

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

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WSJ.com

★★★★ \$4.00

DJIA 21993.71 ▲ 135.39 0.6%

NASDAQ 6340.23 ▲ 1.3%

STOXX 600 376.16 ▲ 1.1%

10-YR. TREAS. ▼ 8/32, yield 2.217%

OIL \$47.59 ▼ \$1.23

GOLD \$1,284.20 ▼ \$3.50

EURO \$1.1782

YEN 109.63

What's News

Business & Finance

Investors are snapping up securities sold by Fannie and Freddie that transfer the risk of mortgage defaults away from taxpayers. **A1**

◆ Benchmark told Uber employees that it sued Kalanick in part to prevent the ex-CEO from undermining a search for a new chief. **B1**

◆ The S&P 500 posted its biggest one-day gain since April, rising 1% to 2465.84. The Dow climbed 135.39 points to 21993.71. **B1**

◆ The CBOE's fear gauge, the VIX, plunged 20.5% on the market's rebound, in a reversal from last week. **B11**

◆ Berkshire Hathaway sold 10.6 million shares of GE in the second quarter, worth an estimated \$315 million as of June 30. **B1**

◆ LinkedIn was ordered to let a startup scrape data that has been publicly posted by users, in a potentially precedent-setting defeat. **B3**

◆ Hedge fund Jana said it has taken a 2% stake in Blue Apron, sending shares in the meal-kit maker up 4.7%. **B3**

◆ North Face owner VF reached a deal to buy apparel maker Williamson-Dickie for \$820 million. **B3**

◆ SpaceX made a successful cargo launch to the space station with a focus on scientific experiments. **B4**

◆ Beijing is pushing to give the Communist Party a key role in Chinese state firms listed in Hong Kong. **B10**

◆ China's economy slowed in July as Beijing cracked down on property speculation and rising debt. **A6**

World-Wide

◆ Trump denounced white-nationalist groups by name for the deadly weekend violence in Charlottesville, Va., after stopping short of doing so two days earlier. **A1**

◆ CEOs of Merck, Under Armour and Intel quit a White House panel over Trump's failure to quickly condemn the white supremacists. **A4**

◆ North Korea pulled back its threat to attack Guam, hours after China took its toughest steps yet against Pyongyang to support U.N. sanctions. **A1**

◆ The rocket engines that North Korea has used in its missile tests were likely obtained illicitly from Ukraine or Russia, a report said. **A6**

◆ Kenya's president urged the opposition leader to order his supporters off the streets and to take vote-rigging claims to the courts. **A16**

◆ Alabama Republicans head to the polls Tuesday in a U.S. Senate special election that illustrates the divisions in the GOP. **A2**

◆ California and San Francisco are suing the administration over its decision to withhold money from sanctuary cities. **A3**

◆ Aid groups suspended migrant rescue operations in the Mediterranean over concerns their ships are threatened by Libya. **A7**

◆ Argentina's president got a show of support in a primary vote, in a setback to ex-leader Kirchner. **A16**

◆ Mudslides and flooding killed at least 250 people in Sierra Leone. **A16**

U.S. NEWS

In Alabama, U.S. Senate Primary Looms

BY JANET HOOK

WASHINGTON—Alabama Republicans head to the polls Tuesday in a U.S. Senate special election that illustrates how divided the GOP remains in the era of President Donald Trump.

The primary contest for Attorney General Jeff Sessions' old Senate seat has come down to a fight among candidates close to longstanding party factions: a religious conservative, a tea party insurgent, and a candidate backed by the Washington establishment.

The competition remained unsettled even after the president last week endorsed Sen. Luther Strange, the Republican appointed to hold Mr. Sessions' seat temporarily. Mr. Strange is also backed by Senate Majority Leader Mitch McConnell (R., Ky.) and the party establishment.

If, as expected, no candidate gets more than 50% of the vote Tuesday, a GOP runoff will be held Sept. 26 between the top two vote-getters.

Polls indicate that the candidates most likely to go to the



U.S. Sen. Luther Strange is running in a GOP primary Tuesday to keep his seat in the chamber.

Alabama Democrats will also be voting Tuesday to select their nominee. Top-polling candidates are former U.S. Attorney Doug Jones, who is the favorite of party leaders, and Robert Kennedy Jr., a businessman and Navy veteran who isn't related to the Kennedy political dynasty.

Because Mr. Trump remains extremely popular in Alabama, his endorsement was considered a big boon for Mr. Strange. But polls suggest he may not come in first place, let alone hit the 50% needed to secure the nomination.

Mr. Strange, a former state attorney general, is both blessed and burdened by the strong support he has gotten from Mr. McConnell. That backing has brought a windfall of support from Mr. McConnell's political organizations, including a barrage of ads attacking Mr. Brooks. But Mr. Strange's opponents have demonized Mr. McConnell as a creature of the Washington establishment mistrusted by many conservatives and Trump voters.

"Mr. President, isn't it time we tell McConnell and

Strange, 'You're fired?'" Mr. Brooks says in a closing ad.

Mr. Brooks has also attacked Mr. Strange for getting the Senate appointment to Mr. Sessions' seat from a scandal-tainted governor, Robert Bentley, who resigned this year after pleading guilty to campaign-finance violations connected to an alleged affair with a senior aide. The attorney general's office was investigating the governor, leading critics to question whether Mr. Strange leveraged the inquiry into an appointment—something Mr. Strange has denied.

Elsewhere on Tuesday, Utah will be voting in a special election to replace former Rep. Jason Chaffetz, who resigned from the House at the end of June. Mr. Trump looms over the GOP primary because the front-runner, Provo Mayor John Curtis, didn't vote for Mr. Trump in 2016, and his leading opponent is holding it against him.

"From the very beginning, I've made it known that I voted for Trump," said Chris Herrod, a former state lawmaker.

U.S. WATCH

ARIZONA

Trump May Pardon Ex-Sheriff Arpaio

President Donald Trump told Fox News in an interview that aired Monday that he is "seriously considering" a pardon for former Arizona sheriff Joe Arpaio.

Mr. Arpaio, an early and ardent supporter of Mr. Trump, was found guilty last month of criminal contempt for defying a judge's order to stop conducting immigration patrols in the state.

In a telephone interview Mr. Arpaio, who has insisted he is innocent, said he would accept a pardon. He added that he is a "big supporter" of the president, though Mr. Arpaio stressed he had not sought out a pardon.

"I am seriously considering a pardon for Sheriff Arpaio," Mr. Trump told Fox News on Sunday, the news network reported Monday. "He has done a lot in the fight against illegal immigration. He's a great American patriot and I hate to see what has happened to him."

—Alejandro Lazo

WISCONSIN

Not Guilty Plea Made In Ransomware Case

A British cybersecurity researcher credited with helping curb a recent world-wide ransomware attack pleaded not guilty Monday to federal charges accusing him of creating malicious software to steal banking

information three years ago.

Marcus Hutchins entered his plea in federal court in Milwaukee, where prosecutors charged him and an unnamed co-defendant with conspiring to commit computer fraud in the state and elsewhere. Authorities arrested the 23-year-old on Aug. 2.

Mr. Hutchins' attorney, Marcia Hoffmann, said Mr. Hutchins will fight the charges and that "when the evidence comes to light, we are confident he will be fully vindicated."

—Associated Press

WEST POINT

Black Woman Leads Cadets for First Time

Simone Askew marched into history Monday as the first black woman to lead the Long Grey Line at the U.S. Military Academy.

After an early morning 12-mile march back to the gray stone academic complex with 1,200 new cadets she led through the rigors of basic training at "Beast Barracks," the 20-year-old international history major from Fairfax, Va., assumed duties as first captain of the 4,400-member Corps of Cadets.

That is the highest position in the cadet chain of command at West Point.

"It's humbling, but also exciting as I step into this new opportunity to lead the corps to greatness with my teammates with me," Ms. Askew said.

—Associated Press

THE VIEW IS MARVELOUS
FROM OUR NEW GULFSTREAMS.

Our Gulfstream Fleet Has Arrived. Be the first to take a new G450 around the world. New fractional shares are only available at Flexjet through an exclusive arrangement with Gulfstream. See what's possible when two iconic brands come together to create something truly exceptional.



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Driverless Cars May Alter 1 in 9 Jobs

BY BEN LEUBSDORF

Self-driving vehicles have the potential to reshape a wide range of occupations held by roughly one in nine American workers, according to a newly released U.S. government report.

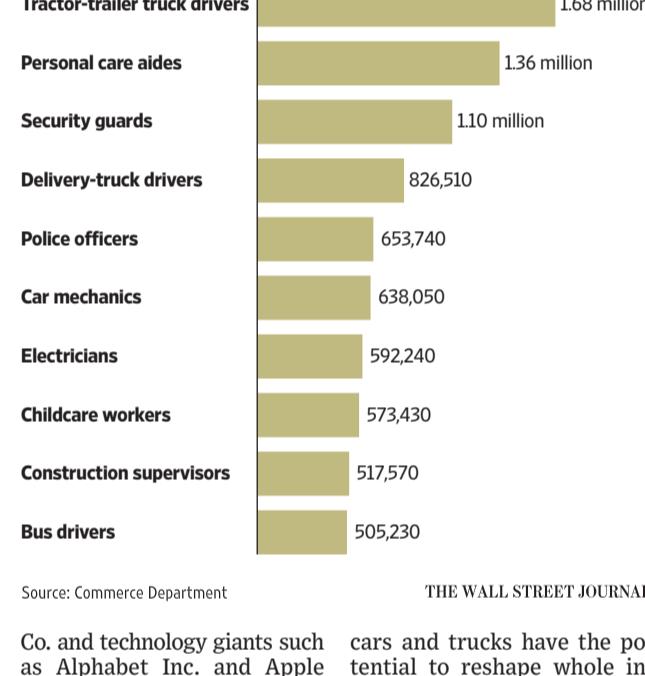
About 3.8 million people drive taxis, trucks, ambulances and other vehicles for a living. An additional 11.7 million workers drive as part of their work, including personal-care aides, police officers, real-estate agents and plumbers. In all, that is roughly 11.3% of total U.S. employment based on 2015 occupational data, according to the analysis by three Commerce Department economists.

If businesses embrace autonomous vehicles on a large scale, workers in the first category are "more likely to be displaced" from their jobs, while workers in the latter group "may be more likely to benefit from greater productivity and better working conditions," wrote David Beede, Regina Powers and Cassandra Ingram in the report, released Friday.

Auto makers such as Ford Motor Co. and General Motors

Driving Without Drivers?

The top ten jobs that self-driving cars could reshape, by number employed in 2015



Source: Commerce Department

Co. and technology giants such as Alphabet Inc. and Apple Inc. are racing to develop vehicles that can operate without a human driver. If successfully introduced in the coming years or decades, self-driving

cars and trucks have the potential to reshape whole industries—and change the careers of millions of people who work in them.

The Commerce Department report explored which workers

are likely to be supplanted by automated vehicles, or at least see changes to their job descriptions. It didn't analyze how the technology might help create new jobs.

Some truck drivers, bus operators and others who work in jobs that primarily involve operating a motor vehicle "might have difficulty finding alternative employment" if their current jobs disappear, the economists wrote.

Those workers, they said, are on average "older, less educated and for the most part have fewer transferable skills than other workers, especially the kinds of skills required for non-routine cognitive tasks."

The outlook was less bleak for workers whose jobs involve some driving, such as letter carriers and electricians. For them, "it is only one of many important work activities, many of which already require the kinds of non-routine cognitive skills that are becoming increasingly in demand in our economy," the economists wrote.

"Such workers are likely to be able to adapt to the widespread adoption of [autonomous vehicles]," the report said.

'El Chapo' Hits Snag on Paying Lawyers

BY NICOLE HONG

Joaquín "El Chapo" Guzmán, the Mexican drug lord awaiting trial in New York, wants to hire private lawyers. But they may have to join the case without any assurance of getting paid.

The U.S. government wants to seize \$14 billion of Mr. Guzmán's alleged drug profits if he is convicted, which could make his payments to lawyers vulnerable to forfeiture.

In a court filing last week, the U.S. government refused to give a "blanket, prospective assurance" that prosecutors won't try to seize legal fees paid by Mr. Guzmán. Mr. Guzmán has executed retainer agreements with four private lawyers, who want to know they can get paid before they agree to formally join the case.

At a hearing Monday in Brooklyn federal court, U.S. District Judge Brian Cogan said he wouldn't pressure the government to make such a promise to the lawyers. He said the private lawyers have to decide soon whether they want to represent Mr. Guzmán to ensure no delay in the trial, which is scheduled to begin



Mexican drug lord Joaquín 'El Chapo' Guzmán, second from right, listened Monday at a hearing in federal court in New York.

April 16.

Since Mr. Guzmán's extradition in January to New York, he has been represented by federal defenders, who are paid for with taxpayer dollars.

He has pleaded not guilty to 17 criminal charges, including drug trafficking, money laundering and murder conspiracy.

Mr. Guzmán wants to hire a team led by Jeffrey Lichtman, most well-known for securing an acquittal for John A. Gotti, son of the notorious mob boss.

The team also includes A. Eduardo Balarezo, William Purpura and Marc Fernich, all of whom have had experience defending mobsters or drug traffickers.

Mr. Lichtman said the defense team hopes to work out an agreement with prosecutors to see "what we can do to actually keep the money." Mr. Balarezo said he isn't willing to represent Mr. Guzmán for free.

As things now stand, the

government could freeze the lawyers' bank accounts when the legal fees are transferred, the lawyers said. "This is still America. The man deserves not only his choice of counsel, but he deserves a fair trial," Mr. Lichtman said.

Mr. Guzmán will meet Thursday with a member of his family to discuss arranging his legal fees, Mr. Lichtman said. The meeting is set to take place at a detention facility in Manhattan, where Mr. Guzmán has been under solitary confinement for 23 hours a day. He escaped twice from high-security prisons in Mexico.

One point of discussion at the meeting could be whether the family member can prove to the government that the funds aren't the result of illegal drug proceeds, Mr. Lichtman said.

Until the legal fees are sorted out, Mr. Guzmán will continue to use federal defenders. A private legal team could arguably devote more time to the complex case, which turns on allegations spanning nearly three decades and which is expected to involve dozens of witnesses.

CORRECTIONS & AMPLIFICATIONS

In some editions Monday, WebMD Health Corp.'s Chief Financial Officer Blake DeSimone was incorrectly called Mr. Simone on second reference in a Journal Report article about WebMD.

Anthony Scaramucci's last name was misspelled in one instance as Scarammucci in a U.S. News article on Monday about the former White House communications director.

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

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U.S. NEWS

Eclipse Lights Up Research

Scientists, amateurs across continent prepare to capture the solar event

By ROBERT LEE HOTZ

Astronomers say a total eclipse later this month, the first to be visible across the continental U.S. in almost a century, will be an experiment in solar physics conducted on a national scale, as citizen scientists join researchers in scrutinizing the star that helps make life on earth possible.

The total solar eclipse on Aug. 21 will fall across 14 states, each of which will experience more than two minutes of daytime darkness. Those in the U.S. outside the 70-mile-wide zone that stretches from Oregon to South Carolina will see at least a partial eclipse.

Although an eclipse lasts mere minutes, the event offers scientists a rare opportunity to study the sun and its properties, including the corona, the wispy fringe of outer atmosphere normally obscured by the star's blinding brightness.

Researchers say understanding the sun is key to unlocking many mysteries of space. "It is the Rosetta Stone of all stars," says astrophysicist Thomas Zurbuchen, NASA's associate administrator for science, who plans to watch the eclipse aboard an agency jet off the coast of Oregon.

At NASA and the National Oceanic and Atmospheric Administration, scientists plan to marshal an armada of 50 high-altitude balloons, 11 orbiting satellites, the international space station and thousands of ground-based telescopes. Scientists from the Southwest Research Institute in Boulder will fly two converted tactical bombers at an altitude of 50,000 feet, where they expected to get the clearest pictures yet of the sun's outer atmosphere.

Researchers will be joined by scores of student astronomers and volunteer sky watchers using telescopes, high-altitude balloons and smartphone cameras to capture data and images, creating a continuous panorama of the event.

In fact, so many people are volunteering to conduct observations that scientists anticip-



Experiments such as the Montana State University Eclipse Ballooning Project, above, will gather data.

The 2017 Eclipse

If skies are clear during the Aug. 21 solar eclipse, the entire U.S. will be able to see the sun at least partially obscured. Percentage of the sun's area that will be covered by the moon during the event:



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pate a record harvest of solar data. "We are expecting that millions of people will get involved," says Carrie Black, who oversees solar research at the National Science Foundation. "Images and data collected from this will be analyzed for years to come."

Cameras aboard high-altitude balloons launched from 25 sites around the country by students participating in NASA's Eclipse Ballooning Proj-

ect will transmit live video and images, which will be available for streaming, as onboard sensors collect data on temperatures and other effects.

As part of a project called the Citizen Continental-America Telescopic Eclipse Experiment, volunteers will use 68 telescopes along the 2,400-mile path of the eclipse to collect images of the sun's corona, which astronomer Matt Penn and his colleagues at the

National Solar Observatory in Tucson will then splice together into an uninterrupted, 90-minute video.

Amateur scientists and astronomers involved in the Do-It-Yourself Relativity Project hope to duplicate and confirm an original test of Einstein's relativity theory, which was conducted during a 1919 solar eclipse, by measuring how the sun's gravitational pull bends the light of nearby stars.

pect will transmit live video and images, which will be available for streaming, as onboard sensors collect data on temperatures and other effects.

Researchers are eager to study how the drop in solar radiation during an eclipse affects the ionosphere, a layer of atmosphere that influences radio signals.

A team at George Mason University in Virginia has been recruiting volunteers for its

spheric Research in Boulder, Colo. "It is vitally important to understand the connection between the sun and the earth."

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study how the drop in solar radiation during an eclipse affects the ionosphere, a layer of atmosphere that influences radio signals.

—Robert Lee Hotz

Crowdsourcing the Sun for Answers

The sheer volume of obser-

vations from the eclipse may

help resolve key questions

about the brightest object in

the sky: Is the sun growing or

shrinking? Why is its outer at-

mosphere so much hotter than

its surface? What role does its flickering corona play in the powerful electromagnetic storms that can disrupt electronics, power grids, radio and communications on earth?

The corona "places our technologically dependent society in peril almost every day," says Scott McIntosh, director of the High Altitude Observatory at the National Center for Atmo-

spheric Research in Boulder, Colo. "It is vitally important to understand the connection between the sun and the earth."

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sun's gravitational pull bends

the light of nearby stars.

EclipseMob project, which it be-

lieves will be the largest crowd-

sourced ionosphere experiment

in history.

During the eclipse, volunteers

around the country will measure

and compare reception at two

different receiving stations as

the sun's radiation is blocked by

the moon, which should alter the

ionosphere.

—Robert Lee Hotz

two years or less, from as long as a decade or more.

The administration is trying to address a frustration that has long irked local officials and politicians trying to speed up construction of highways, bridges, pipelines, terminals and other infrastructure: the months and years that can elapse while waiting for federal agencies to review how the new projects will affect surrounding communities and the natural environment.

In shrinking time to evaluate the impact of projects, the

The goal is to pare down to 'one federal decision' whether a project can go forward.

administration sets up a likely conflict with environmental groups and others concerned with the irreversible impact of major construction on open lands. The lengthy interval of environmental review has allowed opponents to research, alter and sometimes block major projects that might otherwise have swiftly been approved based on support from elected officials and powerful economic interests.

Order Will Curb Project Reviews

By TED MANN

WASHINGTON—President Donald Trump plans to sign an executive order as soon as Tuesday that would sharply compress the time federal agencies spend weighing environmental reviews of highways, bridges and other infrastructure projects.

The order, according to a senior administration official, will require federal agencies to cooperate from the earliest stages of the permitting process for large-scale construction projects, with the goal of eliminating late-stage requests for information or further review that many construction industry officials, developers and elected officials blame for the nation's slow pace of building critical infrastructure.

The goal is to pare down to "one federal decision" whether a proposed project can go forward, the official said.

Mr. Trump's executive order is an attempt to get federal agencies to cooperate more readily on environmental reviews, the official said. Once a new project has been approved by the lead federal agency, the order will require other agencies with jurisdiction to decide whether to issue their own permits within 90 days—with a goal of shortening the federal project review process to

Lawsuits Challenge Sanctuary Crackdown

By ALEJANDRO LAZO

overdue.

"The president is bent on trying to vilify immigrants and punish cities that prioritize real, effective public safety over splitting up hardworking families," San Francisco City Attorney Dennis Herrera said Monday at a news conference with State Attorney General Xavier Becerra at San Francisco City Hall.

Mr. Becerra said the Trump administration can't use federal grant fund requirements to pressure cities to cooperate with its immigration crackdown.

The San Francisco suit says the Justice Department's warning that it will remove crime-fighting funds is unconstitutional.

"Given the multiple high-profile incidents that have occurred in California in recent years, it is especially disappointing that state leaders would take steps to limit cooperation between local jurisdictions and immigration authorities that are trying to keep Californians safe," said Devin O'Malley, a U.S. Justice Department spokesman.

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U.S. NEWS

Three CEOs Quit Trump Council

BY PETER LOFTUS

Three chief executives resigned Monday from a manufacturing-advisory council to the Trump administration in an apparent protest of the president's failure to quickly condemn the white supremacists who marched and engaged in violence in Charlottesville, Va., this weekend.

Drugmaker Merck & Co. issued a statement Monday morning on Twitter from Chairman and Chief Executive Kenneth Frazier, saying, "America's leaders must honor our fundamental values by clearly rejecting expressions of hatred, bigotry and group supremacy, which run counter to the American ideal that all people are created equal."

"As CEO of Merck and as a matter of personal conscience, I feel a responsibility to take a stand against intolerance and extremism," Mr. Frazier said. A Merck spokeswoman said the company had no comment beyond Mr. Frazier's statement.

Almost an hour later, President Donald Trump posted on Twitter: "Now that Ken Frazier of Merck Pharma has resigned from President's Manufacturing Council, he will have more time to LOWER RIPOFF DRUG PRICES!"



ANDREW HARRER/BLOOMBERG NEWS

Kenneth Frazier, second from left, resigned from an advisory group, drawing a rebuke on Twitter from the president.

Later Monday, Mr. Trump singled out white-nationalist groups by name for condemnation after stopping short of doing so two days earlier. Such groups had largely supported his presidential campaign, and Mr. Trump was widely criticized on Saturday for saying there was a display of hatred and violence in Charlottesville

by "many sides."

Intel Corp. Chief Executive Brian Krzanich on Monday night also announced his resignation from the manufacturing-advisory council. Mr. Krzanich stepped down "to call attention to the serious harm our divided political climate is causing to critical issues," including the decline of U.S. manufacturing, he said in a statement.

Mr. Krzanich, who sometimes issues tweets supporting progressive causes such as diversity, earlier in the day spoke out against Saturday's violence in Charlottesville, he said, and condemned "white supremacists and their ilk who marched and committed violence." The Intel CEO in his statement expressed a desire to avoid politicizing national issues. "Promoting American manufacturing should not be a political issue," he said.

Kevin Plank, founder and chief executive of **Under Armour** Inc., said late Monday that he also would step down from the council. Earlier in the

day, the company posted a comment attributed to Mr. Plank on its Twitter account that read: "We are saddened by #Charlottesville. There is no place for racism or discrimination in this world. We choose love & unity."

Mr. Frazier, who is African-American, and Mr. Krzanich and Mr. Plank, who are white, were three of the 28 business and union leaders the president named to the council aimed at helping him boost U.S. manufacturing jobs.

It has been known variously as the American Manufacturing Council and the Manufacturing Jobs Initiative and is led by **Dow Chemical** Co. CEO Andrew Liveris. Mr. Liveris said he condemns the violence in Charlottesville, and that there is no room for hatred, racism or bigotry at the company.

—Sara Germano, Nikki Waller, Tom Gryta, Nathan Becker and Ted Greenwald contributed to this article.

Alt-Right Leaders Brush Off Criticism

BY SCOTT CALVERT AND ALEXA CORSE

President Donald Trump's condemnation Monday of hate groups and the weekend violence in Charlottesville, Va., didn't alienate some leaders of the alt-right and anti-immigration movements who backed his presidential bid.

"It sounded so hollow," Richard Spencer, considered the founder of the alt-right movement, told reporters during a news conference in Alexandria, Va.

Peter Brimelow, editor and founder of VDARE.com, a website that publishes pieces critical of U.S. immigration policy, dismissed Mr. Trump's comments as "boring boilerplate from some corporate PR hack."

At the White House on Monday, Mr. Trump condemned white-nationalist groups by name after stopping short of doing so two days earlier. "Racism is evil," Mr. Trump said. "And those who cause violence in its name are criminals and thugs, including the KKK, neo-Nazis, white supremacists and other hate groups that are repugnant to everything we hold dear as Americans."

Leaders of the alt-right movement have said the success of Mr. Trump's presidential campaign and his "America

Richard Spencer says the president's Monday remarks 'sounded so hollow.'

First" agenda—which opposes illegal immigration and global trade deals—helped bring their views into the spotlight.

The alt-right, or alternative right, rejects mainstream conservatism, promotes nationalism and views immigration and multiculturalism as threats to white identity. It is a loosely organized movement that has largely existed online.

"The alt-right has come so far in the past two years in terms of public exposure. Is Donald Trump one of the major causes of that? Of course," Mr. Spencer said.

Mr. Spencer was in Charlottesville on Saturday for the "Unite the Right" white nationalist rally that devolved into violent confrontations. One woman was killed and 19 people were injured when a car plowed into a group of counter-protesters; a 20-year-old man who has allegedly espoused white supremacist views faces a murder charge and other counts.

The Trump presidential campaign rejected the alt-right connection last year. Spokeswoman Hope Hicks said in August 2016 that Mr. Trump "has never used or embraced that term and continues to disavow any groups or individuals associated with a message of hate."

Jared Taylor, editor of the white nationalist website American Renaissance, said he agreed with Mr. Trump's comments decrying violence but said that the president also should have mentioned counter-protesters.

He said it was "inevitable" Mr. Trump would condemn white supremacists by name given the political pressure he was under to do so, including from leading Republicans, and he suggested the president's comments Saturday condemning violence on "many sides" reflected his true feelings.

Asked if he thought Mr. Trump's comments would weaken his support among white nationalists, Mr. Brimelow, who founded VDARE.com in 1999, said the "hard core" has been impatient with the president for some time, but that he knows he can "always get them back" by embracing tough immigration policies.

Last year, Mr. Trump tapped Steve Bannon, the executive chairman of Breitbart News, as his campaign's chief executive, and later named him chief White House strategist. Mr. Bannon once described Breitbart News as a "platform for the alt-right."

Unrest Highlights Debate on Confederate Images

BY CAMERON MCWHIRTER AND JENNIFER LEVITZ

At a Saturday rally to preserve an obelisk honoring Confederate soldiers in San Antonio, monuments activist Marshall Davis grew concerned because most of those attending were white nationalists.

Mr. Davis, spokesman for the Texas branch of the Sons of Confederate Veterans, said on Sunday that his group's "mission, purpose and beliefs are being overshadowed and misinterpreted in the court of public opinion with the presence of hate groups including white supremacists and neo-Nazi groups."

To other groups, the weekend violence that broke out in Charlottesville, Va., over a statue of Robert E. Lee, and the resistance to getting rid of Confederate monuments in many U.S. cities, show that the symbols do little besides promote white supremacy.

"To the white community, where is your moral voice?" James Muwakkil, the head of the NAACP chapter in Lee County, Fla., said in a local television interview, adding he would renew calls to have a Robert E. Lee statue in Fort Myers moved to a museum.

The Charlottesville violence is prompting fresh calls in other cities to remove or relocate monuments. This year alone, controversies have continued or erupted in all 11 former Confederate states over monuments and emblems honoring men who fought for secession from the U.S.

In Durham, N.C., Monday evening, protesters pulled down a Confederate soldier



A protester kicked a Confederate statue after it was toppled outside a government office building in Durham, N.C., on Monday.

statue outside a government office building, according to video posted on television stations and Twitter.

Video showed people using a rope to yank down the statue and then kicking the monument while cheering. The granite statue, adorned with the Confederate seal, was dedicated to the city in 1924, according to the University of North Carolina library's website.

Supporters of the symbols say they want to honor Civil War bravery and portray history fully, however unpleasant. Critics say the symbols whitewash the region's past of slavery and segregation.

Pressure to remove rebel symbols from public spaces gained steam in 2015 after Dylan Roof, a white nationalist who exalted Confederate flags, shot and killed nine African-

American churchgoers in Charleston, S.C.

In many places, groups have pushed back. Several Southern states have passed legislation prohibiting local governments from removing monuments without state approval.

This year, New Orleans Mayor Mitch Landrieu and the city council had Confederate monuments removed despite legal challenges and protests.

"These monuments purposefully celebrate a fictional, sanitized Confederacy; ignoring the death, ignoring the enslavement, and the terror that it actually stood for," Mr. Landrieu said in a speech in May.

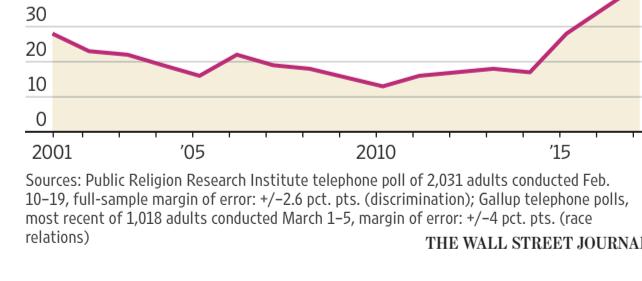
On Facebook and other social media, and in interviews over the weekend, many opponents of monument removal said they fear growing unrest taints their overall movement.

Bigotry at Home

Percentage of Americans who say there is a lot of discrimination against each of the following groups

	Republicans:	Democrats:
Muslims	45%	85%
Blacks	27%	82%
Immigrants	41%	82%
Gays and lesbians	40%	79%
Transgender people	48%	79%
Christians	21%	48%
Whites	19%	43%

Percentage of Americans who say they personally worry a great deal about race relations in the U.S.



Sources: Public Religion Research Institute telephone poll of 2,031 adults conducted Feb. 10-19, full-sample margin of error: +/- 2.6 pct. pts. (discrimination); Gallup telephone poll, most recent of 1,018 adults conducted March 1-5, margin of error: +/- 4 pct. pts. (race relations)

The President's Evolving Response

President Donald Trump's initial statement Saturday in response to violent protests in Virginia prompted criticism from both the left and right for seeming to spread blame between white nationalists and those who protested against them. His remarks Monday condemned such groups. Below are excerpts from the president's recent statements:

"We condemn in the strongest possible terms this egregious display of hatred, bigotry and violence on many sides."

—President Trump, in remarks on Saturday

The president indicated "that he condemns all forms of violence, bigotry and hatred, and of course that includes white supremacists, KKK, neo-Nazi and all extremist groups."

—A White House statement issued on Sunday, not attributed to a specific official

"Racism is evil. And those who cause violence in its name are criminals and thugs, including the KKK, neo-Nazis, white supremacists, and other hate groups that are repugnant to everything we hold dear as Americans."

—President Trump, in remarks on Monday

Many who criticized Mr. Trump's initial statement weren't mollified by Monday's follow-up. Sen. Jeff Merkley (D., Ore.) tweeted: "@realDonaldTrump gets no credit for finally, under duress, meeting very low bar of denouncing Nazis. Actions speak louder than words..."

During a brief arraignment, Judge Robert Dower assigned a court-appointed attorney to the 20-year-old Ohio man, who faces a murder charge and other counts.

In a packed district court, Mr. Fields appeared by a video link, wearing a black-and-white striped prison shirt, bowing his head and occasion-

ally looking up at the camera before the hearing began. Mr. Fields testified he makes \$650 every two weeks, can't afford his own lawyer and needed to have one appointed.

After the arraignment, two white nationalists criticized the media outside the courtroom while a woman crowded in to chant, "Nazis go home!"

Mr. Trump's comments on Saturday were cited on the neo-Nazi website the Daily Stormer as evidence of "no condemnation at all" of such groups by the president.

Jared Taylor, editor of the white nationalist website

American Renaissance, said Monday it was inevitable Mr. Trump would condemn white supremacists by name given the political pressure he was under to do so, including from leading Republicans, and he suggested the president's comments Saturday condemning violence on "many sides" reflected his true feelings.

He suggested the president's earlier comments Saturday condemning violence on "many sides" reflected Mr. Trump's true feelings.

"I do not think that Donald Trump by any means is a white advocate, but I think he is essentially fair-minded and realized there was not just one side there," Mr. Taylor said.

—Scott Calvert and Michael C. Bender contributed to this article.

U.S. NEWS

Mattis-Tillerson Show Is Key to North Korea



CAPITAL JOURNAL

By Gerald F. Seib

BANGOR, Wash.—Defense Secretary Jim Mattis was wrapping up a talk a few days ago to sailors of the submarine Kentucky, which carries two dozen nuclear-tipped intercontinental ballistic missiles, when he sent them off with this sober message: "If we've got to turn something off in a hurry," he said, "we're counting on you to turn it off in a hurry."

Mr. Mattis didn't specifically mention North Korea and its nuclear program, but nobody on the pier here in Washington state, facing the Pacific Ocean, was in doubt.

After all, the defense secretary had just issued a stern formal statement warning North Korea to "cease any consideration of actions that would lead to the end of its regime and the destruction of its people" and declaring it "would lose any arms race or conflict it initiates."

Meantime, far across that Pacific Ocean, Secretary of State Rex Tillerson was sounding a different tone as he headed toward the U.S. island territory of Guam, which had just been threatened by North Korea.

"I think Americans should sleep well at night, have no concerns about this particular rhetoric of the last few days," Mr. Tillerson said. The Trump administration, he said, was engaged in "a very active, ongoing diplomatic effort, most of which is behind the scenes because



Defense Secretary Jim Mattis spoke with the crew of the ballistic missile submarine USS Kentucky in Washington state last week.

US NAVY/REX SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

that's where diplomacy is most effective."

"backed by military options."

The real message to North Korea's leaders, officials say, is that if they don't like the tough message they are hearing from the American defense chief—who Monday told reporters the U.S. would "take out" any missiles headed to American soil—they need to start listening more closely to America's top diplomat, Mr. Tillerson. And what he is saying, as he did that day in the Pacific, is that the way out of the current tense standoff over the Korean nuclear program is "talks," adding that "diplomatically, you never like to have someone in a corner without a way for them to get out."

Indeed, if you listened

closely to Mr. Mattis on his West Coast tour last week, he said on a couple of occasions that the approach to North Korea is "diplomatically led" and that the U.S. had just scored a giant diplomatic success by persuading Russia and China to join it in enacting new United Nations economic sanctions on North Korea.

So there are, in fact, mixed messages, and intentionally so, and they may have paid off Tuesday when North Korea pulled back from its threat to fire missiles in the direction of Guam. Still, there are two problems with this method-to-the-madness approach.

The first is that, while

Messrs. Mattis and Tillerson coordinate with each other, they have a much harder time coordinating messaging with the commander in chief, President Donald Trump. They aren't sure exactly what he's going to say on North Korea, in tweets and off the cuff or precisely what kind of tone he will strike.

They often are left in reactive mode, either compelled to fall in behind his message or to subtly counter it.

Last week, the combined effect was to create almost a state of global alarm, and a sense that conflict with North Korea was closer than it really is. The

impression was that the president was rushing blindly past the diplomatic opening the U.N. sanctions resolution had provided him and his administration, failing to walk through a door of his own administration had worked hard to open.

The second problem is that the administration hasn't been clear how it wants to pursue that opening. What is the goal of its combination of bluster and diplomacy?

If North Korea's way to escape international pressure is, as Mr. Tillerson said last week, through "talks," what does that mean exactly? Is the goal a resumption of the six-party talks held periodically between 2003 and 2008 with the U.S., South Korea, Japan, China and Russia sitting down with North Korea?

Or is the administration open to direct talks with the North? Remember that just three months ago, Mr. Trump himself said he'd be "honored" to meet with North Korean leader Kim Jong Un "under the right circumstances."

Nominally, the American goal remains to roll back entirely the North Korean nuclear program, leaving a "nuclear-free Korean Peninsula." It's less and less clear that goal is attainable, though, absent North Korean regime change, which Messrs. Mattis and Tillerson say isn't the goal.

The sliver of good news in all this lies in the fact that Russia and China finally seemed suitably concerned about North Korea to act.

Indeed, U.S. officials say the Chinese have begun doing more to pressure Mr. Kim than is commonly realized. On Monday, China announced it is banning imports of North Korean coal, iron and seafood.

The situation remains tense and dangerous, and there are more moving parts than are apparent. To track them, keep a close eye on the Tillerson-Mattis show.

RISK

Continued from Page One
credit-risk transfers has boomed even as the one for privately issued mortgage-backed securities has remained mostly dormant, a sign that investors have greater comfort in the standards and transparency of these deals than in those issued by Wall Street banks that performed so poorly after the housing bust.

Fannie and Freddie don't make loans, but buy them from lenders and bundle them into securities. Those bonds typically carry a guarantee that Fannie and Freddie will pay investors if the underlying mortgages default, leaving investors with only the risk that the bonds will lose value if interest rates rise.

The credit-risk transfers don't carry that guarantee. Nevertheless, they have proved popular with investors, who have concluded that the yields they offer are worth the added risk. As the market has developed, banks have been willing to trade them, easing concerns that they would need to offer premium yields because they would be difficult for buyers to unload.

Reflecting the strong interest, the average yield that investors have demanded to hold one version of the instrument has fallen by more than half in just two years, to roughly 1.7 percentage points on top of a benchmark floating interest rate, according to J.P. Morgan Securities.

The pool of investors buying the securities is also widening to what many consider more stable sources of capital, a sign of their changing status. While hedge funds made up the largest group of early investors, that distinction now belongs to more traditional money managers, according to J.P. Morgan Securities.

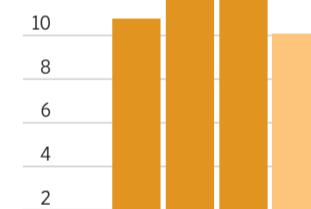
Though still small players in the market, insurance companies and real-estate investment trusts have also increased their buying in some recent deals.

Gene Tannuzzo, senior portfolio manager at Columbia Threadneedle, said he bought both Fannie and Freddie risk transfers for the firm's Strategic Income Fund and then sold them as the market rallied.

"Liquidity has definitely improved as more securities have been issued," he said.

Growing Up

Total issuance of credit-risk transfer securities



*Through Aug. 11

Source: J.P. Morgan Securities

THE WALL STREET JOURNAL.

The mortgage giants are transferring risk on the loans most likely to default—those of more than 20 years where homeowners have made less than a 40% down payment. Last year, such mortgages accounted for 60% of all the single-family mortgages they acquired, according to the Federal Housing Finance Agency, which oversees the companies.

How much risk Fannie and Freddie have shed depends in part on the severity of defaults.

Sales of the securities are expected to reach a high of \$15 billion this year.

In a normal economic expansion, investors would likely shoulder around 20% of the losses in the mortgages underlying the securities, according to a new report by Moody's Analytics.

But that number would jump to around 60% to 70% if there were another severe recession comparable to the last one—enough, if the firms were private, to possibly avoid a federal bailout, according to the Moody's report, which was written by analysts including Mr. Zandi.

The variability is a result of the securities' structure. Each comprises several tranches, linked to a pool of mortgages, with losses from defaults hitting the bottom tranche first and the top tranche last.

On almost all securities, Fannie and Freddie still own the riskiest and the safest tranches, seeing it as uneconomical to sell them to investors. That means they are exposed to mild losses, largely shielded from moderate to severe losses, but vulnerable again if defaults reach a catastrophic level.

The securities are one part of a larger government effort to revamp the housing giants. Since being placed under conservatorship in 2008—when then-Treasury Secretary Henry Paulson said the government had a responsibility to address their systemic risk—the firms have adopted a more stable business model by shrinking their once huge investment portfolios and raising the fees they charge lenders to guarantee mortgages. They have also joined forces to build a common system for securitizing home loans that could ultimately be used by other firms.

The securities aren't without controversy. Some observers have expressed concerns that Fannie and Freddie are paying investors too much for the risk they are shedding. Investors could also demand sharply higher yields in a market downturn, forcing Fannie and Freddie to either stop selling the securities, increasing their exposure to future defaults, or raise fees they charge lenders, potentially making home loans more expensive.

The securities have also been drawn into a larger debate about what the government should do with Fannie and Freddie, which stand in limbo between the public and private sectors—sending nearly all of their profits to the U.S. Treasury despite reporting quarterly earnings and having shares outstanding.

Some of the securities' strongest advocates include those who want the companies to be dismantled, replaced with a larger number of private firms or a single, government-run utility, which they say would disperse risk and avoid another taxpayer-funded bailout.

Many shareholders, however, want to preserve the companies in near their current form while releasing them from conservatorship. One group has backed a proposal that would provide incentives for the institutions to issue risk transfers without mandating them.

ADVANCING WOMEN IN TECH



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WORLD NEWS

North Korea Gets Black Market Engines

Report says Pyongyang missile program likely tapped illicit channels in Ukraine or Russia

The rapid advance of North Korea's intercontinental ballistic missile program has prompted questions about whether Kim Jong Un's regime obtained Soviet-designed rocket engines illicitly from Ukraine or Russia.

By Paul Sonne
in Washington
and James Marson
in Kiev

The liquid-propellant rocket engines North Korea has been using in recent tests resemble the RD-250 and were probably acquired through illicit channels originating in Ukraine or Russia, where the complex rocket engine was designed, a report from the International Institute for Strategic Studies said Monday.

Michael Elleman, author of the report, said the single combustion-chamber version of the RD-250 rocket engine that resembles what the North Koreans are testing likely traces back to Ukraine's Yuzhnoye State Design Office or Russia's Energomash, two state defense companies involved in designing the engine in the past. Both defense contractors played critical roles in the Soviet Union's ballistic-missile program.

"The actual sourcing to me is still an open question," Mr. Elleman, a missile expert, said in an interview. He said it was unlikely that either the Ukrainian



Mikhail Markin/EPA/REUTERS

The Ukrainian state-owned Yuzhnoye State Design Office that resembles those being tested by Pyongyang, a report says. Yuzhnoye says it has no link to North Korea's missile program.

or Russian governments had any knowledge about a rocket engine sale to North Korea and that Mr. Kim's regime somehow obtained the engines through illicit networks.

Energomash didn't respond to a request to comment.

Whether North Korea has the capacity to produce such rocket engines itself domestically is a matter of debate. Mr. Elleman believes it is far more likely that Pyongyang somehow

smuggled dozens of engines from a place such as Ukraine, where they may have been available in factories or storage facilities, given the complexity of the technology.

"The engine itself could fit into a box that's 1 by 1 by 2 meters," Mr. Elleman said. "They put them usually in wooden crates for protection. You could load them onto an aircraft, trains or even trucks."

Such a transaction would ex-

plain why North Korea has advanced its missile program so quickly. Mr. Kim's regime conducted two intercontinental ballistic missile tests last month, an indication that the country is rapidly approaching the ability to strike the continental U.S. with nuclear weapons. North Korea has conducted five nuclear weapons tests since 2006.

The situation has created one of the most pressing na-

tional security challenges for President Donald Trump, who has vowed to prevent Pyongyang from obtaining the capability to strike U.S. cities with nuclear weapons. Mr. Trump called on Mr. Kim last week to stop threatening the U.S. and said North Korea would face "fire and fury like the world has never seen."

The New York Times reported Monday that U.S. investigators have focused on the

possibility that North Korea executed black market purchases of rocket engines originating from the Yuzhnoye State Design Office. The focus of the U.S. investigators couldn't be independently confirmed by The Wall Street Journal.

Yuzhnoye is located in Dnipro, about 150 miles west of the front between Ukrainian troops and the Russian-backed separatists fighting in the country's east. Formerly known as Dniproptervost, Dnipro is on the Ukrainian government-controlled side of the line.

Yuzhnoye denied any connection with the North Korean weapons program and said the report was "fantasies."

"Yuzhnoye has not produced military missiles or missile systems during the years of independence," the company said, referring to Ukraine's declaration of independence from the Soviet Union in 1991. It said that the company fully adheres to international missile nonproliferation agreements, and the only series-production engine it has exported in recent years was sent to Italy and could only be used for space exploration.

Mr. Elleman said it was unlikely the company's officials would have known about any such deal with the North Koreans, suggesting instead the equipment could have been smuggled out of Ukraine by "rogue characters somewhere down the chain."

—Felicia Schwartz
in Washington
contributed to this article.

KOREA

Continued from Page One

trade tensions," a government adviser involved in making policy said. China had been expected to disclose such steps and said in an official statement that its move was made to enforce the latest U.N. sanctions.

Beijing's move on North Korean imports followed a weekend phone call between Mr. Trump and Chinese President Xi Jinping on how to deal with North Korea's advances in developing nuclear weapons.

Mr. Trump on Friday warned that U.S. military resources were in place, "locked and loaded," should North Korea "act unwisely."

North Korea's intercontinental ballistic missile program has advanced rapidly, and a missile test in late July put the continental U.S. firmly in range of a strike. Pyongyang this month threatened to lob missiles toward the Pacific island of Guam.

The advances have prompted questions about whether Mr. Kim's regime obtained Soviet-designed rocket engines. The liquid-propellant rocket engines North Korea has been using in recent tests were probably acquired through illicit channels originating in Ukraine or Russia, a report from the International Institute for Strategic Studies said Monday.

Stephen Noerper, a professor of political science at Columbia University and senior director at the Korea Society, warned tensions on the Korean Peninsula were liable to quickly ramp up again, given coming joint military exercises between the U.S. and South Korea slated to begin next week in South Korea.

"I don't think we should overassume," he said. "The escalatory nature of things on the peninsula are that you can go from zero to 10 very quickly...This could get very hot again."

Earlier on Monday in Seoul, before news of Mr. Kim's decision, Gen. Joe Dunford, chairman of the U.S. Joint Chiefs of Staff, said the U.S. must take threats from North Korea seri-

ously, despite fresh skepticism from South Korea that Pyongyang has the ability to reliably deliver an intercontinental ballistic missile to the U.S.

"I honestly think it's an academic issue whether it can happen today or happen tomorrow," Gen. Dunford told reporters after wrapping up meetings with South Korea's president and other defense officials.

Gen. Dunford noted that North Korea had conducted missile and nuclear tests "at a historic rate"—at least 15 tests in the past year.

But uncertainty remains about the North's ability to endanger the American homeland or even Guam.

Those doubts were underscored Sunday by a senior South Korean defense official, who said that both Seoul and Washington had concluded Pyongyang lacks the missile re-entry technology to successfully launch an intercontinental ballistic missile at the continental U.S.

John Delury, a China historian and North Korea expert at Yonsei University in Seoul, said Mr. Kim's decision was likely a response to more tempered language from the Trump administration over the weekend, including from Central Intelligence Agency director Mike Pompeo, national security adviser Lt. Gen. H.R. McMaster and Secretaries of State and Defense Rex Tillerson and Jim Mattis.

"The signaling from the Trump administration dialed it down a notch—we have to give them credit," Mr. Delury said. Referring to an opinion piece in The Wall Street Journal on Sunday, Mr. Delury added, "When's the last time the secretary of state and the secretary of defense wrote an op-ed together?"

Mr. Trump's move on Monday was part of an effort to juggle Washington's competing policy goals with China, balancing the desire for more cooperation in controlling North Korea against a desire to curb the \$347 billion bilateral trade deficit.

Mr. Trump made no mention of China's import ban while at the White House signing ceremony on Monday in



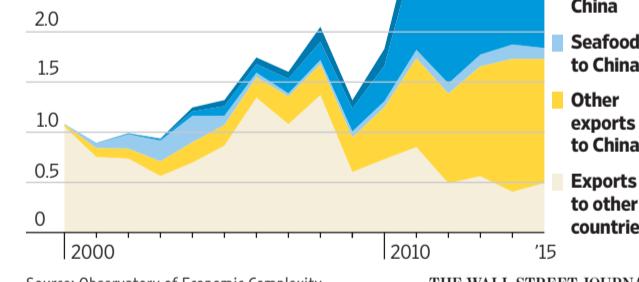
ANDREW HARNIK/ASSOCIATED PRESS

Gen. Joe Dunford met with South Korean Defense Minister Song Young-moo in Seoul on Monday.

Economic Pressure

North Korea's iron, coal and seafood exports to China, which make up a big share of the country's total exports, will be hit by the latest ban.

North Korea exports



Beijing Says It Will Defend Trade Rights

BEIJING—China vowed to fight back and defend its interests if the U.S. takes any protective measures, after President Donald Trump ordered a probe into Beijing's trade practices.

"China definitely won't sit back and watch" if the U.S. takes any actions that harm bilateral economic and trade relationships, a Ministry of Commerce representative said

which he directed aides to explore the prospect of sanctioning Beijing for the "unfair" acquisition of American technology. He also offered no

indication that tensions with China had eased: He said as he signed the directive that "this is just the beginning."

The directive was the first clamp down on risky lending. "The soft numbers for July seem to confirm that, despite the strong first half, China's economic growth will cool in the second half of this year on less accommodative monetary policy and slower growth in real estate," said Louis Kuijs, an econo-

mist with Oxford Economics.

Value-added industrial output, a rough proxy for economic growth, rose by 6.4% in July from a year earlier, compared with a 7.6% increase in June, the National Bureau of Statistics said. July's figure was the slowest pace in five months.

Fixed-asset investment, which includes roads, new apartments and factories, grew 8.3% in the first seven months of 2017 from a year earlier,

slowing from a pace of 8.6% over the January-June period. Retail sales rose 10.4% in July from a year earlier, slow-

North Korea Crisis: A Timeline of Events

July 4: North Korea test-launches its first intercontinental ballistic missile, a weapon capable of hitting the U.S.

July 28: North Korea tests a missile able to hit the contiguous U.S. states.

Aug. 5: The U.N. Security Council approves new sanctions against North Korea.

Aug. 6: North Korea calls the sanctions a "frontal attack on our republic and violent infringement on our sovereignty."

Aug. 8: President Donald Trump says North Korea will be met with "fire and fury" if it continues threatening the U.S.

Aug. 9: North Korea says it is considering a plan to launch four missiles to surround Guam with "enveloping fire."

Aug. 10: Mr. Trump says maybe his threat of fire and fury "wasn't tough enough."

Aug. 11: Mr. Trump tweets that military solutions are "in place, locked and loaded." Separately, he and Chinese President Xi Jinping discuss North Korea by phone.

Aug. 12: U.S. announces plan to investigate alleged Chinese intellectual-property theft.

Aug. 14: China announces ban on imports of coal, iron and seafood from North Korea.

Aug. 15: North Korea says it has decided not to carry out a missile attack on Guam.

the issue.

North Korean state media didn't immediately comment on China's announcement.

China is by far North Korea's biggest trading partner, accounting for more than 80% of North Korea's external trade for the past five years.

—Lingling Wei
and Gordon Lubold
contributed to this article.

BEIJING—Chinese economic data indicated a slowdown in July as Beijing's crackdown on property speculation and rising debt levels started to filter through into the world's second-largest economy.

The pace of industrial output, retail and housing sales,

and fixed-asset investment de-

celerated in July from June, according to official data Monday. All were lower than economists' forecasts.

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WORLD NEWS

U.K. Will Signal EU Trade Plans

BY JASON DOUGLAS

LONDON—The U.K. government on Tuesday will formally signal it is open to creating a temporary customs union with the European Union after Brexit as it prepares for fresh talks this month on its separation from the bloc.

The U.K.'s department for exiting the EU said its forthcoming paper will set out two long-term options for post-Brexit customs arrangements with the EU aimed at making trade in goods as "frictionless" as possible after the U.K. formally withdraws from the bloc in early 2019.

One option calls for a "highly streamlined" customs arrangement aimed at simplifying border checks on goods moving between the U.K. and the EU. The second envisages a new "customs partnership" that would "negate the need for a customs border between the U.K. and the EU," according to the statement. Further details were due to be published later Tuesday. EU officials have warned, however, that Britain won't be able to achieve frictionless trade with the bloc once it leaves.

The department said that in an interim period, after Brexit but before the long-term arrangements come into force, "One possible approach would

be a temporary customs union between the U.K. and the EU."

Such a time-limited period of implementation would ensure that businesses have to adjust only once to a new customs relationship, it said.

The department added that it will on Wednesday publish proposals for managing the border between EU member Ireland and Northern Ireland after Brexit. The paper "will make clear the commitment to maintain a seamless and frictionless border with no return to the hard borders of the past," it said.

The publication of the U.K. government's negotiating position on these issues highlights an increasing push by the British government to set out its view of a future EU-U.K. relationship. Talks resume in late August, with both sides hoping to make significant progress by the time EU leaders next meet in October.

While the U.K. paper focuses on future customs arrangements, the EU has said it won't discuss the future relationship until it sees sufficient progress on a trio of issues: the Irish border, the rights of EU and U.K. citizens after Brexit, and a settlement of the U.K.'s past financial commitments to the bloc that haven't yet been paid.

—Laurence Norman contributed to this article.

Industrial production was 0.6% lower in June than in May, while being 2.6% higher than in June 2016. The decline in output was the largest since December.

Industrial production can be highly volatile, and the June fall still leaves it significantly higher during the second quarter than it was in the first.

Partly as a result of that pickup, the eurozone economy grew at a quarter-to-quarter rate of 0.6% in the three months through June.

—Paul Hannon



Rescue Maritime rescued 14 migrants, including seven women, who were traveling on a boat south of Malaga, Spain, this month.

Libya Threat Halts Rescues

BY DREW HINSHAW

Humanitarian groups suspended migrant search-and-rescue operations in the Mediterranean over concerns their ships are threatened by the Libyan Coast Guard after it asserted authority last week in international waters off its coast.

Doctors Without Borders, Save the Children and Sea Eye retreated to nearby ports over the weekend, marking a potential shift in rescue operations for Europe's migration crisis.

The aid groups said the decision stemmed from concerns their members and ships could be detained or attacked. Several NGOs have accused the Libyan Coast Guard of shooting in the direction of their rescue boats, including the Spanish nongovernmental organization Proactiva Open Arms last week.

Libyan Coast Guard officials couldn't be reached to comment.

Rob MacGillivray, the regional humanitarian director for Save the Children, said a lack of clarity over the geographical and legal limits of Libyan Coast Guard operations is prompting operational uncertainty for rescuers. "It is possible we could have the boat impounded. It is possible we could have the staff detained," he said. "We've had to make some fairly serious decisions on what to do next."

The nongovernmental organizations predict a rise in deaths because the Libyan authorities have far fewer boats, personnel and experience rescuing migrants. "We're really talking about stopping the flow by having people drown," said Operations Coordinator Stefano Argenziano for Doctors Without Borders.

However, Italian authorities, which oversee Mediterranean rescue operations, see a benefit to the new approach. After four years, and 600,000 people crossing over, the

Libya-to-Italy migrant route appears to be slowing. In July, arrivals fell by more than half to 11,500 compared with the same period last year. So far in August, about 2,000 migrants have arrived in Italy, 69% lower than the period last year.

Rome attributes that in part to Libya's Coast Guard, which it is supplying with

Libyan tribes in an effort to suppress the smuggling business.

"The decision by [the NGOs] is part of a new equilibrium," said Italian Foreign Minister Angelino Alfano in an interview with an Italian newspaper over the weekend.

Since 2013, people have fled Libya in large numbers usually on blowup rubber dinghies that don't have enough fuel in their engines to reach Italy. Smugglers convince migrants that a nearby ship will pick them up.

At first, commercial ships and war vessels undertook the bulk of those rescues, until last year, when NGOs including Doctors Without Borders took the lead. Those charity ships now conduct nearly half of rescues, according to Italian government data.

Italian officials say the presence of those NGOs so close to Libya has encouraged more people to attempt the deadly passage.

Aid groups said they were worried about attacks on their ships in the Mediterranean.

training and supplies to fight human traffickers and conduct rescue operations. European officials have also positioned a navy ship just inside Libyan waters, supported the voluntary repatriation of migrants, and pledged millions in aid to

Industrial Output In Eurozone Falls at Year's Quickest Pace

Activity at the eurozone's factories, mines and utilities fell at its sharpest pace in 2017 during June, an indication that the economy may be settling down after an acceleration in growth during the first six months of the year.

The European Union's statistics agency on Monday said in-

dustrial production was 0.6% lower in June than in May, while being 2.6% higher than in June 2016. The decline in output was the largest since December.

Industrial production can be highly volatile, and the June fall still leaves it significantly higher during the second quarter than it was in the first.

Partly as a result of that pickup, the eurozone economy grew at a quarter-to-quarter rate of 0.6% in the three months through June.

—Paul Hannon

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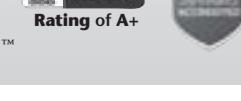
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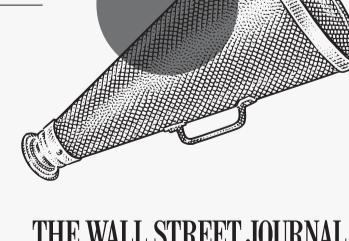
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WORLD NEWS

Kiwi Roots Threaten Australia Coalition

BY ROB TAYLOR

CANBERRA, Australia—The country's tough-talking agriculture minister, Barnaby Joyce, has fought for biosecurity laws barring overseas fruit imports and once accused actor Johnny Depp of smuggling his Yorkshire terriers into Australia aboard a private jet, breaching strict quarantine regulations.

Turns out, he may also be an overseas arrival.

Mr. Joyce, who is also Australia's deputy prime minister, is the highest-ranking lawmaker so far to be snagged by an obscure constitutional rule stating that lawmakers must not owe allegiance to a foreign power.

He discovered the breach when New Zealand diplomats informed him he was a dual citizen because his father was born there. On Monday, New Zealand Prime Minister Bill English confirmed that Mr. Joyce is a Kiwi.

Mr. Joyce's citizenship status could threaten the government's narrow grip on power. He leads the Nationals, the junior partner in Prime Minister Malcolm Turnbull's ruling conservative coalition. His disqualification would likely trigger a by-election, potentially imperiling the government's



LUKAS COCH/REUTERS

Deputy Prime Minister Barnaby Joyce, right, spoke with Prime Minister Malcolm Turnbull at Parliament House in Canberra on Monday. Mr. Joyce was recently told he holds dual New Zealand citizenship.

one-seat majority in the lower house.

Until July, only two lawmakers in history had run afoul of the divided loyalty clause in Australia's 116-year-old constitution. But in the past month, thanks to a wave of investigations, five more lawmakers have been scooped

up in its net.

With his whip-cracking cowboy image and sun-worn complexion, Mr. Joyce is among the most quintessentially Australian of lawmakers. Born in the Outback and representing a vast swath of rural voters, he has long been a vocal critic of foreign invest-

ment, especially in farmland.

He has also sprung to Australia's defense on the sports field, once taking on a team of New Zealand lawmakers at rugby—a hallowed sport here.

"After all those times Barnaby Joyce was red-faced, ranting and raving in Parliament

he was actually doing a haka," Peter Broelman, a local cartoonist wrote on Twitter, likening Mr. Joyce's combative debating style to the ritual war dance New Zealand's burly rugby players perform before kickoff.

Australia allows people to hold multiple citizenships, just not elected officials, because they may not act in the country's best interests. Since citizenship varies in other countries—sometimes by descent, sometimes requiring paperwork—the onus is on lawmakers to determine if they are citizens anywhere else.

Never mind that Mr. Joyce's father migrated to Australia in 1947, before Australian citizenship even existed. Before 1949, Australians and New Zealanders were British subjects.

"Needless to say I was shocked to receive this information," Mr. Joyce told Parliament on Monday. "I've always been an Australian citizen. Neither my parents nor I have ever applied to register me as a New Zealand citizen."

Mr. Joyce said he had asked the country's High Court to urgently clarify his status, but wouldn't step down, safeguarding the government's majority for now.

"We want to give the court the opportunity to clarify the

operation of the law in this vitally important area, which goes, obviously, to the heart of our democracy," Mr. Turnbull said on Monday.

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

More than 20 Australian lawmakers have been anxiously contacting embassies to ensure they don't hold dual citizenship. The first to fall, Scott Ludlam, the co-deputy leader of Australia's Greens Party, resigned from Parliament on July 14 after he was exposed as a dual citizen of New Zealand—a country he had left at the age of 3. Larissa Waters, Mr. Ludlam's co-deputy, stepped down after discovering she was an "accidental" Canadian (she left Canada as an 11-month-old and hasn't been back since).

Two more are taking the fight to court: Matt Canavan, who resigned as the nation's resources minister on July 25 after finding out he was Italian, and right-wing One Nation Sen. Malcolm Roberts, who may not have officially renounced his British citizenship when he entered his Senate race.

FROM PAGE ONE

DRUGS

Continued from Page One
said Roche holds back details of clinical trials to satisfy medical journals' and associations' restrictions against making full reports until publication or presentation to the medical community.

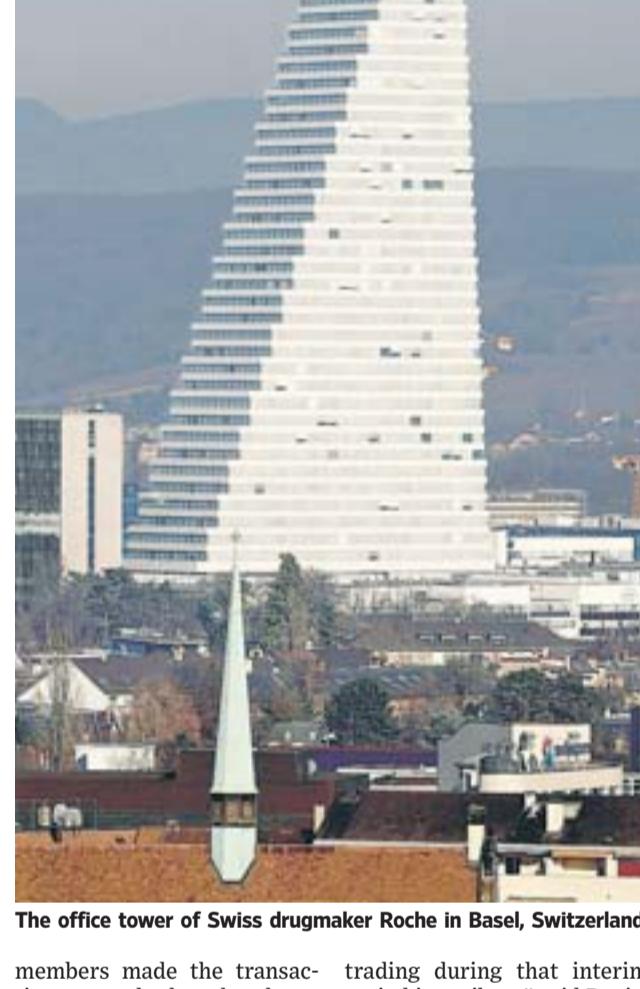
A company that released full data ahead of a medical meeting could face less prominent positioning of its study, said Richard Schilsky, chief medical officer at the American Society of Clinical Oncology, whose medical conference featured the full report of Roche's Perjeta trial. Confidentiality is critical both to the peer-review process that takes place before studies are published and to scientific debate at a meeting, he said.

Meanwhile, a buzzworthy presentation of trial results and reprints of journal articles can be critical to a new drug's marketing.

Several Roche insiders—a category that includes executives or board members—profited on trades between the top-line Afinity trial results announcement and the full report, according to Swiss stock market disclosures.

In that period, there were 10 Roche insider stock sales with a combined value of 12.8 million Swiss francs (\$13.1 million) that weren't linked to the expiration of a share plan, and four insider purchases valued at a combined 1.8 million francs. In the same period a year earlier, there was one insider sale valued at around 2 million francs and one insider purchase of 304,200 francs.

The disclosures don't specify which executives or board



ARND WIEGMANN/REUTERS

The office tower of Swiss drugmaker Roche in Basel, Switzerland

members made the transactions nor whether they knew details of the clinical trial.

The window between top-line report and full disclosure is a risky time for drug-company insiders to trade shares. "To the extent that the executives are in possession of more material information regarding the clinical study that has not been disclosed yet to the investing public, then

trading during that interim period is perilous," said Daniel Sommers, a securities-litigation attorney with Cohen Milstein Sellers & Toll in Washington. He said the two-step disclosure process runs counter to the logic of disclosure principles in federal securities law.

Roche's Mr. Dunant said the level of insider activity wasn't unusual. Some stock sales can

appear as multiple transactions when an individual exercises options and then sells shares, or sells a mix of voting and nonvoting shares.

Roche restricted executives

who had knowledge of the Afinity results from trading shares immediately before the top-line results were made public and lifted the restrictions as soon as the top-line results were published, according to Ulrike Engels-Lange, a Roche spokeswoman. There were no Afinity-related restrictions on insider trading between that moment and the study's full publication about three months later, she said.

Guy Wilkes, a financial regula-

tion lawyer at Mayer Brown LLP and former regulator at the U.K.'s Financial Conduct Authority, said if the second report about a clinical trial triggers a significant price swing, "there's a good argument that those details were

also price-sensitive and should

have been published initially." A Securities and Exchange Commission spokeswoman declined to comment.

Credit Suisse has identified at least nine instances since 2015 of drugmakers issuing top-line results followed by full data where the stock price moved significantly on both events.

In some cases, companies initially released negative top-line study news, followed by full results that were viewed more positively. In March 2016, shares of Portola Pharmaceuticals Inc. plunged 29% after the company said its experimental anticoagulant betrixaban didn't meet a main goal of reducing risk of blood clots in heart patients.

But in late May 2016, full results showed the drug benefited many patients, and the stock rose 4.6%. Portola Chief Executive William Lis said the company had an obligation to release some information im-

mediately because it was material, and then more later as it further analyzed the data.

The stock price of Novo Nordisk AS rose last year on top-line news that the diabetes drug Victoza met a study goal, then dropped when full results showed what investors considered a modest reduction in patients' cardiovascular risk. Novo Nordisk declined to comment.

This year, Amgen Inc. shares saw a seesaw after the company announced positive top-line results for cholesterol drug Repatha, then full results indicating the benefit might not be enough to loosen insurers' restrictions on the drug. Amgen said it often isn't able to share full study details in advance without jeopardizing its ability to present them at medical meetings or in publications.

Roche in March said the Afinity study, which involved women who had undergone tumor-removal surgery, found Perjeta given along with Roche's older drug, Herceptin, reduced the risk of death or recurrence of invasive disease versus Herceptin alone.

In April, Daniel O'Day, Roche's pharmaceuticals unit chief executive, told analysts that the outcome was "terrific news for patients because we're really talking about a curative setting here with early breast cancer."

The full results of the Perjeta trial, presented at the American Society of Clinical Oncology's annual meeting in June, showed the absolute reduction in risk conferred by the therapy was less than one percentage point.

Roche has said it plans to submit the study results to health regulators in hopes of gaining approval to market the results to doctors.

HARLEY

Continued from Page One

Newbies can find it tough to master the clutch with their left hand and shift with their left foot, while rolling on the throttle with their right hand—at least when not using that hand to brake along with the right foot. Oh, and don't look down! Keep those eyes fixed on the road ahead.

Sometimes the bikes not so gently remind riders of their power. "It literally just knocked me on my ass," said Jeff Mappa, 47 years old, a Chicago police lieutenant who had never driven a car with a stick shift. He let up too quickly on the clutch, inadvertently engaging the engine, which rocked the bike forward. For the remainder of the course, he walked with a limp.

"It's fun, but no one said it was easy," said Rick Matus, one of the riding instructors at the Chicago Harley-Davidson dealership in the suburb of Glenview, tasked with pointing out how you're doing it wrong.

About 3% of all registered

vehicles in the U.S. are motorcycles, according to federal data. Some analysts see a long-term decline in motorcycling. Harley said its U.S. retail motorcycle sales fell 9% in the second quarter from the year-earlier period.

The iconic American manufacturer is making a big push to cultivate its next generation of riders through the academies, which follow a training regimen by the Motorcycle Safety Foundation, a nonprofit funded by makers including Harley. Other manufacturers also offer training, and riders can take other safety courses.

The class at the suburban Chicago dealer costs \$350, with discounts for veterans and others, and students can retake the class if they fail or quit.

Prices vary depending on where you go. More than half a million students have taken the Harley courses since they were first offered in 2000, the company said.

The lessons are part of

Chief Executive Matt Levatich's strategy to produce longtime riders and draw more potential customers by giving them the confidence to ride safely.

Johanna Hernandez, 37, an accountant who works part-time in the Army National Guard, had previously bought a Harley, setting her back about \$11,000. "I was so in love with the bike I just purchased it—without knowing how to ride," she said. She regretted it, since

Sandra Holmes, 49, one of those who passed, was ready to grab the handlebars after riding for about five years as her husband's passenger. "I was more comfortable than most," she said.

Students rode on entry-level Hogs with protective bumpers, modified to keep a lid on their speeds in first and second gear.

Some were naturals. Among them was Josue Avila, a Marine reservist who also drives

semitrailers loaded with flour, sugar and wheat for a living. He was at ease turning and wanted to move into third gear early into the training. He

passed.

Other students, however, tipped over their bikes, or nearly did, during tight U-turns. There were also struggles shifting, braking and using the clutch's "friction zone" to navigate at slow speeds.

The training included learning to weave through miniature cones and to safely swerve away from obstacles, or, in the case of two-by-fours in the road, to roll over them.

Some lessons that sounded simple were among the hardest to master. Riders should look

before turning, so the bike follows where you aim. Straightening the handlebars before braking can help you stop upright. And with yapping dogs, best to slow down and then speed up, to throw them off their trajectory.

In the end, even those who failed came away with a clearer sense of what they didn't know. This reporter flunked but overcame clumsiness and a fear of crashing.

Claudia Garber, the Harley marketing manager who oversees the riding academies who dropped out the first time she tried the class, can relate. She was initially nervous on a bike, but after retaking the class and passing, is now an avid motorcyclist and rides to work most days. "One of the biggest challenges is psychological," she said.

Both Mr. Fradin and his son, Sam, passed; last weekend they rented Harleys and took a trip to Wisconsin. The elder Mr. Fradin said he might have purchased his own bike, but that he would have to overcome a challenge unrelated to riding skills: "I value my marriage," he said.



TAYLOR GLASCOW FOR THE WALL STREET JOURNAL

Jeff Mappa learns to ride on a training bike at a Harley-Davidson class in Glenview, Ill. About 80% of students eventually pass.

after failing the course she couldn't immediately drive it home herself. She said she plans to keep practicing and retake the course.

Students rode on entry-level Hogs with protective bumpers, modified to keep a lid on their speeds in first and second gear.

Some were naturals. Among them was Josue Avila, a Marine reservist who also drives semitrailers loaded with flour, sugar and wheat for a living. He was at ease turning and wanted to move into third gear early into the training. He

GREATER NEW YORK

Commercial-Property Deals Sink

BY KEIKO MORRIS

Commercial real-estate deals shrank sharply across New York City in the first half of 2017.

The value of transactions decreased 39% from the same period a year earlier, declining significantly in every borough except Staten Island, a new report showed.

Sales totaled about \$18 billion in the first six months, down from \$29.5 billion in the year-earlier period, according to the report from the Real Estate Board of New York, an industry group.

The number of deals were down 6%, with the total amount of sales falling in every property category, from office buildings to hotels.

"There is a slowdown in activity, certainly in terms of high-priced sales," said Michael Slattery, a senior vice president at the Real Estate Board of New York.

The fall in dollar volume and number of transactions suggests investor uncertainty and a pullback in capital, Mr. Slattery said. Concerns over rising interest rates might also play a role in the slowdown, he added.

Since the organization began tracking commercial-property sales in 2014, transactions hit a peak of \$37 billion in the first half of 2015, the report said.

"If we had a longer trend line, we would be able to make more sense of what we're seeing," Mr. Slattery said.

Despite the \$2.2 billion sale of the office tower at 245 Park Ave., office deals declined 40% to \$7.3 billion in the first half of the year. Multifamily rental buildings with elevators, usually a stable category, decreased 51% to \$1.9 billion.

Garages, gas stations and va-

cant land was the one property category where both the total sales amount and the number of transactions didn't decline in unison. While total sales fell 46% to \$919 million, the number of deals in this category rose 25% to 506, suggesting the group of properties sold this year were less valuable than the group sold last year.

"The transactions going up shows the universe of sites investors are looking at has expanded," said Max Haight, a research analyst at the Real Estate Board of New York.

Staten Island bucked the

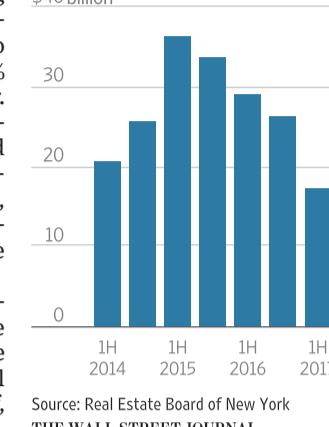
trend in the first half, climbing 61% to \$300 million in commercial sales. Transactions rose to 190 in the same period, a 23% increase from the previous year.

No multifamily rental buildings were sold on Staten Island in the first half. Sales of garages, gas stations, vacant land, and industrial and retail properties accounted for 89% of the total dollar amount sold.

The \$67 million sale of a 2.1-million square-foot vacant site south of the Goethals Bridge off-ramp was the biggest deal in the borough in the first half, the report said.

Slowdown

Commercial-property sales in New York City



Source: Real Estate Board of New York

THE WALL STREET JOURNAL.



Battle Over Upstate Tourism Push

BY JOSEPH DE AVILA

NORTH HUDSON, N.Y.—A bid to boost the region's struggling tourism industry has set up a battle between several Adirondack towns and local conservation groups.

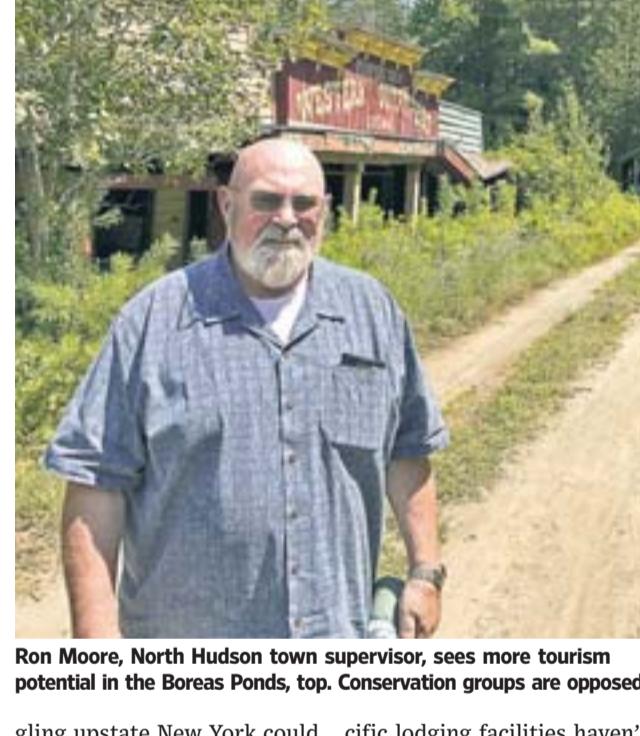
North Hudson town supervisor Ron Moore says opening up a 21,000-acre swath of land here in the heart of the Adirondack Park to snowmobiles and bicyclists could jump-start business.

"Hopefully, the economy will become better and increase business opportunities," said Mr. Moore, who runs a town with a population of 250 and only a handful of businesses. "We can have all of that and protect the environment."

Local conservation groups oppose his plan and say the state Constitution is on their side.

The standoff concerns a stretch of land with stunning mountain and pond views known as the Boreas Ponds that was formerly owned by a paper company and purchased by the state for \$14.5 million in 2016. This tract of land filled with sugar maple, American beech and yellow birch trees, and 1,800 acres of wetlands is a part of a state plan to connect three forest preserve areas.

The Boreas Ponds debate comes as the job market in many upstate New York communities lags behind their downstate neighbors. President Donald Trump recently suggested residents of strug-



Ron Moore, North Hudson town supervisor, sees more tourism potential in the Boreas Ponds, top. Conservation groups are opposed.

gling upstate New York could leave for more prosperous areas.

Mr. Moore and representatives from the nearby towns of Minerva, Indian Lake, Long Lake and Newcomb say the Boreas Ponds area presents a unique opportunity to boost the region's tourism industry.

The most controversial concept being considered is a trail network connecting the five towns where visitors will be able to stay overnight in seasonal lodging, also known as a hut-to-hut system. While spe-

cific lodging facilities haven't been proposed yet, hut-to-hut systems could include walled tents that sit on platforms and have kitchens and heat.

Gov. Andrew Cuomo floated the idea in his 2017 State of the State address.

Conservation groups have promised legal action if the state moves forward with the hut-to-hut concept.

Neil Woodworth, executive director of the Adirondack Mountain Club, said the state Constitution offers robust protection for the Adirondacks

and includes a section stating that the state forest preserve "shall be forever kept as wild forest lands."

Adding a hut-to-hut system in the forest preserve would violate the forever wild clause, Mr. Woodworth said. The only way around that is to amend the state Constitution to permit hut-to-hut systems, which the state Legislature attempted several times from the 1930s through the 1950s, Mr. Woodworth said. All those efforts failed, he said.

The proposal would also require changes to the master plan that governs the Adirondacks, Mr. Woodworth said. Any change would have to be proven in court to better protect the environment than the current master plan, he said. "I think that's an impossible legal task," he said.

The state Department of Environmental Conservation has studied adding a hut-to-hut system in the Boreas Ponds area, but has yet to make a formal proposal to set up a hut-to-hut system. The department said that it, along with park stakeholders, will develop a plan for the region that will "ensure appropriate public access to these lands, protection of resources, increased tourism, and economic development in neighboring communities."

Brian Wells, town supervisor of Indian Lake, said he thinks the conservationist groups cite the park's master plan as a way to justify their own preferences. "Tourism is the last thing we have to keep our towns going," Mr. Wells said.

Speaking in a phone interview after Mr. Trump's updated remarks, Ms. Malliotakis said she was pleased the president had used tougher language to describe the hate groups.

"We're talking about white supremacy and racism that leads to the death of an individual," she said. "We need to come together across the political spectrum and denounce it."

At a news conference earlier in the day, Ms. Malliotakis had said the president should be more forceful in his condemnation of white supremacists. She called the events in Charlottesville "disgusting."

"There were people using Nazi flags, KKK propaganda," she said at the news conference, which was held outside City Hall. "That to me is unacceptable and is something that we, people from all political parties and affiliations and all Americans should be denouncing in our country."

Asked whether she regretted voting for Mr. Trump, she said she didn't.

"No," she said. "Look, I'm gonna agree with him on some things, I'm gonna disagree with other things, and when I disagree with things I'll say it and when I agree, I'll be supportive."

The reaction from Mayor Bill de Blasio's campaign was swift.

"This should be simple:

Ms. Malliotakis called the events in Charlottesville, Va., "disgusting."

The assemblywoman was also asked whether she planned to return \$4,950 in donations from Daniel Loeb, the board chairman of the prominent Success Academy Charter Schools, who made racially charged remarks in a Facebook post last week.

Mr. Loeb said state senator Andrea Stewart-Cousins, a Westchester Democrat who is African-American, had done "more damage to people of color than anyone who has ever donned a hood," a reference to the Ku Klux Klan.

Mr. Loeb later apologized for the remarks.

Ms. Malliotakis declined to say whether she would return the donation from Mr. Loeb. "I disagree with his comment. It was a bad analogy to make," she said. But, she added: "He has put his personal resources and time to ensure that quality education is given to children in the city, most of whom are minority children. He's done more for minority children in terms of giving them a quality education than our mayor."



BEBO MATHEWS/ASSOCIATED PRESS
Law-enforcement officers stand outside the Jewish Children's Museum in Brooklyn following a bomb threat on March 9.

New York Law Toughens Bomb-Threat Penalties

BY JOSEPH DE AVILA

New York Gov. Andrew Cuomo signed legislation Monday to increase the penalty for making bomb threats against community centers.

The legislation was passed in response to the waves of bomb threats across the U.S. against Jewish community centers earlier this year that sowed panic across many communities, including New York, New Jersey and Connecticut.

The new law will allow prosecutors to charge people who make bomb threats with a public order offense, which is

a misdemeanor and punishable by up to a year in jail. Previously, community centers weren't included in the law.

"These despicable acts spread fear and terror across entire communities, and by signing this measure, we will give law enforcement more tools to prosecute hatemongers and treat these crimes with the seriousness they deserve," said Mr. Cuomo, a Democrat.

Other states have taken actions to increase penalties for hate crimes. In Connecticut, the state Legislature passed tougher penalties for making bomb-

crimes in June. The legislation also enhanced the penalties for making threats toward houses of worship and religiously affiliated community or day-care centers.

There were 211 hate crimes reported in New York City this year through June 26, up 40% from the same period in the prior year, according to the Center for the Study of Hate and Extremism at California State University, San Bernardino.

In March, a man who is a dual citizen of the U.S. and Israel, was arrested and later charged with making bomb-

threat calls to Jewish community centers in several states, including New York. Federal prosecutors have said they believe he is responsible for making many of the threats targeting the community centers and say he took steps to conceal his identity by using voice-alteration technology and caller-ID spoofing.

Federal prosecutors have said no actual explosives were found in connection with the suspect, but the threats resulted in temporary closures and evacuations of the facilities and required law-enforcement agencies to clear the areas.

GREATER NEW YORK

Michael Moore Tested on Broadway

BY CHARLES PASSY

When he announced his Broadway show "The Terms of My Surrender," film director and provocateur Michael Moore said his goal was to lambaste President Donald Trump using the up-close medium of theater.

But now that the show has opened, the question remains if he will find enough of an audience to spread his message, especially in light of some harsh reviews.

In its first 2½ weeks, including a preview period, the show has taken in slightly more than \$1 million at the box office and has been seen by close to 16,000 people, according to the latest figures from the Broadway League, a trade group that monitors the industry.

But the show hasn't at-

tracted capacity crowds for most performances. This past week's gross of \$407,527 represented just 54% of the potential take, according to the Broadway League.

Mr. Moore and producers of the show didn't respond to requests for comment. But a press representative noted that a number of complimentary seats were given out at several recent performances. Such distribution of free tickets is standard practice for Broadway shows at the beginning of their runs.

Some industry observers believe the show, in which Mr. Moore skewers the president but also works in a variety of comedic sketches and anecdotes about his own past, could do well for its run through Oct. 22. In particular, they cite both Mr. Moore's popularity and that the presi-

dent remains such a controversial and much-discussed figure.

"Trump drives ratings," said Lee Seymour, a New York-based theater writer and producer.

as much these days. A case in point: The critically panned "Charlie and the Chocolate Factory," which has grossed anywhere from 72% to 96% of its weekly box-office potential since opening in April.

Overall, Broadway is continuing to post strong box-office numbers. Ticket sales are up 21.6% over the previous season, with total grosses tallying at \$388 million, according to the Broadway League.

A number of shows ran at full capacity this past week, including "Come From Away," "Dear Evan Hansen," "Hamilton" and the revival of "Hello, Dolly!"

Still, two musicals, "Natasha, Pierre & the Great Comet of 1812" and "Bandstand," have announced their closures in September. "On Your Feet!" will end a nearly two-year run on Aug. 20.

16,000

People who saw Michael Moore's Broadway show in first 2½ weeks



Mr. Moore takes his opening-night bow for 'The Terms of My Surrender' at the Belasco Theatre on Aug. 10 in New York.

Cheetos Restaurant Is a Hot Ticket

BY CHARLES PASSY

Apparently, New Yorkers have a thing for puffed cornmeal.

The Spotted Cheetah, a pop-up restaurant specializing in dishes made with Cheetos, has sold out all of the roughly 300 reserved slots for its three-day run, say officials with PepsiCo's Frito-Lay division that makes the snack. The restaurant is slated to open Tuesday in New York's Tribeca neighborhood.

Spaces were gone within six hours of last week's announcement of the opening, officials said, adding that there is currently a waiting list of more than 1,000 people should anything become available.

The strong demand "was a surprise to us in a big way," said Ryan Matiyow, who handles marketing for Cheetos.

The restaurant is part of a growing trend where brands are opening permanent or pop-up stores in New York to gen-

erate buzz. For example, earlier this summer, PepsiCo and Unilever launched the Pure Leaf Tea House to support a tea brand created by both companies.



The Cheetos restaurant, helmed by celebrity chef Anne Burrell, will feature several varieties of the snack in close to a dozen dishes.

Over the years, Cheetos has expanded its lineup from the classic cheese-seasoned puffed cornmeal version to ones with

different flavorings, shapes and textures.

Menu items, priced from \$8 to \$22, include Cheetos meatballs, Cheetos grilled cheese with tomato soup and Cheetos-crusted fried pickles.

There are even desserts made with Cheetos, albeit the Sweetos variety of the snack.

Ms. Burrell, a fixture on the Food Network, said the challenge was to "elevate" Cheetos, but not get too fanciful.

"There's a fine line to walk," she said.

PepsiCo officials wouldn't say how much it cost to create the Spotted Cheetah concept. But such promotional pop-ups are rarely intended to turn a profit, say restaurant and marketing experts.

Which is just as well, says New York-based restaurant consultant Arlene Spiegel, who argues that a permanent Cheetos restaurant probably wouldn't succeed. "It's one of those fleeting but unsustainable" ideas, she said.



The Spotted Cheetah restaurant features Cheetos in dishes created by celebrity chef Anne Burrell, inset.

GREATER NEW YORK WATCH

BROOKLYN

Police: Two Stabbed Over Parking Space

Police are searching for two people who they say were involved in a fatal stabbing following an argument about a parking space.

Authorities said the attack happened around 11:30 p.m. Sunday in the Bergen Beach section of Brooklyn. Police said four people were arguing over a parking space when two men were stabbed. According to police, the victims were brothers.

Police said 23-year-old Omari Dahan, of Brooklyn, was stabbed in the chest and later died at Beth Israel Hospital. Authorities said the victim's 29-year-old brother was treated for a stab wound to his arm and is expected to recover.

Investigators said the two suspects fled the scene in a gray Volkswagen Jetta.

—Associated Press

JERSEY CITY

One Person Killed, One Hurt in Shootings

One man was killed and another was wounded in gunfire on a Jersey City street, authorities said.

Nineteen-year-old city resident Jaharee Broadway was found around 1:25 p.m. Sunday by police responding to reports of shots fired on Forrest Street.

Authorities said he had been shot multiple times and was taken to a hospital, where he was pronounced dead a short time later.

A wounded 22-year-old city man was also taken to the hospital for treatment of injuries that weren't considered life-threatening. His name and further details on his condition haven't been disclosed.

A motive for the shooting remains under investigation. No arrests have been made.

—Associated Press

QUEENS

Man Pleads Guilty To Animal Cruelty

A man who hurled his dog to its death from a balcony has pleaded guilty to felony animal cruelty.

Yuk Cheung is expected to receive a sentence of 45 days in jail and five years of probation. He will also have to register on a city animal-abuser list.

Court records show the 35-year-old Mr. Cheung entered the plea last week. His lawyer didn't return a phone call placed Monday seeking comment.

Queens District Attorney Richard Brown said Mr. Cheung threw the 12-year-old pug from a seventh-floor balcony in March while arguing with his ex-girlfriend about the dog.

Prosecutors said Mr. Cheung claimed the dog leapt out of his arms, but investigators determined it had been thrown.

—Associated Press

Rabbi Facing Charges Appears in Court



ARRAIGNED: Rabbi Daniel Greer, center, leaves New Haven Superior Court on Monday after a hearing on charges of sexual assault and risk of injury to a minor. He denies the allegations but didn't enter a plea.

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LIFE & ARTS



REMEMBER the doctor's advice to always finish your antibiotics, even if you feel better?

That message is being upended by concerns that taking antibiotics when they are no longer needed is contributing to the growing danger of antibiotic resistance.

In a recent article in the journal BMJ, a group of infectious disease experts from England argue that doctors should stop making the recommendation because it isn't based on any evidence. In fact, they note, studies have shown that in some cases—such as pneumonia—shorter courses of antibiotics are just as effective as longer ones.

The longstanding advice to finish a course of antibiotics was based on concerns that the infection wasn't completely treated and could relapse in a resistant form. "We are challenging this now because antibiotic resistance is such an enormous issue," says Martin Llewelyn, a professor of infectious diseases at Brighton and Sussex Medical School in England.

The danger with stopping antibiotics too early is recurrence of the infection, not resistance, Dr. Llewelyn says.

"We're not suggesting stopping antibiotics when you feel better is necessarily the right thing to do across the board," he adds. The improper use of antibiotics has become a pressing public health issue because it allows bacteria to evolve into new strains that are resistant to the drugs. Earlier this year, the World Health Organization released a list of the 12 most dangerous of these "superbugs," and in June updated a list of antibiotics that should be reserved as a last resort.

Doctors prescribe antibiotics for different infections based on clinical guidelines from medical professional societies.

YOUR HEALTH | By Sumathi Reddy

The Question of When to Stop Antibiotics

Ending treatment earlier may help prevent dangerous resistance, but it's not the best course of action all the time

patient gets the right drug, the right dose and the right length of therapy," she says.

For most infections, she says, the ideal course of therapy is probably based on the type of infection.

Seeking the shortest therapy to clear an infection without recurrence.

fection and patients' health, including other medications they may be taking.

"We're trying to find the sweet spot," she says. "We're trying to find the shortest length of therapy that clears the infection without recurrence."

Studies have found that shorter courses of antibiotics are as effective as longer ones in treating skin infections, pneumonia and uncomplicated urinary tract infections.

But one recent study looking at children under 2 with middle-ear infections found that those treated with the standard 10-day course did better than those with a five-day course.

"I'm reluctant to say for every patient that it's OK to just stop taking your antibiotics when you feel better," Dr. Hicks says. But, she noted, "there are probably a lot of opportunities for patients who have mild infections and for which there isn't a well-established duration of therapy to take a watch-and-see approach."

Vance Fowler, a professor of medicine in the division of infectious diseases at Duke University Medical Center, says there are circumstances in which he abbreviates therapy, making sure the patient is aware of signs of relapse. "If you can partner with your provider in terms of watching out for adverse events, then it actually is something that makes a lot of sense," he says.

Dr. Fowler heads the federally funded Antibacterial Resistance Leadership Group. This network of nearly 100 researchers worldwide is conducting about 35 studies on antibacterial resistance, such as comparing five and 10 days of treatment for pediatric pneumonia.

The theory, he says, is that the longer antibiotics are used, the more likely the bacteria or organisms can develop ways of resisting them.

"And it's important to point out that the resistance that develops may not be in only the bacteria that you're treating," he says, noting that humans carry pounds of bacteria, both good and bad. "All or most of those bacteria will be exposed to the antibiotics."

Barbara E. Murray, director of the division of infectious diseases at the University of Texas Health Science Center in Houston, says most trials focused on duration were based on trial and error.

She cautioned that it can be hard for a patient to truly know when they are better. For example, coughs in some infections can persist for long after the bacteria have been killed. Conversely, patients may feel better on antibiotics while still having an active infection.

And some conditions, like heart-valve and bone infections, require taking antibiotics for extended periods. "There a patient may feel better after a week, but if they stop taking antibiotics, then they will relapse," she says.

FILM

'HITMAN'S BODYGUARD': A SHOT AT THE TITLE

BY MICHAEL SALFINO

WHOM WOULD YOU TAKE in a box-office brawl: the preacher's wife or the devil's advocate?

Those are two of the most famous examples of how filmmakers have leaned on possessive titles repeatedly, if not always successfully, over the years. Call them "The Someone's Something" movies.

Up next: Ryan Reynolds and Samuel L. Jackson in Lionsgate's action comedy "The Hitman's Bodyguard," which opens Friday. Mr. Reynolds plays Michael Bryce, a bodyguard who has risked his life protecting clients from Darius Kincaid, an assassin played by Mr. Jackson. Bryce reluctantly agrees to protect Kincaid as he prepares to testify against a dictator played by Gary Oldman.

The filmmakers can only hope the title proves a better marketing tool than others of its type. Earlier this year, "The Zookeeper's Wife" pulled in only \$17 million. That's nearly 10 times as much as the prior eight iterations

Please see TITLE page A11



Samuel L. Jackson and Ryan Reynolds in 'The Hitman's Bodyguard,' the latest of many examples of movies with possessive titles.

LIFE & ARTS



'Metamorphoses' (1992), by the Russian artist Grisha Bruskin, part of the exhibition 'Alefbet'

gives a more intimate sense of the Holocaust, since some of Portland's survivors are seen in early photographs as well as recent interviews. Unfortunately, displays repeat the common assertion that five million non-Jews were deliberately murdered in death camps or by killing squads aside from nearly six million Jews; the historian Yehuda Bauer has pointed out that the number "five million" was sheer invention by Simon Wiesenthal; the truth, Bauer and other historians have argued, is closer to 500,000, though that does not include the millions more killed by deliberate starvation and siege. Another familiar Holocaust exhibition tactic also appears, suggesting that study requires generalization and justification. "We study the Holocaust to examine our connections to each other," we are told. "What forms of discrimination exist today?" the displays ask. "What lessons do you take away with you?"

The biggest problem, though, is "Discrimination and Resistance." It has a hortatory poster-board character. In Portland's history, we are told, there were "Tools of Discrimination" including "Intimidate," "Appropriate" and "Segregate." There were also "Tools of Resistance" including "Protest," "Reform" and "Celebrate." And there are indeed problems. When Oregon became a state in 1859, "its constitution excluded 'negros, mulattos, and chinamen' from owning property." Later there were expropriations of American Indian lands and riots against immigrant workers; the Ku Klux Klan flourished.

But malfeasance was corrected, sometimes speedily. And concepts are more complex than they seem. Manifest Destiny, for example, was not, as is said here, a racial belief that "White Americans" had a "divine right" to settle the continent but a belief that the nation's destiny was to extend from the Atlantic to the Pacific. And when we are told, "Oregon came into existence with exclusion at its core," what nation, apart from the U.S., has not been founded with a similar idea?

Portlandian progressivism also cannot really be treated as Judaism with a political face. One activist group, "Occupation-Free Portland," for example, declares that its goal is to ensure "that our city has severed all ties with the Israeli occupation," including "corporations that profit from Israel's occupation of Palestinian land." In response to such lobbying, the Portland City Council appointed a committee to create "Do Not Buy" list (which would have cost millions of dollars). But in April, after protests, the City Council decided to avoid discussing particular corporations. Instead it is disinvesting in all corporations—exchanging one form of moral blindness for another. The museum's approach is generally far wiser, choosing to illuminate what it wishes us to see.

Mr. Rothstein is the Journal's Critic at Large.

CULTURAL COMMENTARY

Celebrating Its Home City

A new Jewish museum in Oregon offers serious history, though not without some flaws

BY EDWARD ROTHSTEIN

Portland, Ore.
'GAZING INTO THE VAST arena of life below him, Father Time lounges in his heavenly seat." Has a newsletter ever begun more imperiously? Yet here it is, at the newly reimagined Oregon Jewish Museum and Center for Holocaust Education, the only general Jewish museum in the Pacific Northwest. Written in 1920 by a teenager Marcus Rothkowitz, a Russian immigrant who settled in Portland a decade earlier, the essay describes Father Time pleased by something seen below, "which seems to drive the age out of his morbid and wrinkled features." What he sees is this newsletter, published by the Neighborhood House, a Jewish social welfare institution founded in Portland by the National Council of Jewish Women in 1905.

Why, though, is it shown here? Partly because Marcus Rothkowitz became Mark Rothko, one of the 20th century's most important artists. But the newsletter also sheds light on pioneering Jewish institutions, many of which (like this one) still exist. In their very conception, culture, politics, spiritual life, and material welfare were intertwined.

Similar ambitions are implicit in this modest, absorbing museum, which differs from many Jewish identity museums in taking the spiritual life as seriously as politics. It succeeds with so much that its flaws might be considered a re-



The 'Oregon Jewish Stories' gallery, left, at the new Oregon Jewish Museum and Center for Holocaust Education, right.

flection of its time and place, because it is about a place—Portland—as much as an identity.

The history is surprisingly rich, given that Oregon's entire Jewish population is about 40,000. The museum began "without walls" in 1989. Then came temporary homes and institutional mergers, most recently with the Oregon Holocaust Resource Center, thus adding recorded testimony to a collection of materials going back to 1850. This is the museum's fifth location and most permanent, with 15,000 square feet of space. Under its longtime director Judith Margles, the board purchased the building for \$5 million and then raised another \$2.3 million from 400 other donors to go toward operating expenses

and mounting three permanent and two temporary exhibitions.

The main exhibitions are in one large gallery: "Oregon Jewish Stories," "The Holocaust: An Oregon Perspective" and "Discrimination and Resistance: An Oregon Primer." The first is the most revealing, portraying Jewish life in a self-proclaimed progressive, open-minded city—a theme emphasized in video interviews. Triumphs are celebrated (Portland first had a Jewish mayor in 1869) as are renowned Portlanders (Mel Blanc brought immigrant vernacular to the voices of Bugs Bunny, Daffy Duck, Sylvester the Cat, and Barney Rubble).

In this there is the typical identity museum's self-celebration, but

here Portland's progressivism is made to seem a warm complement to Judaism's spiritual and communal life. In the midst of this, Judaism, in its many forms, is also taken seriously, something that also happens in the temporary exhibitions. One is devoted to the drawings of Herman S. Brookman (1891-1973), a Brooklyn-born architect, who designed a magnificent nearby synagogue, Congregation Beth Israel. Another exhibition, "Alefbet: The Alphabet of Memory," is an exploration of a wall-sized tapestry by the Russian artist Grisha Bruskin, which combines mystical symbolism and gnomic references, geometric regularity and wild effusiveness.

The Portland perspective also

TITLE

Continued from page A9
dating back to the one blockbuster on the list, "The King's Speech," which hauled in \$139 million while winning the Oscar for Best Picture.

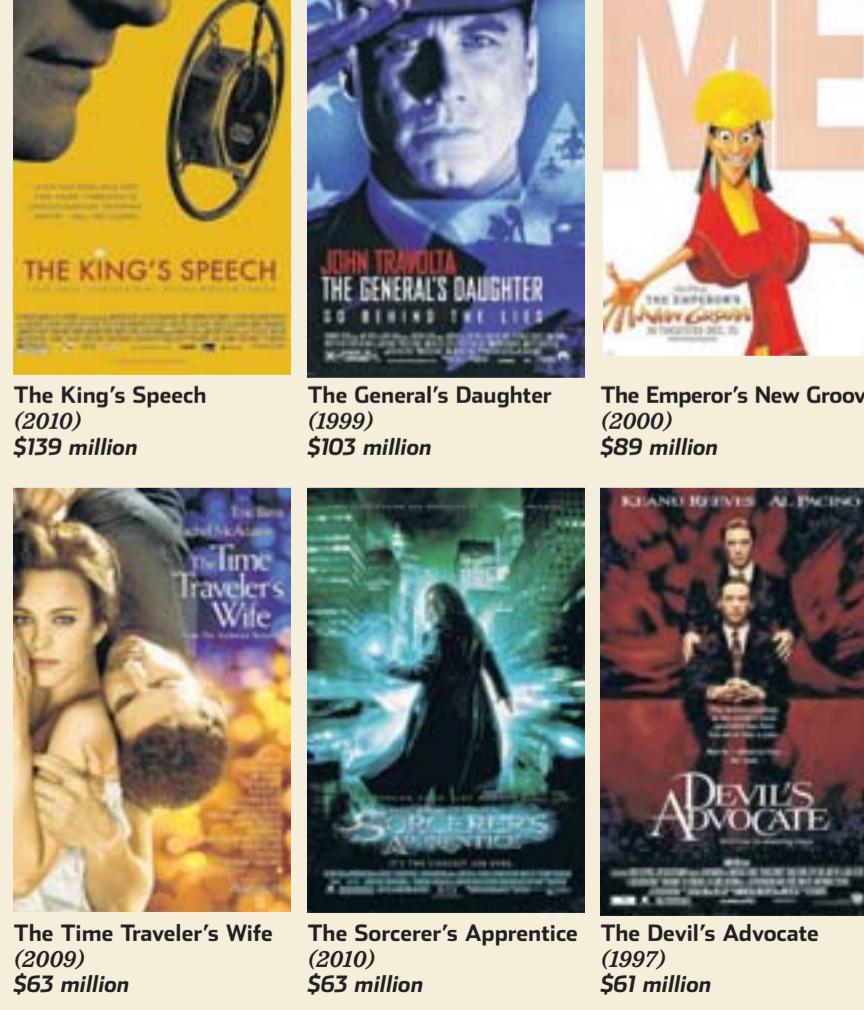
"The Hitman's Bodyguard" is the 61st example of this type of title for a feature film in the IMDb database, according to a search by Darin Hawley of the website HugeQuiz.

"The General's Daughter," released in 1999, also grossed over \$100 million. That's one of 14 instances where the title character is identified as a child or spouse of a man whose occupations include preacher, bishop, butcher, aviator, baker and farmer. Male characters have been identified this way in titles just twice in recent history, both in French films: "The Grocer's Son" (2007) and "The Hairdresser's Husband" (1990).

Then there's the devil, who's in the details of movie titles going back to the 1933 Laurel and Hardy comedy "The Devil's Brother." The biggest winner there? His lawyer. "The Devil's Advocate," starring Al Pacino and Keanu Reeves, grossed \$61 million in 1997.

Mr. Jackson has been down this road before in 2001's "The Caveman's Valentine." That film flopped, taking in around \$1 million. "The Hitman's Bodyguard" should sail past that, with BoxOfficePro forecasting an opening weekend in the \$19 million range.

'The Someone's Something' Movie Hall of Fame



The King's Speech
(2010)
\$139 million

The General's Daughter
(1999)
\$103 million

The Emperor's New Groove
(2000)
\$89 million

The Time Traveler's Wife
(2009)
\$63 million

The Sorcerer's Apprentice
(2010)
\$63 million

The Devil's Advocate
(1997)
\$61 million

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is
Not
Your
Grandfather's
Office
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SPORTS

COLLEGE FOOTBALL

Harbaugh's Tip: Fútbol and Football

Michigan's football coach tells recruits that soccer can help them with their footwork, coordination, balance and conditioning

BY BEN COHEN

THERE MAY NOT be anyone who loves anything as much as Jim Harbaugh loves football. But when young quarterbacks ask him how they can play football at Michigan, the coach offers some unconventional advice: play soccer, too.

Some of the country's most coveted high-school quarterbacks visited Michigan for Harbaugh's camp this summer ready to spend all day showing off the strength and accuracy of their arms. Harbaugh had other plans. He also made them play a sport in which they could only use their feet.

The school's indoor football center became a soccer field with lacrosse nets as makeshift goals. The quarterbacks were split into teams. They wore shirts and skins. Harbaugh was the referee. He wore a sweatshirt and khaki pants.

"There is really no other game like it," Harbaugh said last month after Michigan practiced with the Italian Serie A club AS Roma. "I always encourage youngsters in America to play soccer."

Of course he does. Harbaugh is the counterintuitive outlier in a sport that breeds conservative thinkers. In that way his unlikely embrace of soccer is perfectly Harbaughian. It's something that seems preposterous until you think more about it, at which point it makes so much sense that you start to question why it took so long for others to figure out.

Most coaches say they like recruits who play multiple sports and can apply those skills to football. It isn't uncommon for college-football players to have experience in baseball, basketball or track and field. But soccer? "I think every American boy should play soccer till the eighth grade," Harbaugh said. "Then they should play football." American football."

He explained to recruits that soccer can help them with their footwork, coordination, balance, conditioning and spatial awareness. Those traits are quite useful to a quarterback required to throw on the run while surveying the whole field as 300-pound linemen attempt to spear him.

"It's one of the best sports that a young person can play getting ready to play football," said UCLA offensive coordinator Jedd Fisch, who worked under Harbaugh in his first two seasons at Michigan.

Andrew Van Wie, a 6-foot-1 freshman at the Wesleyan School in Georgia, traveled the country this summer attending college quarterbacks camps. "Most of them are kind of the same," he



PHOTO ILLUSTRATION: Michigan football coach Jim Harbaugh offers some unconventional advice to recruits: play soccer.

said. Then he went to Michigan's.

Van Wie is a fan of Harbaugh's and suspected his camp might be slightly different. He was ready for almost anything. But it still took everyone by surprise when, right before the lunch break, Harbaugh rolled out soccer balls.

"We weren't expecting that," he said.

That the best quarterbacks in the country would spend 30 minutes under Harbaugh's tutelage playing soccer was equally perplexing to Van Wie's high-school football coach. "That young man does not play soccer," Franklin Pridgen said in an email. "Never went to any soccer camp."

In the summer of 2015, before his first season at Michigan, Harbaugh's staff was spitballing ideas for how to distinguish their camp from every other school's. The famously intense coach said he wanted to see quarterbacks compete against each other as much as they possibly could. They could field baseballs. They could peg each other with dodgeballs. They could even play soccer. "You can't just compete in throwing all day long every day," Fisch said.

But it has become harder for aspiring elite quarterbacks to dab-

ble in multiple sports. Many of their peers have specialized in football at earlier ages. By playing two or three sports—or anything other than football—they risk falling behind in the one sport they care about.

Jim Harbaugh is the counterintuitive outlier in a sport that breeds conservative thinkers.

Van Wie is an exception. He's been training with quarterback coaches since he was in the third grade. But it's such a point of pride for him that he still plays baseball and basketball that he keeps each sport's emoji in his Twitter bio.

Like most prospects at Harbaugh's camp, however, Van Wie wasn't used to the rhythms of soccer, which reflected itself in the quality of play. "It was not very good," he said. "But we still managed to find a way to score." (It may have helped that there were no goalies.)

Harbaugh was excited by their inexperience. As a former college and NFL quarterback, he understands that playing the sport's most important position means solving unfamiliar problems. He wanted to see how these quarterbacks would handle a situation they weren't anticipating. Harbaugh made them play soccer this year, but he might as well have observed them running through an obstacle course in a bouncy castle—which, as it happens, is exactly what he did last year.

Harbaugh scouting football players on the soccer field isn't as peculiar as it sounds. It turns out many of the NFL's star quarterbacks are former soccer players.

Indianapolis Colts quarterback Andrew Luck spent his early childhood in Europe with a soccer ball at his feet. He even found time to play intramural soccer as the quarterback at Stanford—where his coach was none other than Jim Harbaugh.

Dallas Cowboys quarterback Dak Prescott went to high school in Louisiana and could've played soccer in the winter after the football season, unlike kids in Michigan and other Northern states, where soccer conflicts with football as a fall sport. But he didn't. And now

he regrets it. The face of the NFL's most iconic franchise said this summer that he should've tried soccer. He thinks it would've made him better at football.

Scientists who study elite athletes caution against specializing in one sport too soon. In other words: Van Wie's approach is the right one. They say that cross-training helps prevent injuries and decreases the risk of burnout. Someone who plays multiple sports in high school is also more likely to have the competitive demeanor that every college coach wants in his quarterback. "They don't just live in a world of practice," Fisch said. "They live in a world of games. There are winners and losers."

Harbaugh admits he didn't come up with the idea to evaluate football players in other sports. He took it from the legendary coach Bill Walsh, who told Harbaugh that he used to look for "the best athlete in the entire high school."

There are many activities other than football that reveal athletic instincts, Harbaugh says. You can play soccer. You can navigate an inflated labyrinth. "You can climb a tree!" he said last year. "That's about as good of an athletic rep you can get."

RIO GAMES | By Jason Gay

OLYMPICS: THE HARSHEST HANGOVER IN SPORTS

We need to talk about the Olympics. Again.

A year ago, Rio was popping. The Summer Games were entering

their second week, and despite anxieties about preparation, environmental hazards, security and Zika, the Olympics did that thing the Olympics tend to do, which is to push back against all the bad press with a stirring wave of athletic greatness. There was plenty of it last August: Michael Phelps, Katie Ledecky, Usain Bolt, Simone Biles, Monica Puig, the host country's men's soccer team, and on and on.

There were still traces of skepticism and protest, and of course, Ryan Lochte's daffy service station

imbroglio, but by fortnight's end, Rio 2016 mostly got the headline it covet: it rose to the challenge. Once more, the Olympics seemed flawed but undeniable.

It's barely a year later, and any lingering good feeling appears to have crumbled. Literally. A staggering new report from ESPN's Wayne Dres and Mariana Lajolo found the 2016 host country's Olympic legacy racing toward ruin—vacant stadiums, decaying infrastructure and a sprawling athlete village that is effectively a ghost town. Plans to convert properties into schools and housing have been ditched. A solicitation to manage the country's suburban Olympic Park drew zero bids. The Rio Olympic Committee is still \$40 million in the hole.

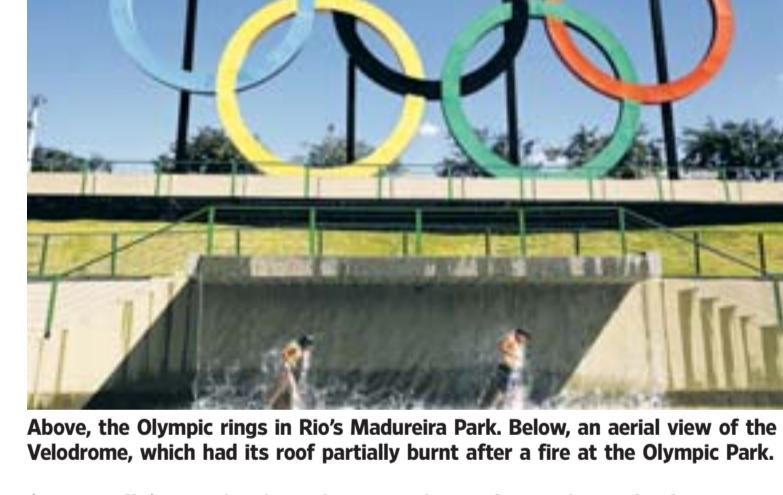
The Games claim to be wising up. As Rio 2016 kicked off, the Journal's Matthew Futterman and Will Connors reported that a regretful International Olympic Committee planned to steer clear of awarding another Games to an unstable host. The romantic notion of using the Olympic flame as a beacon in the developing world—as an alleged signal of future prosperity; Brazil was betting on itself here, too—was effectively kaput. Recently, the 2024 and 2028 Summer Games were awarded to Paris and Los Angeles, with the presumption both cities will be impeccable hosts.

The queasy feeling lingers, however. Is a migratory, multibillion-dollar, two-week sporting event an egregiously wasteful idea in these

"Well what did you think would happen?" is likely what you're saying, and you're far from alone. Critics both inside and outside Brazil saw this disaster coming long before the Games arrived—cash-strapped, environmentally fragile Rio declared a "State of Public Calamity" prior to the torch lighting—and they are not the first host to see a gargantuan investment go to rot. The 2014 Winter Games in Sochi were a punch line from the beginning—remember all the groaning about busted door-knobs and toilet handles -- and much of the lavish Putin-ordered development is in similar decay, a Russian white elephant with a reported cost of \$51 billion.

The Games claim to be wising up. As Rio 2016 kicked off, the Journal's Matthew Futterman and Will Connors reported that a regretful International Olympic Committee planned to steer clear of awarding another Games to an unstable host. The romantic notion of using the Olympic flame as a beacon in the developing world—as an alleged signal of future prosperity; Brazil was betting on itself here, too—was effectively kaput. Recently, the 2024 and 2028 Summer Games were awarded to Paris and Los Angeles, with the presumption both cities will be impeccable hosts.

The queasy feeling lingers, however. Is a migratory, multibillion-dollar, two-week sporting event an egregiously wasteful idea in these



Above, the Olympic rings in Rio's Madureira Park. Below, an aerial view of the Velodrome, which had its roof partially burnt after a fire at the Olympic Park.

(supposedly) conscientious times? The Summer Games maintain an appeal, but you can barely give the Winter Games away—the winter host after Pyeongchang 2018 is Beijing, a former summer host which emerged to take on 2022 after other cities panicked and skated away. Closer to home, Boston won the right to make the U.S. bid on the 2024 Games, only to bow out after public outcry over spending and traffic. It was embarrassing—but maybe, prudent.

Paris and L.A. make sturdy cases that they'll be ready, partly because they already have a lot of the necessary facilities, and are not trying to do this from scratch. The hazard of shiny new hosts, however, is how easy they make it to move on from the fiascos. Rio feels like a crisis on top of a crisis. ESPN's Dres and Lajolo describe a defeated host city that has already turned its back on the pledges it sold its Games on. Budgets for athletic development programs have already been slashed; the idea of the 2016 as a powerful launchpad

is too depressing to be funny. "We missed the opportunity to transform sports in Brazil, to grow all of the sports to a professional level, and to engage children...to build the next champions," the Brazilian silver medal-winning shooter Felipe Wu told ESPN. "It's all so disappointing."

I admit I'm a bit of a sap for the Olympics—despite the repeated corruption and headaches (and we haven't even touched the doping scandals), I am habitually moved by its stories of athletic perseverance. The Olympics can be ugly behind the scenes, but in the arena, they are theater like nothing else in sports. Still, it's difficult to not feel they need a drastic reimaging. Count me as another person who'd like to consider permanent Summer and Winter hosts, or at least a much smaller rotation. At the same time, there must be consequences for a post-Games mess like Rio. The Olympics may be a circus, but they cannot simply move on, putting out the flame, then turning a back on the promises left behind.

OPINION

Hurrah for the ACLU

MAIN STREET
By William McGurn

It's not every day this columnist finds himself on the same side as WikiLeaks, Glenn Greenwald and the American Civil Liberties Union.

That's especially true for the ACLU, because these days it has too often let progressive politics trump its founding mission of protecting core civil liberties such as speech and due process. All the more reason, however, to applaud the ACLU for the principled—and unpopular—stand it took in Charlottesville, Va., for free speech.

In two tweets put out just hours after James Alex Fields drove his Dodge Challenger into the crowd, killing 32-year-old Heather Heyer and injuring many others, the ACLU's national office explained its work in Charlottesville this way. "The First Amendment is a critical part of our democracy," it said, "and it protects vile, hateful, and ignorant speech. For this reason, the ACLU of Virginia defended the white supremacists' right to march."

This, of course, hasn't tempered the outrage on Twitter, where the attacks on the ACLU are mostly variations of "How could you?" Or in the New York Times, where a Princeton prof complained that the ACLU goes out of its way "to defend the rights of provocative speakers like Milo Yiannopoulos and

A week before the rally, the city of Charlottesville revoked the permit, saying it wanted the rally moved to another

On Aug. 11, the day before the rally, a federal judge sided with Mr. Kessler and the First Amendment, enjoining the city from revoking its permit.

In addition to defending the free-speech rights of the protesters, the ACLU also sent observers to the rally on Saturday, who then tweeted out what they saw as it happened. Among the ACLU Virginia tweets: "Clash between protesters and counter protesters. Police says 'We'll not intervene until given the command to do so.'"

Plainly Mr. Jaquith, when he joined the ACLU, somehow hadn't noticed that way back in 1977 the organization had defended a similarly provocative plan by Nazis to hold a

March in Skokie, a Chicago suburb where Jewish Holocaust survivors constituted a high percentage of the population. In the end the ACLU prevailed at the Supreme Court but lost many donors and members in the process. (Ironically, the Nazis never did march in Skokie.)

The ACLU's involvement in this past weekend's march in Charlottesville started after the city revoked a permit issued in June to local alt-right activist Jason Kessler. The permit was for a rally in a park that until this June had been named for Robert E. Lee and features a statue of the Confederate general the City Council wants to remove.

Another tweet: "Not sure

who provoked first. Both sides were hitting each other at Justice Park before police arrived."

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OPINION

REVIEW & OUTLOOK

Trump's China Trade Sally

Donald Trump's trade policy has been more measured than his campaign rhetoric, but on Monday he ramped up the pressure on China by ordering an investigation into its rampant theft of intellectual property from U.S. firms. The danger is that the stick the President is brandishing, Section 302(b) of the Trade Act of 1974, could harm efforts to open markets to American goods.

Mr. Trump is right that China is breaking the promises it made to enter the World Trade Organization in 2001. Instead of embracing freer trade, the country has turned in the direction of import-substitution under current leader Xi Jinping and predecessor Hu Jintao.

The "Made in China 2025" program that Mr. Xi started in 2015 aims to boost the Chinese-made content of manufactured products to 70% within eight years. It also calls for China to become the leader in 10 industries through state investment and closing off its market to foreign companies. The Obama Administration released a damning report in January on China's mercantilist strategy to dominate the global semiconductor industry—to pick one example of the squeeze Beijing puts on U.S. companies.

China's developed-country trading partners are united in believing that these practices are unacceptable, and Beijing has retreated somewhat in response to criticism. But history suggests it will continue to pressure auto makers and technology firms to hand over cutting-edge technology to the government and joint-venture partners.

The problem is that Section 302(b) is a blunderbuss weapon that could backfire because it allows the U.S. executive to play judge, jury and executioner, and take any action the President deems appropriate. In the 1980s the Reagan Administration used tariffs to counter Japan's

Beijing steals U.S. business IP, but tariffs could backfire.

nontariff barriers and a rising bilateral trade deficit. Instead of opening Japan's markets, the U.S. and Tokyo settled for managed trade in the likes of semiconductors, which divvied up market share and kept prices higher than they should have been.

That outcome was due in part to the lack of a binding mechanism to force Japan to follow international trade law. The conflicts of that era led to the 1995 creation of the WTO along with an appellate division that decides when countries have broken their treaty obligations.

So what would happen now if the Trump Administration raised duties on Chinese goods? First, Beijing could pose as the victim and bring the U.S. to the WTO. If the dispute escalated, companies on both sides would lose opportunities, consumers would pay more and the economies would slow down.

The conflict would also erode respect for the rules-based WTO system, which could work to China's advantage. Beijing could use its position as the leading trade partner of East Asian nations to cement its pre-eminence in the region and marginalize the U.S. America's trading relationships with allies would suffer. The U.S. thus has a strong interest in maintaining the rules-based trading system it helped to build.

The flip side of China's trade surplus is the need to invest in foreign assets, and Beijing wants to diversify from U.S. Treasurys. The Trump Administration is rightly emphasizing reciprocal treatment, and regulations give it the power to hold up Chinese investment, especially in fields using advanced technology.

That suggests a more WTO-compliant way to retaliate if Beijing continues to restrict the ability of American companies to invest in China. If the U.S. and other developed countries work together on this issue, they can insist that Beijing follows the trade law it signed up to.

A Short-Term ObamaCare Fix

Republicans in Congress haven't repealed or replaced ObamaCare, but the Trump Administration still has an obligation to help Americans facing higher premiums and fewer choices. One incremental improvement would be rescinding regulations on temporary health-insurance plans.

Sen. Ron Johnson (R., Wis.) this summer sent a letter to the Health and Human Services Department about an Obama rule on short-term, limited-duration health insurance plans, which as the name suggests offer coverage for certain periods, often insuring against hospitalizations or other unexpected events. A person could hold such a plan for 364 days, but a rule issued last year limited the duration of the policy to a mere 90 days, effective April 1.

The reason for the restriction is straightforward: coercion. These plans are useful options for someone who loses a job or is otherwise without coverage, and until recently an estimated 650,000 to 850,000 people were in the market at any given time, with an average policy duration of five or six months, as the Johnson letter notes. Yet the Obama Administration nixed this choice to push individuals into ObamaCare's exchanges.

Mr. Johnson's letter points out that HHS explicitly said in the Federal Register that stopgap plans might target the young and healthy, "thus adversely impacting the risk pool for Affordable Care Act-compliant coverage." Recall that the law's central conceit is that healthy individuals

An HHS rule change could revive part of the individual market.

must be forced to subsidize the aging and sick, or the exchanges will tank.

The short-term plans don't count as minimum coverage under the law's individual mandate, which means policyholders are subject to the tax penalty. Yet the irony is that before the new rule, many individuals still chose to pay the penalty in exchange for the flexibility of benefits the short-term plans offered.

Health and Human Services could restore the duration length to a year and allow the plans to satisfy the coverage mandate. The point is to recreate some portion of the individual market that the Affordable Care Act destroyed. Short-term plans have traditionally been a small share of the insurance market, but perhaps more consumers will sign up as insurers continue to flee the ObamaCare exchanges and premiums continue to increase.

One question is political. Congress failed to replace ObamaCare, and Republicans fear they will now own all problems with the exchanges. The Trump Administration may thus be reluctant to revoke regulations that exist to sustain the ObamaCare status quo.

Yet no one expects this discrete change to topple ObamaCare, and the law's dysfunctions will compound in any event. The damage from the GOP's reform failure will continue to radiate in ways that are hard to predict, but the Administration's best move now is to offer consumers as many health-care choices as possible.

Can the VA Fire Anyone?

Congress's big reform agenda may be a flop, but in June it did manage to pass a modest success known as the VA Accountability and Whistleblower Protection Act that allows for easier dismissal of bad employees. The case of Brian Hawkins shows why the law is needed.

Mr. Hawkins was until April director of the Veterans Affairs Medical Center in Washington, D.C. that serves some 100,000 vets. That was when Inspector General Michael Missal took the extraordinary step of issuing an emergency report on the D.C. facility. Mr. Missal said the hospital was so dysfunctional that he couldn't endanger patients by waiting to complete his investigation.

The IG found that 18 of 25 sterile storage areas for supplies at the D.C. facility were dirty. The hospital had no effective inventory system, so doctors and nurses had to routinely cancel or delay procedures for lack of supplies; they used recalled or expired products on patients. The facility had run up 194 official reports of safety incidents involving patients since 2014—and those were merely the incidents reported. Vendors removed equipment because the hospital failed to pay its bills.

Mr. Missal told the Washington Post that the hospital exhibited "the highest levels of chaos." Mr. Hawkins was then reassigned.

Mr. Missal made his final report public early this month, revealing that he had also investigated allegations that Mr. Hawkins handed out bonuses without proper justification, and then attempted to impede an internal review of that practice. The VA could not substantiate those claims but did discover Mr. Hawkins had sent

sensitive information about the hospital and its employees to his wife's personal email account. The VA fired Mr. Hawkins on July 28 for having "failed to provide effective leadership at the medical center."

A private hospital would have dismissed Mr. Hawkins much sooner, but in the federal government it's nearly impossible to fire anyone. Mr. Hawkins claims he was wrongly terminated and appealed to the Merit Systems Protection Board, which was established in 1979 to protect federal employees from abusive treatment but has become a union-supported shop dedicated to protect employees from discipline. The board issued an immediate stay on his removal, meaning the VA must continue to employ Mr. Hawkins while he fights dismissal.

The good news is that Veterans Secretary David Shulkin says he plans to use the Hawkins case to test the VA Accountability Act's new powers of removal. He's suggested he'll fire Mr. Hawkins again—this time under the new law—which means the former D.C. director will be barred from appealing to the merit board. He will instead have 21 days to appeal the firing to an internal board made up of fellow senior executives, or go to court.

The unions claim the new law strips senior bureaucrats of employment "protections." But someone has to protect veterans from hospital managers who preside over germ-infested operating rooms or delay care with long waiting lists. Taxpayers spend \$180 billion a year on the VA, and the least they can expect is a workforce that meets basic competence standards and can be removed for failure.

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LETTERS TO THE EDITOR

Progressive States Pay More Than They Get

Regarding Daniel Henninger's "Liberalism's Summer of '17" (Wonderland, Aug. 10): The fallacy underlying the model put forth by urban liberalism, "a compact between government and taxpayers," is that it assumes benevolent motivations on the part of the real, live human beings who make up government. Provide them with tax money and they will spend it to improve the general welfare, or so the theory goes. The alternative, of course, is to use control over taxpayer funds as a means to accumulate power. One relatively easy way to do so is to channel these funds to private and public unions, at the expense of cost-effective public works. A portion is then returned in the form of generous campaign contributions. Pensions are a favorite means of reward in that the fiscal ramifications can be delayed and made someone else's problem. Human nature hasn't changed one iota over the millennia. It's remarkable that we continue to be surprised by outcomes as predictable as those described by Mr. Henninger.

JIM SMEDRA
Grand Prairie, Texas

There are reasons why the bulk of the population has gravitated to cities and to the coasts, and none of them involve party affiliation or ideology. That's where the jobs are, or the better climate, or the better schools or the opportunity for fun, romance, acceptance or anonymity. That's where, in short, the majority of our fellow citizens, responding to market forces, have determined that they'll have a better shot at living the American dream.

In a level playing field free of plutocracies, it's Trumpland that would empty out because there is nothing to keep people there. Meanwhile, the governor of West Virginia, a newly self-declared Republican, has asked the federal government for a \$4.5 billion bailout of the eastern coal industry. Instead, I'd suggest we "let internal migration redistribute the U.S. population away from liberalism's smug but falling-apart plutonomies." And while we're at it, let's let those same demographic forces determine our next presidential election in a straight-up popular vote, rather than allow the Electoral College to subsidize the voting power of rural minorities.

KEITH MCWALTER
Granville, Ohio

Making Tissue Donations Safe and Available

The AABB (formerly known as the American Association of Blood Banks) is concerned that policies allowing donors to be paid for the act of providing their bone marrow cells may endanger both donor and patient safety. Your editorial "Money for Marrow, Finally" (Aug. 8) doesn't mention that under existing policy donors are compensated for any out-of-pocket costs or lost work that they may experience because of their choice to donate. Thus, the issue raised in the editorial is whether federal policy should allow donors to be paid above and beyond this compensation for the act of providing cells for transplant.

In collaboration with experts in the field, the AABB develops standards that help ensure that individuals donating cells are free from infectious diseases. Importantly, there is substantial evidence that suggests that people who want to sell their body parts are more likely to withhold relevant medical information; such omissions could lead to increased health risks for patients. In other words, sellers influenced by financial gain could ignore the health risks associated with donation, which could reduce the safety of these life-saving medical treatments.

Further, changing the law to allow marrow donors to be compensated would undoubtedly harm Americans' chances of finding a match and would be particularly detrimental to patients with diverse backgrounds who benefit from our nation's in-

volvement in the world-wide search process. If the U.S. allows donor compensation, the nation would no longer adhere to international standards for volunteer donors in cellular therapies. As a result, American patients would no longer be eligible to be matched with international donors.

ZBIGNIEW M. SZCZEPIOROWSKI, M.D.
*President, AABB
Bethesda, Md.*

The withdrawal of the Obama administration's proposed rule against compensation for bone marrow donations strikes a blow for the value of life over government-imposed ideology. That ideology piously maintained the moral superiority of the deaths of those needing bone marrow over compensating donors for the time, pain and administrative hassle of donating bone marrow. Anyone can sell their blood. Why draw the line at selling rare marrow, for which the need is so critical and lifesaving? Because sacrifice and pain are a higher moral value for indifferent administration ideologues than saving citizens' lives?

It was also refreshing to see one small reversal of the tyranny of rule by decree in recent years.

RICHARD E. RALSTON
*Executive Director, Americans for Free Choice in Medicine
Newport Beach, Calif.*

Maybe Mr. Buffett's Social Security Deal Isn't That Fair

Attention Commuters: Your Delay Is Caused by Politics

Articles like your editorial "New York's Liberal Subway War" (Aug. 10) make my day. Nothing is more entertaining than two liberals (Gov. Mario Cuomo vs. Mayor Bill de Blasio) trying to outpromise each other with other people's money. However, this presents them with a dilemma. Their pot of gold (aka taxes) taken from New York's 1% is diminishing. The blue states' 1% may soon be added to a very popular liberal agenda: the endangered species act.

THOMAS SUBLER
Versailles, Ohio

I would ask the millions of New Yorkers voicing problems with transit delays if they voted, not that it makes much difference. Democrats and Republicans alike continue to make promises they can't keep for a vote they don't deserve.

MICHAEL P. CARTER
Savannah, Ga.

CORRECTION

Wyatt Russell plays Ezra O'Keefe in "Ingrid Goes West." A Thursday review of the movie, "#Love in the 21st Century," switched actor and character.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"We met online."

OPINION

Don't Even Think About Being Evil

By Heather Mac Donald

Just wait till those campus snowflakes enter the real world—that'll shape 'em up!" So goes a typical response to totalitarian hysteria at colleges. The firing of a Google engineer last week for questioning the company's diversity ideology exposes that hope as naive. The "real world" is being remade in the image of college campuses with breathtaking speed.

A conveyor belt of left-wing conformity runs from the academy into corporations and the government, so that today's ivory-tower folly becomes tomorrow's condition of employment. Google's rationale for

Corporate America has managed to make higher education look like an open marketplace of ideas.

firing James Damore perfectly mimics academic victimology—the equation of politically incorrect speech with violence, the silencing of nonconforming views, the refusal to hear what a dissenting speaker is actually saying.

After attending a diversity training session, Mr. Damore wrote a 10-page memo titled "Google's Ideological Echo Chamber." He observed that "differences in distributions of traits between men and women may in part explain why we don't have 50% representation of women in tech and leadership." Among those traits are assertiveness, a drive for status, an orientation toward things rather than people, and a tolerance for stress. He acknowledged that many of the differences in distribution are

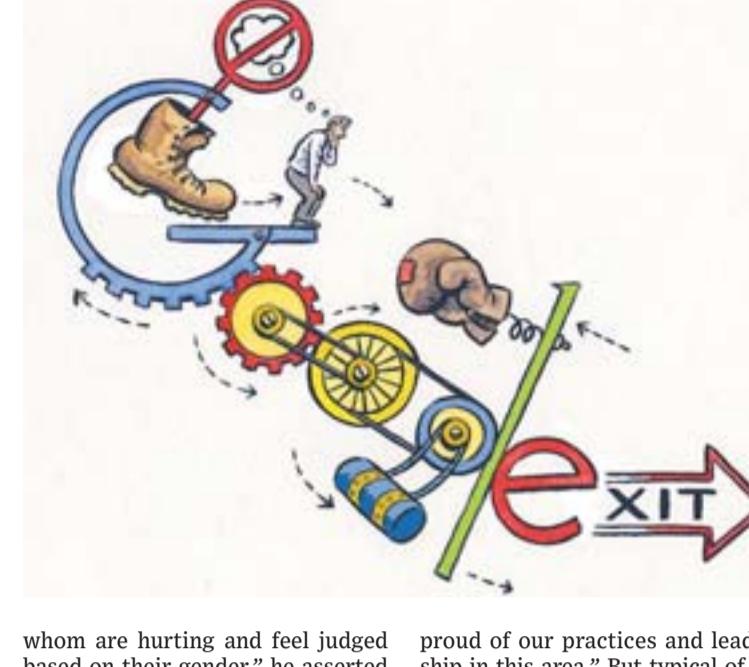
small and overlap significantly between the sexes, so that one cannot assume on the basis of sex where any given individual falls on the psychological spectrum. Considerable research supports Mr. Damore's claims regarding male and female career preferences and personality traits.

Mr. Damore affirmed his commitment to diversity and suggested ways to make software engineering more people-oriented. But he pointed out that several of Google's practices for engineering diversity discriminated in favor of women and minorities. And he called for greater openness to ideas that challenge progressive dogma, especially the "science of human nature," which shows that not all differences are "socially constructed or due to discrimination."

Mr. Damore's fate was foreshadowed by the sacking of Harvard president Larry Summers in 2006. At a conference the previous year, Mr. Summers had hypothesized that the unequal distribution of the highest-level mathematical abilities may contribute to the sex disparity of science faculties. Numerous studies have confirmed that men predominate at the farthest reaches of math skills (high and low).

Mr. Summers's carefully qualified speculation infamously provoked MIT biology professor Nancy Hopkins to flee the room and tell reporters she "would've either blacked out or thrown up" had she stayed. Mr. Summers issued a groveling retraction and ponied up a cool \$50 million for more gender-diversity initiatives, but his tenure as president was doomed.

Google CEO Sundar Pichai employed the same bathetic language of injury in his response to Mr. Damore. "The memo has clearly impacted our co-workers, some of



harming business competitiveness. Google sets managerial goals for increased diversity. Mr. Damore wrote that he has observed such goals resulting in discrimination. That is fully believable. A comment on an internal anonymous discussion app warned that more Google employees need to stand up "against the insanity. Otherwise 'Diversity and Inclusion' which is essentially a pipeline from Women's and African Studies, will ruin the company."

America's tech competitors in Asia are not yet infected by identity politics. The more resources U.S. companies spend on engineering diversity while competing firms base themselves on meritocracy, the more we blunt our scientific edge. Employees are thinking about leaving Google because of its totalitarian ideology, Mr. Damore said in an interview after his firing. While the prestige of elite companies may outweigh the burden of censorship for now, there may come a point when the calculus changes.

Eric Schmidt, chairman of Google parent Alphabet Inc., told a June shareholder meeting that Google was founded on the principle of "science-based thinking." It says a lot about the corporate world that it makes universities look like an open marketplace of ideas. Research into biological differences may be unwelcome in much of academia, but it proceeds on the margins nevertheless. In the country's most powerful companies, however, it is enough to disparage a scientific finding as a "stereotype" to absolve the speaker from considering the question: But is it true?

Ms. Mac Donald is a fellow at the Manhattan Institute and author of "The War on Cops" (Encounter, 2016).

whom are hurting and feel judged based on their gender," he asserted in a memo of his own. Yonatan Zunger, a recently departed Google senior engineer, claimed in an online essay that the speculations of Mr. Damore, a junior employee, have "caused significant harm to people across this company, and to the company's entire ability to function." He added that "not all conversations about ideas even have basic legitimacy" (emphasis his).

Ironically, Google is making even stronger claims about its lack of bias against women than Mr. Damore is. U.S. Labor Department auditors allege that the company's salary differentials reflect sex discrimination; Google strenuously denies it. "We remain committed to treating, and paying, people fairly and without bias with regard to factors like gender or race," Eileen Naughton, vice president of "people operations," said July 17. "We are

proud of our practices and leadership in this area." But typical of the cognitive dissonance affecting every diversity-obsessed company, Google puts its workers through "implicit bias" training on the theory that such biases inevitably cloud their ability to judge female and minority employees and job applicants fairly.

The corporate world is even mimicking academia in its inhospitality to nonconforming speakers. Earlier this year, a Google employee asked me if I would be interested in speaking there about the police. The employee ultimately abandoned the idea, however, citing "personal/professional matters." An affiliation, however remote, with someone who challenges the Black Lives Matter narrative is apparently a job hazard at Google.

Don't assume that the discipline of the marketplace will prevent this imported academic victimology from

Americans May Be More Tolerant of Muslims Than Ever

By Paul E. Peterson

As lawsuits multiply and partisans continue to squabble over President Donald Trump's executive order banning migration from six majority-Muslim nations, liberals in the mainstream media have been pushing the line that America's historic tolerance of religious diversity no longer extends to adherents of the Islamic faith. A just-released Education Next survey tells a different story.

My colleagues and I asked a representative sample of Americans: "Do you support or oppose allowing a group of Muslim students to organize an after-school club at your local public school?" It was the same question EdNext asked in 2008. We framed it that way because the Supreme Court's 2001 decision in *Good News Club v. Milford Central School* found banning such clubs was a violation of students' religious freedom.

Respondents were given the choice to say they support club formation by Muslim students or oppose it. They were also offered the option of remaining neutral by

indicating they neither support nor oppose Muslim student clubs. And for comparison, the survey also asked another group of respondents about generically "religious" students.

Like the Supreme Court, a majority of the general public supports the right of religious students to form clubs. In 2008, 58% were in favor while only 10% were opposed. Today, a majority is still in favor, though opposition has increased by 13 percentage points and approval has slipped by 3. (The remainder said they neither supported nor opposed the clubs.)

Despite the increased opposition to religious student clubs in general, support for Muslim students looking to form clubs has risen dramatically. In 2008, only 27% of respondents were in favor, while 23% were opposed. Today, tolerance of Muslim clubs has climbed steeply, to 45%—a near-majority of all respondents—while opposition has ticked up by only 4 percentage points, from 23% to 27%. What was once a near-even split in opinion has morphed into a 2-to-1 advantage for those who

tolerate Muslim-themed student clubs.

The biggest change has occurred among Democrats, whose support for Muslim club-formation rights has spiked by 24 percentage points. Today, Democrats support Muslim clubs by 55% to 15%. The shift

How would you feel about an Islamic after-school club at a public school? Support has been rising.

comes even though Democrats are today less tolerant of "religious" students than they were in 2008. Democratic opposition to "religious" students has grown by 18 percentage points, while support has dropped by 4 percentage points.

By contrast, Republican attitudes toward Muslim clubs have remained remarkably stable. Fewer Republican respondents took the neutral position in the current survey than did so in 2008. But the

balance between those in favor and those against has held steady. With Democrats becoming much more tolerant of Muslims, and Republican views remaining essentially unchanged, the result has been increased toleration of Muslims throughout the U.S. as a whole.

We suspect this change has occurred very recently. In 2016 the American National Election Studies repeated a 2004 question asking people to rate groups from "warm" to "cold" on its feeling thermometer. The warmth of the public's temperature toward Muslims was unchanged after a dozen years. Yet one year later our question about Muslim student clubs reveals a dramatic shift in opinion among Democrats.

What explains it? Many of the Democratic Party's allies in the mainstream media insist that Mr. Trump's immigration restrictions are motivated purely by anti-Muslim sentiments, which they harshly condemn. Mr. Trump and his Republican colleagues are no less adamant that their goal is not to discriminate against any religious

group, but rather to deter terrorists. Perhaps the friction of debate and the exposure the issue has received have created an environment conducive to tolerance? Neither side gives the other's argument much credence, but both say they are committed to toleration.

Of course, the Democratic respondents' sudden embrace of Muslim student clubs may be nothing more than a convenient way to register their disgust with Mr. Trump's policies, even though the president has taken no position on Muslim student clubs per se. Confirmation of that theory will have to wait until next year, when our survey poses the Muslim club question again.

As unlikely as it seems, the rancorous debate over immigration has somehow enhanced the public's willingness to allow Muslim students to gather together after school in Islamic-themed clubs.

Mr. Peterson is director of the Harvard Program on Education Policy and Governance, senior editor of Education Next and a senior fellow at the Hoover Institution.

Trump Can Save Lives by Stopping Illegal Opioids at Their Source

By John P. Walters
And David W. Murray

Donald Trump last week announced he would declare the opioid crisis a national emergency, as his Commission on Combating Drug Addiction and the Opioid Crisis recommended late last month. The commission, led by New Jersey Gov. Chris Christie, stressed the importance of making addiction treatment and overdose-reversal drugs available to more Americans—policies to alleviate the demand side of the problem.

These actions will help, but the commission won't succeed in reducing opioid deaths if it doesn't make suppressing the supply of drugs its

leading priority. The report contains no recommendations for reducing the largest supplies of opioids at their sources in Mexico and Asia. Cracking down on doctors who prescribe excessive amounts of legal pain medications is already having an effect, but the surging supply of illegal drugs like heroin and fentanyl has negated a lot of the gains.

The rise and decline of the cocaine epidemic shows how attacking the supply is essential to saving lives amid a drug crisis. Cocaine from Peru led to the crack epidemic of the 1980s, until the supply chain was disrupted by U.S.-Peruvian antidrug operations. Coca cultivation dropped by 75% between 1992 and 2001.

After a brief remission in the 1990s, cocaine from Colombia began to flood U.S. streets. Some six million Americans used cocaine in 2006, according to the National Survey on

The experience of the cocaine epidemic shows why it's important to target the supply side.

Drug Use and Health. Then something unprecedented happened. Between 2006 and 2011, cocaine users dropped rapidly, to under four million. This decline registered in multiple data sets. During this time cocaine-positive workforce drug tests declined more than 60%. Meantime, cocaine treatment admissions fell

from about 268,525 a year in 2005 to 143,827 in 2011. Cocaine-related drug overdose deaths fell 44% between 2006 and 2010.

Treatment rescued many, and prevention slowed initiation. Yet during this time demand-reduction policy didn't change, nor did funding increase. The driving factor was the decline of cocaine production in Colombia. Military progress against cocaine-producing rebel groups and crop-eradication programs, joined with development efforts, led supply to shrink from an estimated 700 metric tons in 2001 to 210 metric tons by 2012. Data showed a decline in cocaine purity on U.S. streets, and a corresponding surge in price.

Reducing supply proved the key catalyst for progress. Unfortunately, the Obama administration, fearful of waging a "drug war" and hesitant to influence another country's internal

politics, undermined these achievements. Worst of all, Colombian coca eradication dropped dramatically in 2013. By 2016 Colombian production exceeded its previous peak in 2001. The most recent data show cocaine overdose deaths are rising again, while college students' annual cocaine use, after falling 50% from 2007-13, rose 60% through 2015.

When cocaine flow was rising, abuse rose and its consequences got worse. When the flow of cocaine was cut, demand reduction—e.g., recovery programs—gained traction. But when flow returned, such demand-based programs couldn't hold back the wave of easily available poisons.

This is the crucial lesson for stanching the opioid epidemic. As the U.S. shuts down overprescribing of opioid medications, it needs a comparable effort against the availability of illicit opioids like heroin and fentanyl. The U.S. should offer Mexico a partnership similar to our previous arrangement with Colombia, contingent on whether the country cuts its opium and fentanyl production and trafficking. The Trump administration should insist on similar enforcement in the Asian nations sending illicit fentanyl into the U.S. and fentanyl precursors to Mexico. Federal law enforcement also needs a strategic plan to dismantle domestic trafficking networks. Hopefully Mr. Christie's commission makes this clearer to the president than its initial report did.

Mr. Walters, chief operating officer of the Hudson Institute, was director of the Office of National Drug Control Policy (2001-09). Mr. Murray is a senior fellow at Hudson's Center for Substance Abuse Policy.

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to get a divorce, but if you do have those means? DIVORCE THEM. . . .

If you saddle yourself with someone who fundamentally does not share your values—and at this point, it seems fair to say that people on different ends of the political spectrum have wildly different values—you're going to be unbelievably, achingly lonely.

So, just skip it. Get a divorce. It's clearly not ideal—no one goes into a marriage planning to get divorced—but people get divorced for a great many reasons. "My partner's views are morally repulsive to me" is one of the best reasons I can think of.

Notable & Quotable: Divorce

Jennifer Wright writing at HarpersBazaar.com, Aug. 11:

I'm going to save you three years of therapy where you and your partner try to "agree to disagree."

If your partner is a Trump supporter and you are not, just divorce them.

You do not need to try to make it work with someone who thinks of people as "illegals." Just divorce them. Those divorced couples made the right choice.

This may not always be possible. Some people may not have the financial or practical means available

WORLD NEWS

Dairy Fuels New Zealand Pollution Fears

Environment damage from sector's growth threatens clean image projected to tourists

BY BEN COLLINS

CHRISTCHURCH, New Zealand—This South Pacific country markets itself to international tourists as "100% pure," but a rapid expansion of its dairy industry is endangering its clean, green image.

The shift threatens to pit the nation's No. 2 export, tourism, against dairy, its No. 1.

"Agriculture is the major cause of issues we have with freshwater," said John Quinn, chief freshwater scientist at the National Institute of Water and Atmospheric Research. "Dairying is part of that."

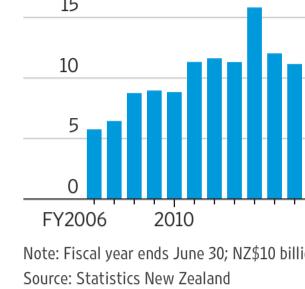
Seven out of 10 of New Zealand's monitored rivers—mostly in lowland areas—are now potentially unsafe for swimmers, according to a government report this year on freshwater quality, which highlighted increased nitrogen levels and algal blooms.

Cash Cows

New Zealand's dairy exports have grown rapidly; some farmers have switched from sheep to cattle.

Value of total exports of milk powder, butter and cheese

NZ\$20 billion

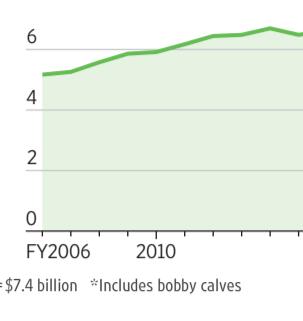


Note: Fiscal year ends June 30; NZ\$10 billion = \$7.4 billion *Includes bobby calves

Source: Statistics New Zealand

Total number of dairy cattle*

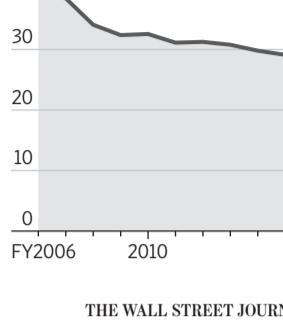
8 million



Note: Includes bobby calves

Total number of sheep

40 million



Source: Statistics New Zealand

THE WALL STREET JOURNAL.

The dairy industry acknowledges it is part of the problem and says farmers are addressing environmental concerns.

Besides fencing off rivers, dairy farmers have been planting vegetation along river banks, which can help reduce the volume of bacteria and sediment running into the water, said Theo Spierings, chief executive of Fonterra Cooperative Group Ltd., the world's largest dairy exporter.

"In some areas, intensive land use has reached recognized environmental limits, but in others that's not the case," Mr. Spierings said. "Many of the Fonterra farms have been passed down through families, and our farmers feel a huge sense of responsibility to ensure land and water are protected for future generations."

Fonterra accounts for much of the nation's dairy exports, which in the year through June 2017 were valued at 12.5 billion New Zealand dollars (US\$9.1 billion).

New Zealand's reliance on exporting commodities is pushing the country close to

its environmental limit and threatening its biodiversity, the Organization for Economic Cooperation and Development said in March.

Under pressure from tourism operators and community groups, New Zealand's government in February launched a program to make 90% of rivers safe for recreational swimming by 2040. Environmental groups and some lawmakers say the initiative doesn't go far enough and that water-quality standards fall short of those in other developed countries.

Lawmakers are reluctant to criticize the dairy industry, which dominates many rural towns. Taxes paid by farmers help to pay for schools and hospitals, these lawmakers say, while booming dairy exports have helped New Zealand's economic growth to outpace much of the developed world, including the U.S.

Nathan Guy, the minister for primary industries, said dairy farmers have voluntarily put up about 16,000 miles of fencing around rivers and lakes to prevent cattle from getting near, or in, waterways.

Kenyan President Urges Leader Of Opposition to Help End Strife

NAIROBI, Kenya—In a bid to defuse a simmering postelection crisis, Kenya's re-elected president urged the country's opposition leader to order his supporters off the streets and to take his claims of vote-rigging to the courts.

"I truly believe there is no single Kenyan anywhere who wants to see violence, looting and demonstrations that end up destroying property," President Uhuru Kenyatta said on Monday in the capital, Nairobi. "But if there are those who feel aggrieved and they are not willing to accept, there are also constitutionally laid down procedures."

The president's appeal came after a weekend of election-related violence in some of Nairobi's poorest areas and a death toll that by Monday had reached 17, according to the Kenyan Red Cross.

Street battles between riot police and supporters of the opposition leader, Raila Odinga, began escalating Friday, just hours after the election commission declared Mr. Kenyatta the winner of the Aug. 8 vote by a wide margin.

Mr. Odinga refused to accept the result, claiming the computer system tallying the vote had been hacked to hand Mr. Kenyatta the victory.

Mr. Odinga has offered no concrete evidence of vote-rigging. Election observers from the European Union and the African Union have said the vote was free and fair, and have urged Mr. Odinga to pursue his allegations of vote fraud in the country's courts.

Mr. Odinga and his aides have rejected that course, saying that when he lost to Mr. Kenyatta in widely disputed elections in 2013, the courts failed to challenge the result.

Speaking Sunday in Kibera and Mathare, two of Nairobi's sprawling slums, Mr. Odinga urged thousands of his supporters to go on strike Monday and to reject the official election results.

At right, young men stood in front of closed shops in Kibera on Monday, though many Kenyans flooded back to work in central Nairobi.

—Matina Stevis



JEROME DELAY/ASSOCIATED PRESS

Argentina Primary Boosts President

BY TAOS TURNER
AND ALBERTO MESSER

BUENOS AIRES—President Mauricio Macri got an unexpected show of support in a primary election, boosting the Argentine peso and local stocks on hopes his government will push forward with plans to overhaul the country's economy.

Sunday's nationwide primary, where voters cast a single ballot for their choice among a raft of candidates from each party, determines which parties are eligible to run for midterm congressional elections in October, providing an indication of voter preference ahead of the midterms.

With more than 97% of votes counted early Monday, Mr. Macri's Let's Change coalition beat opponents in half of Argentina's provinces, dealing a setback to former President Cristina Kirchner's plans for a political comeback.

In Buenos Aires, where Mrs. Kirchner is seeking a Senate seat, she was in a technical tie



President Mauricio Macri, left, with Buenos Aires Gov. Maria Eugenia Vidal, celebrated the primary results on Monday.

with the candidate from the governing coalition. Pre-election polls indicated Mrs. Kirchner would beat Esteban Bullrich, the top Let's Change Senate candidate, by several points. With close to 96% of votes tallied in the province, Mr. Bullrich had 34.19% of the vote, compared with 34.11% for Mrs. Kirchner. Mr. Macri's

candidates also beat opponents in Santa Cruz, Mrs. Kirchner's home province.

The results were seen as a vote of confidence by investors, who feared Mrs. Kirchner would win big and weaken support for Mr. Macri's pro-business policies.

Argentine shares rose on Monday, with the benchmark Merval index climbing 3.5%. The

peso also appreciated against the dollar, rising 3.2% to 17.165 pesos per dollar, its strongest position in four weeks. Yields on Argentina's benchmark bond due 2026 fell to 6% on Monday from 6.5% on Friday, and to 5.7% from 6% on its bond due 2027.

"The Argentine peso has been depreciating over the past two months, leading the Central Bank of Argentina to sell almost \$2 billion. Most probably that trend will revert this week," said Rafael Di Giorno, director of Proficio Investment Management, a Buenos Aires-based asset-investment firm.

The results indicate that the governing coalition will pick up seats in both houses of Congress, where no party currently

has a majority, in October's election. Mr. Macri's coalition

would increase its number of seats in the 257-member Lower House to 104 from 92, according to Teneo Intelligence. In the 72-member Senate, the Let's Change coalition would increase to 24 seats from 17, the consulting firm estimated.

WORLD WATCH

SIERRA LEONE

Mudslides, Floods Leave Hundreds Dead

Mudslides and torrential flooding killed at least 250 people in and around Sierra Leone's capital early Monday following heavy rains, with many victims trapped in homes buried under tons of mud.

Survivors and volunteers dug through the mud and debris at times with their bare hands in a desperate search for missing relatives, and military personnel were deployed to help with the rescue operation in the West African nation.

Initial Red Cross estimates said as many as 3,000 people have been left homeless by the disaster, and the figure is expected to rise. Communications and electricity also have been affected.

One particularly hard-hit area was the suburb of Regent, located east of Freetown.

"The mudslide swept down from the hills on the outskirts of Freetown early this morning and spared nothing in its path," said Sasha Ekanayake, the Sierra Leone director for the charity Save the Children. "Houses are buried and entire families are missing, including children."

—Associated Press

CANADA

Ottawa Sets Goals For Nafta Revamp

Canada laid out its goals for a new North American Free Trade Agreement, pledging to press for additional environmental provisions and saying it won't budge on a dispute-settlement process that allows Canadian firms to challenge trade sanctions.

While Canada is open to changing parts of Nafta, like ensuring greater North American content in auto parts, Canadian Foreign Minister Chrystia Freeland said ahead of the start of talks Wednesday that the system that members use to fight what they feel are unfair trade tariffs had to be preserved.

The process, known as the Chapter 19 provision, currently allows companies to contest trade sanctions before independent panels instead of through national courts.

The Trump administration wants the system scrapped, saying it infringes on national sovereignty.

"Canada absolutely stands very firm in the importance of having such a mechanism," Ms. Freeland said.

—Paul Vieira



The Freetown suburb of Regent was especially hard hit by flooding. At least 250 people have died in and around the Sierra Leone capital.

BY RORY JONES

TEL AVIV—Israeli authorities detained billionaire Beny Steinmetz for questioning in a fraud probe, a police official said, months after the diamond magnate was taken into custody and released in connection to an international corruption investigation.

The police on Monday said five suspects were asked about allegations of fraud, money laundering and creating fictitious contracts in a foreign country. They didn't name any of the individuals questioned. A police official, however, later identified Mr. Steinmetz as one of the five.

The police have been investigating a number of sus-

pects on suspicions that they worked systematically with the main suspect to produce and present fictitious contracts and transactions, including real estate in a foreign coun-

try," they said. The homes and offices of the suspects also were searched, they added.

A lawyer for Mr. Steinmetz couldn't be reached to comment.

Mr. Steinmetz was taken into custody by Israeli police in December on suspicion of paying bribes in 2008 to government officials in Guinea to secure mining rights in the West African nation. He was placed under house arrest and released weeks later without charge.

Monday's arrest of Mr. Steinmetz marks another dramatic turn in the saga surrounding a lucrative vein of iron ore in Guinea's remote Simandou mountain range. Its hills hold some of the world's largest and highest-quality deposits of the ore—a key ingredient for making steel—and have lured mining companies competing to exploit China's booming need.

In 2008, Mr. Steinmetz's mining company, BSG Re-

sources Ltd., won the rights to mine Simandou after the Guinea government, then led by President Lansana Conte, stripped them from British-Australian mining giant Rio Tinto PLC.

BSGR then agreed on a \$2.5 billion deal with Brazil's state mining firm, Vale SA, to split development of the Simandou range. But in 2014, the new Guinea government rescinded BSGR's mining rights and accused people connected to it of paying bribes to officials in Mr. Conte's administration.

A BSGR representative declined to comment Monday.

Rio Tinto eventually won back the Simandou rights. But it has also faced questions of corruption related to its activities in Guinea.

SOCIETY 4 CLIMATE CHANGE COMMUNICATION/AGENCE FRANCE PRESSE/GETTY IMAGES

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, August 15, 2017 | B1

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Kalanick Critic Stirs the Pot

Benchmark Capital tells Uber employees that former CEO is hurting their company

BY GREG BENSINGER

Days after it sued **Uber Technologies** Inc.'s former chief executive, investor **Benchmark Capital** sent a letter to the ride-hailing company's employees on Monday saying it took action in part to prevent him from undermining the search for his replacement.

Benchmark, one of Uber's early investors, also said in the letter that its suit against Travis Kalanick was intended to hasten cultural changes at the

San Francisco company following a series of scandals during Mr. Kalanick's tenure.

Benchmark last week sued Mr. Kalanick, saying he had defrauded investors by keeping secret bad business practices. The venture-capital firm said it hopes to push Mr. Kalanick off the board of directors and free up three board seats he effectively controls.

"It's easy to reduce this situation to a battle of personalities. But this isn't about Benchmark versus Travis," said the letter from Benchmark, which was sent to all Uber employees and posted on Twitter. "It's about ensuring that Uber can reach its full potential as a company," it said, adding "We are sorry that it

has taken us so long to do the right thing."

Mr. Kalanick said he is working with the board to identify and hire a new chief executive, and criticized Benchmark's actions. "I am disappointed and baffled by Benchmark's hostile actions, which clearly are not in the best interests of Uber and its employees on whose behalf they claim to be acting," he said in a statement.

An Uber spokesman didn't respond to a request for comment.

Chief among Benchmark's complaints is that Mr. Kalanick remains involved in the company's daily operations and is obstructing the search for a new CEO. Benchmark, which

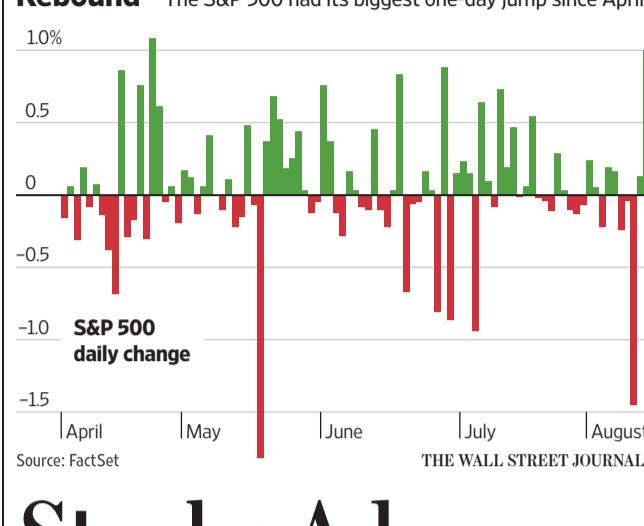
has a board seat and is on the board committee overseeing the CEO search, was the prime actor in pushing out Mr. Kalanick in June, drafting a letter that other investors signed and dispatching two partners to deliver it to him in Chicago.

The Uber board's five-member CEO committee had as of earlier this month narrowed its search to three candidates, including former General Electric Co. chief Jeff Immelt, according to people familiar with the matter.

But some investors have said they are concerned the corporate intrigue, including Benchmark's suit, could scare off candidates for the job.

The allegations in Bench-

Please see UBER page B2



Stocks Advance Broadly Amid Calmer Trading

BY AKANE OTANI AND JUSTIN YANG

The S&P 500 posted its biggest one-day gain since April, the latest sign of resilience in a stock market that has climbed to repeated highs this year.

A solid quarter of corporate earnings around the world, stronger-than-expected economic growth in Japan and lessened fears of conflict between North Korea and the U.S. helped stocks rise, some traders and investors said.

The day's moves also reflected investors' tendency this year to buy stocks after pullbacks, some analysts said. That has helped limit both the scale and duration of selloffs.

Concerns over North Korea's nuclear program and disappointing corporate reports last week sent the S&P 500 and Dow Jones Industrial Average to their steepest weekly declines since March.

"There's been a little bit of a sigh of relief that you haven't seen further escalation," said Supriya Menon, senior multiasset strategist at Pictet Asset Management.

The Dow Jones Industrial

Average added 135.39 points, or 0.6%, to 21993.71 Monday. It has gone 61 sessions without posting a move of 1% or more, its longest such streak since 1995.

The S&P 500 climbed 24.52 points, or 1%, to 2465.84, its biggest gain since April 24, and the Nasdaq Composite rose 83.68, or 1.3%, to 6340.23.

Stocks rallied broadly; technology companies and banks had some of the biggest gains.

Assets that investors consider to be safer stores of value, including U.S. government bonds, pulled back.

Another sign of relative calm: A measure of expected stock volatility that had spiked last week retreated Monday. The CBOE Volatility Index, which tracks expectations of swings in the S&P 500 over the next 30 days, slid 20.5%.

Earlier, data showed Japan's economy grew faster in the April-June period than analysts expected. It was the latest report to put economic growth around the world on solid footing, something investors say has helped power U.S. stocks. Midday Tuesday, the Nikkei Stock Average was up 1.29%, leading a rebound in Asia.

Buffett Cashes In on Crisis-Era GE Shares

BY THOMAS GRYTA AND MARIA ARMENTAL

Warren Buffett's **Berkshire Hathaway** Inc. is getting out of one of America's oldest companies: **General Electric** Co.

The billionaire investor's firm sold 10.6 million GE shares in the second quarter, a stake that would have been worth an estimated \$315 million as of June 30, according to a regulatory filing. Berkshire received most of the shares in 2013 after the investor lent roughly \$3 billion to GE in October 2008 during the depths of the financial crisis.

In addition to the shares, Berkshire received hundreds of millions in dividends from GE over several years. All told, Mr. Buffett's \$3 billion crisis-era investment generated a profit of more than \$1 billion. Berkshire's decision to cash out its GE stake came in the

same quarter that the conglomerate announced it was changing leaders, with Jeff Immelt stepping aside as chief executive after 16 years and handing over the job to one of his lieutenants, John Flannery.

Mr. Immelt had been under pressure from activist investor Trian Fund Management to cut costs and analysts have expressed concerns the company will need to lower its profit targets.

GE shares have slumped this year, dropping nearly 20%, compared with a 10% gain in the S&P 500 index. It is the worst performing member of the Dow Jones Industrial Average year to date. Last week, Mr. Flannery disclosed he had increased his personal investment by buying \$2.7 million worth of GE shares in his 401(k) plan.

GE declined to comment on Mr. Buffett's disclosure. The Please see GE page B10

INSIDE



SAM WALTON'S GRANDSONS TRY TO PEDAL UPSCALE

RETAIL, B3

BY DOUG CAMERON

Airlines are making bigger bets with premium passengers, offering luxury seats loaded with doodads that could boost the cost of outfitting a plane by millions of dollars.

The new breed of seats for business fliers can convert to a lie-flat bed, with 15-inch display screens, entertainment systems that offer hundreds of channels and privacy panels sealing off fellow passengers. Some of these posh seats can be grouped together to form a walled "mini suite."

Such seats cost the carrier anywhere from about \$50,000 to \$500,000, according to industry officials. Carriers, including **Delta Air Lines** Inc., **Qatar Airways** and **United Continental Holdings** Inc., are vying to offer these latest innovations even as they find

ways to squeeze more revenue out of coach cabins with tighter seating.

Business-class passengers remain airlines' biggest source of profit, and keeping them comfortable for hours on long-haul flights has become a high-stakes game for carriers facing a bill of \$20 million or more to outfit a single widebody jet.

"It's become fundamental to how the airlines compete and separate themselves with their brand," said Kelly Orthberg, chief executive of **Rockwell Collins** Inc.

Rockwell Collins has become the market leader in aircraft seating with its \$8.6 billion deal this year to buy B/E Aerospace Inc., joining plane interiors to its aerospace-electronics business.

The bulked-up company is now being eyed as a potential target for **United Technologies** Co. for installation.

\$500,000
Cost to carriers of a top-of-the-line business-class seating module

Most airlines buy seats and other interior fittings such as lavatories and in-flight entertainment systems directly from their manufacturers such as Rockwell, and France's **Zodiac Aerospace** SA, and have them shipped to plane makers such as Airbus SE and **Boeing** Co. for installation.

Since the introduction in the early 1990s of seats that turned into lie-flat beds, prices have risen as the product has become increasingly complex. A business-class seat can have as many as 5,000 parts, including electric motors and hundreds of feet of wiring.

Development and safety testing adds to the cost, and airlines' preference for unique seats means production runs may be less than a dozen for the most exclusive offerings, and seldom reach into the hundreds.

Qatar Airways spent three years with the Rockwell unit that is designing its new Qsuite product, which allows four seats facing each other to be converted into a single space for families or colleagues traveling together or even into two double beds. The Please see SEATS page B2

STREETWISE | By James Mackintosh

Bets on Market Volatility Resemble Gambling

When the capital development of a country becomes a byproduct of the activities of a casino, the job is likely to be ill-done.
—John Maynard Keynes

The stock-market sell-off last Thursday was a classic example of Casino Capitalism. President Donald Trump descended into a war of words with North Korea's Kim Jong Un, and analysts decided nuclear apocalypse wasn't funny at all.

Stocks fell a bit, but the focus was on whether geopolitics meant that the era of superlow volatility was coming to an end, rather than on the prospects for individual companies.

Trading in three big exchange-traded funds and

notes pegged to volatility futures totaled \$9.3 billion—higher than in any single stock, and second only to the main S&P 500 ETF. Individually, the three funds ranked 10th, 11th and 12th among the most-traded companies by value in the U.S.

There is a decent case to be made that being short volatility—that is, betting against the so-called VIX index of implied volatility—is a solid long-run investment, akin to selling insurance policies. It comes with big occasional losses, but the hope is that over time losses are more than offset by the steady premiums collected.

I'm skeptical that the argument holds after the incredible gains made by the strategy in the past year, with the main vehicle for betting against the CBOE Volatility Index, or VIX, up 104%, after losing 21% last week. But

even for true believers, there is no need to trade furiously.

Left-wing critics have spent much of the past decade blaming the 2007-2008 financial crisis on rampant speculation, even though the problems lay more in banking and debt than in the equity markets. Yet, stock-market transactions today are dominated by traders with a get-rich-quick mentality, not by investors hoping quietly to accumulate savings for the long run.

The short-term nature of most trading is shown best by the volatility funds, where daily trading is as close to gambling as to make no difference. It isn't only volatility funds, and isn't only Thursday: This year, the junior gold miners' ETF has been the 24th most-traded stock in the U.S., even though by value it wouldn't even feature in the S&P 500.

Clearly excessive speculation matters. The market fulfills a social function as well. Please see STREET page B2

◆ Fear gauge falls as volatility eases B11

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Amazon Issues Refunds for Shady Eclipse Glasses



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UBER

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mark's lawsuit center on an agreement in June 2016 to expand Uber's board to 11 seats from eight, effectively giving Mr. Kalanick control over the designation of those additional seats. The San Francisco-based investment firm said the former CEO had agreed in writing when he resigned to relinquish control of the board seats.

A spokesman for Mr. Kalanick, in a statement last week, said the lawsuit is without

merit and "riddled with lies and false allegations." Mr. Kalanick argued in a letter to a Delaware judge that the suit should be moved to private arbitration, according to the terms of the voting agreement at the center of the case.

Benchmark said in its letter Monday that it warned the 41-year-old company co-founder more than a month ago that it would sue if he didn't return control of the three board seats to other directors.

"Travis's failure to make good on this promise, as well as his continued involvement in the day-to-day running of

the company, has created uncertainty for everyone, undermining the success of the CEO search," the Benchmark letter said.

The letter also zeroed in on a report issued in June by former U.S. Attorney General Eric Holder's law firm, Covington & Burling LLP, that resulted from a months-long probe into Uber's culture after allegations of sexism and sexual harassment. The board adopted 47 measures recommended in the report, including finding a new independent chairman and revising a set of cultural values that had espoused contentious

behavior like "principled confrontation" and "toe-stepping," among others.

"To describe [the report] as hard-hitting would be an understatement," Benchmark said in its letter Monday. "While Uber's excellent executive leadership team is making commendable progress on these changes, many of the most important issues agreed to by the board remain unaddressed."

Uber's human resources chief, Liane Hornsey, said in a companywide email Monday that the firm was making progress in implementing the Holder report's recommendations.

"We certainly have more work to do, but I am proud of the work the team has done so far," she said.

Some shareholders say they resent Benchmark's lawsuit and public criticism of Mr. Kalanick's leadership because Benchmark is bound to reap a once-in-a-lifetime reward from its investment in the company. Another group of shareholders on Friday demanded Benchmark divest itself of at least 75% of its shares and relinquish its board seat, held by partner Matt Cohler. According to that letter, Benchmark's investment of \$27 million is worth \$8.4 billion at the latest valuation of Uber of nearly \$70 billion.

Without a CEO, Uber is being run by a committee of 16 executives, an unwieldy arrangement for a company with global operations and revenue last year of \$6.5 billion—as well as a loss of more than \$3 billion. It is seeking chiefs of finance, operations and marketing, as well as a new general counsel, among other positions. Uber began a formal search for a chief financial officer in May. That position has been vacant for nearly two years, which Benchmark complained is far too long.

STREET

Continued from the prior page
as a way to make money, and the social function is to provide a way to raise capital, and a guide to asset allocation. Successful companies are rewarded with a higher share price, and the effort to make money—or greed, if you are on the left—pushes more capital toward that area.

Tesla is able easily to raise new equity to finance electric-vehicle development because its shares are in demand; at the same time, investors' interest in electric cars pushes the rest of the auto industry toward battery power, too.

Excessive speculation

would mean markets become less effective at directing capital toward profitable endeavors, harming the economy as effort is wasted on projects such as dot-com disaster Pets.com.

But that doesn't mean

anything should be done about it. Keynes advocated a trading tax to reduce speculation, an idea recently revived by the European left.

The 81 years since have given countries with stock markets the biggest uplifts in living standards of any period in history—mostly without such taxes.

Some speculation is essential, to provide the ease of trading that makes a listed stock more attractive to buyers than an identical private investment.

Investors should try to avoid behaving like Capt. Renault in "Casablanca," who was "shocked—shocked!—to find that gambling is going on in here." If speculators are putting the wrong price on a stock, that is an opportunity to buy it cheap or sell it above its value. The long-term investor has to accept that share prices can always become even further removed from reality, but they should regard excessive speculation as an opportunity, and hold their nerve.



Traffic in Manila. Uber allegedly failed to comply with a prohibition on accepting new drivers.

Uber Is Suspended In the Philippines

Uber Technologies Inc. was suspended from operating in the Philippines for one month after the ride-hailing company allegedly failed to comply with regulatory requirements to stop accepting new drivers.

The suspension on Monday is an escalation of a dispute between Uber and regu-

lators in the Philippines.

The regulators are grappling with how to accommodate ride-hailing apps and traditional taxi companies operating in the country.

Uber was ordered "to cease and desist its operation of their online booking operation," according to a statement Monday that was released by the Land Transportation Franchising & Regulatory Board.

The regulator advised Uber to financially assist its

drivers as they "would not have suffered the current predicament were it not for the predatory actions" of the company.

The U.S.-based technology company said that it had received and was studying the order.

The move is the latest twist in a dispute involving ride-hailing firms such as Uber and Singapore-based GrabTaxi Holdings Pte., and the Philippines.

—Jake Maxwell Watts

are kept under wraps—literally—when executives from other airlines visit, to protect unique design details.

Just adding a reading lamp requires more testing and certification, including full-scale crash tests that Rockwell performs with a sled that mimics the forces of 16 times gravity attending a simulated crash landing. Parts that fly off and could injure passengers or crew have to be redesigned.

"The regulations do constantly evolve and rise over time," said Elijah Dobrusin, vice president of strategy at Lift by EnCore, a startup that has been working with Boeing on a new line of seats.

Testing during design and production has become more rigorous as the cost of the

seats has climbed. Airlines' selection process goes beyond the factory visits by executives and front-line employees such as flight attendants. John Cornell, head of research and development at seat maker

Jamco America Inc., said it sends sample seats on worldwide tours for airlines to try.

Some airlines even use testing of seats as a perk for their most valued customers, giving them the first chance to try them out and suggest tweaks before they are purchased by the carrier. One Asian carrier asks some of its most frequent fliers in transit through its main hub to visit a nearby testing facility during layovers to sample new seats.

Rockwell Collins employs robots to perform wear-and-

tear tests, such as placing a 30-pound weight on a tray table thousands of times, but has found human sampling adds valuable insight. People can break things in ways the designers never expected, said Glenn Johnson, director of engineering at Rockwell's interiors business.

The company places advertisements in local newspapers for seat testers, paying around \$100 for them to sit in seats in the factory for three to four hours.

Rockwell also has employed more advanced techniques to design and tweak seats, with an augmented-reality system that potential airline customers can hook in to explore how the seats look in a virtual cabin.

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Slow and steady wins the race.

SEATS

Continued from the prior page
airline and the manufacturer won't disclose the cost of the seats, though Qatar Airways notes the suite doesn't take up any more space than four regular seats.

Viewed during a recent visit to the Rockwell plant in Winston-Salem, N.C., business-class seats for American Airlines Group Inc. and Saudi Arabian Airlines were lined up on pallets. The two models are based on the same frame but have different trim and fittings, such as the inclusion of reading lamps on the Middle East carrier's version. Company officials said some seats

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BUSINESS NEWS

LinkedIn Suffers Defeat in Data Case

BY JACOB GERSHMAN

A federal judge on Monday ordered LinkedIn Corp. to allow a startup company to scrape data that has been publicly posted by LinkedIn users.

The decision marked a potentially precedent-setting defeat for the Microsoft Corp.-owned social-networking site in a case with deep implications for the growing industry of data analytics.

The ruling came in a lawsuit brought by hiQ Labs, a San Francisco company founded in 2012 that mines and analyzes publicly available personal data on LinkedIn to predict whether individual employees are likely to leave their jobs. hiQ sued LinkedIn in June after LinkedIn ordered hiQ to stop accessing its site and accused the startup of violating a federal antihacking law.

On Monday, U.S. District Judge Edward M. Chen in San Francisco granted a preliminary injunction giving hiQ access to LinkedIn. In a 25-page opinion, Judge Chen said the 1986 Computer Fraud and Abuse Act wasn't meant to outlaw the collection of public online information.

Judge Chen wrote that the "broad interpretation of the CFAA advocated by LinkedIn, if adopted, could profoundly impact open access to the Internet, a result that Congress could not have intended when it enacted the CFAA."

LinkedIn's legal position would allow website owners to "block access by individuals or groups on the basis of race or gender discrimination," the judge wrote. "Political campaigns could block selected news media, or supporters of rival candidates, from accessing their websites."

He also said hiQ had "raised serious questions" about the possibility of LinkedIn "unfairly leveraging its power in the professional networking market for an about anticompetitive purpose."

The court said more litigation is required to determine whether the injunction against LinkedIn should be permanent.

"We're disappointed in the court's ruling," LinkedIn said Monday. "This case is not over. We will continue to fight to protect our members' ability to control the information they make available on LinkedIn."

LinkedIn has argued that the company has a "right to control access to its private property" and that hiQ's data-scraping threatens its members' privacy.

A spokeswoman for hiQ had no comment on the decision.

Waltons Back Posh Bike Clothes

Britain's Rapha hopes Wal-Mart scions will propel elite retailer into U.S. market

BY SAABIRA CHAUDHURI

LONDON—A bike-apparel retailer favored by Britain's cycling elite is hoping the grandsons of Wal-Mart Stores Inc.'s founder can help it pedal into the big leagues in the U.S. and beyond.

London-based **Rapha** said last week that it had sold a majority stake to a U.S. investment firm founded last year by the grandsons of Wal-Mart founder Sam Walton in a deal valuing the business at over \$225 million, said a person familiar with the matter.

The investment by Bentonville, Ark.-based **RZC Investments**, backed by Tom and Steuart Walton, comes as the 13-year-old apparel brand looks to accelerate in the U.S. to tap Americans' seeming willingness to pay top dollar for upmarket cycling clothes

and accessories.

Through its stores, which it calls "clubhouses," Rapha aims to foster a sense of community—and sell memberships—that will keep customers coming back for its \$295 cycling glasses and \$385 bib shorts. It is a strategy that has been deployed successfully in recent years by other luxury athletic brands, such as Lululemon Athletica Inc.

Rapha and other upscale bicycle-apparel retailers such as Pearl Izumi and Assos are looking to exploit a U.S. cycling-apparel market that climbed 15% between 2000 and 2016 to hit \$757 million, according to the National Sporting Goods Association, despite adult ridership numbers staying flat over the past decade at 25.5 million.

While some might balk at Rapha's price tags, the retailer is counting on a crop of largely male consumers with high disposable incomes and a love of recreational cycling.

"I have no interest in a customer who just buys a jersey and disappears," says Rapha

founder Simon Mottram.

"Our customers don't just buy products," he adds. "They come on rides, buy food and drink at clubhouses, consume publishing from us."

The company's sales rose 37% to £67 million (\$87 million) for the year ended Jan. 31 and are forecast to roughly double over the next three

A retailer of tony cycling apparel sells majority stake to Sam Walton's grandsons.

years to £131 million. Last year, Rapha made a profit of £4.5 million in earnings before interest, taxes, depreciation and amortization, up 6.7% from a year earlier.

Mr. Mottram plans to use RZC's investment to open more stores—including adding to the five already in the U.S.—and potentially expand into new areas, such as nutri-

tion, speed tracking and physiotherapy services.

"We liked that Rapha is well positioned in the sport of cycling, which is very likely to continue growing," said RZC partner Jared Faciszewski, a former professional racer. "It's in its infancy today on a global spectrum, and there is significant opportunity to grow in the U.S."

Other high-end cycling-apparel retailers have also attracted investor interest. In 2015, New York-based private-equity firm TZP Group was part of a consortium that bought a majority stake in Swiss brand Assos, which makes shorts, jackets and helmets, and whose motto is "suffer in comfort."

"We believe there is a significant business opportunity at the intersection of innovative, performance-driven apparel and luxury experience," TZP partner Dan Galpern said at the time.

Rapha has invested heavily in its 17 stores in Europe, Asia, Australia and the U.S., using them largely as product show-

rooms, with television sets showing races and cafes. About 70% of the company's sales are generated online. Its 11,000-person-strong cycling club gives members free in-store coffee, a biannual magazine, access to special rides, and the ability to rent high-end canyon bikes, among other perks.

Other sports brands have adopted similar approaches, using their stores to position themselves as purveyors of a lifestyle.

Americans' interest in cycling still lags behind that of Europeans. While the bicycle has long been an important mode of transportation in Europe, the U.S. has been more automobile-focused, says Jay Townley, a partner at U.S. bicycling market-research firm Gluskin Townley Group.

But Mr. Mottram sees scope for growth in the U.S.

"There are lots of people who are vaguely engaged and are early in the process of becoming cyclists," he said. "We can help them become more sophisticated."



RZC Investments' stake in Rapha represents a bet on the U.K.-based retailer's budding effort to sell upmarket cycling clothes and accessories to U.S. consumers.

HARRY ENGELS/GETTY IMAGES

Jana Takes Stake in a Meal-Kit Company

BY HEATHER HADDON

The activist hedge fund that invested in Whole Foods Market Inc. and catalyzed the natural grocer's takeover by Amazon.com Inc. has taken a 2% stake in meal-kit maker Blue Apron Holdings Inc.

Jana Partners LLC disclosed the investment on Monday in a regulatory filing, sending Blue Apron shares up 4.7%. Representatives for Blue Apron and Jana declined to comment.

Jana trades in many stocks

but pushes for major executive or operational changes in just a few.

Its roughly \$3 million stake in Blue Apron is much smaller than the \$794.5 million position it took in Whole Foods.

Blue Apron Chief Executive Matt Salzberg said in an interview last week that he wasn't worried about an activist push and that his company was creating long-term value for its investors.

"Obviously we have a robust investor-relations func-

tion. We talk to key shareholders," Mr. Salzberg said.

Blue Apron's shares have fallen nearly 50% since making their debut in June as the New York-based company struggles to attract and maintain customers.

In its first earnings report as a public company last week, Blue Apron said that costs jumped in the second quarter as competition has picked up.

Several investment firms downgraded their outlook on Blue Apron as a result.

Jana took a nearly 9% stake in Whole Foods in April and demanded changes to the company's board and operations.

The push helped prompt Whole Foods to agree to be bought by Amazon for \$13.7 billion, including debt. Whole Foods investors are slated to vote on the deal next week.

Jana made millions of dollars from that investment.

The hedge fund also previously took a more-than-6% stake in the Safeway supermarket chain in 2013.



Blue Apron CEO Matt Salzberg

North Face Parent to Buy Dickies Owner



VF Corp., the owner of clothing brands such as the North Face and Timberland, said that it has reached a deal to buy Williamson-Dickie Manufacturing Co. for \$820 million, in a deal VF says will double its presence in the workwear-apparel market.

Williamson-Dickie, a private company known for Dickies scrubs and Walls outdoor coveralls, generated \$875 million in revenue in the past 12 months, VF said.

VF, whose apparel and acces-

sories offerings range from Nautica sportswear to Smartwool socks, has tweaked its portfolio in recent months, shedding a group of luxury brands and a licensed sportswear company.

Chief Financial Officer Scott Roe said on a conference call Monday to expect more changes. "We're not finished," he said. "Stay tuned."

Analysts expect momentum in career apparel, which VF estimates to be a \$30 billion-a-year

industry, as the U.S. job market expands. Williamson-Dickie's peers include Carhartt brand parent **Carhartt** Inc. and Duluth Trading parent **Duluth Holdings** Inc.

VF said buying Williamson-Dickie will especially increase its sales for health-care and service apparel. Williamson-Dickie also operates manufacturing plants in Mexico and Honduras.

Williamson-Dickie has 400 retail stores and a presence in more than 100 countries, though

66% of its sales are in the U.S. Williamson-Dickie Chief Executive Philip Williamson and the company's 7,000 employees are expected to remain with the combined company.

As a result of the deal, VF lifted its adjusted earnings guidance by 2 cents to \$2.96 a share.

VF shares, up 18% this year, rose 3.1% to \$63.50 in New York Stock Exchange trading Monday.

—Cara Lombardo

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TECHNOLOGY

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Robotic Accountants Close Books Faster

Technology helps speed up tallying of companies' results—and decision-making

BY TATYANA SHUMSKY

As accounting becomes more reliant on technology, finance chiefs across a range of sectors are reaping substantial benefits from closing their books faster.

Companies including Red Hat Inc., Duke Energy Corp. and Dun & Bradstreet Corp. have sped up their quarterly close to gain quicker access to their results.

It takes most companies four-and-a-half days to capture a quarterly snapshot of their financial position in 2017, down from six days in 2009, according to PricewaterhouseCoopers LLP benchmarking studies. The consulting and accounting firm examined the practices of roughly 500 companies around the world with a median revenue of \$2.5 billion.

Companies that have accelerated their quarterly close say having results in hand earlier makes decision-making easier and helps the organization become more nimble. The extra time allows the finance team to perform a deeper analysis, catch errors and invest more time in planning for the next quarter.

A faster quarterly close was the priority for Eric Shander when he joined open-source software solutions company



Companies such as Duke Energy have accelerated their access to performance data, which gives them more time for deeper analysis.

Red Hat as chief accounting officer in 2015.

Tasks such as account reconciliation were previously left to the end of the reporting period, contributing to the last-minute rush. After a 14-month revamp, accounts are reconciled every few weeks.

Red Hat now closes its books comfortably in two days, down from five days previously, said Mr. Shander, who was named chief financial officer in April.

The finance team has been more productive as a result of the extra time, Mr. Shander said.

"We're actually considering moving up some of our earnings announcements as a result of it," he said. "It's been a huge success."

Advances in technologies are helping companies accelerate their book-closing process. More companies are automating their close to reduce the amount of manual activities,

such as journal entries, said William Marchionni, senior business adviser at consulting firm Hackett Group Inc.'s Finance Operations Advisory Program.

"Some top performers are getting management reporting data on revenue, shipments, cost for goods sold, and other key metrics on a daily basis from their information systems," Mr. Marchionni said.

For Dun & Bradstreet CFO Rich Veldran, the lure of cost

savings has prompted investments in robotics and automation technology that accelerate the quarterly reporting process. The data and analytics company closes its books in four days, despite operating across more than 200 countries, which adds to the complexity of its financial reporting process.

"There's a real opportunity for us to do things in a much more automated, faster way, within finance," Mr. Veldran

said, adding that his team is already testing several potential applications for robotic process automation in the finance function.

A new software system was key to helping Duke Energy streamline its quarterly close, said CFO Steven Young. The electric utility in 2007 launched a three-year revamp of its financial infrastructure, after a series of acquisitions burdened the company with a patchwork of financial systems and processes, Mr. Young said. The company has continued to improve its quarterly close through new technologies.

"The advantage is that you get data disseminated through the organization quicker, you can then communicate trends, patterns and that can result in quicker decisions to take tactical actions in response to the data," Mr. Young said.

CFOs in a particular sector, such as airlines, autos or retail, often aim to close their books and report results around the same time to keep in line with industry norms.

Still, for many CFOs accelerating the quarterly close process remains a low priority. Instead, these companies have focused on meeting increasing regulatory demands and deployed resources to operational projects such as entering new markets or launching new product lines.

"Account-to-report has historically been the last place where companies invest. It isn't client facing, and they have ended up doing things on a shoestring," said Hackett Group's Mr. Marchionni.

JD.com Pursues Luxury Shoppers

BY LIZA LIN

Chinese e-commerce company JD.com Inc. plans to open a luxury platform on its retail website, ratcheting up its competition with Alibaba Group Holding Ltd. for China's high-end shoppers.

Chinese consumers account for 30% of global luxury spending, and they are increasingly doing their high-ticket shopping at home as the Chinese government looks to stem capital outflows.

JD invested about \$400 million for a stake in U.K.-based high-end e-commerce

platform Farfetch in June. JD's chief executive, Richard Liu, announced plans for the new platform as the company reported second-quarter earnings Monday, but didn't provide further details.

Larger rival Alibaba introduced a luxury platform early this month, selling brands such as U.K. label Burberry and others.

JD reported a loss of 496 million yuan, or \$74.4 million, for the three-month period ended June 30—nearly double its loss of 252 million yuan for the year-earlier quarter.

Revenue rose 44% to 93.2

billion yuan in the second quarter and is expected to grow as much as 40% this quarter, JD said.

In May, JD reported its first profitable quarter since going public in 2014, but its chief financial officer warned at the time that investments into new businesses and warehouses would weigh on profit this year.

JD.com's Nasdaq-listed shares have rallied more than 80% this year, as the online retailer has wooed customers by adding imported items to its offerings. The shares fell 3.6%, or \$1.65, to \$44.25 on Monday.

SpaceX Cargo Missions Grow Ever More Scientific

BY ANDY PASZTOR

A successful cargo launch on Monday by SpaceX, the company's 12th such mission to the international space station, highlights the steady expansion of scientific research on the orbiting laboratory.

In addition to routine supplies such as replacement parts and food, the more than three tons of cargo that blasted off midday from Florida included nearly two dozen ambitious government and corporate experiments delving into issues ranging from the causes of Parkinson's disease to the origins of cosmic rays.

Unlike earlier cargo deliveries, the focus of Monday's launch from the Kennedy Space Center was less on the anticipated feats of **Space Exploration Technologies** Corp.'s partly reusable Falcon 9 rocket than on the contents of the Dragon capsule. Before launch, one senior official with the National Aeronautics and Space Administration told reporters experiments amounted to a record 75% of the cargo's overall weight.

"It sets a new bar for the amount of research we've been able to get" on a cargo flight, said Dan Hartman, deputy manager of the international space station. He told reporters over the weekend that some 85 new experiments are expected to launch through January.

At 12:31 p.m. local time, a modified Falcon 9 with slightly more thrust than earlier versions lifted off into mostly clear skies. It reached supersonic speed in roughly one minute, and the main engines shut off as designed about 90 seconds later. The upper stage propelled the capsule into its planned orbit, as the rocket's lower stage gently landed vertically back on earth.

Tom Praderio, a SpaceX engineer narrating the launch on the company's website, called it "yet another picture perfect landing."

Monday's launch marked the 14th time SpaceX has managed to safely return that portion of the booster for refurbishment for a subsequent flight.

Biological experiments on board included one sponsored by the foundation set up by actor Michael J. Fox, targeting potential genetic causes of Parkinson's disease. Eli Lilly Co. is testing whether freeze-drying pharmaceuticals can prolong their shelf life, and a Boeing Co. scientist is delving



Monday's launch in Florida was headed for the space station.

into how roundworm genes react to prolonged radiation exposure.

A Florida State University team is part of a multi-university experiment using rodents to explore human health problems—particularly degradation of eyesight—during prolonged space voyages.

Astronauts stand to benefit the most initially, but Michael Delp, one of the principal researchers, told reporters there could be longer-term benefits for patients with various eye diseases.

Hewlett Packard Enterprise Co. is sending the first commercial supercomputer outside the atmosphere. And U.S. Army researchers will dissect the performance of a tactical, super-flexible surveillance satellite intended to beam images to troops on the ground within two minutes of receiving a request.

This mission demonstrates the space station's function as

"an innovative platform" for cutting-edge research in diverse disciplines, Gregory Johnson, a former astronaut who now heads an organization helping NASA maximize research on the space station, told reporters during a press conference Sunday.

White House officials and NASA's current leadership, headed by a holdover from the Obama administration, seek to transform the station into a thriving commercial platform. Industry officials say that requires demonstrating the promise of research conducted in the microgravity of space. President Donald Trump hasn't yet nominated a NASA chief or No. 2 agency administrator.

Charles Bolden, NASA's last permanent administrator, last fall complained about what he described as undue emphasis on lower costs and increased availability of launch services to get to the station.

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ANNOUNCEMENTS

NOTICE OF SALE: E-COMMERCE SOFTWARE PLATFORM

Pursuant to Article 9 of the Delaware Uniform Commercial Code ("UCC"), the Security Agreement and Intellectual Property Security Agreement (the "Security Agreements") dated as of November 5, 2014, and related loan documents (the "Transaction Documents") among Zonoff, Inc. as Borrower ("Zonoff") and ADT LLC, on behalf of itself and ADT Holdings, Inc. (as "Secured Party"), Secured Party will offer for sale to the public at Auction all of its right, title and interest in the collateral securing the Security Party pursuant to the Security Agreements, including, but not limited to: (1) all Equipment; (2) all General Intangibles; (3) all Intellectual Property, which consists primarily of Zonoff's software (including its "Z1 Software Suite") for service providers, integrators and OEM's who deliver Connected Home products and services to consumers; (4) all Documents; and (5) various items of tangible and intangible personal property of Zonoff, (together with any other property of Zonoff that the Secured Party has a right to foreclose upon and assign under the Transaction Documents, the "Collateral"). The Collateral is being sold "AS IS WHERE IS" pursuant to the following terms and conditions, with minimum bids to start at \$2MM. Further bidding procedures will be provided on the Bid Date.

TIMING/LOCATION OF THE AUCTION

Date and Time of Sale: August 30, 2017 at 11a.m. (prevailing Pacific Time) ("Bid Date")

Location of Sale: Sherwood Partners, Inc.

1100 La Avenida Street, Building A, Mountain View, CA 94043

Alternatively, prospective buyers may provide bids telephonically by dialing (267) 930-4000 and entering access #123 283 772 promptly on the Bid Date; however, all buyers must be pre-qualified or will not be able to participate in the bidding.

REQUEST FOR FURTHER INFORMATION

All inquiries concerning this Notice of Sale or for further information concerning the Collateral should be made to Tim Cox, Sherwood Partners, Inc., 1100 La Avenida Street, Building A, Mountain View, CA 94043 (telephone: (650) 454-8048) (facsimile: (650) 454-8048) (email: tcox@shrwod.com). The Secured Party reserves the right to require any person making such request to (i) disclose the person or entity on whose behalf such information is being sought and (ii) maintain the confidentiality of the information provided.

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By Order of the United States Bankruptcy Court Case # 17-15012-EPK

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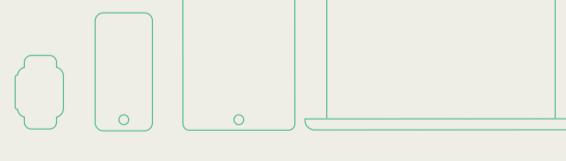
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BUSINESS NEWS

A&E Aims to Stand Out Amid TV Clutter

By ALEXANDRA BRUELL

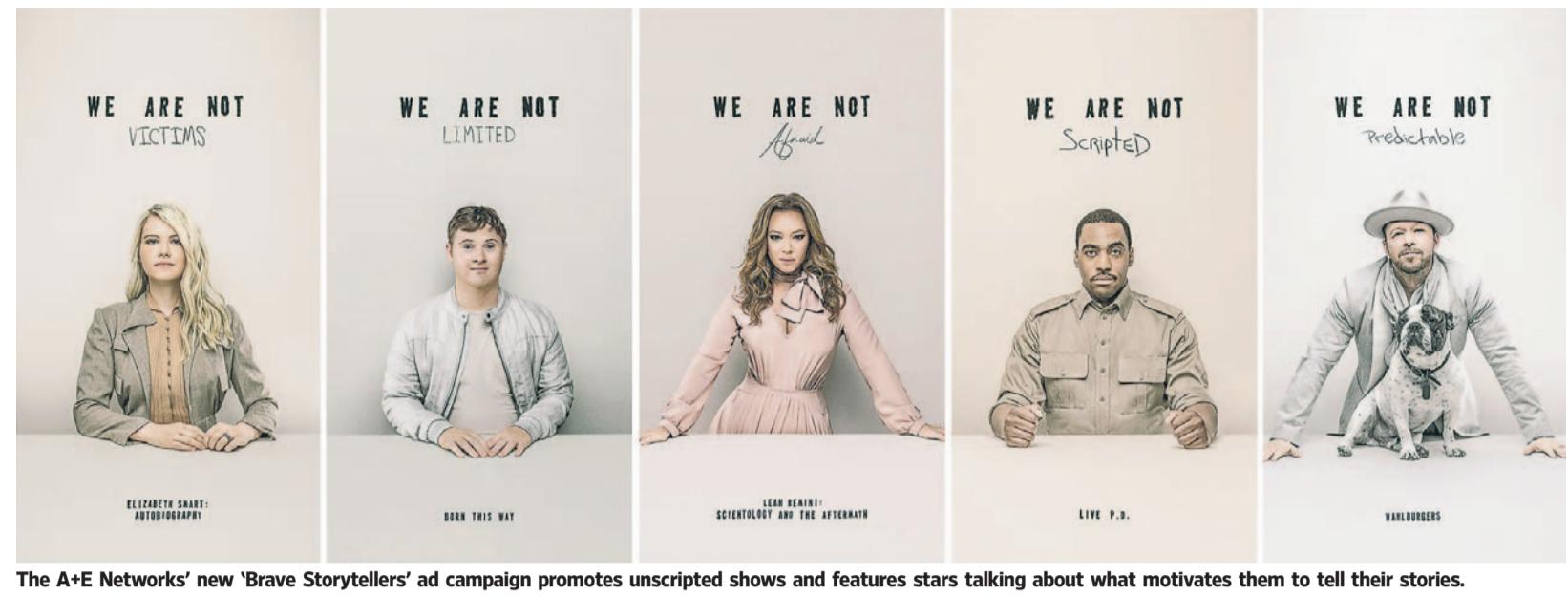
A+E Networks' namesake TV channel is launching a new advertising campaign in an effort to stand out in an increasingly crowded TV marketplace.

The campaign, dubbed "Brave Storytellers," promotes A&E's unscripted shows—and highlights A&E stars such as Leah Remini from "Leah Remini: Scientology and the Aftermath" and Donnie Wahlberg from "Wahlburgers" talking about what motivates them to tell their stories.

The ad push, which begins Tuesday, seeks to reinforce what the A&E brand stands for in hopes of drawing in more viewers.

TV networks are under pressure to make an impression on viewers who have a glut of TV programming to choose. Viewers also have many online channels and streaming packages.

While A+E Networks brands like History and Lifetime have always had clear brand identities, the A&E channel has had a tougher time finding its voice. In its early days, A&E was known for "arts and entertainment" programming, but in recent years the channel has shifted its focus to producing mostly nonfiction shows, such as "Leah Remini: Scientology and the Aftermath," which made its debut



The A+E Networks' new 'Brave Storytellers' ad campaign promotes unscripted shows and features stars talking about what motivates them to tell their stories.

last November to the highest ratings on the channel in two years.

"A while ago, we talked about having to really think about becoming more brand-focused in the way we operate," said Nancy Dubuc, chief executive of A+E Networks. "That differentiates us in a sea of a lot of competition." A+E Networks is a joint venture of Hearst Corp. and the Walt Disney Co.

The company is also hoping its latest promotional push will help it sustain the mild improvements it is seeing in

its ratings. Between 2013 and 2016, ratings in the 18-to-49-year-old demographic, including live plus seven days of viewing after an episode airs, dropped by about half at A&E.

A&E's average viewership among adults 18 to 49 in the second quarter in 2017 was up 2% compared with the same period in 2016, according to Nielsen data covering live viewing and seven days of time-shifted viewing. The network was up about 12% in the 25 to 54 demographic, which incorporates more of the channel's target audience, over that

same span, the company said.

"We could have done the brand campaign a year ago, but it would not have been with the ratings strength it has now," Ms. Dubuc said. "We're seeing this as an opportunity to expand our content and the way our audience interacts with us through the unique cultural conversation or position we have vis a vis the original brands. We know [our] audiences consume us anywhere they choose. We wanted to have a dialogue with them."

The new ad campaign uses

the mantra "It's Only By Looking Closer That We See" and will include TV commercials that air on A&E, as well as in

programming from rival networks, including the Emmy Awards on CBS and "This Is Us" and "Will & Grace" on NBC, among others. Ads also will appear on A&E's digital platforms, as well as on YouTube, Hulu and Tremor.

One ad, written and narrated by poet IN-Q, showcases the different kinds of people and towns across America. The ad, which doesn't promote an actual

show but instead aims to align the A&E brand with culture, has a patriotic feel. The company said establishing a new feel for the brand is critical as people are increasingly going online to watch content.

"Consumers are looking for those trusted brands to help with search and discovery and streaming content choices," said Ms. Dubuc. "If you don't have a brand where [viewers] are seeking you out, then you're just a collection of television shows."

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CLASS ACTIONS

Legal Notice

If you purchased Containerboard Products in the United States from February 15, 2004 through November 8, 2010, your rights could be affected by a Proposed Settlement

What is This Case About?

Plaintiffs allege that International Paper Company, Weyerhaeuser Company, Georgia-Pacific LLC, Temple-Inland Inc. (now known as Temple-Inland LLC) and TIN Inc. (now known as TIN LLC) (collectively, "TIN"), and WestRock CP, LLC (formerly known as Smurfit-Stone Container Corporation) (collectively, "Defendants") participated in an unlawful conspiracy to fix, raise, maintain, or stabilize the price of Containerboard Products at artificially high levels, including via various types of supply restrictions, in violation of U.S. antitrust laws. A settlement was previously reached with Packaging Corporation of America in the amount of \$17,600,000. The Court granted final approval of that settlement on September 3, 2014. A second settlement was reached with Cascades Canada, ULC and Norampac Holdings U.S. Inc. (collectively, "Norampac") in the amount of \$4,800,000. The Court granted final approval of that settlement on May 21, 2015. Defendants deny any liability and the Court has not ruled on the merits of the claims or defenses.

What Are "Containerboard Products"?

"Containerboard Products" include linerboard, corrugated medium, rollstock, corrugated sheets and corrugated products, including displays, boxes and other containers.

The Settlement

A settlement has been reached with Defendants International Paper Company, Weyerhaeuser Company, and TIN (collectively, "Settling Defendants"). Pursuant to the settlement, International Paper Company will pay the sum of \$354,000,000 (three hundred fifty-four million dollars) (subject to a possible reduction of up to \$118,000,000) and other consideration to the Class. Settling Defendants have denied liability but settled to avoid further expense, inconvenience and distraction of the litigation. The litigation is continuing against the remaining Non-Settling Defendants: Georgia-Pacific LLC and WestRock CP, LLC (formerly known as Smurfit-Stone Container Corporation).

Who is a Class Member?

You are a Class Member if, at some point between February 15, 2004 and November 8, 2010, you purchased Containerboard Products directly from any of the Defendants in the litigation for use or delivery in the United States and you did not request to be excluded from the lawsuit by December 5, 2016. Additional information is contained in the full Notice, including information on who is or is not a Class Member.

Will I Get a Payment?

A distribution of funds to Class Members from the proceeds of this settlement is planned. See the full Notice for more details.

Plan of Distribution and Attorneys' Fees and Expenses

On or before August 28, 2017, Plaintiffs intend to file with the Court a Plan of Distribution and a Petition for Partial Payment of Fees requesting a partial payment of fees not to exceed 30% of the Settlement Amount with 30% of the requested amount to be held in an escrow account until resolution of the settlement reduction clause. See the full Notice for more details.

What Are My Rights?

If you do nothing, you will release certain legal rights against the Settling Defendants as set forth in the Settlement Agreement. At a later date, you may be eligible to submit a claim to receive money. Class Members also have the right to object to the settlement, the Plan of Distribution, or the Petition for a Partial Payment of Fees. If you object, you must do so by September 11, 2017. Additional information about your rights is contained in the full Notice. You may speak to your own attorney at your own expense for help.

Final Approval Hearing

A Final Approval Hearing is scheduled to be held at the United States District Court for the Northern District of Illinois in Courtroom 1941 at 10:00 a.m. on October 17, 2017. The date and location for this hearing may be changed on further Order of the Court.

This is a Summary; Where Can I Get More Information?

You can get complete Settlement information, including a copy of the full Notice, by visiting www.containerboardproductssettlement.com, calling 888-764-8864, or writing to Containerboard Products Class Action, c/o A.B. Data, Ltd., P.O. Box 173014, Milwaukee, WI 53217.

Do not contact the Court in connection with the Settlement. If you have any questions or comments you may contact Co-Lead Counsel for the Class:

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<p

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21993.71 ▲135.39, or 0.62%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

May June July Aug.

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

S&P 500 Index

2465.84 ▲24.52, or 1.00%
High, low, open and close for each trading day of the past three months.



May June July Aug.

Nasdaq Composite Index

6340.23 ▲83.68, or 1.34%
High, low, open and close for each trading day of the past three months.



May June July Aug.

5900 5780 5660

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	22019.23	21945.64	21993.71	135.39	0.62	22118.42	17888.28	18.0	11.3	9.6
Transportation Avg	9362.69	9236.02	9347.55	148.50	1.61	9742.76	7755.40	19.0	3.4	4.2
Utility Average	735.02	729.76	734.26	3.81	0.52	737.51	625.44	7.8	11.3	10.4
Total Stock Market	25486.61	25354.32	25466.37	263.22	1.04	25692.25	21514.15	12.5	9.4	7.6
Barron's 400	644.79	640.68	644.55	8.65	1.36	661.93	521.59	16.7	7.1	7.0

Nasdaq Stock Market

Nasdaq Composite	6346.83	6305.55	6340.23	83.68	1.34	6422.75	5046.37	20.5	17.8	12.5
Nasdaq 100	5916.33	5878.00	5908.17	76.63	1.31	5950.73	4660.46	22.4	21.5	14.2

Standard & Poor's

500 Index	2468.22	2454.96	2465.84	24.52	1.00	2480.91	2085.18	12.6	10.1	8.0
MidCap 400	1733.92	1722.07	1730.91	19.86	1.16	1791.93	1476.68	10.3	4.2	7.4
SmallCap 600	843.30	836.60	843.05	12.04	1.45	876.06	703.64	12.3	0.6	8.6

Other Indexes

Russell 2000	1394.53	1375.13	1394.31	20.08	1.46	1450.39	1156.89	12.3	2.7	6.8
NYSE Composite	11879.03	11820.18	11856.04	92.83	0.79	12000.02	10289.35	9.2	7.2	3.2
Value Line	516.76	510.99	515.74	4.75	0.93	533.62	455.65	5.9	1.9	1.7
NYSE Arca Biotech	3879.57	3851.28	3861.13	27.75	0.72	4075.95	2834.14	14.0	25.6	10.0
NYSE Arca Pharma	521.94	520.21	520.82	1.54	0.30	549.20	463.78	-3.1	8.2	0.8
KBW Bank	95.70	94.45	95.43	1.67	1.78	99.33	69.71	36.5	4.0	11.2
PHLX® Gold/Silver	83.76	82.84	83.29	-0.80	-0.95	111.47	73.03	-25.3	5.6	-6.7
PHLX® Oil Service	124.17	122.40	123.12	0.05	0.04	192.66	123.08	-24.8	-33.0	-24.2
PHLX® Semiconductor	1094.82	1078.87	1093.74	27.52	2.58	1138.25	768.37	38.4	20.7	20.9
CBOE Volatility	14.05	12.06	12.33	-3.18	-20.50	22.51	9.36	4.4	-12.2	-0.2

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours High	Low
SPDR S&P 500	SPY	13,743.6	246.48	-0.06	-0.02	246.69	244.11
Automatic Data	ADP	7,198.2	110.00	0.31	0.28	110.00	109.60
Van Eck Vectors Gold Miner	GDX	7,160.1	22.81	-0.02	-0.09	22.85	22.76
iPath S&P 500 VIX ST Fut	VXX	4,424.9	11.92	...	unch.	11.94	11.82
General Electric	GE	3,064.0	25.23	-0.13	-0.51	25.56	25.22
Intel	INTC	2,283.7	36.40	0.06	0.17	36.40	36.20
Finl Select Sector SPDR	XLF	2,179.3	25.07	...	unch.	25.11	24.71
Transocean	RIG	2,037.1	8.39	...	unch.	8.47	8.39

Percentage gainers...

Extreme Networks	EXTR	778.8	10.24	0.92	9.87	10.46	9.16
Fate Therapeutics	FATE	41.5	3.38	0.29	9.39	3.70	3.09
RadNet	RDNT	6.6	9.00	0.60	7.14	9.00	8.40
Amicus Therapeutics	FOLD	306.8	13.25	0.83	6.68	13.25	12.38
Westport Fuel Systems	WPRT	9.4	2				

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	Open	High	hi	lo	Low	Settle	Chg	interest	Open	High	hi	lo	Settle	Chg	interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,9010	2,9050		2,8900	2,9065	-0.0075	1,503								
Aug 2,9125	2,9205		2,8875	2,9045	-0.0075	138,983									
Gold (CMX) -100 troy oz.; \$ per troy oz.	1288.40	1288.40		1278.80	1284.20	-3.50	1,256								
Oct 1292.90	1293.00		1280.90	1287.00	-3.70	50,206									
Dec 1296.40	1296.40		1284.20	1290.40	-3.60	374,468									
Feb'18 1299.00	1299.00		1287.80	1293.90	-3.50	19,062									
Jun 1305.00	1305.00		1296.60	1301.20	-3.30	9,074									
Dec 1312.90	1312.90		1308.30	1311.90	-3.30	8,026									
Palladium (NYM) -50 troy oz.; \$ per troy oz.	885.00	885.00		885.00	903.15	3.45	4								
Sept 894.60	900.95		892.75	898.15	3.45	28,434									
Dec 889.60	895.00		887.70	892.95	3.35	6,548									
Platinum (NYM) -50 troy oz.; \$ per troy oz.	962.60	965.30		962.60	972.40	-14.80	1								
Oct 989.50	990.10		969.00	974.90	-14.80	6,972									
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	17,055	17,115		16,990	17,093	0.052	119								
Sept 17,130	17,215		16,925	17,122	0.052	103,727									
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	48.79	49.16		47.43	47.59	-1.23	288,171								
Oct 48.93	49.31		47.57	47.73	-1.24	424,217									
Nov 49.04	49.44		47.72	47.88	-1.23	185,954									
Dec 49.16	49.57		47.88	48.03	-1.20	318,589									
June'18 49.53	49.88		48.46	48.56	-1.02	159,416									
Dec 49.32	49.80		48.44	48.52	-0.89	178,647									
NY Harbor USLD (NYM) -42,000 gal.; \$ per gal.	1,6338	1,6512		1,6036	1,6057	-0.289	93,378								
Oct 1,6733	1,6548		1,6073	1,6095	-0.288	75,886									
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1,6130	1,6199		1,5741	1,5767	-0.0363	91,485								
Sept 1,6130	1,6199		1,4835	1,4860	-0.0319	103,818									
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.	3,005	3,018		2,925	2,959	-0.024	182,811								
Oct 3,030	3,042		2,952	2,989	-0.020	273,486									
Nov 3,086	3,098		3,017	3,059	-0.009	115,116									
Dec 3,227	3,232		3,158	3,197	-0.008	92,502									
Jan'18 3,320	3,334		3,260	3,298	-0.009	145,619									

Cash Prices | WSJ.com/commodities

Monday, August 14, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday	Monday	Monday
Energy			
Propane,tet,Mont Belvieu-g	0.7672		
Butane,normal,Mont Belvieu-g	0.9017		
Natural Gas,HenryHub-g	2.960		
Natural Gas,TranscoZone3-i	2.960		
Natural Gas,TranscoZone6NY-i	2.820		
Natural Gas,PanhandleEast-i	2.630		
Natural Gas,Opal-i	2.660		
Natural Gas,MarcellusNE PA-i	1.820		
Natural Gas,HaynesvilleLA-i	2.860		
Coal,Aplic,L1250Btu,L12S02-r,w	52,600		
Coal,PwdrRvrBsn,8800Btu,0.8502-r,w	11,550		
Metals			
Gold, per troy oz.	1286.33		
Engelhard industrial	1382.80		
Handy & Harman base	1282.30		
Handy & Harman fabricated	1423.35		
LBMA Gold Price AM	*1288.30		
LBMA Gold Price PM	*1286.10		
Kruegerand,wholesale-e	1336.56		
Maple Leaf-e	1349.41		
American Eagle-e	1349.41		
Mexican peso-e	1557.51		
Austria crown-e	1262.70		
Austria phil-e	1349.41		
Silver, troy oz.	17,1000		
Engelhard industrial	20,5200		
Handy & Harman base	21,1100		
Handy & Harman fabricated	21,3880		
LBMA spot price	£13,0891		
(U.S.\$ equivalent)	16,9700		
Metals			
Gold, per troy oz.	1288.20		
Coins,wholesale \$1,000 face-a	1288.20		
Other metals			
LBMA Platinum Price PM	*984.00		
Platinum,Engelhard industrial	971.00		
Platinum,Engelhard fabricated	1071.00		
Palladium,Engelhard industrial	906.00		
Palladium,Engelhard fabricated	1006.00		
Aluminum,LME,\$ per metric ton	*2040.5		
Copper,Coxem spot	2,9065		
Iron Ore,62% Fe CFR China-s	74.3		
Hides,hydr native steers piece fob-u	62.00		
Wool,64s,stable,Terr del-u,w	n.a.		
Food			
Beef,carcass equiv.index choice 1-3,600-900 lbs.-u	179.18		
select 1-3,600-900 lbs.-u	174.09		
Broilers,dressed 'A'-u	n.a.		
Broilers,National comp wghtd-u,w	0.9405		
Butter,AA Chicago	2,6700		
Cheddar cheese,bb,Chicago	165.75		
Cheddar cheese,bk,Chicago	175.50		
Milk,Nonfat dry,Chicago lb.	85.00		
Cocoa,Ivory Coast-w	n.a.		
Coffee,Brazilian,Comp	1,3879		
Coffee,Colombian,NY	1,6112		
Eggs,large white,Chicago-u	0.8150		
Flour,hard winter KC	14.20		
Hams,17-20 lbs,Mid-US fob-u	n.a.		
Hogs,Iowa-No. So. Minnesota-u	81.72		
Pork bellies,12-14 lb MidUS-u	n.a.		
Pork loins,13-19 lb MidUS-u	0.9875		
Steers,Tex-Oka,Choice-u	n.a.		
Steers,feeder,Oklahoma City-u	169.13		
Grains and Feeds			
Barley,top-quality Mnpls-u	4.70		
Bran,wheat middlings,KC-u	64		
Corn,No.2 yellow,Cent Il-bp,u	3,3600		
Corn gluten feed,Midwest-u,w	81.6		
Corn gluten meal,Midwest-u,w	480.2		
Cottonseed meal,u,w	200		
Hominy feed,Cent Il-u,w	82		
Meat-bonemeal,50% pro Mnpls-u,w	330		
Oats,No.2 milling,Mnpls-u	3,0650		
Rice,5% Broken White,Thailand-l	375.00		
Rice,Long Grain,Milled, No. 2 AR-u	22.38		
Sorghum,(Milo) No			

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISYE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, August 14, 2017

		Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
		WBA	WBA	53.20	1.06	L Brands	LB	40.46	-0.32	PerkinElmer	PKI	64.00	0.07	StateStreet	STT	93.52	1.44	WABCO	WBC	139.66	0.63	Copart	CPRT	31.81	0.74	Middleby	MDD	117.76	-4.77
		FDC	FDC	17.67	0.20	LG Display	LGD	13.16	0.20	FirstData	FDX	77.30	-1.19	Statoil	STO	18.24	-0.11	WECC Energy	WEC	64.05	0.21	CoStar Group	CSPG	284.65	4.77				
		FirstRepBank	FRC	98.65	1.28	LINE	LN	35.17	0.43	PetroChina	PTR	62.79	-0.62	Steris	STE	85.68	0.74	WPCarey	WPC	66.71	0.84	Mondelez	MDLZ	43.70	0.11				
		FristEnergy	FE	32.48	0.31	L3 Tech	LLL	183.00	-0.63	FleetCorTech	FLT	141.20	2.46	LowPwr	LOW	156.00	0.29	STMicroelectronics	STM	16.86	0.24	Costco	COST	157.91	1.26				
		FleetCorTech	FLT	141.20	2.46	LambCpAm	LCA	156.00	0.29	Pfizer	PFE	33.31	0.06	SumitomoMits	SMFG	7.57	0.08	Wabtec	WAB	72.00	-0.81	Mondelez	MDLZ	43.70	0.11				
		Fluor	FLR	39.28	0.21	LambdWeston	LWN	44.81	PhilipMorris	PM	114.06	-0.12	SunComms	SUN	89.07	1.96	Mondelez	MDLZ	29.63	-1.25	Mondelez	MDLZ	29.63	-1.25				
		FootLockers	FL	49.32	0.24	Lazaz	LAZ	44.32	1.18	FootLockers	FL	49.32	0.24	SumitomoMits	SMFG	7.57	0.08	WasteConnections	WCN	64.95	0.55	Mondelez	MDLZ	43.70	0.11				
		FordMotor	F	10.91	0.14	Lear	LEA	144.43	1.69	FordMotor	F	10.91	0.14	SumitomoMits	SMFG	7.57	0.08	Waters	WAT	179.76	2.73	Mondelez	MDLZ	43.70	0.11				
		Foto	FOT	36.16	-0.05	Leidos	LDOS	57.37	0.69	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	Wayfair	W	70.88	1.12	Mondelez	MDLZ	43.70	0.11				
		Fortive	FTV	66.25	0.65	Lennar	LEN	53.89	0.64	Fortive	FTV	66.25	0.65	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		FordBmnds	FHB	42.65	0.94	Lenmar	LENB	45.76	0.59	FordBmnds	FHB	42.65	0.94	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Franc-Nevada	FNV	77.63	-0.02	LenoxIntl	LEN	168.54	1.17	FordBmnds	FHB	42.65	0.94	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		FranklinRscs	FRK	0.32	0.27	LeucadatnUa	LUA	24.91	0.19	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		FreightMcMoran	FCX	14.19	0.15	Level3Comm	LVL	56.63	0.44	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		FreseniusMed	FMS	40.03	0.18	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		GGP	GGP	21.73	0.53	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Gallagher	AJG	58.86	0.44	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Gap	GPS	23.10	0.31	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Get	IT	117.28	0.90	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Gazit-Glob	GZ	9.46	-0.06	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05	SuncorEnergy	SU	32.12	-0.29	DiscoveryComm	DISC	23.50	-1.00	Mondelez	MDLZ	43.70	0.11				
		Globe	GLOB	1.06	-0.01	LibertyProperty	LPT	41.57	0.84	Foto	FOT	36.16	-0.05																

MONEY & INVESTING

Beijing Tightens Grip on Corporations

Many state firms listed in Hong Kong have let the Communist Party assert board control

BY GREGOR STUART HUNTER
AND STEVEN RUSSOLILLO

A push to establish the Communist Party in Chinese state enterprises is rolling through Hong Kong, raising corporate-governance concerns in one of the year's best-performing stock markets.

Since 2016, at least 32 Chinese state-owned companies or units listed in Hong Kong have proposed changes to their corporate structures to install Communist Party committees that advise their boards of directors. The moves, most coming in recent months, are prompting questions from market participants about who holds power at these companies and whether they will be run for the benefit of investors.

The changes follow directives from Beijing, which has been pushing to establish the Communist Party's role in corporate charters on the mainland. They make explicit what many had already assumed: that China's ruling party—the country's sole governing authority despite the existence of several other political parties—keeps a tight grip on the country's state-owned firms. Those firms now make up the bulk of Hong Kong's market.

So far, the Hong Kong stock market has largely ignored the moves, with the benchmark Hang Seng Index up 22% this year and hovering near a two-year high. The stocks and bonds those companies issue account for a major chunk of some benchmarks widely used by global investors, such as the MSCI Emerging Markets Index. The development is making some fund managers uneasy.

These latest disclosures provide "more questions than answers," said Jamie Grant, head of Asia fixed income at **First State Investments**. Mr. Grant said his firm has been assessing whether the changes affect the value of some of its stock and bond portfolios since it noticed the amendments being implemented quietly this summer.

If the changes reflect an advance in Chinese President Xi Jinping's corruption crackdown, they may ultimately benefit investors, Mr. Grant said. Alternatively, they could be part of an attempt by the Communist Party to curb high debt levels, he added.

Outspoken private investor and former Hong Kong stock exchange director David Webb is more critical.



Oil-and-gas giant Sinopec is one of many Chinese state-owned companies allowing deeper party involvement in their corporate governance at the direction of Beijing.

Big Names Bow To Political Power

For the past two decades, Beijing has listed the stocks and bonds of its state-owned enterprises in Hong Kong—the offshore finance center with a separate business-friendly legal system—as a means of raising capital from global investors to fuel China's economic expansion.

The companies now placing their boards under party guidance include some of the biggest listed in Hong Kong, with a combined market capitalization of 9.7 trillion Hong Kong dollars

(US\$1.2 trillion)—almost a third of the total value of stocks listed on the city's exchange.

They include China's biggest bank, **Industrial & Commercial Bank of China**, its largest brokerage; **Citic Securities**; and oil-and-gas giant **China Petroleum & Chemical Corp.**, better known as Sinopec.

Many of the companies have passed amendments to their corporate structures, and others are being put to shareholder vote in the next few weeks.

"When making decisions on significant matters, the Board shall seek advice from the Party committee of the Company," reads the amended arti-

cle of association of Beijing-based engineering contractor **China Machinery Engineering Corp.**

Not all big state-owned enterprises have changed their charters. **PetroChina Co.**, the listed unit of China's biggest oil company, whose shares trade in Shanghai, Hong Kong and New York, hasn't done so. PetroChina declined to comment.

None of the Chinese companies that disclosed these changes responded to requests for comment. The Chinese body that oversees state enterprises, the State-Owned Assets Supervision and Administration Commission, or SASAC, wasn't available to comment.

Recruiting Drive

More Chinese state companies listed in Hong Kong are adding Communist Party committees.

NUMBER OF COMPANIES WITH COMMITTEES



HONG KONG EXCHANGE MARKET CAPITALIZATION: HK\$30.3 trillion*

*As of July 31

Note: HK\$10 trillion = US\$1.28 trillion

Sources: Hong Kong Exchanges and Clearing (total market cap); Thomson Reuters (companies' market cap)

THE WALL STREET JOURNAL.

help create "an effective system under which no one dares to, or can be corrupted, or thinks of committing corruption."

One portfolio manager at a global investment firm expressed concern about the involvement of party members in the corporate decision-making process, particularly since they might not have the best interests of the company or its shareholders in mind. Valuations could suffer as a result, he said.

As a group, the 32 companies that have allowed the Communist party greater influence currently are valued roughly 24% cheaper than the Hang Seng Index.

But shareholders of state companies who object to the increased Communist Party influence can't do much about it. Most state-owned enterprises are majority-owned by Beijing, which has enough voting rights to force through the changes.

Hong Kong's market regulator, the Securities and Futures Commission, declined to comment on the trend. A spokeswoman for **Hong Kong Exchanges and Clearing**, the city's stock market operator, said the state firms were following listing rules, though it had noted some "minor variations" in their articles of association.

—Fanfan Wang
and Yifan Xie
contributed to this article.

Making the Communist Party's role official provides companies "with cover to follow low-party instructions and reduces the chance that they will prioritize shareholder value," Mr. Webb wrote in an email. "It underlines the falsity of [Chinese] leaders' claims to be 'letting market forces play a greater role' and 'deepening reforms.'

The amendments underscore the growing dominance of mainland companies and capital in Hong Kong. Mainland investors have flooded into Hong Kong's property market and are

buying up an increasing proportion of the stock market via new trading links with Shanghai and Shenzhen.

Chinese government agencies have also blocked accountancy firms in Hong Kong from producing mainland-company documents that have been requested by regulators in other countries, citing national secrecy concerns.

President Xi is pushing the Communist Party to take a more visible leadership role in society, with state-owned enterprises at the forefront. Two years ago, the government

called for "strengthened party leadership and improved corporate governance," pushing to enshrine the party's role in corporate charters.

The Chinese body that oversees state enterprises ordered state firms under central government control to make the changes by the end of June, while local governments are giving companies they control until year-end to comply.

The push has accelerated since April, Hong Kong and Shanghai exchange filings indicate. Several of the Hong Kong-listed companies that have

mandated the creation of Communist Party committees said their boards would take into account the opinions of those committees "before making decisions on major matters."

Some stated that the chairman of the board and the secretary of the party committee should be the same person. Many of the companies also established disciplinary committees to police corruption.

China Aluminum International Engineering Corp. stated in its amended articles of association that its Communist Party committee would

with broad market positions and a focus on large technology firms.

Founded by Mr. Soros in 1969, the New York City firm manages the Soros family fortune, although much of the money is distributed to other hedge funds and investment firms. The S&P 500 has risen steadily for several years and is up more than 10% this year.

Also in Monday's filing, hedge fund Viking Global Investors disclosed it had purchased 12.3 million shares of **Wells Fargo & Co.** in the second quarter. The Wells Fargo investment was worth about \$680 million at the time of purchase.

A spokeswoman for the firm, founded by Norwegian billionaire Andreas Halvorsen, declined to comment beyond the filing.

Wells Fargo has spent most of the past year trying to put a sales-practice scandal behind it. The bank's CEO John Stumpf retired abruptly following the scandal. The firm has paid a fine and faces numerous federal and state inquiries into its sales-practices issues, including from the Justice Department. The bank has said it is cooperating with those inquiries.

But the bank's troubles picked up in recent weeks over problems in its consumer-lending unit relating to auto-insurance policies involving many borrowers and issues with other auto-related products. The Wall Street Journal also reported last week that the bank is expected to shake up its board in the coming weeks. Shares of Wells Fargo are up 9.6% over the past year.

—Emily Glazer
contributed to this article.

Ackman Disputes ADP's Narrative

BY DAVID BENOIT

William Ackman on Monday tried to change the narrative around his \$4 billion bet on **Automatic Data Processing Inc.**, questioning whether its chief executive accurately portrayed conversations with the activist investor to the company's board and shareholders.

At the heart of Mr. Ackman's concern is a misfired email ADP Chief Executive Carlos Rodriguez meant to send to his own legal team but delivered to Mr. Ackman instead, according to a Monday filing with the Securities and Exchange Commission. In the email, Mr. Rodriguez said he had disregarded Mr. Ackman's statements about being open to working with current management because he didn't find them credible, Mr. Ackman said.

ADP declined to comment.

The human-resources software company has painted the activist investor as attempting to fire Mr. Rodriguez and said he was trying to take control by asking for five seats on a 10-person board. It rejected his request for more time to negotiate privately, and Mr. Rodriguez in a television interview called Mr. Ackman a "spoiled brat" who wanted to take vacation instead of hit a deadline. Mr. Ackman's **Pershing Square Capital Management LP** last week nominated three directors, including Mr. Ackman.

On Monday, it refuted the events the company has described, saying in the filing it had been willing to work with Mr. Rodriguez. Mr. Ackman

also questioned whether the CEO accurately conveyed his requests to the board before the directors rejected his request for time to negotiate, the filing said.

According to the activist, whose firm owns an 8% stake in the company, Messrs. Ackman and Rodriguez first spoke on Aug. 1 and the activist asked for a chance to meet the board before he decided on a proxy fight. Told that the whole board was unlikely to be available that month, Mr. Ackman asked for a 30-to-45-day delay in the Aug. 10 deadline to nominate directors.

The next day, Mr. Ackman spoke to Chairman John Jones and for the first time raised the possibility of seeking new management. The activist told Mr. Jones the "substantial" changes he felt were needed to improve profitability often required an outsider. The filing said Mr. Ackman then called Mr. Rodriguez to tell him the same, though he said he was open to current management.

In a meeting with Messrs. Rodriguez and Jones the next day, on Aug. 3, Mr. Ackman asked for just a one-week extension to the deadline and again tried to persuade them that he was open to management, according to the filing.

Mr. Ackman followed up with an email that said he would be "excited" to work with Mr. Rodriguez if "he shared Pershing Square's view of the company's enormous opportunity," which he believed Mr. Rodriguez had indicated was true.

The following day, ADP said it had rejected Mr. Ackman's request for a 45-day delay to the window, saying he was attempting to remove the chief executive and replace half of the board.

Two days later, on Aug. 6, Mr. Rodriguez, apparently meaning to forward Mr. Ackman's email about being "excited" to work with Mr. Rodriguez to ADP's general counsel, sent it to Mr. Ackman, the filing said. In the email, Mr. Rodriguez said he didn't find the email "credible" and that he had already told the activist he didn't share his views, the filing said.

Since then, the sides have scheduled a meeting for September. On Thursday, Mr. Ackman is expected to detail his thesis for the company for the first time on a conference call.

GE

Continued from page B1

company is the second U.S. blue chip that Mr. Buffett has recently exited. The billionaire sold off the majority of his long-held stake in **Wal-Mart Stores Inc.** late last year.

The holdings were disclosed Monday in a 13F filing with the Securities and Exchange Commission, a quarterly requirement for investors managing more than \$100 million.

The GE deal was one of a series of transactions Mr. Buffett made during the 2008 financial crisis, including separate investments with Bank of America Corp. and Goldman Sachs Group Inc. He continues to own stakes in both of those financial giants.

Also in the second quarter, Berkshire bought shares of **Synchrony Financial**, GE's former consumer finance unit, and added to positions in **Bank of New York Mellon Corp** and **Apple Inc.**

A seemingly unending rally in U.S. stocks got a mixed forecast from some of the world's most well-known investors, their filings suggest.

David Tepper's **Appaloosa Management** sold its entire stake in the SPDR S&P 500 exchange-traded fund in the quarter. That ETF aims to track the performance of the broader market. Appaloosa had more than \$350 million in the ETF at one point in the quarter.

At the same time, George Soros purchased a new stake in the PowerShares QQQ Trust in the quarter worth more than \$1 billion. That index tracks the Nasdaq 100 index



ADP has depicted activist investor William Ackman as trying to fire its CEO and take over its board.

RICHARD BRIAN/REUTERS

it had rejected Mr. Ackman's request for a 45-day delay to the window, saying he was attempting to remove the chief executive and replace half of the board.

Two days later, on Aug. 6, Mr. Rodriguez, apparently meaning to forward Mr. Ackman's email about being "excited" to work with Mr. Rodriguez to ADP's general counsel, sent it to Mr. Ackman, the filing said. In the email, Mr. Rodriguez said he didn't find the email "credible" and that he had already told the activist he didn't share his views, the filing said.

Since then, the sides have scheduled a meeting for September. On Thursday, Mr. Ackman is expected to detail his thesis for the company for the first time on a conference call.

MARKETS

The Dollar Firms Up Against Its Rivals

By CHELSEY DULANEY

The U.S. dollar rebounded Monday as tensions between the U.S. and North Korea cooled.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, rose 0.3% to **CURRENCIES** 86.25.

"The slight moderation in tensions between the U.S. and North Korea helped the greenback recover against traditional safe-haven assets like the Japanese yen and the Swiss franc," said analysts at Commonwealth Foreign Exchange in a research note.

A top Pentagon officer said over the weekend that the U.S. is focused on finding a diplomatic solution, helping to ease some investor fears over a military conflict with North Korea.

The dollar rose 0.4% against the Japanese yen to ¥109.631 and 1.1% against the Swiss currency to 0.972 franc.

Last week, an escalation in rhetoric between the U.S. and North Korea boosted demand for those currencies and other assets seen as safe.

Meanwhile, investors continue to assess the outlook for future U.S. interest-rate increases.

Weaker-than-expected U.S. inflation data released on Friday weighed on investor expectations that the Federal Reserve will raise rates again this year.

Later in the week, investors will parse minutes from the Federal Reserve's last meeting for clues on the path for higher rates.

Markets are now pricing a less-than-50% chance of another rate increase this year, CME Group data show. Expectations that rates will remain lower are weighing on the dollar by making U.S. assets less attractive to yield-seeking investors.

Gold Slips As Global Tensions Diminish

By IRA IOSEBASHVILI

Gold prices fell Monday, pressured by easing geopolitical tensions and a stronger dollar.

The precious metal for December delivery on Monday closed down 0.3% at \$1,290.40 a troy ounce on the Comex division of the New York Mercantile Exchange.

The Pentagon's top military officer said Sunday that the focus remains on finding a diplomatic solution to the North Korea crisis, while senior White House officials said war with North Korea isn't imminent.

The comments weighed on gold, which has risen more than 6% from its July lows on increasingly belligerent rhetoric between the U.S. and North Korea.

Some investors buy gold in times of geopolitical tensions, as they expect the metal to hold its value better than other assets if markets turn rocky.

Gold could easily rise again on signs of renewed tensions, some analysts cautioned.

"Don't look for this major geopolitical situation to just get better and go away any time soon," wrote Jim Wyckoff at Kitco. "This matter will continue to be near the front-burner of the marketplace for at least the near term."

A stronger dollar also weighed on gold, which is priced in the U.S. currency and becomes less affordable to foreign buyers when the dollar climbs.

The Wall Street Journal Dollar Index climbed 0.3% to 86.25.

In base metals, copper for September delivery fell 0.3% to \$2.9045 a pound.



An observation deck in South Korea near the demilitarized zone. Tensions have eased following word that the U.S. is focused on diplomatically resolving strains.

Treasurys Pull Back on Fed Remarks

By SAM GOLDFARB

CREDIT MARKETS U.S. government bonds pulled back Monday as investors favored riskier assets and responded to remarks from Federal Reserve Bank of New York President William Dudley saying he expects another interest-rate increase this year.

The yield on the benchmark 10-year Treasury note settled at 2.217% compared with 2.191% Friday.

Yields, which rise as bond prices fall, climbed in the overnight session along with global stocks. That is a reversal of their moves from last week, when investors grew anxious about a possible mili-

tary confrontation between the U.S. and North Korea.

President Donald Trump sent jitters through the financial markets last Tuesday when he said the U.S. would respond with "fire and fury" to further provocations from North Korea. On Sunday, however, the Pentagon's top military officer said the U.S. remained focused on finding a diplomatic solution to the crisis, while other Trump administration officials also said a war isn't imminent.

"The world seems a little safer right now than it maybe did late last week going into the weekend," said Timothy High, senior U.S. interest-rate strategist at BNP Paribas.

After climbing to 2.227%

overnight, the 10-year yield declined for much of the U.S. trading session before rising again following Mr. Dudley's comments, which were made in an interview with the Associated Press.

While acknowledging that inflation could take time to reach the Federal Reserve's 2% annual target, Mr. Dudley took note of rising asset prices and said the Fed would likely need to do more to tighten financial conditions.

Those remarks indicated a possible debate inside the Fed, coming three days after Federal Reserve Bank of Dallas President Robert Kaplan, another voting member of the Fed's rate-setting committee, said he wanted to "see more

evidence" of firming inflation before raising interest rates for a third time this year.

While geopolitical concerns have driven some recent buying of government bonds, the market has also been supported by a run of soft inflation data, which has led investors to scale back their interest-rate expectations.

Investors bought Friday after the Labor Department said the consumer price-index increased 0.1% in July from the previous month, below the 0.2% gain anticipated by economists surveyed by The Wall Street Journal.

Soft inflation helps boost Treasurys by preserving the purchasing power of their fixed payments and decreasing

the likelihood that the Fed will raise interest rates.

Federal-funds futures on Monday afternoon showed a roughly 47% chance of a rate-increase by December, up from 37% earlier in the day, according to CME Group data.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$137,340,592,700	\$114,561,909,200
Accepted bids	\$39,000,962,300	\$33,000,053,200
*noncomp	\$557,209,800	\$499,178,200
*foreign noncomp	\$100,000,000	\$692,000,000
Auction price (rate)	99.743431	99.436306
(L.015%)	(1.115%)	(1.115%)
Coupon equivalent	1.032%	1.137%
Bids at clearing yield accepted	63.26%	61.66%
Cusip number	912796MC0	912796NS4

Both issues are dated Aug. 17, 2017. The 13-week bills mature on Nov. 16, 2017; the 26-week bills mature on Feb. 15, 2018.



Fear Gauge Falls As Turmoil Eases

By CHRIS DIETERICH

Market volatility melted away quickly on Monday. Again.

The S&P 500 rebounded 1% in Monday's trading session, sending the CBOE Volatility Index plunging 20.5%, the most in nearly four months. The index, known as the VIX, is an options-based

EQUITIES measure of demand for S&P 500 portfolio insurance over the next 30 days.

It was a major reversal from last week, when U.S. stock benchmarks suffered their biggest declines in months amid tit-for-tat threats between the U.S. and North Korea. The VIX briefly surged last Thursday to its highest level since Election Day, an indication of the rush to buy protection as stocks fell.

Last week's VIX spike proved an opportune chance, yet again, for bettors to wager that the market turmoil wouldn't last. Steadily rising stocks in mostly placid trading has made shorting volatility—effectively betting on continued calm—one of this year's most profitable trades.

"Just like that, the vicious sell-off that we saw last week in global equities has reversed sharply," said Paul Weisbruch, vice president of ETF and options trading at Street One Financial.

The VIX is dubbed the "market's fear gauge" for its

tendency to fall when stocks rise and vice versa. There has been little fear of late.

Monday's VIX decline was the steepest since April 24, when the first round of France's presidential election defused worries that a candidate skeptical of France's role in eurozone might win.

The epicenter of the short-VIX trade has been heavily traded exchange-traded funds and notes. The VelocityShares Daily Inverse VIX Short-Term ETN, better known by its ticker, XIV, a backward rendering of the fear gauge, jumped 12.6% Monday. It was the biggest one-day pop since 2011 and second-biggest since the product launched in 2010.

Last week saw huge trading volumes in popular volatility exchange-traded products. The number of shares traded last Thursday in the iPath S&P 500 VIX Short-Term Futures ETN, which rises price when the VIX goes up, hit a record, according to FactSet.

"VIX price action today is confirming that the volatility spike week is starting to resemble the several we have had over the past couple of years—sudden thunderstorms which leave as quickly as they arrive," wrote Michael Purves, head of equity derivatives research at Weeden & Co.

"It is always hard to call an 'all clear' this early in the process," he said, "but the VIX market and cross-asset behavior are suggesting this dip will continue to be bought."

Low Volatility, Big Gains

Daily price moves in the VelocityShares Daily Inverse VIX Short-Term ETN



THE WALL STREET JOURNAL

Crude-Oil Prices Decline On Sign of Lower Demand

By STEPHANIE YANG
AND NEANDA SALVATERRA

COMMODITIES Oil prices fell to a three-week low on Monday, hurt by a stronger U.S. dollar and troubling signs of lower demand.

Light, sweet crude for September delivery settled down \$1.23, or 2.5%, to \$47.59 a barrel on

the New York Mercantile Exchange, its biggest one-day loss in over a month and the lowest close since July 24.

Brent, the global benchmark, declined \$1.37, or 2.6%, to \$50.73 a barrel.

July data showing a drop in crude demand from Chinese refiners put pressure on the market Monday, analysts said. According to Guttman Energy, the amount of product refined in China in July was at the lowest monthly level since September 2016.

A stronger dollar also weighed on gold, which is priced in the U.S. currency and becomes less affordable to foreign buyers when the dollar climbs.

The Wall Street Journal Dollar Index climbed 0.3% to 86.25.

In base metals, copper for September delivery fell 0.3% to \$2.9045 a pound.

against 16 others, rose 0.3% to 86.25.

Prices reversed gains from earlier in the day after U.S. oil futures traded as high as \$49.16 a barrel. Oil has been susceptible to bearish sentiment despite a recent rally, as investors have remained doubtful of the global oil cartel's ability to ease a yearslong glut.

"One day of data is not enough of a shift to impact oil prices in either direction," said Dominick Chirichella, an analyst at the Energy Management Institute, in a Monday note. "However, it does demonstrate the high level of uncertainty and skepticism that continues to engulf the global oil markets."

Oil has tattered water in recent weeks as investors assess supply and demand figures to determine how close the oil market is to global rebalancing.

U.S. crude inventories have steadily declined over the past two months, helping to support prices. However, uncertainty over U.S. shale activity

and the Organization of the Petroleum Exporting Countries' output have capped gains at just under \$50 a barrel.

"It's just a choppy market," said Jim Ritterbusch, president of energy-advisory firm Ritterbusch & Associates.

Since 2016, OPEC and a handful of nations outside the cartel have agreed to cut supply in an attempt to boost prices and help rebalance the market. However, recent data show that compliance among participants has been slipping.

"We are just waiting and watching. I think a lot of people are doing that. We don't really know what to do," said Mark Waggoner, president of Excel Futures. "We're trying to short rallies on crude, I think that's the way to go," added Mr. Waggoner, who said he is waiting for oil to rise above \$50 a barrel before taking a short position.

Gasoline futures fell 2.3% to \$1.5767 a gallon and diesel futures fell 1.8% to \$1.6057 a gallon.

MARKETS

Skepticism Mounts on a Fed Rate Increase

Below-target inflation for another month pares expectations of a further rise this year

By BEN EISEN

Investors have returned to second-guessing whether the Federal Reserve can lift rates again this year.

The yield on the two-year Treasury note, which tends to rise alongside expectations for interest-rate increases, was at 1.322% on Monday, down from its early July level of 1.414%, the highest since 2008. Yields fall as prices rise.

In the federal-funds futures market, where traders wager on the Fed's rate policy, there was a roughly 47% chance late Monday of at least one more rate increase by year-end, down from over 60% in early July, according to CME Group. With tensions rising between the U.S. and North Korea in recent sessions, traders on Monday even priced in a 2% chance of a cut in rates by year-end.

The Labor Department on Friday said the consumer-price index rose 1.7% in July from a year ago, marking yet another month in which the data have undershot the central bank's 2% inflation target. The producer-price index for final demand, another measure of inflation that tracks changes in the prices that U.S. companies receive for goods and services, fell in July for the first time in 11 months, the Labor Department reported Thursday.

The trend has confounded many economists because the labor market remains strong. Economists have historically thought that a tight labor market should push up wages, and thus inflation. Steadily increasing consumer prices are typically thought to be an essential piece of a healthy economy. Another month of below-target inflation is leading

investors to pare expectations for another rate increase this year. Muted inflation is also fueling expectations that the easy-money central-bank policies that helped push stocks to records in recent years may last a little longer. The S&P 500, now in its ninth year of a bull market, is up 10% in 2017.

The CPI data "increases the chances that Federal Reserve policy makers use the September meeting to signal they plan to abstain from additional interest rate hikes until next year," said Tiffany Wilding, a U.S. economist at Pacific Investment Management Co., in a blog post published Friday.

That, of course, can all change if data show inflation once again picking up. The central bank has lifted rates twice this year, and penciled in one more increase in 2017. The Fed has also said it wants to inch out of its easy-money policies later this year, signaling it plans to trim the size of its \$4.5 trillion balance sheet, which stands to tighten monetary policy further.

Some economists say the latest report provides no evidence that inflation is permanently stuck below 2%.

"The still-moderate pace is likely to keep Fed members convinced the decline in prices is 'transitory' and additionally reinforce the need for further policy adjustment by the end of the year," said Stifel economist Lindsey Piegza, in a Friday research note.

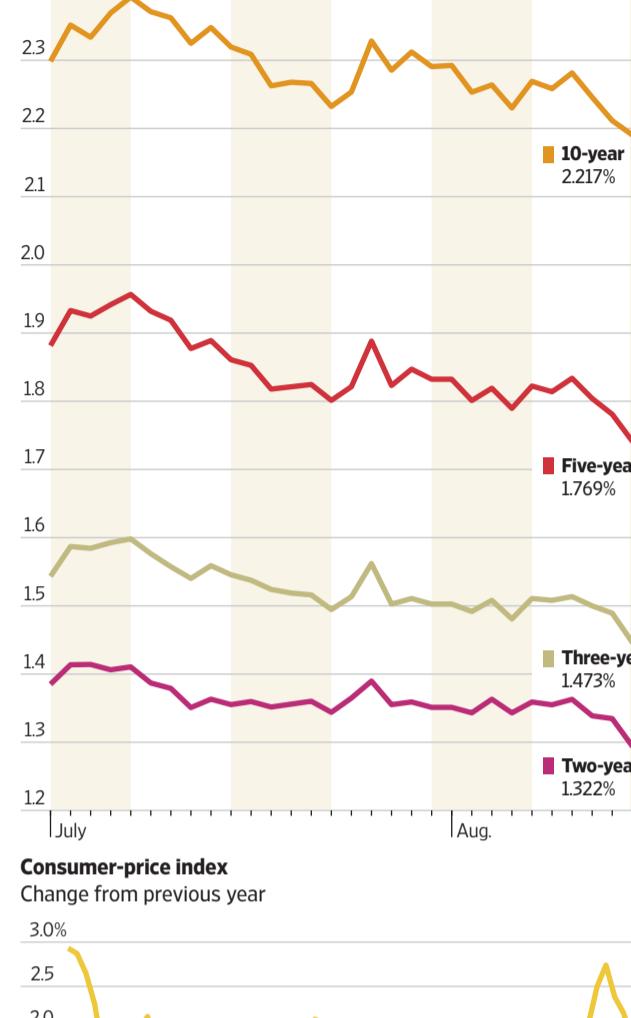
The Fed's policy committee said in a statement last month it expects inflation to "stabilize around the Committee's 2% objective over the medium term."

Fed officials have long said they expect inflation to gradually rise to the target level, but it hasn't been able to remain above that level for long. That means there isn't ample reason yet for the Fed to accelerate the pace of its tightening, many investors say.

Diminished Expectations

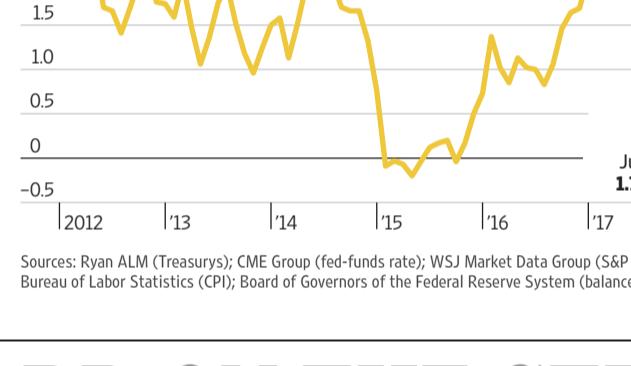
Treasury yields are falling alongside the probability of another rate increase this year, suggesting low inflation could keep the Fed's easy-money policies in place. That expectation helps stocks.

Yield on Treasury notes



Consumer-price index

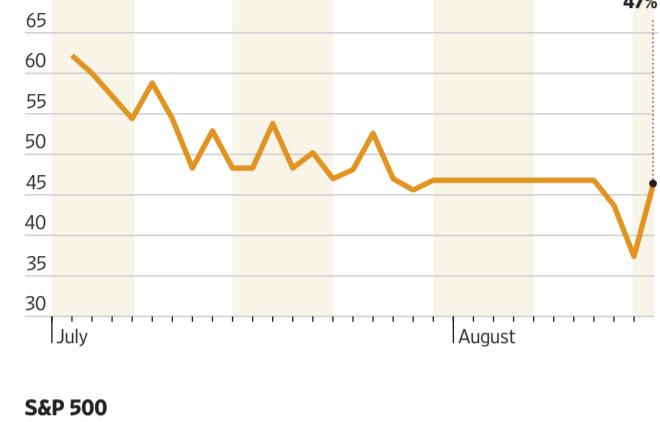
Change from previous year



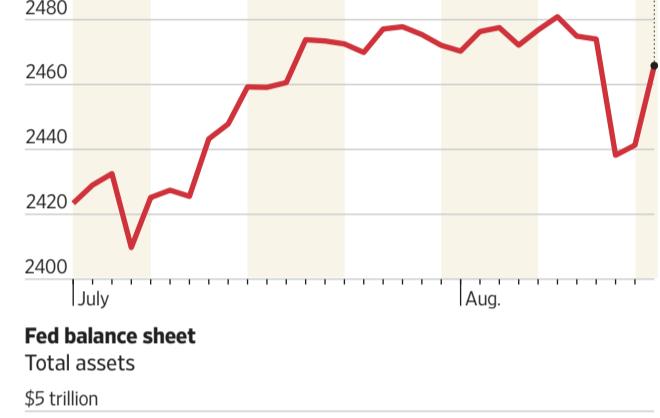
Sources: Ryan ALM (Treasuries); CME Group (fed-funds rate); WSJ Market Data Group (S&P 500); Bureau of Labor Statistics (CPI); Board of Governors of the Federal Reserve System (balance sheet)

Probability of at least one more rate increase by year-end

As implied from fed-funds futures contracts

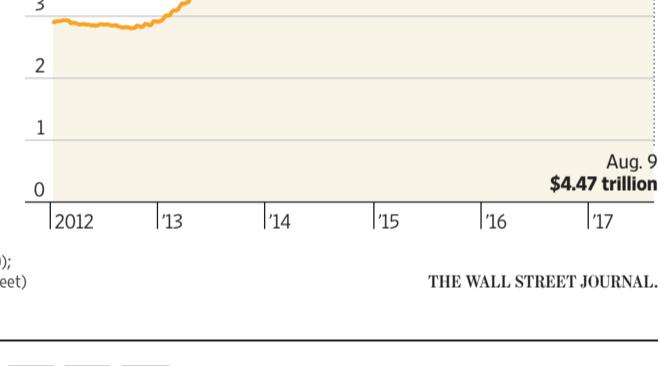


S&P 500



Fed balance sheet

Total assets



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FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

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Shadow Fed Is Glum on U.S. Stocks

The economic predictions from the annual gathering known as Camp Kotok resemble two smart people trying to steer a canoe: lots of zigging and zagging to get back to the same place.

Every year, David Kotok, chief executive of Sarasota, Fla.-based Cumberland Advisors, invites about 50 economists, money managers, former central bankers and others to a fishing camp at the northern edge of Maine.

The highlight of the trip is a betting pool predicting how the economy will fare in the coming year. While the individual forecasts remain anonymous, their collective prediction doesn't. This year's guesses offer widely divergent views, but the consensus often looks like more of the same.

The predictions for core inflation, for example, averaged 1.9%, with a high of 3.2% and a low of 1%. In other words, the consensus expectation is for little change. Likewise, a marginal bond sell-off will push yields on 10-year Treasurys to 2.57% and U.S. benchmark oil prices will be \$50.20 a barrel or barely changed.

The one bold and surprising prediction is for a modest retreat in stocks over the next year. The forecasts for the S&P 500 were as low as 1800, a 27% drop from today's levels, while the average was just 2416.

Should readers be reassured by the mostly status quo predictions? Not really.

Groups of smart people often get blindsided by reality.

Contrarians may take solace from some campers' bearish call on stocks too. As any angler knows, though, those who go looking in the weeds sometimes land the big one.

—Asbjorn Loder

China Growth Slowdown Arrives

Steely Determination

China industrial output tonnage, change from a year earlier



Note: Based on three-month moving average

Source: CEIC

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and 2013, the slowdown in credit growth has been quite mild. Growth in total debt-and-equity finance outstanding for households and non-financial firms, including local government bonds, has only slowed by around 2 to 3 percentage points since its early 2016 peak.

The other reason for optimism is the political calendar. China is about to hold a key Communist Party meeting this fall to select its next generation of leaders. President Xi Jinping and his allies want slower growth and lower leverage, but they don't want a dramatic drop at such a sensitive time.

The odds remain good that 2018, rather than late 2017, will be the year when China worries start to plague markets again. But investors should still expect some volatility in the days ahead as markets digest the first clear signs of stumbling growth in China this year.

—Nathaniel Taplin

OVERHEARD

Apple Inc. may have about 3 billion reasons to be thankful for its rival Google.

According to Bernstein analyst Toni Sacconaghi, \$3 billion is what Google will pay to Apple for the current fiscal year ending September. That money is what Google's parent company Alphabet Inc. terms as "traffic acquisition costs" paid in exchange for Apple making Google's search engine the default on its mobile internet browser.

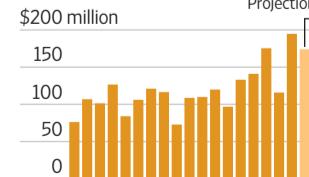
For Apple, this money equates to a very-high-margin revenue stream for its services business, which is on track to generate about \$29 billion in revenue this year, up 19% from last year, according to Wall Street's current consensus. The rub would be if Google ever decided it no longer needed the arrangement.

Mr. Sacconagi estimates that Apple's services revenue averages a gross margin of about 65%—well above the corporate average of 39%.

Garmin's Range of Smartwatches Ticks the Right Boxes

Wind Up

Garmin's quarterly outdoor-segment revenue



Source: the company, FactSet

Projections

THE WALL STREET JOURNAL.

Garmin's Fenix smartwatch in particular has proven to be a hit. Sales in Garmin's Outdoor segment, which includes the Fenix, surged 35% in the first half of this year compared with a year earlier. That effectively doubled the company's market share, per Counterpoint's reckoning.

Operating margins in Garmin's outdoor segment also reached their highest in nearly three years in the second quarter.

It is worth noting that Garmin accomplished this against a refreshed version of the Apple Watch that launched last fall.

That should earn Garmin an extra look from investors. Garmin's share price has risen by half the Nasdaq

Composite's gain this year. At 18 times forward earnings, Garmin currently features a 17% discount to the Nasdaq compared with an average 7% discount over the last five years. The company has had to manage steady declines in its legacy auto navigation business.

Some of the stock's recent weakness stems from a slowdown in the fitness band market. Revenue in Garmin's fitness category rose barely 1% year over year in the second quarter. Category leader Fitbit, however, saw revenue plunge 40% in the same period.

Garmin's aviation and marine businesses also are growing and keep the company from becoming too reliant on wearables. Aviation in

particular has a lot of potential, given new standards for air-traffic control that will require private planes to be outfitted with new transponder equipment of the type that Garmin sells.

The smartwatch contest is heating up too. Fitbit is expected to launch a new device later this year, while Apple is widely rumored to be working on a version of its smartwatch that can connect directly to cellular services.

Garmin hinted in its last earnings call that it has its own new products on the way. Those should be worth a look, as the company's smartwatch efforts to date have managed to tick all the right boxes.

—Dan Gallagher