems are coming for rest of sector

By Mike Bird

U.K. subprime lender **Provident Financial Group**'s shares fell 66% Tuesday, but despite concerns over consumer credit in Britain few investors seem to see its plunge as evidence of wider troubles.

Tuesday's dramatic fall came after Provident Financial announced a profit warning, the withdrawal of its interim dividend and the resignation of its chief executive.

The company's grim news comes as U.K. consumer credit moves close to levels reached on the eve of the financial crisis, a situation that the Bank of England recently warned British banks about.

But so far, market movements indicate that investors believe Provident Financial's predicament is largely the result of factors particular to that company.

"This is a story of business mismanagement and labor force relations rather than one about weakening credit conditions," Bespoke Investment Group said in a research report.

The FTSE 350 financial services sector, of which Provident Financial is a member, fell just 1.7% on the day, and is still up by nearly 14% since the beginning of 2017.

Provident Financial's tumble, on the other hand, reduced its market capitalization from more than £3 billion ($3.85 billion) to £873.8 million on Tuesday. One of its bonds, which matures in 2023 and offers a coupon of 5.125%, was trading above par until Tuesday, its price plunging by more than 30% during the trading day.

Among the biggest holders of Provident Financial stock is one of Britain's best-known fund managers, Neil Woodford. Mr. Woodford called the company's announcements "extremely disappointing" in a statement Tuesday.

Mr. Woodford, though, also said that the company's problems weren't due to credit quality. "It is an operational issue...credit quality across all of Provident's divisions remains very good," he said.

Provident Financial's bond prices were trading above their face value even after their June warning, but plunged Tuesday.

Consumer credit in Britain has risen in recent years, climbing by 7.7% in the year to June, according to Bank of England data.

That is despite inflation currently outpacing U.K. wage growth, meaning that incomes are falling in real terms.

The total outstanding amount of consumer credit is now above £200 billion, just shy of the highs reached in the second half of 2008, as the global financial crisis got into full swing.

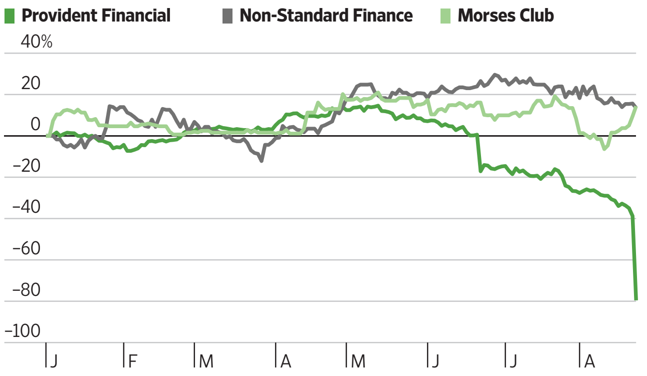
But even those analysts worrying about Britain's increasingly indebted consumers questioned how much can be read into Provident Financial's woes.

"We think there's a real wage squeeze coming through, and there have been reasonable concerns about unsecured borrowing, which has been growing faster than incomes," said Tomas Hirst, European credit analyst at CreditSights.

But that "is a slow-burn story that's going to be playing out over the next few years," he said. "This looks much more like a short, sharp company-specific issue."

Specific Shock

U.K. subprime lender Provident Financial's shares have plunged this year, but other consumer lenders haven't suffered so heavily*



*Change in share price since the end of 2016
Source: FactSet
THE WALL STREET JOURNAL.

Norway Fund Nears An Asset Milestone

By Dominic Chopping

Norway's sovereign-wealth fund, the world's biggest, continued its march toward a $1 trillion valuation after the best half-year return in its history.

The fund announced a 2.6% return on its investments in the second quarter of this year, helped by a solid performance from its stock-market portfolio.

Norges Bank Investment Management, the arm of the central bank that manages the fund, said Tuesday the quarterly return equated to 202 billion Norwegian kroner ($25.6 billion).

The total value of the fund on June 30 was 8.02 trillion kroner—or $957.13 billion calculated at the exchange rate on that date. This figure would have been even higher if it weren't for a 16 billion kroner withdrawal by the government and the strong krone, which in combination reduced the value of the fund by 32 billion kroner, NBIM said.

Norway approached the trillion-dollar milestone despite pressure on sovereign-wealth funds globally. Ultralow interest rates are crimping returns and cheap oil is cutting into the income of the largely resource-dependent countries that are rich enough to possess such funds.

Last year was the first time Norway's government, seeking to fill a hole in its budget, withdrew more money from the fund than it put in.

KRISTER SOERBOE/BLOOMBERG NEWS

Norges Bank Investment Management's Trond Grande

However, stock markets have set record after record in 2017, powered in large part by a revival in U.S. corporate earnings.

The Dow Jones Industrial Average passed 22000 in August, more than tripling from a low in March 2009.

"The stock markets have performed particularly well so far this year, and the fund's return in the two first quarters was 6.5%," said Trond Grande, deputy chief executive of Norges Bank Investment Management.

"This gives a total return of 499 billion kroner, which is the best half-year return measured in Norwegian kroner in the history of the fund. We cannot expect such returns in the future. The record-high return is primarily due to the fact that the fund has become so large."

Equity investments generated a 3.4% return for the fund with fixed income and unlisted real-estate providing 1.1% and 2.1% returns respectively.

NBIM said the fund had 65.1% of its reserves invested in equities on June 30 with 32.4% in fixed income and 2.5% in unlisted real-estate.

Captrust To Acquire Advisory Rival

By Lisa Beilfuss

One of the country's largest investment-advisory firms is acquiring a namesake firm from which it split two decades ago, a move that comes as the industry consolidates to combat an aging workforce and rising compliance costs.

In the deal, **Captrust** will reunite with **CapTrust Advisors** LLC to create a firm with $243 billion in client assets. CapTrust Advisors, which has a focus on institutional asset management, managed roughly $19 billion in assets. The companies' 138 financial advisers and 34 offices will operate under the Captrust banner.

Terms of the deal weren't disclosed.

A record number of registered investment adviser deals have been struck this year.

Deals among investment-advisory firms have been on the rise in recent years as multibillion-dollar firms look to bulk up and as smaller firms contend with regulatory costs and succession planning.

Rick Shoff, managing director at Captrust who heads adviser recruitment, said the Labor Department's fiduciary rule has driven some firms to seek a sale. While registered investment advisers have for decades been required to put clients' interests first, the retirement-savings rule requires more client disclosures and increased compliance efforts. "It's definitely been a catalyst," Mr. Shoff said of the regulation's role in driving the sale.

CapTrust Advisors didn't immediately respond to a request for comment.

Industry consultant DeVoe & Co. said a record number of registered investment-adviser deals have been struck this year—up 15% from a year earlier—and activity is on track to notch a third consecutive record year.

For Raleigh, N.C.-based Captrust, the acquisition of Tampa, Fla.-based CapTrust Advisors marks its sixth deal this year. Captrust has been hunting for deals to fuel growth since 2006, adding more than two dozen firms since then.

"It's never been a better time to be an RIA, but at the same time it's never been harder," said Fielding Miller, chief executive of Captrust. For smaller firms, he said, "compliance issues are slowing them down," and some firms with aging advisers are "starving for succession plans."

The two firms were originally part of CapTrust Financial Advisors LLC, founded in 1997 as a home for advisers looking to break away from the traditional commission-based brokerage model.

Simon Property Agrees to Settle

By Esther Fung

New York state Attorney General Eric Schneiderman and retail property giant **Simon Property Group** Inc. reached a settlement in an antitrust case that requires Simon to end practices that the attorney general alleged protected Simon's popular Woodbury Common Premium Outlets from competition.

Simon Property, the largest shopping-mall owner in the U.S., agreed to pay the state $945,000 and revise existing leases to end restrictions that deterred retailers from opening additional outlet stores, according to a news release from the attorney general. The company didn't deny or admit to wrongdoing, the statement said.

Mr. Schneiderman said the settlement was a victory for New York regional shoppers. "No business should be allowed to stifle an entire industry at the expense of consumers—but for years, that's exactly what Simon Property Group did to New Yorkers," his written statement said.

But Indianapolis-based Simon issued a statement after the settlement was announced describing the two-year investigation by the attorney general's office as "meritless." Simon also said the probe "has become an unnecessary distraction" and that the company believes its time "is best spent focusing on providing the best shopping and working environment to the Woodbury Common community."

The settlement and the subsequent public relations battle provides a glimpse into the world of brass-knuckle negotiations between retailers and owners of the country's most popular shopping locations. Retailers and owners of competitive shopping centers have long complained that owners of the top spots extract onerous lease terms for their choice real estate.

But landlords argue they are doing nothing wrong. "Simon has never sought to limit competition," the company's statement said.

One of the controversial lease terms—the so-called "radius restriction"—was at the heart of the attorney general's investigation. Generally, the provision prohibits tenants of a shopping center from opening shop within the specified radius.

The 60-mile radius provision had been in place since 1985, before Simon Property bought the outlet center as part of its 2004 acquisition of Chelsea Property Group.

Woodbury Common, an open-air center with 240 stores across 910,000 square feet of retail space, generates more than $1.3 billion in annual sales and is a major tourist attraction. It includes tenants such as Kate Spade, Tory Burch and Gucci.

The attorney general's office said it investigated Simon because the mall owner allegedly had "monopoly power" in the outlet center space in the New York City area. Retailers at Woodbury Common were prevented from opening other outlet stores within a 60-mile radius with the threat of substantial penalty, the statement said, adding that several developers had attempted to develop outlet centers in New York City but were thwarted in signing up retailers due to the radius restrictions.

The settlement required revisions to existing leases that would now allow stores in Woodbury Common to open a second outlet store in Brooklyn, the Bronx, Queens and Staten Island. But Simon noted in its statement that lease provisions "will continue to cover Woodbury Common's essential trade area, extending to all of Manhattan."

Analysts said they don't expect the outlet center to face major competition from this settlement, noting that it takes time and expertise to build a successful shopping center.

"It's not the radius restrictions that make Woodbury Common. It's the lineup of tenants, sales productivity that makes a dominant mall dominant. It's pretty tough to replicate," said Alexander Goldfarb, a managing director at Sandler O'Neill + Partners.

MIKE GROLL/ASSOCIATED PRESS

New York state alleged anticompetitive practices at Woodbury Common Premium Outlets.

Blackstone Weighs an IPO for Gates

By Dana Mattioli And Maureen Farrell

Blackstone Group LP is considering an initial public offering of **Gates** Corp. that could value the auto-parts maker at as much as $9 billion.

The private-equity firm is in the early stages of laying the groundwork for the possible offering, according to people familiar with the matter. The business could be valued at between $8 billion and $9 billion, one of the people said. It isn't clear whether that includes debt.

There is no guarantee there will be a Gates IPO soon. If there is, it would represent a relatively quick turnaround for Blackstone, which bought the business three years ago, and likely signal that the investment has been a good one.

Blackstone acquired Gates in 2014 for about $5 billion. At the time it was the largest private-equity buyout of an industrial company in more than four years, after the financial crisis put a chill on deals.

Gates, based in Denver, manufactures power transmission belts and fluid power products for cars, and employs more than 14,000 people in 30 countries. IPO volume of private-equity-backed firms this year is nearly triple last year's level up to this point as a rising stock market presents attractive exit opportunities. Buyout firms have taken 36 companies public this year on U.S. exchanges, raising $16 billion, up from $5.3 billion via 18 IPOs, according to data provider Dealogic.

One of Blackstone's other big holdings, rental-home owner Invitation Homes Inc., went public this year, raising about $1.5 billion. At the time, it was the largest U.S.-listed IPO in more than a year. The stock is now trading roughly 15% above its IPO price. Blackstone this month agreed to merge Invitation Homes with rival **Starwood Waypoint Homes** in a sign Wall Street is betting homeownership rates will remain low and that an increasing number of U.S. families will rent.

Two-Thirds of U.S. Banks Post Higher Earnings

By Rachel Witkowski

WASHINGTON—U.S. banks' earnings rose 10.7% to $48.3 billion in the second quarter from a year earlier, indicating the sector is continuing its postcrisis recovery, a bank regulator said Tuesday.

The Federal Deposit Insurance Corp.'s quarterly report, which included data on 5,787 banks, said earnings rose largely because of higher income from interest rates on loans. Nearly two-thirds of banks reported their earnings were up from a year earlier, though the FDIC cautioned that the pace of loan growth is starting to wane.

"Annual loan growth remains at or above nominal [gross domestic product] growth," FDIC Chairman Martin Gruenberg said at a press conference. "However, as the economy enters the ninth year of a relatively modest expansion, the industry continued to see a gradual slowdown in the annual rate of loan growth."

Loan balances rose 3.7% to $9.458 trillion as of June 30, representing a slowdown from the 4% increase in the previous quarter and a postcrisis high of 7% reported a year earlier.

The key earnings indicator that measures what banks bring in from interest rates on loans versus what they pay out to customers—called the net interest margin—rose to the highest level since the fourth quarter of 2013. Banks reported an average net interest margin of 3.22% for the second quarter, up from 3.08% a year earlier.

Also, problem loans continued to decline, with banks reporting a 6.7% decrease in loans that were 90 days or more past due in the second quarter compared with a year earlier.


JASON REED/REUTERS

Debt issued by Tesla is being closely watched because the electric-car manufacturer has become a stock-market favorite.

Tesla Bonds Fall as Investors Fret

By Matt Wirz

Tesla Inc.'s first bonds have fallen about 2% in price since their issuance on Aug. 11, a sign of Wall Street's ambivalence over the electric-car maker.

The Palo Alto, Calif., company sold $1.8 billion of low-rated bonds to help pay for the Model 3, its first mass-market car.

Tesla took advantage of investors' thirst for higher-yielding securities, selling debt at an annual yield of 5.3%—more than 3 percentage points above the yield on comparable Treasury debt.

Many investors sat out the deal, questioning the wisdom of buying bonds from a company that hasn't turned an annual profit and is drastically increasing its spending in an attempt to break into the capital-intensive automobile market.

"God love them, they took advantage of a super strong market to get superlow financing," said Jack Flaherty, a bond portfolio manager at GAM Holdings AG who didn't buy into the new deal.

A spokesman for Tesla declined to comment.

The price of the bond was 98 cents on the dollar in early Tuesday trading, leaving the yield at 5.62%, according to data from MarketAxess.

Bond yields rise when prices fall.

Trading has been heavy. Tesla bonds were the most actively traded junk bonds Monday, with about $96 million of the debt changing hands, according to figures from MarketAxess.

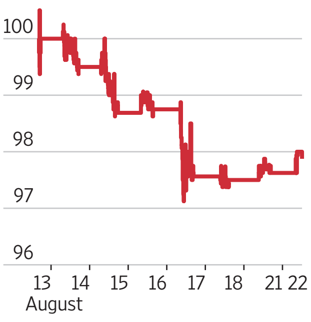
The bonds are being closely watched by investors because Tesla has become a stock-market favorite.

As of Monday, Tesla shares were up 58% this year despite a 2.8% decline that day. In late Tuesday trading, the stock was up 0.9%.

Downshift

Tesla bond price

101 cents on the dollar



Note: As of noon EDT Tuesday
Source: MarketAxess
THE WALL STREET JOURNAL.

The company until this month had never issued traditional bonds that must be paid off at maturity. Instead, Tesla has raised $6 billion by selling shares or bonds convertible into stock.

Many high-yield-bond prices fell last week, as investors pulled about $1 billion from junk-bond funds, according to Thomson Reuters Lipper data.

Investors cited a perception that uncertainty tied to policies in Washington and events around the globe has been rising.

The average yield of corporate bonds rated single-B was unchanged last week, according to the Bloomberg Barclays U.S. High Yield Index.

Tesla bonds declined more than similarly rated ones because they pay less interest, investors said, though a person familiar with the Tesla bond sale pointed out that some other recent bond issues have also declined in price.

"It's more attractive now, but it's not a level I'm willing to step into yet," Mr. Flaherty said.

—Charley Grant and Sam Goldfarb contributed to this article.

Gold Declines, Hurt By Trump's Speech

By Amrith Ramkumar

COMMODITIES

Gold prices fell, weighed down by a rising U.S. dollar.

Gold for December delivery closed down 0.4% at $1,285.10 a troy ounce Tuesday on the Comex division of the New York Mercantile Exchange—its largest one-day drop in a week. The precious metal had hit its highest levels since November on Friday as U.S. political uncertainty pushed investors toward the haven asset, but it hasn't been able to stay above $1,300, a key psychological barrier for many and investors.

News late last week that President Donald Trump's chief strategist, Steve Bannon, was leaving the administration pulled gold down from its Friday highs, and a stronger U.S. currency kept the precious metal down Tuesday. A stronger dollar makes dollar-denominated metals such as gold more expensive to foreign buyers. The WSJ Dollar Index, which tracks the dollar against 16 other currencies, was up 0.4% at midafternoon Tuesday.

Some analysts and investors said Mr. Trump's speech late Monday about the U.S. mission in Afghanistan was strong. That hurt the outlook for gold, which tends to rise in times of geopolitical turmoil.

"Over all, it came across as positive for the market," said Walter Pehowich, senior vice president at Dillon Gage Metals. Mr. Pehowich said he sees gold staying in its current trading range unless more investors rotate out of stocks—which were rising Tuesday—because of an unexpected political disruption.

Another potential boost for the precious metal could come from the Federal Reserve's annual Jackson Hole, Wyo., conference later this week.

Many analysts will be watching for clues about the timing of interest-rate increases after minutes from the Fed's latest meeting released last week showed officials divided on when to raise rates amid tepid economic growth. A longer period without a rate rise boosts the outlook for gold, which typically struggles to compete with yield-bearing assets when borrowing costs rise.

Dollar Adds to Strength

By Ira Iosebashvili

CURRENCIES

The U.S. dollar rose Tuesday, as investors awaited comments from central bankers at the end of the week.

The Wall Street Journal Dollar Index, which measures the U.S. currency against a basket of 16 others, was up 0.4% at 86.24 at midafternoon Tuesday.

Some investors believe Federal Reserve Chairwoman Janet Yellen may make the case for a third interest-rate increase this year in her speech at the central bank's annual economic symposium at Jackson Hole, Wyo., on Friday, said Joe Manimbo, a strategist at Western Union.

Expectations of higher interest rates are a boon to the dollar, as they make the currency more attractive to yield-seeking investors.

With the U.S. currency down more than 7% this year, the dollar would have plenty of room to rally on hawkish comments from the Fed, Mr. Manimbo said.

At the same time, some investors believe European Central Bank President Mario Draghi, also scheduled to speak in Jackson Hole, may use dovish rhetoric to curb the euro's strength.

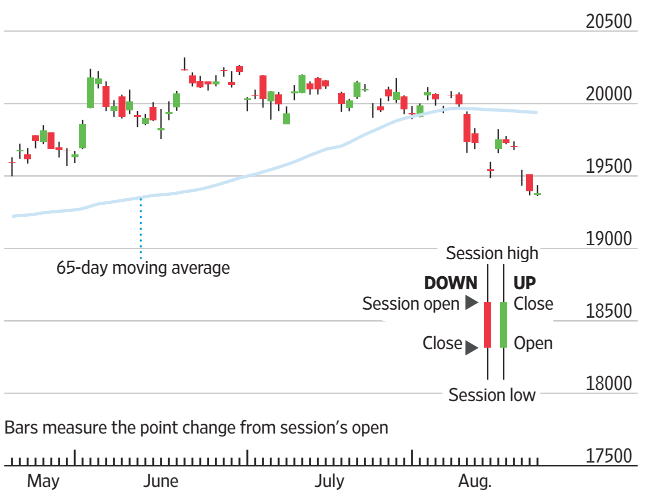
MARKETS DIGEST

Nikkei 225 Index

19383.84 ▼9.29, or 0.05%

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

Year-to-date		▲1.41%
52-wk high/low	20230.41	16251.54
All-time high	38915.87	12/29/89



Bars measure the point change from session's open

STOXX 600 Index

375.80 ▲3.08, or 0.83%

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

Year-to-date		▲3.98%
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

2452.51 ▲24.14, or 0.99%

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

	Last	Year ago
Trailing P/E ratio	23.49	24.85
P/E estimate *	18.69	18.60
Dividend yield	2.00	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 High	YTD % chg
World	**The Global Dow**	2824.37	13.95	0.50	2386.93	2881.15	11.7
	MSCI EAFE	1919.21	1.37	0.07	1614.17	1955.39	11.8
	MSCI EM USD	1072.20	8.54	0.80	838.96	1078.53	35.0
Americas	**DJ Americas**	589.78	5.57	0.95	503.44	599.20	9.1
Brazil	**Sao Paulo Bovespa**	70153.32	1518.67	2.21	56459.11	70277.65	16.5
Canada	**S&P/TSX Comp**	14986.92	35.04	0.23	14319.11	15943.09	-2.0
Mexico	**IPC All-Share**	51331.16	90.05	0.18	43998.98	51772.37	12.5
Chile	**Santiago IPSA**	3885.96	9.85	0.25	3120.87	3908.55	20.6
U.S.	**DJIA**	21899.89	196.14	0.90	17883.56	22179.11	10.8
	Nasdaq Composite	6297.48	84.35	1.36	5034.41	6460.84	17.0
	S&P 500	2452.51	24.14	0.99	2083.79	2490.87	9.5
	CBOE Volatility	11.42	-1.77	–13.42	8.84	23.01	–18.7
EMEA	**Stoxx Europe 600**	375.80	3.08	0.83	328.80	396.45	4.0
	Stoxx Europe 50	3054.61	25.54	0.84	2720.66	3279.71	1.5
Austria	**ATX**	3176.20	22.89	0.73	2252.33	3285.00	21.3
Belgium	**Bel-20**	3930.75	28.58	0.73	3384.68	4055.96	9.0
France	**CAC 40**	5131.86	44.27	0.87	4310.88	5442.10	5.5
Germany	**DAX**	12229.34	163.35	1.35	10174.92	12951.54	6.5
Greece	**ATG**	832.78	6.32	0.76	548.72	859.78	29.4
Hungary	**BUX**	37622.47	524.62	1.41	27466.59	37672.17	17.6
Israel	**Tel Aviv**	1407.05	12.28	0.88	1346.71	1490.23	–4.3
Italy	**FTSE MIB**	21729.48	–23.32	–0.11	15923.11	22065.42	13.0
Netherlands	**AEX**	521.87	5.16	1.00	436.28	537.84	8.0
Poland	**WIG**	62649.41	225.47	0.36	46321.24	63351.24	21.1
Russia	**RTS Index**	1039.44	5.15	0.50	944.88	1196.99	–9.8
Spain	**IBEX 35**	10409.80	49.60	0.48	8506.30	11184.40	11.3
Sweden	**SX All Share**	555.61	6.37	1.16	489.12	598.42	3.9
Switzerland	**Swiss Market**	8963.83	80.05	0.90	7585.56	9198.45	9.1
South Africa	**Johannesburg All Share**	56033.96	583.43	1.05	48935.90	56396.24	10.6
Turkey	**BIST 100**	108594.45	–20.42	–0.02	71792.96	110321.81	39.0
U.K.	**FTSE 100**	7381.74	62.86	0.86	6654.48	7598.99	3.3
Asia-Pacific							
Australia	**S&P/ASX 200**	5750.10	24.20	0.42	5156.60	5956.50	1.5
China	**Shanghai Composite**	3290.23	3.32	0.10	2980.43	3292.64	6.0
Hong Kong	**Hang Seng**	27401.67	246.99	0.91	21574.76	27854.91	24.5
India	**S&P BSE Sensex**	31291.85	33.00	0.11	25765.14	32575.17	17.5
Japan	**Nikkei Stock Avg**	19383.84	–9.29	–0.05	16251.54	20230.41	1.4
Singapore	**Straits Times**	3263.79	16.80	0.52	2787.27	3354.71	13.3
South Korea	**Kospi**	2365.33	10.33	0.44	1958.38	2451.53	16.7
Taiwan	**Weighted**	10392.07	65.68	0.64	8902.30	10579.38	12.3

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	1.835	50.9	51.7	50.7	71.4	1.826	1.847	1.456
2.750	10	2.654	44.1	46.3	46.8	37.0	2.648	2.707	1.913
3.000	**Belgium** 2	-0.559	-188.5	-186.6	-183.7	-134.8	-0.556	-0.497	-0.606
0.800	10	0.711	-150.2	-147.0	-146.0	-142.5	0.714	0.779	0.117
0.000	**France** 2	-0.488	-181.4	-178.9	-173.5	-131.1	-0.480	-0.395	-0.570
1.000	10	0.703	-151.0	-148.3	-149.2	-140.7	0.702	0.747	0.136
0.000	**Germany** 2	-0.713	-203.8	-202.0	-197.8	-136.6	-0.710	-0.638	-0.624
0.500	10	0.403	-181.0	-178.2	-173.3	-162.9	0.402	0.506	-0.087
0.050	**Italy** 2	-0.033	-135.9	-136.9	-134.8	-85.3	-0.060	-0.007	-0.111
2.200	10	2.097	-11.7	-15.3	-16.2	-42.7	2.032	2.077	1.115
0.100	**Japan** 2	-0.131	-145.7	-143.9	-145.5	-93.8	-0.130	-0.115	-0.197
0.100	10	0.040	-217.3	-214.9	-216.8	-161.2	0.036	0.071	-0.070
4.000	**Netherlands** 2	-0.661	-198.6	-196.4	-197.7	-134.7	-0.654	-0.637	-0.605
0.750	10	0.529	-168.4	-165.2	-161.4	-152.1	0.532	0.624	0.022
4.750	**Portugal** 2	0.002	-132.3	-133.0	-127.5	-16.6	-0.021	0.065	0.576
4.125	10	2.751	53.8	53.3	66.2	146.6	2.717	2.901	3.009
2.750	**Spain** 2	-0.349	-167.5	-168.7	-164.5	-92.9	-0.377	-0.305	-0.187
1.500	10	1.452	-76.1	-75.8	-78.3	-60.5	1.427	1.456	0.937
4.250	**Sweden** 2	-0.666	-199.2	-198.5	-205.4	-137.1	-0.675	-0.714	-0.630
1.000	10	0.629	-158.4	-158.8	-161.9	-141.5	0.596	0.620	0.128
1.750	**U.K.** 2	0.219	-110.6	-108.0	-107.9	-62.3	0.230	0.262	0.119
4.250	10	1.088	-112.5	-111.0	-106.3	-98.1	1.075	1.176	0.562
1.375	**U.S.** 2	1.326	...	...	...	...	1.309	1.340	0.742
2.250	10	2.213	...	...	...	...	2.184	2.239	1.542

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 8/21/2017

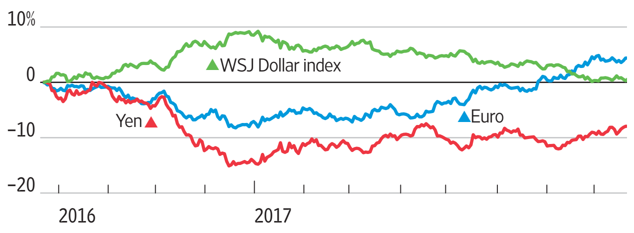
Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	360.00	-3.00	-0.83%	417.25	360.00
Soybeans (cents/bu.)	CBOT	937.50	1.25	0.13%	1,047.00	907.00
Wheat (cents/bu.)	CBOT	429.50	-7.50	-1.72	592.25	428.75
Live cattle (cents/lb.)	CME	107.650	1.800	1.70	122.850	99.125
Cocoa ($/ton)	ICE-US	1,873	-19	-1.00	2,301	1,794
Coffee (cents/lb.)	ICE-US	129.30	-0.85	-0.65	166.75	119.10
Sugar (cents/lb.)	ICE-US	13.51	-0.01	-0.07	20.50	12.74
Cotton (cents/lb.)	ICE-US	67.93	0.37	0.55	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2136.00	17.00	0.80	2,272.00	1,892.00
Copper ($/lb.)	COMEX	3.0080	0.0065	0.22	3.0360	2.5025
Gold ($/troy oz.)	COMEX	1291.50	-5.20	-0.40	1,307.00	1,160.80
Silver ($/troy oz.)	COMEX	17.070	-0.026	-0.15	18.875	14.440
Aluminum ($/mt)*	LME	2,082.00	-7.00	-0.34	2,089.00	1,688.50
Tin ($/mt)*	LME	20,400.00	100.00	0.49	21,225.00	18,760.00
Copper ($/mt)*	LME	6,550.00	60.00	0.92	6,550.00	5,491.00
Lead ($/mt)*	LME	2,394.00	-18.00	-0.75	2,481.00	2,022.00
Zinc ($/mt)*	LME	3,144.00	23.00	0.74	3,144.00	2,450.50
Nickel ($/mt)*	LME	11,220.00	430.00	3.99	11,220.00	8,780.00
Rubber (Y.01/ton)	TCE	216.50	-0.30	-0.14	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2735.00	24.00	0.89	2950.00	2380.00
Crude oil ($/bbl.)	NYMEX	47.85	0.32	0.67	58.34	42.52
NY Harbor ULSD ($/gal.)	NYMEX	1.5965	0.0190	1.20	1.8138	1.3814
RBOB gasoline ($/gal.)	NYMEX	1.5022	0.0061	0.41	1.6860	1.2902
Natural gas ($/mmBtu)	NYMEX	2.965	-0.027	-0.90	3.5660	2.7990
Brent crude ($/bbl.)	ICE-EU	51.61	0.33	0.64	60.08	45.19
Gas oil ($/ton)	ICE-EU	474.25	2.00	0.42	534.00	408.25

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on Aug. 22

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



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0580	17.2326	8.6
Brazil real	0.3175	3.1496	–3.2
Canada dollar	0.7966	1.2554	–6.6
Chile peso	0.001560	640.90	–4.3
Colombia peso	0.0003348	2986.57	–0.5
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0567	17.6405	–14.9
Peru sol	0.3089	3.2375	–3.4
Uruguay peso-e	0.0347	28.810	–1.8
Venezuela bolivar	0.096628	10.35	3.5
Asia-Pacific			
Australia dollar	0.7914	1.2636	–9.0
China yuan	0.1501	6.6627	–4.1
Hong Kong dollar	0.1278	7.8268	0.9
India rupee	0.0156	64.0725	–5.7
Indonesia rupiah	0.0000750	13338	–1.4
Japan yen	0.009143	109.38	–6.5
Kazakhstan tenge	0.003004	332.94	–0.2
Macau pataca	0.1247	8.0224	1.3
Malaysia ringgit-c	0.2336	4.2810	–4.6
New Zealand dollar	0.7294	1.3710	–5.1
Pakistan rupee	0.0095	105.375	1.0
Philippines peso	0.0195	51.312	3.4
Singapore dollar	0.7346	1.3613	–5.9
South Korea won	0.0008828	1132.78	–6.2
Sri Lanka rupee	0.0065355	153.01	3.1
Taiwan dollar	0.03302	30.283	–6.7
Thailand baht	0.03008	33.240	–7.2
Europe			
Bulgaria lev	0.6014	1.6627	–10.5
Croatia kuna	0.1589	6.293	–12.3
Euro zone euro	1.1769	0.8497	–10.6
Czech Rep. koruna-b	0.0451	22.186	–13.6
Denmark krone	0.1582	6.3206	–10.6
Hungary forint	0.003881	257.68	–12.4
Iceland krona	0.009420	106.16	–6.0
Norway krone	0.1264	7.9094	–8.5
Poland zloty	0.2754	3.6309	–13.3
Russia ruble-d	0.01694	59.020	–3.7
Sweden krona	0.1234	8.1006	–11.1
Switzerland franc	1.0347	0.9665	–5.1
Turkey lira	0.2862	3.4941	–0.8
Ukraine hryvnia	0.0393	25.4650	–6.0
U.K. pound	1.2836	0.7791	–3.8
Middle East/Africa			
Bahrain dinar	2.6529	0.3770	–0.06
Egypt pound-a	0.0564	17.7355	–2.2
Israel shekel	0.2761	3.6221	–5.9
Kuwait dinar	3.3123	0.3019	–1.2
Oman sul rial	2.5974	0.3850	0.01
Qatar rial	0.2741	3.648	0.2
Saudi Arabia riyal	0.2667	3.7502	–0.01
South Africa rand	0.0757	13.2138	–3.5

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.15	0.26	0.30	–7.30

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Aug 22

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2636	1.6219	1.3075	0.0116	0.1615	1.4869	1.0067	...
Canada	1.2554	1.6114	1.2987	0.0115	0.1604	1.4772	...	0.9935
Euro	0.8497	1.0907	0.8792	0.0078	0.1086	...	0.6769	0.6724
Hong Kong	7.8268	10.0456	8.0980	0.0716	...	9.2101	6.2337	6.1933
Japan	109.3760	140.3800	113.1500	...	13.9750	128.7100	87.1300	86.5600
Switzerland	0.9665	1.2406	...	0.0088	0.1235	1.1374	0.7700	0.7648
U.K.	0.7791	...	0.8061	0.0071	0.0995	0.9169	0.6205	0.6165
U.S.	...	1.2836	1.0347	0.0091	0.1278	1.1769	0.7966	0.7914

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	1.23611%	0.52439%
Three month	1.31722	0.82544
Six month	1.45611	1.22900
One year	1.72733	1.53100
Euro Libor		
One month	-0.39857%	-0.37143%
Three month	-0.37343	-0.31886
Six month	-0.30700	-0.20386
One year	-0.20471	-0.07214
Euribor		
One month	-0.37100%	-0.36900%
Three month	-0.32800	-0.29800
Six month	-0.27300	-0.19200
One year	-0.15800	-0.04700
Yen Libor		
One month	-0.03157%	-0.05386%
Three month	-0.02943	-0.02543
Six month	-0.00693	0.00143
One year	0.11314	0.09743
	Offer	**Bid**
Eurodollars		
One month	1.3100%	1.2100%
Three month	1.3900	1.2900
Six month	1.5800	1.4800
One year	1.8300	1.7300
	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.	1.11%	0.41%
Euro zone	n.a.	n.a.

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

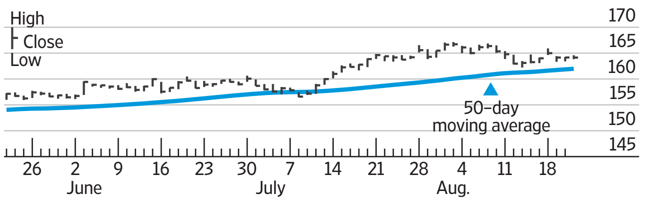
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	58.70	1.03	34.17
¥	AstellasPharma	4503	1383.00	-0.22	-14.81
AU$	AustNZBk	ANZ	29.90	-0.37	-1.71
AU$	BHP	BHP	25.98	1.09	3.67
HK$	BankofChina	3988	3.91	1.30	13.66
HK$	CKHutchison	0001	102.70	1.38	16.84
HK$	CNOOC	0883	9.08	0.89	-6.39
AU$	CSL	CSL	128.05	1.09	27.53
¥	Canon	7751	3777.00	-0.42	14.63
¥	CentralJapanRwy	9022	18110	-0.58	-5.82
HK$	ChinaConstructnBk	0939	6.62	1.38	10.89
HK$	ChinaLifeInsurance	2628	23.85	2.58	18.07
HK$	ChinaMobile	0941	87.45	0.29	6.39
HK$	ChinaPetro&Chem	0386	5.72	0.53	4.00
AU$	CmwlthBkAust	CBA	78.66	0.32	-4.55
¥	EastJapanRailway	9020	10095	-1.32	-0.05
¥	Fanuc	6954	21290	-0.07	7.44
¥	Hitachi	6501	721.70	0.66	14.19
TW$	Hon Hai Precisn	2317	115.00	...	36.58
¥	HondaMotor	7267	3022.00	0.43	-11.51
KRW	HyundaiMtr	005380	147000	-0.68	0.68
HK$	Ind&Comml	1398	5.62	2.55	20.86
¥	JapanTobacco	2914	3740.00	-0.08	-2.71
¥	KDDI	9433	2919.00	-1.00	-1.37
¥	Mitsubishi	8058	2505.00	0.02	0.60
¥	MitsubishiElectric	6503	1642.00	0.15	0.77
¥	MitsubishiUFJFin	8306	668.10	-0.37	-7.23
¥	Mitsui	8031	1615.00	0.78	0.50
¥	Mizuho Fin	8411	187.30	-0.11	-10.72
¥	NTTDoCoMo	9437	2538.00	-1.01	-4.69
AU$	NatAustBnk	NAB	30.83	0.33	0.52
¥	NipponTeleg	9432	5328.00	0.66	8.47
¥	NissanMotor	7201	1092.00	-0.27	-7.10
¥	Panasonic	6752	1457.50	-0.48	22.53
HK$	PingAnInsofChina	2318	63.20	4.20	62.89
$	RelianceIndsGDR	RIGD	48.35	-0.41	53.25
KRW	SamsungElectronics	005930	2350000	0.34	30.41
¥	Seven&I Hldgs	3382	4393.00	-0.09	-1.35
¥	SoftBankGroup	9984	8683.00	0.24	11.82
¥	Sony	6758	4191.00	0.19	27.97
¥	Sumitomo Mitsui	8316	4050.00	-0.42	-9.19
HK$	SunHngKaiPrp	0016	122.90	0.41	25.41
TW$	TaiwanSemiMfg	2330	214.50	1.42	18.18
¥	TakedaPharm	4502	5848.00	-0.76	20.95
HK$	TencentHoldings	0700	324.00	-0.61	70.80
¥	TokioMarineHldg	8766	4400.00	...	-8.26
¥	ToyotaMtr	7203	6138.00	-0.41	-10.76
AU$	Wesfarmers	WES	41.35	-0.12	-1.87
AU$	WestpacBanking	WBC	32.47	0.78	-0.40
AU$	Woolworths	WOW	27.06	0.48	12.28
	Stoxx 50				
CHF	ABB	ABBN	22.31	1.92	3.86
€	ASMLHolding	ASML	130.55	1.83	22.41
€	AXA	CS	24.71	0.57	3.02
€	AirLiquide	AI	103.85	1.32	-1.70
€	Allianz	ALV	182.90	0.88	16.50
€	AB InBev	ABI	99.53	0.55	-1.01
£	AstraZeneca	AZN	4434.00	0.36	-0.08
€	BASF	BAS	82.22	2.21	-6.90
€	BNP Paribas	BNP	65.12	0.68	7.55
£	BT Group	BT.A	292.95	0.26	-20.16
€	BancoBilVizAr	BBVA	7.51	0.97	18.26
€	BancoSantander	SAN	5.48	0.79	10.53
£	Barclays	BARC	193.30	0.03	-13.49
€	Bayer	BAYN	108.90	2.35	9.86
£	BP	BP.	442.20	0.47	-13.23
£	BritishAmTob	BATS	4773.00	-0.08	3.28
€	Daimler	DAI	60.83	1.20	-13.98
€	DeutscheTelekom	DTE	15.56	0.84	-3.91
£	Diageo	DGE	2580.00	0.74	22.27
€	ENI	ENI	13.14	-0.38	-15.06
£	GlaxoSmithKline	GSK	1504.00	1.66	-3.71
£	Glencore	GLEN	348.60	2.14	25.69
£	HSBC Hldgs	HSBA	741.60	1.05	12.89
€	INGGroep	INGA	15.15	0.46	13.31
£	ImperialBrands	IMB	3197.00	0.06	-9.75
€	IntesaSanpaolo	ISP	2.88	-0.69	18.55
€	LVMHMoetHennessy	MC	218.95	0.90	20.70
£	LloydsBankingGroup	LLOY	65.04	0.73	4.05
€	LOreal	OR	177.15	1.23	2.16
£	NationalGrid	NG.	972.10	1.26	-6.36
CHF	Nestle	NESN	81.95	0.80	12.18
CHF	Novartis	NOVN	80.65	0.88	8.84
DKK	NovoNordiskB	NOVO-B	291.30	1.29	14.37
£	Prudential	PRU	1817.50	0.89	11.67
£	ReckittBenckiser	RB.	7332.00	1.03	6.48
£	RioTinto	RIO	3539.50	2.43	12.06
CHF	RocheHldgctf	ROG	243.00	1.08	4.47
£	RoyDtchShell A	RDSA	2121.50	0.57	-5.40
€	SAP	SAP	89.59	1.04	8.19
€	Sanofi	SAN	82.24	0.42	6.94
€	SchneiderElectric	SU	68.08	1.51	2.98
€	Siemens	SIE	112.95	1.67	-3.30
€	Telefonica	TEF	9.16	0.39	3.90
€	Total	FP	43.42	1.50	-9.09
CHF	UBSGroup	UBSG	16.13	0.12	1.13
€	Unilever	UNA	50.20	0.87	28.34
£	Unilever	ULVR	4515.50	1.13	37.15
€	Vinci	DG	76.65	0.67	18.47
£	VodafoneGroup	VOD	221.15	0.82	10.66
CHF	ZurichInsurance	ZURN	292.70	0.34	4.39
	DJIA				
$	AmericanExpress	AXP	85.29	-0.01	15.13
$	Apple	AAPL	159.78	1.63	37.96
$	Boeing	BA	239.75	1.73	54.00
$	Caterpillar	CAT	115.82	1.95	24.89
$	Chevron	CVX	106.38	0.57	-9.62
$	CiscoSystems	CSCO	31.27	1.92	3.47
$	Coca-Cola	KO	45.60	-0.18	9.99
$	Disney	DIS	102.78	1.59	-1.38
$	DuPont	DD	83.02	1.46	13.11
$	ExxonMobil	XOM	76.75	0.48	-14.97
$	GeneralElec	GE	24.60	0.45	-22.15
$	GoldmanSachs	GS	223.58	1.26	-6.63
$	HomeDepot	HD	149.92	0.48	11.81
$	Intel	INTC	34.65	-0.77	-4.47
$	IBM	IBM	141.01	0.48	-15.05
$	JPMorganChase	JPM	91.56	1.03	6.11
$	J&J	JNJ	134.68	0.92	16.90
$	McDonalds	MCD	159.64	0.81	31.15
$	Merck	MRK	62.45	0.78	6.08
$	Microsoft	MSFT	73.16	1.40	17.73
$	Nike	NKE	54.12	0.95	6.47
$	Pfizer	PFE	33.16	1.22	2.09
$	Procter&Gamble	PG	92.79	-0.08	10.36
$	3M	MMM	205.46	0.44	15.06
$	Travelers	TRV	127.76	0.24	4.36
$	UnitedTech	UTX	115.65	0.32	5.50
$	UnitedHealth	UNH	194.73	1.41	21.68
$	Visa	V	104.07	0.82	33.39
$	Verizon	VZ	48.35	0.44	-9.42
$	Wal-Mart	WMT	80.00	0.36	15.74

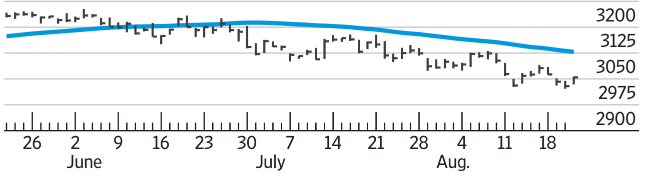
Asia Titans 50

Last: **164.14** ▼ 0.02, or 0.01% — YTD ▲ 16.4%



Stoxx 50

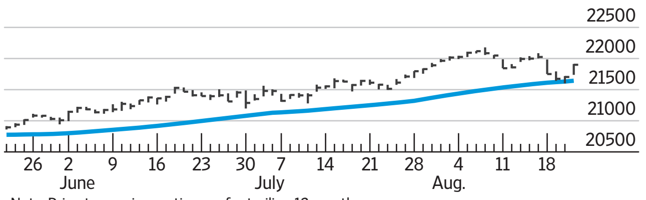
Last: **3054.61** ▲ 25.54, or 0.84% — YTD ▲ 1.5%



Dow Jones Industrial Average

P/E: 20

Last: **21899.89** ▲ 196.14, or 0.90% — YTD ▲ 10.8%



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

THE PROPERTY REPORT

For Rent: Cheap Digs, Outside the City

Developers convert suburban office parks as they look to lure millennials, others

By Emily Nonko

Developer **National Resources** has for several years been studying different office, retail and residential models for an underused corporate campus designed in the 1960s for **International Business Machines** Corp. in East Fishkill, N.Y.

But now, as National Resources moves to close on a deal to buy a 300-acre site, the Greenwich, Conn.-based developer is recognizing that housing has got to be a central component of the plan. Firm principals Lynne Ward and Joseph Cotter recognize low rents are the best way to lure millennials and others away from New York City, about a 90-minute drive away.

National Resources is paying an undisclosed price for the land from California-based semiconductor company **Globalfoundries**, which purchased IBM's semiconductor business in 2015 and still runs a slimmed down operation at the East Fishkill site that employs about 1,700 workers.

Over the next five years National Resources plans to introduce efficiently sized apartments not available in that part of New York state, according to Ms. Ward. They would rent for as low as $1,200 a month, "which is less than half of [rents in] New York City," she said.

SUMMIT DEVELOPMENT

Chappaqua Crossing will have housing added to the former Readers Digest headquarters.

Other developers hoping to redevelop dead and dying corporate office parks are coming to similar realizations as the shortage of affordable housing spreads.

Many of these developers also are looking at ways they can create downtown-style districts with a mix of office and retail. But these can be tougher sells as employers flock from these types of office campuses to downtowns and suburban shopping centers get clobbered by online retail. Some of these master-planned developments have also been criticized for having an ersatz quality similar to the faux city in the 1998 movie "The Truman Show." Even the best ones can't match the vibrancy of a thriving downtown.

But suburban developments have popular downtowns licked when it comes to affordable housing, something that is in scarce supply in New York, Boston, San Francisco and other cities. The housing crisis in cities has become "suburbia's opportunity to participate in the new urban movement," said Jonathan Miller, chief executive of **Miller Samuel** Inc., a real-estate appraisal firm.

Mr. Miller has tracked what he said are unusually high residential sales volumes in some of New York's suburbs, which he said is a reaction to prohibitively high real-estate prices in New York City. "We're seeing consumers take a different look at the suburban market," Mr. Miller said.

Still, not all residents and elected officials in suburbia welcome the company. Redevelopments of corporate campuses throughout the country have run into resistance from locals who are concerned that higher density housing means more traffic, pressure on school systems, higher crime and other city-style problems.

In any case, a number of suburban office campuses—once all the rage in corporate America—have become candidates for redevelopments. Between 14% and 22% of the suburban office inventory was "in some stage of obsolescence" in commercial areas of Colorado, New Jersey, California, Chicago and Washington, D.C., according to a 2016 report by real-estate firm Newmark Grubb Knight Frank.

The report estimated that between 600 million and one billion square feet in the 50 largest metro areas across the U.S. are in some stage of obsolescence. Such languishing properties account for roughly 7.5% of the country's entire office inventory, according to the report.

Redevelopment projects that have focused heavily on housing have chalked up some successes. A 400-unit rental complex planned for the 110-acre campus that once belonged to pharmaceutical company Sanofi SA, in Bridgewater, N.J., is 85% leased, said Craig Eisenhardt, senior vice president of real-estate services firm JLL.

A town center with retail will also be a part of the next phase of the development. "Housing was a very important factor in landing some of our larger tenants in the campus," Mr. Eisenhardt said.

Some groups like the higher density. Pittsburghers for Public Transit has been pressing for affordable-housing requirements at a proposed redevelopment of Lexington Technology Park, a 16-acre site that housed government agencies on the eastern edge of the city.

"Residents getting pushed to outer-ring suburbs need affordable housing near public transit," said Laura Wiens, a coordinator with the group.

But developers adding housing to the former Readers Digest headquarters in Chappaqua, N.Y., ran into years of resistance before breaking ground on the redevelopment last year. The project, known as Chappaqua Crossing, will include housing types more commonly found in New York City than this Westchester County suburb: townhouses and rental apartments.

"In the beginning, we had virtually no local support for adaptive reuse of this site," said Felix Charney, founder of **Summit Development**, of Southport, Conn., which is now developing the site with partner **Grossman** Cos. of Quincy, Mass.

Natural Resources has developed mixed-use office projects across New York and Connecticut.

The firm has been negotiating for three years with both IBM and Globalfoundries before securing 300 acres of the campus, said Ms. Ward. Construction is expected to begin immediately following the closing. "What we're building is not your grandfather's office park," she said.

Condo Owners Eye Cashing In On Rental Market

By Laura Kusisto

CBRE

This condo building at 1400 North Lakeshore Drive in Chicago will be marketed to developers who could convert it into rental units.

During real-estate booms developers often rush to convert rental buildings into condos to take advantage of skyrocketing prices. But in an unusual reversal, investors in Chicago are transforming condos into apartments.

Dozens of stately Chicago condo buildings are or have recently been converted into rentals, real-estate agents say. One of these "deconversion" efforts is being attempted at a roughly 400-unit building on Chicago's Gold Coast, an area overlooking Lake Michigan, which would be one of the largest ever.

These projects reflect the preference to rent rather than buy among many millennials flooding into hip urban areas. Investors also are reacting to the Chicago condo market's lackluster recovery from the recession, even in some of the city's most desirable areas.

Chicago condo prices peaked in early 2007 before plummeting 35% to touch bottom in early 2013. They have begun to recover, but remain 15% below their previous peak, according to the real-estate website Zillow.

Rental prices, meanwhile, have risen 24% over the past seven years to a record, according to **RealPage**, a real-estate software and data analytics firm.

Deconversions are rare in most places across the country, mainly because of the complexity and expense of buying out individual owners who could number in the hundreds. Chicago real-estate laws make it relatively straightforward, requiring three-quarters of unit owners to vote in favor.

Most of these deconversions are started by a group of owners cutting a deal with an investor who would want to buy the building as a rental property. The owners then vote.

If the deal is approved, the owners divvy up the proceeds among themselves based on the size of their apartments, how high up they are in the building, whether they have great views and other factors.

Usually, if owners don't want to move, they can stay on as renters.

On Chicago's Gold Coast, an owners group this week is set to begin marketing their building at 1400 North Lakeshore Drive to developers. If successful, a sale would fetch well over $100 million, according to Sam Haddadin, of real-estate-services firm **CBRE Group** Inc.

The structure was built in 1927 and boasts a grand lobby with walnut paneling and frescos on the ceiling. It is virtually impossible to find a site in that location, right on the lake, to build a brand-new rental building, Mr. Haddadin said.

Michael Arrington, a real-estate investor and entrepreneur, owns 87 units, or one-quarter of the building, most of which he bought during the bust, including the entire penthouse floor in a distressed sale. He supports selling the building now.

In today's market, buyers will sometimes pay a 25% premium or more relative to what all the units would sell for individually to purchase an entire condo building.

Mr. Arrington predicted he could sell his units for more than $400 a square foot in a deconversion sale, more than $100 a foot more than if he sold his units individually and about twice what he paid for them.

Only about one-quarter of the units are owner-occupied, and Mr. Arrington controls a quarter of the votes, so he believes the conversion has a good chance of winning approval.

Dan Tomal, an author, consultant and professor who lives in one unit in the building and rents out another, said he plans to vote in favor of the rental conversion. Many residents like him are conflicted over how to vote, he said.

"Some of the long-term, onsite owners are more prone to have anxiety because of the fear of the unknown....It will force them to consider another option to their normal living habitat," he said. Mr. Tomal said he ultimately expects many primary residents to vote in favor.

Still, investors may be paying a high price for these condos just as the rental market is slowing.

Chicago rents increased 4% a year on average from 2011 through the first half of 2016, according to RealPage. Rent growth has since slowed to 1.5%, and Jay Parsons, a vice president at RealPage, said rents are likely to remain close to flat for at least the next 18 months.

Doug Imber, president of **Essex Realty Group** Inc., said his company alone has worked on dozens of condo buildings in Chicago and the surrounding suburbs. He said when he started about five years ago, investors and lenders were hesitant.

Often the buildings they are purchasing are older and come with significant deferred maintenance. And while it is still cheaper to buy an existing building than develop a new one, investors are paying a premium compared with what they would fetch as condos, betting on a rising rental market.

Getting the majority of owners in a condo building to even agree on repainting the lobby is often difficult. But Mr. Imber said that if managed tactfully, many buildings have been able to reach near-consensus.

"Apparently you can get people to agree on one color," he said, namely green, the color of money.

PLAZA

Continued from page B1

sors, whose firm isn't involved in the sale process.

"This suggests a commitment to consummate a transaction," he said, adding that a professional broker handling the process "might draw people back that looked once and walked away."

The Plaza has a pedigree few hotels can match. It has been featured in novels like "The Great Gatsby" and numerous films, including Alfred Hitchcock's "North by Northwest." Marilyn Monroe and the Beatles stayed there. John F. Kennedy's sister Patricia Kennedy held the reception after her wedding to Peter Lawford in the Plaza's ballroom.

Previous owners of the 110-year old property include hotelier Conrad Hilton and Donald Trump, who once compared it to the Mona Lisa.

How much the iconic structure might fetch is up for debate. It has an enviable location at the southeast corner of Central Park and charges some of the highest room rates in the U.S. A one-night stay next Saturday starts at $616 a night, while "legacy suites" cost $2,125 or more a night, according to the Plaza's website.

But many of its best rooms with sweeping views of Central Park have been sold as condos, and the opening in recent years of new Manhattan luxury hotels such as the Park Hyatt and Baccarat have heated up competition for affluent travelers.

In 2015, Hilton Worldwide Holdings Inc. sold the Waldorf Astoria New York for $1.95 billion to Anbang Insurance Group Co. of China, the highest price ever paid for a U.S. hotel, according to data tracker STR Inc.

New York hotel sales have slumped since then: The average Manhattan hotel sales price in the first half of 2017 was about $515,000 a room, down 26% from the recent peak in the first half of 2015, according to data company Real Capital Analytics.

But some say a prestige property like the Plaza is less confined by market trends. Mr. Hennessey figured the hotel would likely receive bids that could value the property at close to $2 million a room, a price that would include the hotel's Todd English food hall, other restaurants, retail shops and public spaces.

The Plaza has an enviable pedigree and has been featured in novels and movies.

The only U.S. hotel sales to exceed $2 million a room were the Baccarat, the Midtown Manhattan hotel that sold in 2015 for $230 million, and the Plaza itself in 2012, according to STR.

By that valuation, the Plaza could be valued at about $560 million.

But, Mr. Hennessey added, "I'd assume there would be competitive bidding that could drive the price higher."

Real-estate firm El Ad Group in 2004 paid $675 million for the Plaza, but what Sahara is selling today isn't the same property.

The Israel-based developer combined many of the property's initial 800 rooms and suites into luxury condos. The hotel now has 282 guest rooms and 152 privately owned residences, some of which have sold for tens of millions of dollars.

In 2012, Sahara acquired a controlling stake in the hotel in a deal that valued the property at about $575 million. Saudi Prince al-Waleed bin Talal owns a minority interest.

India's Supreme Court in 2014 confined Mr. Roy to jail for failing to pay regulators what the government said is as much as $4 billion of what they claim is illegal debt issued to small investors.

India's capital-markets regulator in 2010 accused two Sahara entities of raising about $4 billion by selling an illegal private placement of bonds.

Mr. Roy and Sahara have denied the allegations and say they have paid most of the debt owed investors.

—Debiprasad Nayak contributed to this article.

MARKETS

Trump Adds to Pakistan's Market Woes

Tough rhetoric is expected to make a challenging time for stocks more difficult

By Saumya Vaishampayan And Steven Russolillo


PPI/ZUMA PRESS

The KSE 100 index entered bear-market territory this week.

President Donald Trump's hard line on Pakistan is the latest drag on the country's beaten-up stock market, already a standout as a weak performer in a strong year for global equities.

Pakistan's benchmark stock index, the KSE 100, fell as much as 2.6% Tuesday, before clawing back ground to close down 0.4%, after Mr. Trump said he would take a tougher stance on Pakistan as part of a broader effort to expand the U.S.'s role in neighboring Afghanistan.

"We can no longer be silent about Pakistan's safe havens for terrorist organizations, the Taliban and other groups that pose a threat to the region and beyond," Mr. Trump said.

The tough rhetoric is likely to compound a challenging period for Pakistan's stock market, which has stumbled in recent months after being one of the brightest performers among emerging markets in recent years.

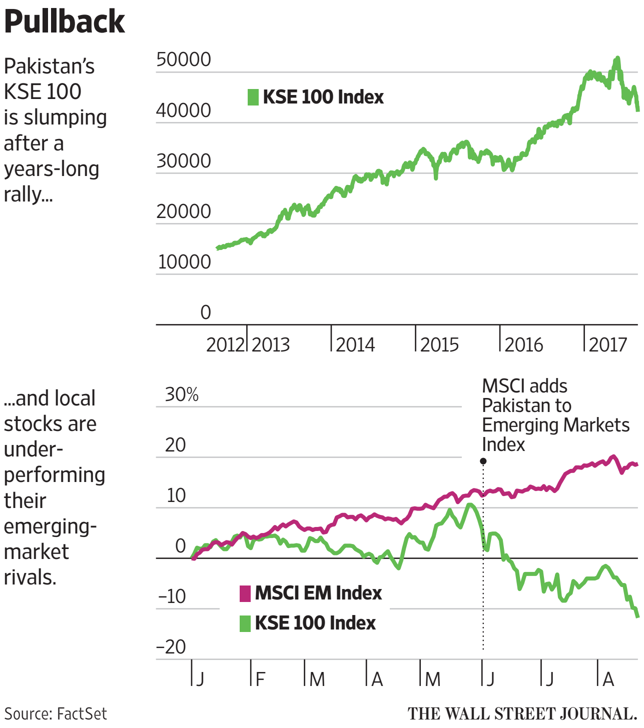
The KSE 100 index slumped into bear-market territory this week, having lost more than 20% of its value since May.

That pullback has come after the index surged roughly 50% in 2016. It has nearly tripled over the past five years.

"We are getting signals that U.S. policy toward Pakistan may not be as favorable" as it once was, said Saad Hashemy, chief economist and director of research at Topline Securities, a Karachi-based brokerage firm. "[Mr.] Trump's speech formalized that tone."

Pakistan is already mired in political turmoil that has diminished the allure of its stocks.

The country's Supreme Court in late July removed Prime Minister Nawaz Sharif from office after an investigation into alleged corruption. The ruling party said it would nominate Shehbaz Sharif, the ousted prime minister's younger brother, to succeed him and elections are expected next year.



There is also concern about the health of the Pakistani rupee after it declined suddenly against the U.S. dollar this summer; the currency had traded in a narrow range versus the dollar since late 2015. A slump in the rupee could lead to higher inflation and put pressure on the country's central bank to raise interest rates, said Gareth Leather, senior Asia economist at Capital Economics in London.

"There is confusion in Pakistan right now," Mr. Hashemy said. "Given the political uncertainty, I expect the market will continue to be in a bearish trend. But after the past few years, this is not a bad level to take some profits."

The struggle for Pakistani stocks has come despite leading index provider MSCI's decision to upgrade the country to an emerging market from a frontier market. The official reclassification into the MSCI Emerging Markets Index took place June 1, which many expected would have been a boon for the country's stock market.

Instead, stocks have fallen, a pattern that Mr. Hashemy said is similar to what transpired when the U.A.E. and Qatar were upgraded to emerging-market status in May 2014. Both countries' stock markets slumped in the subsequent months before bouncing back.

U.S. Stocks Jump, Led by Tech and Retail Sectors

By Michael Wursthorn And Christopher Whittall

Technology companies led a broad upswing in U.S. stocks Tuesday, as investors scooped up shares following recent declines.

TUESDAY'S MARKETS

The Dow Jones Industrial Average rose for a second consecutive day, after the index suffered its biggest two-week decline of the year.

The Dow industrials gained 196.14 points, or 0.9%, to 21899.89. The S&P 500 added 1%, and the Nasdaq Composite rose 1.4%.

Threats between the U.S. and North Korea, as well as turbulence in Washington that amplified investors' doubts about the Trump administration's ability to enact agenda items like a tax overhaul, have weighed on stocks this month.

Some of the biggest gainers Tuesday were stocks hit hard in recent sessions, including brick-and-mortar retailers and tech giants.

While the political climate continued to be a concern, investors said the strong earnings quarter, steady economic growth and slightly more attractive valuations following recent selloffs were driving markets.

"We're focusing less and less on the political backdrop," said Lew Piantedosi, director of growth equity for Eaton Vance. "It's the strength of the economy, not just here, but globally, that matter most to stocks. Earnings have been reasonably healthy for the last few quarters, too."

In Europe, the Stoxx Europe 600 rose 0.8% to 375.80, buoyed by gains in mining shares.

Technology companies in the S&P 500 were up 1.4% in late trading. Western Digital added 3.5%, Cisco Systems—which shed 4% in last Thursday's selloff—rose nearly 2% Tuesday and Google parent Alphabet added 2.1%.

Retailers were on the upswing, too. Shares of Macy's gained 4.8% after the company said it hired a senior eBay executive and streamlined its top management. Shoe retailer **DSW** rose 18% in late trading after it posted same-store sales growth for the first time in six quarters. The SPDR S&P Retail exchange-traded fund was up 1.6% after declining 3.7% last week.

Shares of energy companies in the S&P 500 rose 0.7%, with **Oneok** and Cabot Oil & Gas posting some of the biggest advances.

U.S. crude for September gained 0.6% to $47.64 a barrel.

Investments considered to be relatively safe stores of value, including gold and U.S. Treasury bonds, retreated.

Government-bond prices edged lower, with the yield on the 10-year U.S. Treasury note rising to 2.215%, according to Tradeweb, from 2.182% on Monday. Yields rise as prices fall. Gold for August delivery fell 0.4% to $1,285.10 a troy ounce—its biggest decline in a week.

Investors also were looking ahead to the Jackson Hole economic symposium that kicks off Thursday, where the roster of top central bankers is set to include Federal Reserve Chairwoman Janet Yellen and European Central Bank President Mario Draghi.

Investors are watching for further details on the Fed's plans to scale back its balance sheet and clues on when the ECB could trim its asset purchases, which have helped underpin markets in recent years.

Earlier in Asia, Hong Kong's Hang Seng Index rose 0.9%, while the Nikkei Stock Average slipped less than 0.1%.

—Ese Erheriene contributed to this article.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY **WSJ.com/Heard**

Free Money From a Smart Insurer

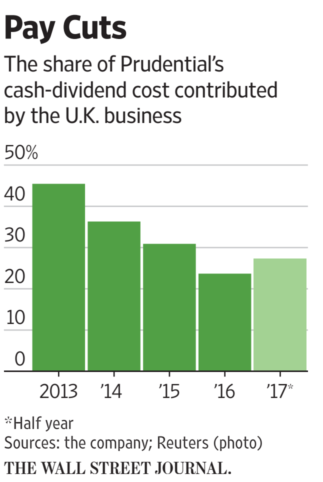
Talk of a breakup of **Prudential**, the biggest U.K. insurer by market value, returns as regularly as summer holidays.

This time is different, some analysts say, because the company itself sparked the chatter with a restructuring plan that looks a lot like a prelude to a spinoff of the old, dull U.K. business.

Investors should treat this latest chatter with skepticism. However, a nuanced view of Prudential's plans promises value to investors.

Prudential is known for its high-growth Asian businesses and the market-leading U.S. arm, Jackson National Life. The group's U.K. business is seen as an insurer only needed for cash flows that fund dividends and Asian growth.

But that has changed since Prudential's Asia arm started generating enough cash to fund its own growth. Meanwhile, the U.K. contributes only one-quarter of the group's cash dividend cost versus almost half in 2013.



*Half year
Sources: the company; Reuters (photo)
THE WALL STREET JOURNAL.

Also, a U.K. base means that the group is subject to Europe's complex capital rules, known as Solvency II. This feeds the idea that the U.K. has become less necessary but more costly.

So, when Prudential said this month that its U.K. arm would merge with M&G, its independently run European asset manager, it fueled excitement that U.S. and Asia businesses would finally leave old Europe behind.

One big hope is that Prudential's Asian and U.S. businesses could release excess capital once they escaped European rules. But this isn't the case: The critical demands for capital in both markets are local. In Asia, local regulators are paramount, while for Jackson, current capital is needed for the AA credit rating that management wants.

But if a breakup is a red herring, freeing capital by other means isn't. Prudential is also looking to unload some U.K. annuities, very long-term obligations to pay retirees an income until death. Unloading £10 billion ($12.9 billion) worth could free up about £2 billion of capital within Prudential, according to Bernstein analysts, which could be handed to shareholders.

But this also illuminates the likely purpose of merging the U.K. arm with M&G: creating a U.K. pensions-and-savings business focused on selling products that need little capital while better using its asset-management brand, and cutting costs.

Prudential's merged U.K. businesses are worth just 10 times earnings on a sum-of-the-parts basis with the U.S. and Asia valued using multiples for Hong Kong-listed AIA and big U.S. rivals.

So, forget the breakup chatter, which has done little for the stock in the past two weeks: Prudential's plans look more likely to give investors a handout and boost the value of the group as it is.

—Paul J. Davies

OVERHEARD

Fuel? Check. Sailors? Check. Cargo? Yep, a million barrels of Venezuelan crude.

Unfortunately, an oil tanker by the name of Karvounis has been in limbo in the Gulf of Mexico off the coast of Louisiana for several weeks.

The buyer, a U.S. refiner that often purchases Venezuelan cargoes, has been awaiting a letter of credit guaranteeing payment to the owner of the oil. The ship has been chartered by a middleman, according to Hellenic Shipping News.

With sanctions being mulled and widespread belief that Venezuela and its state-owned oil company will soon default on billions of dollars in debt, getting the routine, short-term credits has been problematic.

The owner of the world's largest proven crude reserves, once among the wealthiest nations in South America, is discovering that there is an even more valuable commodity than oil, and one more easily taken for granted: money.

Makers of Chip Gear Look Cheap

Makers of semiconductor-manufacturing equipment are more profitable than ever, which poses an interesting dilemma for investors.

Applied Materials and **Lam Research**, the two largest companies in the space, reported record operating profits for their most recent quarters. Applied Materials' share price has jumped 46% over the past 12 months through Monday, while Lam's has surged by 70%. That has put both stocks at their highest levels in more than a decade.

But thanks to their rapidly expanding bottom lines, both stocks now look cheaper despite their gains.

Applied Materials now trades just under 12 times forward earnings compared with 15 times a year ago, according to FactSet. Lam's multiple has slipped from 13.4 times to 12.2 times. The peer group represented by the PHLX index is averaging about 15 times forward earnings.

That should help soothe investors who might be nervous about a downturn on the horizon. Chip-manufacturing gear is a cyclical business, but the industry is benefiting from an especially sustained uptick in demand for memory and processors that is driven by significant technology shifts under way in markets such as data centers and automobiles. Those shifts are still in their early days.

China is also working to build up a domestic semiconductor industry and has several new fabrication plants under construction. Those fabs will require production equipment well into the next year, which should chip in a little more growth to the sector's already strong run.

—Dan Gallagher

BHP Rights Its Ship by Throwing Its Shale Overboard

BHP Billiton, the world's biggest miner, is looking for an exit from U.S. shale. That is a big win for **Elliott Management**, the activist hedge fund that has been agitating for the miner to get out of the low-return business since April.

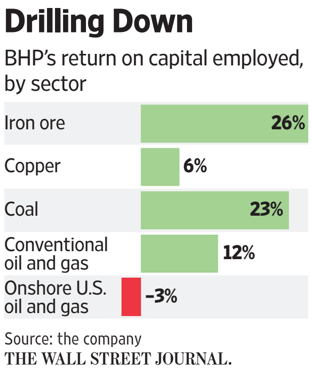
It is also good news for shareholders, and a down payment on incoming Chairman Ken MacKenzie's mandate to focus on boosting returns, which have lagged behind those of BHP rival **Rio Tinto**.

BHP's full-year results, released Tuesday, show why.

The firm swung back to profitability, due to higher prices for key earners iron ore, copper and coal, and after big write-downs in 2016 on its shale and Brazilian iron-ore operations. It also announced a big increase in its full-year dividend, up 177% on the year to 83 cents a share, and paid down more of its borrowings, bringing its net debt to the lowest level since 2011.

The breakdown by sector paints a brutal picture of the U.S. shale-oil business, however. BHP's petroleum business as a whole, which also includes offshore Gulf of Mexico wells and Australian assets, enjoys better profit margins than any of the firm's other segments besides iron ore. But its onshore shale business, based in Texas and the southeast U.S., generated a return on capital of negative-3%, against 12% for the conventional oil and gas business, 6% for copper, and 26% for iron ore.

With numbers like that, it isn't hard to see why Elliott was so eager to see the shale business go. Holding on to high-margin conventional oil and getting out of capital-intensive shale—which requires constant drilling to maintain output—will help BHP keep the benefits of energy-sector diversification and free up capital for dividends or investment in copper and other growth pillars.



Source: the company
THE WALL STREET JOURNAL.

Still, shale will remain costly for BHP for a while yet. The company actually plans to ramp up spending on U.S. shale in the coming year, part of an overall increase in capital expenditure to $6.9 billion in 2018 from just $5.2 billion in fiscal year 2017. The extra spending is needed to stop output from fast-declining shale wells dropping off a cliff.

And while BHP has begun taking the right steps to make shareholders happier, any sale of its shale assets may not be imminent: Hearing that the firm will be "patient" as it looks for options to deal with its onshore U.S. assets may not exactly be music to the ears of investors. Until a deal is struck and BHP has banked the proceeds, Elliott and BHP's other critics won't be satisfied.

—Nathaniel Taplin