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What's News

Business & Finance

A **U.S. chip-testing firm,** citing national security concerns, is seeking to derail the sale of American rival Xcerra to a Chinese group. **A1**

◆ **Loan defaults** in a popular U.S. program meant to finance energy-saving home upgrades have increased substantially. **A1**

◆ **Air Berlin said** it filed for bankruptcy protection and was in talks to sell part of its operations to larger rival Lufthansa. **B1**

◆ **Blackstone has built** a roughly $7 billion bet on natural gas, wagering that it can profit even if gas prices remain low. **B1**

◆ **U.S. investigators** are probing a Hollywood business-management firm facing fraud allegations from actor Johnny Depp. **B1**

◆ **Amazon is selling** $16 billion of bonds to help fund its purchase of Whole Foods, making a rare trip to the debt market. **B3**

◆ **Sales at U.S. retailers** and restaurants in July rose 0.6% from a month earlier, the biggest increase since December. **B3**

◆ **Uber agreed** to two decades of audits as part of a settlement with the FTC over users' data privacy. **B4**

◆ **Deutsche Bank named** its third Americas CEO in less than 18 months, promoting the head of its global equities business. **B6**

◆ **KPMG agreed** to pay $6.2 million to settle SEC claims that it botched the audit of Miller Energy. **B10**

World-Wide

◆ **North Korea** backed down from its threat to attack Guam, but tensions could reescalate next week when U.S. and South Korean forces begin joint exercises. **A1**

◆ **South Korea's president** warned that the U.S. would need Seoul's consent for any military action on the Korean Peninsula. **A3**

◆ **The top Pentagon officer** will make a rare visit to the Chinese military command bordering North Korea. **A3**

◆ **Iran's president** threatened to revive the country's nuclear program if the U.S. continues to impose sanctions on Tehran. **A4**

◆ **Massachusetts officials** are gearing up for a "free speech" rally Saturday, only a week after a deadly event in Charlottesville, Va. **A6**

◆ **Two more CEOs** quit a White House advisory panel to protest Trump's failure to quickly condemn white supremacists. **A7**

◆ **The U.K. proposed** a customs deal with the EU that would eliminate the need for border checks on imports and exports after Brexit. **A4**

◆ **The death toll** from a mudslide in Sierra Leone rose to 312 and the government called for aid to help prevent a cholera outbreak. **A5**

◆ **Health-plan premiums** would climb by 20% in 2018 if the Trump administration halts payments to ACA insurers, the CBO estimated. **A7**

◆ **India's leader pledged** in his Independence Day speech to wipe out corruption. **A5**

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U.S. Military (Eur.) $2.20

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Sierra Leone Begins Grim Search After Deadly Mudslide

KABBA KARGBO/ASSOCIATED PRESS

RISING TOLL: More than 300 people died after storms and floods caused a hillside in the suburbs of the capital of Freetown to collapse on Monday. President Ernest Bai Koroma says the nation is in a state of grief. Above, volunteers at the scene on Tuesday. **A5**

WHEN 'NEW AND IMPROVED' FAILS

Insulin maker Novo Nordisk stumbles as customers balk at higher price of its core product

By Denise Roland

Danish drug giant Novo Nordisk AS is living through a corporate nightmare that any CEO might recognize from business school.

After the company concentrated on making essentially one product better and better—and charging more and more—customers have suddenly stopped paying for all that improvement. The established versions are, well, good enough.

In Novo Nordisk's case, that product is insulin, a hormone that is deficient in people with diabetes. Since its founding in 1923, the company has made successive waves of better insulin. It is the world's biggest producer of the stuff, and insulin brings in more than half of the company's revenue.

Over the years, that innovation has translated into an ability to charge more and more for the latest version, boosting profit margins and swelling the company's stock price. As diabetes—an incurable disease—morphed into a global epidemic in recent years, Novo Nordisk's tight focus on insulin provided reliable and growing profits.

Lately, that flow ended. Doctors, health-plan managers and insurers all have balked at paying for Novo Nordisk's newest version of its insulin. Clinical trials show it works as promised in controlling diabetes and delivers significant side benefits compared with its predecessors. But for many customers, all that isn't enough to warrant paying more—because the older drugs on the market already work pretty well, too. In Europe, the company had hoped to price Tresiba at 60%-70% higher than its previous product.

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North Korea Backs Off Guam Threat

North Korea's climbdown from its threat to attack Guam was a product of textbook brinkmanship from Pyongyang, amid economic pressure from Beijing, President Donald Trump's bellicose rhetoric and

By Jonathan Cheng in Seoul and Jeremy Page in Beijing

an effort by senior U.S. officials to emphasize the need for diplomacy.

But concrete progress is less certain. Pyongyang is expert at rapidly escalating and de-escalating tensions, and the next cycle could begin as early as next week, when American forces begin annual joint exercises with South Korea.

North Korea's turnaround also does little to address the Trump administration's longer-term challenge: stopping the country's quest for an intercontinental ballistic missile capable of reliably delivering a nuclear warhead to the U.S. mainland.

Pyongyang's exact motivations for dialing down tensions are as opaque and subject to debate as its motivation for having threatened Guam in the first place. In addition to concerns about further escalation, they appear to have been influenced by Beijing's announcement Monday that it would enforce new trade sanctions and diplomatic state-

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New Front Opens in U.S.-China Semiconductor Battle

By Kate O'Keeffe and Eva Dou

The battle between the U.S. and China over computer-chip makers has expanded to a new front: the companies that test the technology.

Citing national-security concerns, a U.S. semiconductor-testing company, Cohu Inc., is mounting a quiet campaign to derail the planned $580 million sale of an American rival, Xcerra Corp., to a Chinese state-backed group, according to documents reviewed by The Wall Street Journal.

The U.S. government has previously shot down attempts by Chinese interests to buy makers of the chip technology that powers mobile phones, military equipment and other systems. The deal for Xcerra, which provides equipment to test chips but doesn't actually make them, could test how far the Trump administration is willing to go in its resolve to shut China out of the sensitive sector at the heart of a trade battle.

U.S. officials and executives say China's push to become a major player in the global chip market threatens national security. Their Chinese counterparts say that is a pretext and the U.S. companies are simply trying to hobble competitors.

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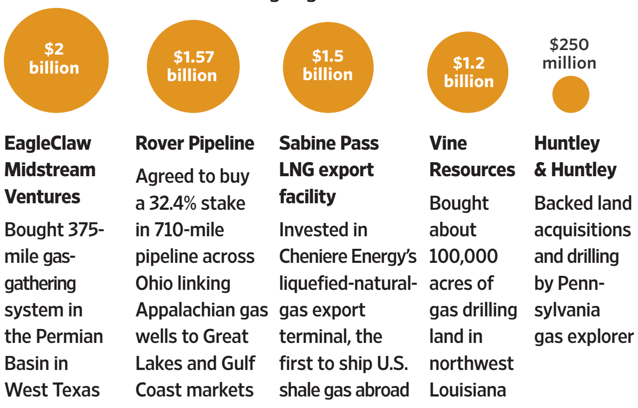
Blackstone's $7 Billion Bet on Gas

Blackstone Group since 2012 has assembled a roughly $7 billion wager on U.S. natural gas focused on producing and transporting the fuel from low-cost drilling regions. **B1**



Sources: Blackstone; the companies THE WALL STREET JOURNAL.

This Robot Lab Has No Idea What Its Robots Are Doing

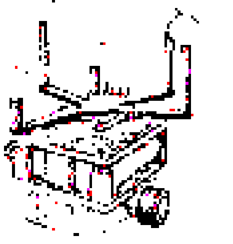
* * *

At Robotarium, swarms of buggies and copters spring to life without notice

By Melissa Korn

A tiny robot, no bigger than a hockey puck, danced across Paul Glotfelter's desk as he worked at his computer. Last he checked, it had been standing still, next to his keyboard. Now it spun in circles.

"This is weird," Mr. Glotfelter, a robotics Ph.D. candidate, recalls thinking, worried he might have damaged it somehow. But then he shrugged, placed it on its back, wheels up, and returned to work.



So goes life in the Robotarium, a 10-square-foot table inside the Atlanta laboratory of Magnus Egerstedt, executive director of the Georgia Institute of Technology's Institute for Robotics and Intelligent Machines. At this open-access scientific playpen, where up to 50 ground bots and 20 aerial copters can be remotely controlled by researchers often from other schools—or even foreign countries—experiments can begin without notice.

It turns out the bot that startled Mr. Glotfelter back in the fall of 2015 was being controlled by a professor in Texas. "Every now and then they start moving, and we have no idea who's doing it," Dr. Egerstedt said.

Most of these maneuvers come and go with minimal drama. The robots are programmed to avoid colliding with one another and the wheels on the rolling bots lock when they leave the arena so they can't run away. As in any democracy, however, things occasionally get messy.

Last fall, half a dozen Robotarium copters were programmed by remote researchers to shoot straight up in the air. At this they did as told, hit the ceiling and then fell. Propeller blades and motion capture markers scattered across the room, including onto an unfortunate graduate student, who

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Defaults Jump on 'Green' Loans

By Kirsten Grind

Loan defaults in a popular program meant to finance energy-saving home upgrades have increased substantially, despite lenders' claims that few borrowers have missed payments.

The small, high-interest-rate loans were made as part of the Property Assessed Clean Energy program, or PACE, a nationwide initiative designed to help people install solar panels, energy-efficient air-conditioners and other "green" appliances. PACE loans are among the fastest-growing types of loans in the U.S.

The rise in defaults means some borrowers are at risk of losing their homes over relatively small loan amounts and that local governments are put in the awkward position of having to collect troubled debts for private companies.

Private lenders in the PACE program have told Wall Street investors, as well as local and federal government officials, that borrower defaults are rare and that no homeowners have gone into foreclosure as a result of the program, according to investors and public officials.

But a Wall Street Journal analysis of tax data in 40 counties in California—by far the biggest market for PACE loans—shows that defaults have jumped over the last year. Roughly 1,100 borrowers have missed two consecutive payments this year through the tax year that ended June 30, compared with 245 over the previous year. That means they are in default, and could potentially have their homes auctioned off by local govern-

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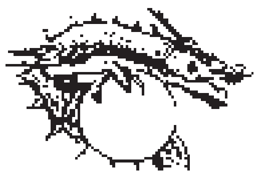
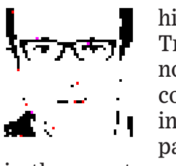
White House Raises the Stakes With China



CHINA'S WORLD
By Andrew Browne

SHANGHAI—By ordering his first trade action against Beijing, while amping up pressure on Chinese leaders to rein in Pyongyang's nuclear menace, U.S. President Donald Trump is bringing to a head two of the most intractable problems that bedevil U.S.-China relations.



There are hints that Mr. Trump's hard-nosed strategy could be having an impact—at least in the near term. After repeated North Korean threats to launch missiles toward the U.S. Pacific territory of Guam, Pyongyang suddenly backed away from that threat Tuesday. And China has signed on to U.N. sanctions that will slash North Korea's already meager foreign revenues by another $1 billion.

But Mr. Trump's strategy comes with risks; each issue—trade and North Korea—is volatile enough to upend the relationship.

Mismanaged, one could ignite a trade war, the other to scenarios that lead to military conflict.

To avoid these dangers, the two sides would have to reconcile clashing views on Asian security, which shape their divergent approaches to North Korea, and incompatible economic systems, which drive trade frictions.

Successive U.S. administrations have delayed the reckoning that Mr. Trump now seeks, precisely because the chances of pulling off such a diplomatic outcome are so improbable.

CHRIS KLEPONIS/PRESS POOL

President Donald Trump undertook his first formal China trade action on Monday.

Indeed, Washington may have missed the opportunity long ago when it had more leverage. The Chinese economy is now powerful enough to withstand any trade sanctions; it is less dependent on exports, whereas U.S. corporations are more reliant than ever on access to China's consumer markets. A tit-for-tat trade war would hurt both sides, and damage U.S. friends and allies in global supply chains that run through China.

Meanwhile, Chinese President Xi Jinping, riding a wave of assertive nationalism he's helped to whip up, aims to diminish the U.S. presence in Asia and weaken its alliance system. He has no interest in any kind of arrangement for the Korean Peninsula that would strengthen America's position there, and allow Washington to turn its attention to other flashpoints like Taiwan and the South China Sea.

Beijing's bottom line: The status quo in North Korea is preferable to the upheaval required to take out its nuclear weapons, most likely including regime change.

White House officials insist there is no linkage between the North Korea issue and Monday's presidential order to examine whether an investigation is warranted into Chinese requirements that U.S. companies give up technology in return for market access, as well as outright intellectual property theft. China, too, insists that trade disputes and North Korea tensions are separate issues.

Yet Mr. Trump has explicitly made the connection. This was the grand bargain he dangled to Mr. Xi: Help me on North Korea, and I'll go easy on trade. He's rapidly losing patience, though. "Our foolish past leaders have allowed them to make hundreds of billions of dollars a year in trade," Mr. Trump tweeted, "yet they do NOTHING for us with North Korea, just talk."

That's been the U.S. complaint for years. Now, North Korea is on the point of perfecting intercontinental ballistic missiles able to strike the U.S. mainland.

And mercantilist policies, like forced technology transfers, have become an integral part of China's state-led industrial model, imperiling America's long-term economic prospects.

We're moving toward a climax on two fronts in a crisis atmosphere.

To be sure, Mr. Trump is acting cautiously and deliberately, despite heated rhetoric. An investigation into alleged Chinese trade abuses could take up to a year, leaving ample room for compromise.

On North Korea, he has stressed the need for cooperation, although his threat to unleash "fire and fury" against North Korean Leader Kim Jong Un was as much intended to scare Beijing into action as to rattle the Korean dictator.

Some think Mr. Trump is deploying Nixonian "Madman Theory" to make Chinese leaders believe he is crazy enough to unleash chaos on their doorstep. In a phone call last week, Mr. Xi urged Mr. Trump to "avoid words and deeds that increase tensions."

A nightmare for Beijing is a North Korean collapse that brings U.S. troops pouring across the 38th parallel, running into Chinese forces headed in the opposite direction to impose order, prevent a refugee wave and secure "loose nukes."

Avoiding worst-case scenarios is a challenge as great as any the U.S. and China have faced since diplomatic normalization in 1979.

Henry Kissinger, an architect of that breakthrough, writes in The Wall Street Journal that instead of subcontracting to Beijing the task of achieving American objectives on North Korea, the only feasible approach is "to merge the two efforts and develop a common position."

But the gap between Beijing and Washington remains immense.

Hours ahead of Mr. Trump's announcement on trade, Beijing said it would start implementing bans on coal, iron ore, seafood and other products from North Korea. But it won't go so far as to cut off fuel and food supplies.

When it comes to trade, Beijing brought so little to the table during the first round of formal talks with the Trump administration they broke up with no joint statements, action plans or even a news conference. The implication is that China feels no sense of urgency, nor does it fear a showdown.

PACE

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ments within five years.

The lenders, including Renovate America Inc., Ygrene Energy Fund and Renew Financial Inc., say the overall default rate of less than 2% provided by the Journal's analysis is in line with the average percentage of people who miss property-tax payments.

A spokeswoman for Renovate America said the partial data gathered by the Journal is more negative than what the company is seeing. Rocco Fabiano, the chief executive of Ygrene, said in a statement that "Ygrene's PACE delinquency rate remains far below that of average property tax delinquencies in California." A spokesman for Renew Financial said property owners in its CaliforniaFIRST PACE program "have similar delinquency and default rates as all other property owners."

In the PACE program, private companies make the loans and the balances are placed on a homeowner's property tax bill. Local governments are responsible for collecting the payments and, in the event of a default, potentially seizing the home to recoup the loan amount.

The average PACE loan is about $25,000. But unpaid balances get bigger quickly; they accrue additional interest at the rate of 18% annually. Under California law, homes can be auctioned off in a tax sale in up to five years if the homeowners don't pay the balance.

"For us to be the heavy hand and make [borrowers] go through the tax sale process is onerous on us," says Jon Christensen, the tax collector in Riverside County, where 227 PACE borrowers are in default.

Wall Street is hungry for bonds made from PACE loans. In July, asset managers and pension funds piled into a $205 million deal from the largest PACE lender, Renovate America. It was the company's 11th securitization since its 2008 founding.

Investors are attracted to the bonds' relatively high yield of about 4% and the loans' priority structure. If a borrower defaults, PACE lenders are paid back before mortgage lenders. The deals have received high marks from rating agencies, which have said the program is too new to predict future defaults.

Still, some investors are getting nervous. "If we can't get more data, it's going to limit our ability to take the risk," says Dave Goodson, the head of securitized products at Voya Financial Inc.

The Journal analyzed data from the California Association of County Treasurers and Tax Collectors, which collected the information from local tax collectors and from counties. The association is advocating state legislation to increase consumer protections in the PACE program.

The data, which offer only a limited view of overall PACE loan performance, show that the average default rate has climbed to 1.6% from 0.9% last year. The default rate is lower than the average credit card default rate of roughly 3.5%, and higher than the first mortgage default rate of 0.6%, according to the S&P Dow Jones Indices.

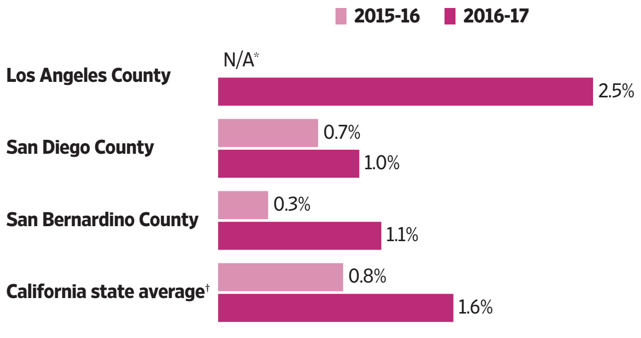
But the PACE default rate doesn't capture borrowers whose missed payments are covered by mortgage escrow accounts, which appears to be a common occurrence, according to borrowers, banks, real-estate agents and attorneys.

PACE lenders have made roughly $3.6 billion in PACE loans nationwide, making the total number of loans roughly 140,000.

Some borrowers say they were pushed into loans by plumbers and repairmen who serve as middlemen in the transactions, and that they were approved for loan amounts they couldn't afford, the Journal has reported.

Rising Tide

Default rates for homes with PACE loans



*Data not available as L.A.'s PACE loan program started in 2015-16 tax year.
†Average of 40 counties reporting
Sources: WSJ analysis of California Association of County Treasurers and Tax Collectors (state) and county tax collectors (counties)
THE WALL STREET JOURNAL.

KOREA

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ments by senior U.S. officials.

Officials in China, Japan, South Korea and other nations had been alarmed last week when Mr. Trump threatened to unleash "fire and fury" in response to threats from North Korea, and declared that U.S. military solutions were "locked and loaded."

In many ways, North Korea's announcement on Tuesday that it would hold off—for now—on threats to surround Guam with an "enveloping fire" of ICBMs follows a familiar pattern in Pyongyang's playbook.

Two years ago, during another August standoff, North Korea issued a 48-hour ultimatum to South Korea to switch off loudspeakers blaring propaganda critical of North Korean leader Kim Jong Un across the demilitarized zone that separates the two countries, following the explosion of a land mine that maimed two South Korean soldiers. North Korea threatened to use force to stop the broadcasts.

South Korea ignored the deadline, and days later, North Korea expressed regret for the land mine, dismissed several senior officials and put inter-Korean relations back on what it called a "track of reconciliation and trust." South Korea shut off its loudspeakers.

In March last year, also during U.S.-South Korea military exercises, Pyongyang threatened to attack Seoul's presidential palace unless it received an apology from then South Korean President Park Geun-hye. No apology was forthcoming, and the threat never materialized.

North Korea's threat to Guam was consistent with its record of using strategic brinkmanship to compensate for its relative weakness, said Yang Xiyu, a former Chinese diplomat who has taken part in multilateral talks on North Korea's nuclear program.

"They try to create a situation where North Korea and the U.S. are at the brink of war and if you want to save the whole world, then you have to return to negotiations," he said.

However, Mr. Yang said Pyongyang's climbdown this time came faster than expected. He gave some of the credit for North Korea's apparent reversal to China's rapid implementation Monday of new United Nations sanctions banning North Korean exports of goods including coal, iron, lead and seafood. "The significance is that if China can stop major imports like these, then it can do something further too," he said.

China has resisted U.S. pressure to take bolder measures, such as cutting oil exports to Pyongyang, fearing that might cause the regime to collapse, trigger a flood of refugees into northeastern China and bring U.S. forces closer to its border.

China almost certainly sent back-channel messages to the North Koreans in the past few days warning them against firing missiles toward Guam, said Dennis Wilder, a former senior China analyst at the Central Intelligence Agency.

Beijing also appeared to indicate displeasure with Pyongyang by proceeding with a long-planned visit to China this week by Gen. Joe Dunford, chairman of the U.S. Joint Chiefs of Staff.

Gen. Dunford signed an agreement with his Chinese counterpart on Tuesday to formalize and increase the level of communication between the U.S. and Chinese militaries. On Wednesday, Gen. Dunford is due to visit China's Northern Theater Command, which oversees Chinese forces on the North Korean border.

But any lull in tensions could prove ephemeral.

The North's statement now appears to tie a Guam launch to the coming military exercises, Mr. Mount said.

Much could depend on whether the U.S. sends major assets, such as aircraft carriers, to participate, or stages lower-key drills.

Ahead of those exercises, Gen. Vincent Brooks, the top U.S. military commander in South Korea, on Monday played down questions about whether the U.S. was planning to deploy more "strategic assets" to the Korean Peninsula. The phrase "strategic assets" typically refers to nuclear weapons, stealth bombers or aircraft carriers—all of which tend to trigger complaints from Pyongyang.

—Lucy Craymer in Hagatna, Guam, contributed to this article.

KOREA NEWS SERVICE/ASSOCIATED PRESS

Kim Jong Un is shown visiting his forces in a photo distributed Tuesday by North Korea's government.

Ban Is Expected to Hinder Pyongyang

As China throws its weight behind economic sanctions against North Korea, a lively trade in coal—legal and through rampant smuggling—is likely to recede further. Shipments of seafood and iron ore will be curtailed for the first time.

Beijing's latest ban on coal imports from North Korea cuts off a loophole that had survived an earlier round of sanctions in February, which had allowed for humanitarian exemptions.

China is also targeting iron ore, of which imports from North Korea soared as coal fell, as well as seafood for which it was the primary customer.

The moves will make it harder for North Korea to build up its military capacity, said Zhao Tong, a fellow at the Carnegie-Tsinghua Center for Global Policy in Beijing.

"This is going to have significant impact on the functioning on North Korean industry, especially the defense industry," he said.

A limited coal ban imposed this year surprised some observers by its effectiveness. A porous border for smugglers between the two countries had stymied previous attempts to get China to effectively sanction Pyongyang's nuclear ambitions. Since March, however, imports of anthracite—the coal used to power Chinese electric plants—have dropped to zero, China customs data show.

China said it tightened the screws in response to U.N. directives aimed at severing $1 billion in Pyongyang's foreign earnings, not pressure from Donald Trump.

—Chuin-Wei Yap and Eva Dou

CORRECTIONS & AMPLIFICATIONS

After cooking pork, the meat shouldn't be returned to a surface that has held raw meat. An Off Duty recipe for grilled pork chops in the Friday-Sunday edition incorrectly suggested that cooked pork chops be returned to an unwashed pan that had held raw meat.

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

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Seoul Warns U.S. on North Korea Action

President says Trump needs his consent for military strike, renews calls for discussions

South Korea's president warned that the U.S. would need Seoul's consent for any military action on the Korean Peninsula and renewed calls for talks with the North, addressing the country's concerns about becoming ground zero for a catastrophic war it didn't start.

*By **Jonathan Cheng** in Seoul and **Lucy Craymer** in Hagatna, Guam*

The comments by President Moon Jae-in followed a week of brinkmanship that ended on Monday when North Korea backed away from a threat to fire missiles at Guam—though tensions could ramp up again next week when the U.S. and South Korea conduct annual joint military exercises.

Amid the crisis, Mr. Moon has emphasized cooperation with the U.S. But he has called for closer cooperation between North and South Korea, and sought a summit meeting with North Korean leader Kim Jong Un, asserting a more dovish position than Washington.

He has also said repeatedly that the future of the Korean Peninsula should be decided by Koreans. His remarks on Tuesday come amid concerns among policy makers in Seoul that South Korea has been sidelined during the standoff. They reflected the difficult situation the new president finds himself in at the center of a crisis driven by other countries.


AHN YOUNG-JOON/ASSOCIATED PRESS

Participants watch President Moon Jae-in's speech at a Korean Liberation Day ceremony.

The South Korean leader extended the olive branch to North Korea in a speech on the 72nd anniversary of Japan's surrender in World War II. He called on North Korea to suspend nuclear and missile tests as a precondition for talks, and offered a fresh invitation for the North to attend next year's Winter Olympics in South Korea.

In a message that appeared to be aimed at Washington, he said allied military action could only be taken on the Korean Peninsula with the consent of South Korea, an implicit signal that Mr. Moon wouldn't tolerate any unilateral action by the U.S. to strike North Korea.

"War must never break out again on the Korean Peninsula. Only the Republic of Korea can make the decision for military action on the Korean Peninsula," he said, using the country's formal name.

The U.S. Embassy in Seoul declined to comment on the speech. There was no immediate reaction from North Korean state media.

Mr. Moon's remarks reflect anxieties that South Korea, and especially its capital, could bear the brunt of North Korean firepower in the event of an armed conflict.

U.S. President Donald Trump has repeatedly portrayed China, Pyongyang's largest trading partner and ally, as the key to reining in the regime's nuclear and missile program. That has left Mr. Moon, the son of North Korean refugees and the first left-leaning South Korean president in nearly a decade, pushing for a greater role for Seoul in addressing the crisis.

Mr. Moon's most striking remarks concerned South Korea's relationship with the U.S., its most important ally. In the past, Mr. Moon has argued that South Korea's military should reclaim operational control of its forces under wartime conditions. Under the terms of the alliance between Washington and Seoul, the U.S. assumes operational control of the South Korean military in war.

"We can't rely only on our ally for our security," Mr. Moon said in Tuesday's speech. "When it comes to matters related to the Korean Peninsula, our country has to take the initiative in resolving them."

Experts disagree on whether the U.S. would be legally obliged to seek Seoul's approval before launching a military strike, particularly if the U.S. believed that its national security was at stake. At a minimum, any move to act first against North Korea without the South's buy-in, as the president's speech indicated, would risk straining the alliance.

Euan Graham, director of the international security program at the Lowy Institute for International Policy in Sydney, said it was clear that Mr. Moon was pushing for more of an assertive role in dealing with Pyongyang.

"South Korea feels neglected and forlorn, especially when the crux of Trump's policy is to use China and North Korea as leverage," he said.

But Mr. Graham also cautioned that Mr. Moon's speech may have been aimed at pleasing a domestic audience on the anniversary of Korea's liberation from Japanese occupation, rather than marking a major break with the U.S.

Mr. Moon has stressed close cooperation with the U.S., particularly following North Korea's first two test launches of intercontinental ballistic missiles last month, several weeks after he took office.

After the second such test on July 28, he reversed policy by ordering the redeployment of a controversial U.S. missile-defense system whose full deployment he had previously ordered a hold on. China strongly opposes the system, known as Terminal High-Altitude Area Defense, or Thaad, and views it as a threat to its security.

He has also upgraded South Korea's Patriot missile-defense systems and presided over a joint U.S.-South Korean drill in the hours after North Korea's most recent launch.

In Tuesday's speech, which followed a meeting in Seoul with Gen. Joe Dunford, the chairman of the U.S. Joint Chiefs of Staff, Mr. Moon reiterated his support for more sanctions on Pyongyang, in line with the U.S. approach.

"The past history of the North Korean nuclear problem showed that a clue to resolving the problem was found when sanctions were combined with dialogue," he said, arguing that the last time North Korea agreed to a moratorium on nuclear and missile testing, its relations with South Korea, the U.S. and Japan improved.

U.S., China Militaries Edge Closer

By Gordon Lubold And Jeremy Page

BEIJING—The Pentagon's top military officer will make a rare visit on Wednesday to the Chinese armed-forces command that oversees the territory bordering North Korea, a move experts say suggests Beijing's displeasure with Pyongyang.

Chairman of the Joint Chiefs of Staff Gen. Joe Dunford, the officer, also signed a deal with his Chinese counterpart on Tuesday to formalize and increase operational communication between the U.S. and Chinese militaries, officials from both sides said.

Gen. Dunford's visit was planned well before North Korea threatened to attack Guam, but the two developments reflect mounting concern on both sides that the crisis over North Korea's nuclear and missile programs could lead to military miscalculations between the U.S. and China, analysts said.

The Trump administration has pressed China to do more to rein in North Korea, leading to Beijing's support for new United Nations sanctions this month.

But North Korea has defied Chinese pressure, testing two new intercontinental ballistic missiles last month that experts say are capable of reaching the U.S. mainland.

North Korea Crisis: A Timeline of Events

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

July 28 A North Korean missile flies even higher in a new test, establishing that if launched at a standard trajectory it could hit the contiguous U.S. states and possibly go as far as Chicago.

Aug. 5 In a show of unanimity, the United Nations 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 plan to launch four missiles to surround Guam with 'enveloping fire.'

Aug. 10 Mr. Trump ratchets up his rhetoric, saying maybe his threat of fire and fury 'wasn't tough enough.'

Aug. 11 Mr. Trump tweets that military solutions to the crisis are 'in place, locked and loaded.' Separately, Mr. Trump and Chinese President Xi Jinping discuss North Korea in a telephone conversation. China says it urged restraint. The U.S. says the leaders affirmed the importance of the new sanctions.

Aug. 12 The Trump administration 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 missile attack on Guam.

Gen. Dunford arrived in Beijing from Seoul, the South Korean capital, on Monday evening, a few hours before North Korean leader Kim Jong Un backed away from his threat to fire ballistic missiles toward Guam.

Gen. Dunford is expected to see Chinese forces training and demonstrating some of their capabilities at the Northern Theater Command headquarters in the northeastern city of Shenyang on Wednesday, the Chinese and U.S. officials said.

In recent months, China has been bolstering border defenses and modernizing and retraining forces in the Northern Theater Command to prepare for a potential crisis in North Korea, including the possibility of a U.S. military strike, military experts say.

China has long feared that regime collapse in Pyongyang could trigger a flood of North Korean refugees into northeastern China and ultimately create a united, democratic, and pro-American Korea that would bring U.S. forces closer to the Chinese border.

China's contingency plans range from establishing refugee camps across the border to seizing North Korean nuclear facilities, and sending forces to prevent U.S. and South Korean troops from advancing beyond the 38th Parallel, military experts say.

Beijing has repeatedly rebuffed U.S. requests to discuss planning for North Korean contingencies, U.S. official say.

In recent weeks, however, China has shown signs of willingness to establish better mechanisms to communicate with the U.S. military in the event of a crisis, they say.

Late on Tuesday, Gen. Dunford signed the Joint Staff Dialogue Mechanism with his Chinese counterpart, Gen. Fang Fenghui, at the ceremonial headquarters of the People's Liberation Army, or PLA. The agreement calls for a formal dialogue to commence in Washington in November, U.S. military officials said. The context of North Korea was clear as the two sides met.


ANDREW HARNIK/ASSOCIATED PRESS

U.S. Joint Chiefs Chairman Gen. Joe Dunford, left, and China's army Chief of the General Staff Gen. Fang Fenghui on Tuesday.

"The last several months have incentivized both sides to take this step," one U.S. military official said.

Officials stressed that the new agreement was a "hopeful first step" in bringing closer together the two militaries so they can coordinate better. But they cautioned it would be valuable only if it led to substantive discussion between the Pentagon and the PLA.

"We hope this leads to reducing the risk of miscalculation, but it is only useful if it leads to communication that actually reduces the risk of miscalculation," the U.S. military official said.

Military exchanges between the two sides are already limited by U.S. law and American officials stressed that the two sides wouldn't begin to cooperate under the deal but would at least be able to prevent misunderstanding about each other's actions.

The perils of miscommunication have grown higher since North Korea's threats and U.S. President Donald Trump's counterthreats created a crisis in the region.

"Military to military relations will result in mitigating the risk of miscalculation, and making sure that we have the ability to communicate in a crisis," Gen. Dunford said earlier this week with a clear eye on North Korea.

Australian Government's Tenuous Grip on Power Weakens

By Rob Taylor

CANBERRA, Australia—The Australian government's fragile grip on power weakened after a crucial independent lawmaker said he could withhold backing for the ruling conservatives amid a widening scandal over rules barring politicians from holding dual citizenship.

Bob Katter, a maverick member of Parliament, offered support for the conservatives to form government last year after cliffhanger national elections, in return demanding funding for expensive dam and rail projects, curbs on migration and a halt to foreign farm purchases.

Prime Minister Malcolm Turnbull eventually formed a government with a bare majority of one in the lower house, without needing Mr. Katter.

Now, after Deputy Prime Minister Barnaby Joyce became the fifth lawmaker to fall afoul of a constitutional rule stating that federal parliamentarians must not owe allegiance to a foreign power, Mr. Katter said Tuesday his support was no longer guaranteed, should the government's survival again be put in doubt.

Mr. Joyce, the country's second most powerful political leader, said Monday he could have unintentionally been a New Zealander through his father's Kiwi lineage at the time of last year's election, potentially barring him from office. He told fellow lawmakers Tuesday that he had formally renounced his New Zealand citizenship when he found out about his status, although the change wasn't retrospective.

If Mr. Joyce is forced from Parliament and the conservatives then lose a by-election for his seat, the government would need to strike a deal with a minor party or an independent lawmaker to hold power.

"I wanted and need certain things. I wasn't delivered certain things," Mr. Katter said, accusing Mr. Turnbull of failing to meet his postelection demands.

Mr. Katter said it was time for Mr. Turnbull to go "back to the drawing board" on efforts to build a base of support and reinforce the government's precarious hold on office. He outlined a set of fresh demands the conservatives would find unpalatable, including a populist inquiry into the country's major banks and more uptake of ethanol use to support sugar cane growers in his sprawling Outback electorate.


SYDNEY LOW/ZUMA PRESS

Lawmaker Bob Katter says his vital support for the government is not guaranteed amid a growing crisis.

"The rules are very simple, and very clear, 'If you owe allegiance to another country, then you are disqualified,'" he said in a statement. "I'm not out to nail Minister Joyce, [but] a better Australia is looming."

After Mr. Katter said he would no longer guarantee voting support for budget bills or confidence in the government, other independents rushed to say they would support Mr. Turnbull against the Labor opposition, although some demanded a national audit of citizenship for all lawmakers to end uncertainty.

"We have an agenda, and we still have work to do," said lower house lawmaker Cathy McGowan, who usually votes in support of Mr. Turnbull's Liberal-National coalition.

The citizenship furor threatens to scoop up more lawmakers on all sides, ahead of a ruling by the country's highest court on their eligibility for office.

Until July, only two lawmakers in history had ever run afoul of the divided loyalty clause in Australia's 116-year-old constitution, which bars lawmakers from foreign citizenship. Lawmakers this week were scrambling to clarify their citizenship after the rule tripped up Mr. Joyce and forced another cabinet member, Resources Minister Matt Canavan, a senator in the upper house, to step down pending a legal ruling on his status.

A High Court ruling on the cases may not come until November, legal experts said, leaving the country in a three-month limbo.

Iran Threatens to Restart Nuclear Program

President says he will back out of deal if U.S. continues to impose sanctions on Tehran

*By **Aresu Eqbali** in Tehran, Iran, and **Asa Fitch** in Riyadh, Saudi Arabia*

Iranian President Hassan Rouhani threatened to revive his country's nuclear program within hours if the U.S. continues to pile on sanctions, a warning that Iran was prepared to tear up a deal he championed.

Mr. Rouhani didn't specify a threshold that would trigger Iran's departure from the 2015 nuclear deal with six world powers, including the U.S., but, in a fresh escalation of tensions, he said the country could act swiftly if it chose to restart its efforts.

"Iran will certainly return to conditions much more advanced than before the negotiations started in a short period, not on a weekly or monthly scale, but on a daily and hourly scale" if the U.S. continues leveling sanctions, Mr. Rouhani said in an address to Parliament in Tehran.

At a time when the Trump administration is also trading threats with North Korea over its nuclear program, the comments could exacerbate already tense relations with the U.S. under President Donald Trump, whose election produced an about-face in American policy toward Iran.

ATTA KENARE/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Hassan Rouhani's warning threatens to exacerbate already tense relations with the U.S. under President Donald Trump.

Although Mr. Trump has certified that Iran is still in compliance with the accord, the president has lashed out at Tehran over its continued ballistic-missile tests and support for U.S.-designated terrorist groups in the region. Last week, he said Iran wasn't complying with the spirit of the deal, and his administration put new sanctions on Iran-related entities, mostly connected to its ballistic-missile program, in February, May and July.

Mr. Rouhani's administration led Iran's negotiation of the nuclear deal, and his effort to seek more cordial relations with longtime foes was a central appeal to voters in his presidential campaigns of 2013 and this year, when he won a second four-year term.

Mr. Rouhani and other Iranian officials were already frustrated with former President Barack Obama for imposing additional sanctions over missile tests, but the growing anti-Iran push under Mr. Trump has further weakened the case for more diplomacy.

Early this month, Mr. Rouhani said Iran wouldn't be first to pull out of the deal, but also wouldn't stand silent as the U.S. violated it, calling the U.S. an unreliable partner.

Despite Mr. Rouhani's threats, Behnam Ben Taleblu, a senior Iran analyst at the Foundation for Defense of Democracies in Washington, said it was highly unlikely that the Iranian president would walk away from the deal.

"Rouhani has staked significant political capital to ink the 2015 nuclear deal, and more importantly, he rightly understands how much the accord provides Iran" through the removal of sanctions, he said.

Adding to tensions, Iranian forces have also had a fraught recent string of interactions with American naval forces in the Persian Gulf. An Iranian drone came within 100 feet of an American F/A-18 Super Hornet fighter jet as it prepared to land on the USS Nimitz aircraft carrier a week ago, an incident the U.S. military described as unsafe and unprofessional.

Another Iranian drone made close passes to the Nimitz on Sunday, coming within 1,000 feet of U.S. aircraft, the military said. Iran's Islamic Revolutionary Guard Corps, a powerful force separate from the regular military that answers only to Supreme Leader Ayatollah Ali Khamenei, said on Monday that the U.S. claims of a dangerous approach by an Iranian drone were baseless.

"The Guards' drones will constantly continue their patrol within the framework of protecting the Islamic Republic's borders, regardless of the psychological atmosphere created by foreign forces in the Persian Gulf," the IRGC said on its official news website.

The growing threat to the nuclear deal, both from the U.S. and Iran, is likely to cause alarm globally, but especially in Europe, which followed the deal with billions of dollars of investment into Iran.

U.K. Offers EU Broad Customs Deal

By Jason Douglas

LONDON—The U.K. government proposed a far-reaching customs arrangement with the European Union that it said would eliminate the need for border checks on imports and exports after Brexit.

The "new customs partnership" with the EU was one of two suggestions the government put forward on Tuesday in a paper detailing its thinking on customs before resuming talks with Brussels this month over terms of Britain's withdrawal from the EU.

The proposals highlight the complexity of negotiating Britain's EU exit after more than 40 years in the bloc. British officials acknowledged that their borderless customs idea was without precedent in international trade.

In the paper, one of several due to be published in the coming days on various issues, the U.K. set out a two-stage approach to giving up its place in the EU's customs union and moving to new arrangements for policing trade in goods with the EU. It hasn't yet spelled out its thinking on services trade, which accounted for 45% of British exports in 2016.

As a first step, the U.K. said it proposed to leave the customs union when it exits the EU in March 2019. Goods move freely between union members but imports from outside EU borders face common tariffs.

The U.K. said it would seek to negotiate a temporary customs deal that broadly mirrors that arrangement but, critically, would enable it to negotiate its own free-trade deals with non-EU countries—though those agreements

DAN KITWOOD/GETTY IMAGES

Brexit secretary David Davis, seen Tuesday, said a customs arrangement could last around two years.

couldn't go into force until after the temporary agreement had expired. As an EU member, the U.K. can't currently negotiate its own free-trade accords, which proponents of Brexit tout as one of the biggest potential prizes of withdrawal.

David Davis, Brexit secretary, told the British Broadcasting Corp. he anticipates this temporary phase would last "something like two years," meaning it would come to an end before a scheduled election in the U.K. in 2022.

The U.K. offered two proposals for longer-term customs arrangements with the EU to take effect after that transition phase has passed.

The government's more ambitious proposal called for a new partnership between the EU and the U.K. that it said would eliminate the need for customs checks entirely between the EU and U.K.

The paper said this could be achieved by preventing goods from abroad that don't comply with the EU's rules from leaving the U.K. for the EU market, while collecting the correct EU taxes on goods destined for the EU market. This would require monitoring U.K. imports from non-EU countries to determine whether they were bound for the EU.

Officials described this approach as "innovative and untested" in international trade. It isn't clear whether the EU would be willing to sign up to such an arrangement if it proved practically possible.

The government's second proposal sketched out a more modest, "streamlined" customs arrangement that would rely on a combination of existing EU agreements with other countries and technological fixes to reduce delays at borders and similar impediments to trade. It said this approach would likely mean "an increase in administration" for businesses compared with current arrangements.

The government's proposals drew a mixed response. Keir Starmer, Brexit spokesman for the main opposition Labour Party, described them as "incoherent and inadequate," though they were welcomed by the Institute of Directors, a business lobby group.

—Jenny Gross contributed to this article.

Irish Border Issue Colors Brexit Talks

By Jason Douglas

LONDON—The U.K. is set to rule out extending the European Union's customs area to encircle Northern Ireland after Brexit, by saying on Wednesday that such a move wouldn't be "constitutionally or economically viable."

In a formal position paper setting out London's principles for resolving the Irish border issue in negotiations with Brussels, the U.K. will say it doesn't want customs posts or other checks to disrupt the flow of people and goods that currently cross unimpeded between Ireland and Northern Ireland.

The Department for Exiting the European Union said the British government paper, due to be published later Wednesday, will argue for a sophisticated customs arrangement and the maintenance of a decades-old common travel area between Ireland and the U.K., which allows British and Irish citizens to move freely between the two nations.

None of the proposals outlined so far represents a surprise. But the position paper represents an effort to come to grips with a thorny issue in Brexit talks that both the U.K. and the EU have prioritized.

Northern Ireland's status as part of the U.K. means Ireland will be the only EU member state to share a land border with the U.K. once it leaves the EU in March 2019. That border has effectively dissolved, reflecting the two countries' EU membership, close ties and a 1998 peace settlement that brought an end to decades of bloody violence between Irish republicans who wish to see Ireland united and British loyalists who want Northern Ireland to remain part of the U.K.

London and Dublin are eager to prevent the re-emergence of a border on the island after Brexit, believing it may cause economic disruption and risks inflaming tensions between Northern Ireland's Irish and British communities. Absent a free-trade or customs deal with the EU, non-EU countries face tariffs and customs checks on exports to the bloc and many non-EU citizens face passport and visa checks.

Establishing a new border around the island of Ireland and moving customs and passport checks to the U.K. mainland had been seen as one possible solution but always appeared unlikely to win British support, not least because Prime Minister Theresa May and her governing Conservative Party rely on the support of Northern Ireland's pro-U.K. Democratic Unionist Party to govern. The DUP opposes an Irish Sea border on the grounds it risks weakening Northern Ireland's ties to the rest of the U.K. and would hurt the region's small economy.

The U.K. will say it favors developing administrative and technological systems that permit businesses to operate freely across the border without imposing customs checks, such as exemptions from customs processes for small firms engaged in cross-border trade.

The Irish government said it welcomed the U.K.'s suggestions.

Judges Refer QE Stimulus Challenge to European Court

By Todd Buell

Germany's constitutional court said it was referring a challenge to the European Central Bank's large-scale bond-buying program to the European Union's Court of Justice, delaying efforts to set up a legal block to the scheme, but still giving some hope to its opponents.

The German court expressed reservations about the legality of the ECB's signature scheme on Tuesday and requested an "expedited procedure" to push the European court to deal with its case quickly.

"It is doubtful whether the [QE] decision is compatible with the prohibition of monetary financing," it said in a statement.

Under European law, the ECB isn't allowed to buy bonds directly from governments, but is allowed to purchase them indirectly on the secondary market.

The German court made a similar referral in 2014, when it ruled that the ECB's never-used bond-buying program—known as Outright Monetary Transactions, or OMT—also likely exceeded the central bank's mandate. It deferred its ruling to the European Court of Justice, which backed the program and the German court then said the scheme was in line with German law.

This time, a possible coalition partner for Chancellor Angela Merkel's center-right bloc after parliamentary elections on Sept. 24 praised

ULI DECK/DPA/ZUMA PRESS

A German Constitutional Court judge removes his cap after a verdict.

the court's move.

Christian Lindner, head of the pro-business Free Democratic Party, told Germany's Rheinische Post newspaper that the program represented "the financing of public debt through the backdoor."

"We respect the independence of the ECB, but of course it is also bound by the law," he said.

The ECB's current quantitative-easing program, unlike OMT, buys bonds of countries from across the eurozone, rather than from a specific set of troubled states. The scheme started in March 2015; the current purchase volume is €60 billion ($71 billion) a month and is due to remain in place until the end of 2017. Economists expect the central bank to gradually reduce purchase thereafter.

Markus Kerber, a Berlin-based law professor, filed an injunction in late May to try to get the German court to force the Deutsche Bundesbank to stop participating in QE. Though the ECB centrally decides bond purchase quantities, national central banks do most of the buying—effectively in proportion to the size of their country's economy. The Bundesbank is the largest purchaser of bonds under the program.

Mr. Kerber said he was "pleased with the decision" of the German Court and said this case was different from OMT because the former had never been used. "Then they were talking about a case that's fictitious."

Noting the court's move, the ECB said it believed its asset purchases were "fully within our mandate." The bank added that the program remained "fully operational, in line with previous Governing Council statements."

The German Bundesbank declined to comment on the move.

nuters waited Monday at a bus station in the central business district of Nairobi, but pockets of the Kenyan capital have been rocked by demonstrations following last week's presidential electi

Kenya Election Exposes a Divided Capita

ATINA STEVIS
OE PARKINSON

AIROBI, Kenya—A week af- hotly contested presiden- ection, this nation's tribal economic divisions have laid bare in Nairobi.
affluent districts of this ing capital, traffic has re- d, and voters gather in rket cafes to toast the re- on of President Uhuru atta.
st minutes away, in the s of Kibera and Mathare, e rises from tires burning e streets, and supporters position candidate Raila a fight police in deadly es.
hat I've learned from my time voting is you vote, ose, you get beaten up," Vincent Ochieno, 22 years teacher from Mathare, in rn Nairobi. As some resi- picked through a vast d of trash in the center of slum, he said he didn't to protest, as nothing d change: "Why should I t and vote again?"
the heart of Nairobi's ing business district on lay, employees hurried to work, ignoring Mr. ga's call that voters should e to protest the election. uesday, the Kenyan stock rose to a three-year high, up more than 25% since the beginning of the year.

But in opposition strongholds—dominated by the poorest members of minority tribes—angry voters are responding to Mr. Odinga's claim that Mr. Kenyatta rigged the election. It is a charge Mr. Odinga's Luo tribe has leveled repeatedly at Mr. Kenyatta's majority Kikuyus since Kenya became a multiparty democracy in 1992.

The persistent polarization of this city of about four million has been thrown into a sharper focus by the election, raising fears that years of dynamic economic growth envied across the continent has failed to ease tribal grievances and inequality that could be a time bomb for east Africa's richest economy.

"One of the striking things for everyone in Nairobi was that much of the city was eerily quiet and in other areas we saw extreme violence," said Justin Willis, an Africa specialist at the University of Durham who was in the city to observe elections. "It reflects a geography of economic and tribal separation that many in Kenya fear poses the gravest threat to their society's law and order."

Mr. Kenyatta urged Mr. Odinga on Monday to order his supporters off the streets and to take his claims of vote-rigging to the courts. Mr. Kenyatta's appeal followed a weekend of election-related violence; by Monday, the death toll had reached 17, according to the Kenyan Red Cross.

Analysts say that in pockets of Nairobi, robust economic growth has helped create a middle class that has chipped away at historic tribal affiliations. Yet, a decade after post-election violence left more than 1,000 people dead, tribal rifts continue to frame politics in this city and the country.

Rifts, many falling along tribal lines, cast a shadow on the nation's economic dynamism.

Mr. Kenyatta and his deputy, William Ruto, were charged with crimes against humanity by the International Criminal Court following the bloodshed. The charges were later dropped, and both denied them.

The Kikuyus are the largest and economically dominant tribe in Kenya, representing about 22% of the population. They organized most successfully against the British and so secured the first fruits of independence in 1964. Mr. Odinga's Luos, with some 13% of the population, are the fourth-largest tribe, according to the latest census in 2009.

Tribal arithmetic can be complex and in flux, often making other tribes the kingmakers: the Kalenjin, the country's third-largest tribe, is aligned with the Kikuyus; the Luhyas, the second-largest, with the Luos.

The Kenyatta-Odinga rivalry dates to those first post-colonial days, when Uhuru's father, Jomo Kenyatta, appointed Raila's father, Oginga Odinga, as his vice president in the country's first black-led government.

The men clashed, and Mr. Odinga left the government to form the leftist Kenya People's Union party in 1966. Mr. Kenyatta banned the movement in 1969 and put his former ally in government detention.

In recent decades, Mr. Odinga, 72, has assumed his father's role as a thorn in the government's side. He has run four losing presidential campaigns; he claims three of them, including the most recent, were rigged.

In Mathare, the sprawling area that houses some 500,000 on Nairobi's eastern flank, hundreds of Mr. Odinga's supporters have been facing off with riot police, demonstrating about what they consider an unfair election. Some shouted, "No Raila, no peace!"

With her right arm swaddled in a cast, Leticia Achieno, said security forces barged into her home and beat her with a baton after claiming to see protesters entering her doorway. "I put my hand up to protect my head, and they broke all my fingers," she said.

The injuries and deaths have deepened the sense of injustice here. Stefanie Moraa, a 9-year-old girl, was killed by a stray police bullet on Saturday in the heart of Mathare. "She was just a girl, she was only playing," said her mother Damagrin Marube. "She didn't vote, she didn't protest, why would they kill her?"

The police have said they are investigating the incident.

Some say Mr. Odinga, who addressed thousands of young, poor men in the slums Sunday and asked them to continue supporting him, is mobilizing them to maintain pressure on the government.

"He's like the chess player who has used his queen, his bishop and is now dow his pawns to fight," a s Western diplomat said.

Seven miles away, in well-heeled neighborhoo Westlands, young middle- Kenyans spoke not of divi but of the election's suc and the closing of tradit tribal rifts.

Shoppers on Monday strolling around Westgate recently reopened shop mall that has become a sy of Nairobi's resilience afte ing devastated in 2013 by hadist attack.

Cindy Thairu, 24, a crim ogy student at Nairobi Un sity, said she was frust her peers in poorer areas w in her view, sacrificing t selves in vain.

"Young people are out f ing for people who are up [in power], drinking toge enjoying together, and don't care one bit about in the grass roots," she sa

Like many here, she h education will help Kenya closer to transcending t politics. "At university made friends from acros country, from all sorts of grounds," she said. "Don poisoned by your parents because they keep a hatred are new, we want change blood is the same."

undreds re Killed in erra Leone udslide

E PARKINSON

e scale of the devastation a mudslide in Sierra Le- ame into sharper focus as eath toll topped 300 and overnment called for ur- international aid to help ent a cholera outbreak.
ys of storms and floods ed a densely populated de to collapse on Monday district around 15 miles of the capital Freetown, fing dozens of homes. By day afternoon, the num- of confirmed dead had ed 312, the International Cross said. More than 600 le are missing and thou- are believed to have lost homes, the agency said.
e country's chief coroner, n Dumbuya, later told ers that rescue workers ecovered nearly 400 bod- but we anticipate more 500."
mass burial was to be Tuesday evening to free ace in Freetown's central

SAIDU BAH/AGENCE FRANCE-PRESSE/GETTY IMAGES

Rescue teams and soldiers searched near a mudslide and a damaged building near Freetown on Tuesday.

by panicked family members looking for loved ones. Hundreds of volunteers scoured mounds of debris in the hunt for survivors.

"Everybody here has lost loved ones," Unisa Carew, a volunteer working in Freetown's central hospital, said in a telephone interview. "We've blocked them from entering the hospitals and morgues, but the area is tense and overcrowded."

The mudslides have overwhelmed authorities in one of

Less than two years ago, Sierra Leone emerged from an Ebola pandemic that left some 4,000 people dead.

President Ernest Bai Koroma on Tuesday declared a state of emergency and said the country needs "urgent support now" for the thousands of survivors.

"This tragedy of great magnitude has once again challenged us to come together, to stand by each other and to help one another," he said in a

Relief workers, although aided by hundreds of volunteers, said they were struggling to cope with the workload.

"I've never seen anything like this....The hospitals and morgues are full, there are bodies everywhere but we can't identify them," said Abu Bakar Tarrawellie, a Red Cross disaster manager.

Aid agencies said help was needed to mitigate the risks of cholera and other diseases that could spread in the stag-

WORLD WATCH

INDIA

Modi Vows to End Graft in His Country

Prime Minister Narendra Modi pledged in his Independence Day speech to wipe out corruption and usher in good governance, urging people to help him build a prosperous and united "New India."

In a speech marking the anniversary of India's independence from Britain, Mr. Modi pledged to bring in transparency to end decades of graft.

Speaking from the Red Fort, a sprawling 17th-century fortress in the heart of New Delhi, Mr. Modi hailed his government's efforts in recent months to cut graft, including the surprise decision to withdraw large currency notes and an overhaul of taxes on goods and services that he said had brought billions of dollars of unaccounted money into the mainstream economy.

Although his government has been pursuing a tough line in the Indian-controlled part of disputed Kashmir, Mr. Modi urged a more conciliatory approach toward Kashmiri people, saying rather than resort to abuse or bullets, efforts should be made to "embrace" the people and bring them into the mainstream

ZIMBABWE

Mugabe's Wife Accused of Assau

The wife of Zimbabwe's p dent was accused of assault woman at an upscale hotel South Africa, but didn't show for a court hearing Tuesday.

It wasn't immediately cle where Grace Mugabe was.

The case draws attention the outspoken wife of 93-yea President Robert Mugabe. La month she challenged her hu band publicly to name a succ positioning herself as a possi ahead of next year's election.

Twenty-year-old model G ella Engels accused Grace Mugabe of assaulting her S day night while she was vis mutual friends of Mr. Mugab sons in a hotel room in an u scale Johannesburg suburb. claims the first lady's bodyg stood by and watched as M Mugabe attacked her.

Ms. Engels posted photo social media showing a gash her forehead, which she call result of the alleged encoun

Police confirmed a 20-ye woman registered "a case o sault with intent to do griev bodily harm" on Monday, bu wouldn't name the suspect

U.S. NEWS

Police Scrutinize Strategy for Protests

Some law-enforcement experts and activists criticize local, state response in Virginia

By Zusha Elinson

Virginia State Police cordon off an area around the site where a car ran into a group of protesters in Charlottesville on Saturday.

STEVE HELBER/ASSOCIATED PRESS

Violent clashes between white-nationalist groups and their opponents are testing local police, particularly smaller law-enforcement departments unaccustomed to dealing with large protests.

Some policing experts and protesters are criticizing state and local police in Virginia after Saturday's chaotic protests in Charlottesville turned deadly.

Fights broke out between white nationalists gathered to protest the removal of a statue of Confederate Gen. Robert E. Lee and crowds who arrived to demonstrate against them. A car smashed into a group of counterprotesters, killing 32-year-old Heather Heyer and injuring 19 others.

The alleged driver, James Alex Fields Jr. of Ohio, who espoused white-supremacist views, was arrested and charged with second-degree murder. Two state troopers died when their helicopter crashed while monitoring the clashes.

Former and current police chiefs said that when opposing groups come together in a charged atmosphere, efforts should focus on avoiding physical clashes.

"The goal there has to be keep them separated," said Charles Ramsey, a retired chief who led police departments in the cities of Philadelphia and Washington.

Local police in Charlottesville "may not have had enough resources, and if they did, there were clearly problems with how they were deployed," he said.

At a news conference Monday, Charlottesville Police Chief Al Thomas said police had intended to keep the two groups apart. "Unite the Right" protesters had agreed to enter Emancipation Park from the rear entrance, but they strayed from the plan, he said.

"They began entering at different locations," he said, making it difficult for police to control the crowd and separate the factions.

A spokesman for Unite the Right didn't respond to a request for comment.

Corinne Geller, a spokeswoman for the Virginia State Police, who were assisting local police, also said the plan was to keep the two sides separated.

"There were physical barriers to separate those opposing sides and law enforcement as well; however, individuals chose to assemble on the streets," she said. "We are not in a position to tell people where to assemble."

Ms. Geller said in the early going, conflicts would "flare up and people would dissolve into the crowd," making it difficult for police to find them.

"We recognized that there was a serious potential for violence," Ms. Geller said. "We recognized that in advance and we came prepared to respond."

Police responded to 250 service calls Saturday, she said, then ordered the crowd to disperse when things grew too violent. She declined to say how many state troopers were deployed. Charlottesville, with a population of about 47,000, has 114 sworn officers, according to the FBI's 2015 tally.

In the past several years, large demonstrations have swept across the country, beginning with protests against police brutality. During the 2016 presidential campaign, rowdy crowds faced off with protesters at Trump rallies. More recently, there have been violent clashes at universities.

In Seattle, police are deployed to more than 300 protests each year, according to police officials. Seattle police have taken a more strategic approach since the mass protests against the World Trade Organization in 1999 in which they were criticized for being unprepared and using too much force.

On Sunday, a day after the violence in Charlottesville, a right-wing rally drew a large contingent of counter-protesters in Seattle.

The goal of the Seattle police Sunday was to keep the two groups apart, Seattle Police Chief Kathleen O'Toole said.

"When one group started to march, when they tried to directly confront the rival side, we had our personnel reroute the march in a safer direction," she said.

Chief O'Toole said that one of the keys to Seattle's response to protests now is a group of police officers on bicycles who help "facilitate the marches, control traffic and as a last resort they're used to form a fence line."

On Sunday, for instance, a group of officers used their bicycles to block the path of some protesters.

"I've always felt if you send riot police at the start, you can assume there'll probably be a riot," she said. "The bicycle officers are able to start with a bit softer approach; they're accessible and they engage with the protesters."

Seattle police made three arrests and there were no reports of injuries, she said.

Chief O'Toole said she wouldn't second-guess police in Charlottesville.

"I know how difficult and volatile these challenges are," she said. "Even in Seattle where we do hundreds of demonstrations a year, things can go awry."

In Boston, city officials are bracing for a planned "free speech" rally of conservative activists on Saturday that they expect to draw big crowds and counterprotesters.

"Right off the bat, our intention is to not let the two groups come together," Mayor Marty Walsh said.

In Charlottesville, "both sides were able to connect," he said. "In our city, we will do everything we can so that those two sides never connect."

—Jennifer Levitz contributed to this article.

Massachusetts Gears Up for a 'Free Speech' Rally

By Jennifer Levitz And Jon Kamp

Massachusetts Gov. Charlie Baker, left, and Boston Mayor Martin J. Walsh in the city on Monday.

JESSICA RINALDI/THE BOSTON GLOBE/GETTY IMAGES

Officials in Massachusetts' largest city are gearing up for what they fear could be a large and contentious rally and counterprotest on Saturday, only a week after a deadly white-supremacy event in Charlottesville, Va.

Boston Mayor Martin J. Walsh on Monday said he would encourage a group planning to hold the "Boston Free Speech Rally" not to come to the city while the "wound and the pain is very fresh" from the Charlottesville tragedy, but he and other officials said they planned to deploy a large public-safety presence if the event went on.

"We will do every single thing in our power to keep hate out of our city that believes in free speech," the mayor, a Democrat, said at a news conference at City Hall Plaza, flanked by Republican Gov. Charlie Baker, Boston's police commissioner and community leaders. "But we will not tolerate threatening behavior. We will not have it," Mr. Walsh added.

Meanwhile, two planned high-profile speakers for the event said on Twitter they were dropping out amid the blowback, while the status of other speakers was unclear.

An organizer of the planned "Boston Free Speech Rally" said they were "currently assessing the situation" but that the event wouldn't be postponed or called off. He said the group isn't connected to organizers of the "Unite the Right" rally in Charlottesville, where a man rammed his car into a group of counterprotesters on Saturday, killing a woman.

"We are not white supremacists in any way, shape or form," Alexander Sender, an organizer, said in a Facebook message Monday, in response to a question from a Journal reporter.

The event is being organized by "The New Free Speech Movement," and the purpose is "to celebrate the First Amendment and to open up a dialogue amongst those who disagree with each other," he wrote in the message.

Online ads and Facebook posts by organizers of the Boston event list attendees including a conservative internet figure known as Baked Alaska, and Augustus Invictus, a former Libertarian Party candidate for the U.S. Senate from Florida who runs a website called "the Revolutionary Conservative." He was listed among attendees on a flier for the "Unite the Right" rally in Charlottesville.

In a video on his Facebook page on Sunday, Mr. Invictus described the Charlottesville rally as an event that had unified "the right wing" and given them a "common enemy," mentioning state and local elected officials, police and groups like Black Lives Matter.

There is conflicting information about whether Mr. Invictus plans to attend the Boston rally. Mr. Invictus couldn't be reached to comment.

Counterprotesters including Black Lives Matter planned their own march and rally Saturday in Boston to "demand justice and stand in defiance of white supremacy," according to a Facebook post from organizers. They said they would have marshals, safety teams and legal observers on site.

On Monday, a collection of groups including the Anti-Defamation League and the Massachusetts Association of Minority Law Enforcement Officers wrote Mr. Walsh to say the event shouldn't go forward until the city had developed a comprehensive public-safety and emergency-response plan.

Given the outcome in Charlottesville, local and state officials said they are monitoring the situation closely and have a plan for thwarting violence, including separating those at the rally from counterprotesters. "We anticipate large groups," Boston Police Commissioner William Evans said at the news conference.

"We're not going to tolerate...anyone getting hurt," he said. "If we see that start to happen, then the rally is going to end real quick."

ROBOTS

Continued from Page One

Magnus Egerstedt in the new Robotarium at Georgia Tech.

GEORGIA INSTITUTE OF TECHNOLOGY

escaped unharmed.

"That was absolutely horrifying. It was raining robot parts," Dr. Egerstedt recalls.

There is now a safety net in place, much to his chagrin.

In February, lab workers were doing minor maintenance on the tabletop space where robots are tested, opening up a gap in the barrier that prevents them from falling off the table. Suddenly, the bots rolled straight toward the opening.

"It was as if they knew where the hole was," Dr. Egerstedt said.

They weren't trying to escape. They were actually being controlled by a remote researcher, who wasn't aware of the scheduled maintenance.

A Ph.D. student sprinted across the room and made what Dr. Egerstedt called a "beautiful" dive between the legs of a $15,000 camera to save a $50 bot from crashing to the floor.

"I remember the effort to build them," the student, Gennaro Notomista, said of the robots. He didn't want to have to do it again.

The lab is slated to move to a space nearly 20 times as big later this summer with 120 ground bots and, eventually, 60 airborne ones. Researchers use the swarms of robots to test search-and-rescue scenarios, simulate flight formations for the Defense Department, or predict how fleets of self-driving cars might interact on the road.

Don't blame the robots for their occasional malfunctions, some researchers say.

"Robots do what we tell them to do," says Mac Schwager, an assistant professor of aeronautics and astronautics at Stanford University's Multi Robot Systems Lab, which also studies the capabilities of groups of robots. It's just that sometimes, the instructions they get are bad.

"It's not as if they're trying to break free or they've developed a will of their own," he says.

Dr. Schwager recalls that a few years ago three aerial robots in his lab started an experiment correctly, flying to different corners of a room to monitor environmental conditions. One started wobbling and slammed into another, and then the tangled mess of propellers and plastic plowed into the third. His colleague grew increasingly exasperated as the scene turned from exciting experiment to Battle Bots.

Dr. Schwager hit an emergency button powering down the three robots and they crashed to the floor. His colleague also collapsed, he says, deflated by seeing weeks of work go to waste. The culprit in this case was a coding error: A researcher hadn't correctly measured the bots' positions.

Doctoral students in the Georgia Tech lab also have to guard the bots against another form of danger—the sticky fingers of fifth-grade boys, who tried to make off with a few robots during a demonstration in April.

As the adult chaperons turned their attention to an experiment under way in the arena, the children focused on the handful of robots on standby in case one of the active ones ran low on battery, recalls Siddharth Mayya, an electrical and computer engineering Ph.D. student.

Their red, green and blue LED lights flashed. They beckoned. The youngsters picked up the robots, cupping the little bots in their hands. One slid a bot into his pocket.

As the experiment wound down, Mr. Mayya says, he sprinted to the door of the lab to block the children from leaving with his robots.

"I'm almost 6 feet and I'm not skinny. It was probably a little imposing for a kid trying to leave the room, to have this guy stand right in front of him and say, 'I need that back,' " he says. They returned the bots, reluctantly.

The new Robotarium looks like a Hollywood sound stage surrounding a net-lined 168-square-foot hockey rink. More than a half-dozen cameras dot the corners and ceiling to capture video and send the results back to researchers, so they can see their experiments in action. A few cushy seats off on the side provide a theatrical effect.

"I have always been mesmerized by schools of fish, or flocks of starlings." When alone, Dr. Egerstedt says, he takes the safety net down and programs the bots to come. "I...just stand there, immersed in the swarm."

At the formal opening later in August, the university's president will be joined at the ribbon-cutting by a scissor-wielding robot.

Dr. Egerstedt's team decided against using an aerial robot, given the risks on a windy day—but he said he still has some concerns about the ribbon-slicing bot being built for the event. "It's vasectomy-height," he said. "So it's scary."

ELAINE THOMPSON/ASSOCIATED PRESS

'Got more money in your pocket, you're going to spend some more money on your home,' Home Depot's Carol Tome says.

Consumer Spending Rises

By Josh Mitchell And Josh Zumbrun

American consumers ramped up spending last month, supported by low unemployment, rising confidence, soaring stock prices and a sense that their personal finances have been repaired a decade after the housing crisis spurred a mission to pare back debt.

But there is a catch: Households are again running up more debt, and they are saving less.

Sales at U.S. retailers rose a larger-than-expected 0.6% in July, the biggest monthly gain since December, the Commerce Department said Tuesday. Americans shelled out more for cars, furniture, home-improvement supplies and, more than anything, online goods, including purchases during **Amazon.com** Inc.'s annual "Prime Day" event.

Retail sales in June were also far higher than previously reported. Economists responded to the reports by lifting projections for economic growth in the current quarter. Many economists said the latest figures suggest the economic growth rate could reach 3% or more in the quarter, a pace the economy hasn't hit since early 2015 and a pickup from a 2.6% pace in the second quarter.

Many economists doubted such a pace can be sustained in the long run, given an aging population and slow workforce productivity growth. Still, reaching 3% growth in the third quarter—if achieved—could be cited as a milestone by President Donald Trump's administration, which has made that a primary objective.

Higher consumer spending boosted profits at **Home Depot** Inc., which said sales in stores open at least a year rose 6.3% in the most recent quarter, led by 6.6% growth in the U.S. A company executive attributed growth in part to recent gains in inflation-adjusted wages. Although wage growth is slow, low inflation helps a dollar earned go further.

"It stands to reason—got more money in your pocket, you're going to spend some more money on your home," Home Depot Chief Financial Officer Carol Tome said Tuesday in a conference call.

The spending pickup comes amid a lack of movement in Washington on a tax-overhaul plan and a Republican bid to change the health-insurance system, and against a backdrop of rising consumer and business confidence.

But the latest spending trends carry some risks. A big chunk of it of late has been covered by debt. Total credit-card balances grew $20 billion in the second quarter to $784 billion, the highest since late 2009, the New York Federal Reserve said in a separate report Tuesday. Overall debt—including mortgages, auto loans and student loans—hit a record $12.8 trillion.

Americans have also dramatically reduced their saving over the past year.

The personal saving rate fell to 3.8% in June, down from a recent peak of 6.3% in October 2015 and not far off from pre-recession lows.

The dual trends of lower saving rates and higher debt indicate that animal spirits—a desire to spend and invest—are rising among households. That might be getting fueled by higher stock prices. However, it also could mean that gains in Americans' wages aren't keeping up with their needs and desires to spend.

Risks abound as households run up more debt and the saving rate slides.

For now, low interest rates are keeping a lid on the amount of money a month consumers have to devote to paying off the debt. Debt-service payments account for roughly 10% of Americans' disposable income, hovering near the lowest levels on record, Federal Reserve data show. Just before the recession, such payments peaked at above 13%. Also, consumer debt, when adjusted for inflation and population size, hasn't reached the balances of 2008 that contributed to the crash.

Unforeseen developments—such as stock-market declines or a quicker-than-expected rise in interest rates—still could leave consumers in precarious positions. Even without any major shocks, some consumers are showing distress, with credit-card delinquencies rising.

"From a short-term growth perspective it's a positive, but I would not be comfortable seeing further increase in debt-to-income ratios," said Ian Shepherdson, chief economist at Pantheon Macroeconomics. "The interest servicing burden on households looks very favorable and sustainable. The risk is if interest rates have to rise further than [investors and lenders] think. What if the Fed raises rates as much as they say they're going to? Then the picture will look much different."

While the amount of debt in delinquency has dropped over the past decade, the trend appears to be turning for some types of debt. Auto-loan delinquencies have been slowly rising for several years, and the annualized share of credit-card balances becoming 30-days delinquent climbed to 6.2% in the second quarter from 5.1% a year earlier, the New York Fed said.

J.P. Morgan Chase economist Michael Feroli said the latest pickup in spending won't last long without healthier developments, such as a pickup in productivity.

"The saving rate can't decline indefinitely," Mr. Feroli said in a note to clients this month. "In the absence of an ever-declining saving rate, real income growth will have to remain strong for consumers to continue carrying the economy," he said.

CBO Sees a Jump In Health Premiums

By Stephanie Armour

Premiums for middle-priced plans on the Affordable Care Act's individual market would climb by 20% in 2018 if the Trump administration halted the billions of dollars in payments the government sends to insurers under the health law, the Congressional Budget Office estimated in a report released Tuesday.

Insurers and supporters of the law say the federal payments are essential to sustaining the already fragile individual ACA insurance markets, but President Donald Trump has warned that he could halt the subsidies. Insurers have said that if that occurred, they would raise premiums or leave the individual markets.

Mr. Trump and some Republican lawmakers oppose the funding, saying the money was never appropriated by Congress and it amounts to a bailout for insurers.

Premiums for midpriced plans sold on the ACA's exchanges would rise if the payments were suspended, which would require the government to pay larger tax credits to consumers that help offset the cost of coverage, according to the report by the nonpartisan CBO and Joint Committee on Taxation. As a result of that and other factors, the federal deficit would increase by $194 billion through 2026, the report said.

The assessment could stoke bipartisan efforts in the Senate to pass legislation preserving the payments in 2018. Lawmakers have a tight window to move a bill through both chambers of Congress, because insurers face a late September deadline for committing to the ACA markets for next year.

The CBO and taxation committee report said about 5% of people would live in areas with no insurers in the individual market in 2018 if the subsidies ended, because insurers would withdraw or not enter those markets.

"If a new HealthCare Bill is not approved quickly, BAILOUTS for Insurance Companies and BAILOUTS for Members of Congress will end very soon!" Mr. Trump tweeted on July 29, after Senate GOP lawmakers failed to pass a bill to repeal most of the ACA.

The federal payments, known as cost-sharing subsidies, compensate insurers for reducing out-of-pocket costs for some low-income consumers who sign up for plans on the exchanges. About seven million people qualified for the subsidies in 2017.

Democrats seized on the report to assert that Republicans and the Trump administration were threatening to sabotage health insurance.

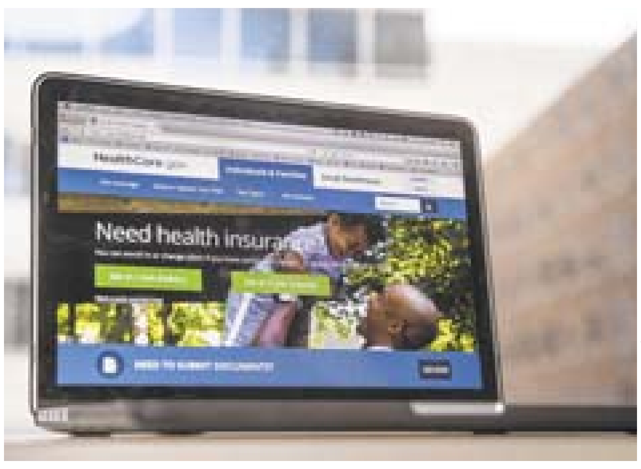
Sen. Brian Schatz (D., Hawaii) wrote on Twitter on Tuesday afternoon that "the president of the United States is causing health care premiums to go up because he's mad. Let that sink in."

Rep. Tom Reed (R., N.Y.) co-chairman of a bipartisan House group that has advocated formally authorizing the cost-sharing payments, called Tuesday's CBO report "another log on the pile of pressure" on Congress to act.

He said that the adverse effects that the CBO highlighted would disproportionately hit rural counties in Republican-held districts.

Insurers, governors and some lawmakers have been urging the Trump administration to preserve the payments, which are estimated at $7 billion this year and $16 billion by 2027.

Mr. Trump could choose to end the payments on his own. The cost-sharing subsidies also face a legal threat. House Republicans sought in a 2014 lawsuit to block the payments. A federal district judge in May 2016 ruled that the payments were improper. The Obama administration appealed. Payments to insurers have continued in the meantime.



ANDREW HARNIK/ASSOCIATED PRESS

The HealthCare.gov website is where people can buy insurance.

U.S. WATCH

WHITE HOUSE

Two More Executives Leave Advisory Panel

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

Drug maker Merck & Co. issued a statement Monday 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."

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 earlier in the day spoke out against Saturday's violence in Charlottesville and condemned "white supremacists and their ilk who marched and committed violence."

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."

—Peter Loftus

MARY ALTAFFER/ASSOCIATED PRESS

UPROOTED: New York officers near an overturned Central Park tree.

OKLAHOMA

FBI Arrests Suspected Bomb-Plot Architect

The Federal Bureau of Investigation arrested a man Saturday for attempting to detonate a van he believed to be stockpiled with explosives near a downtown Oklahoma City bank, roughly a half-mile from where a truck bombing cratered the Alfred P. Murrah Federal Building in 1995.

Officers apprehended Jerry Drake Varnell, 23, after he dialed a cellphone number he thought would trigger the explosion of a vehicle parked in an alley near his target, according to the U.S. attorney's Western District of Oklahoma office.

Mr. Varnell was upset with the government, according to a criminal complaint, and initially wanted to blow up the Federal Reserve Building in Washington, D.C, with a device similar to the one Timothy McVeigh used to bring down a federal building in Oklahoma City more than two decades ago.

His arrest marked the close of an investigation by state and federal law-enforcement teams during which an undercover FBI agent posed as a man who could help Mr. Varnell detonate the explosive device, which was inert.

Mr. Varnell is charged with attempting to use explosives to destroy a building in interstate commerce and could face 20 years in prison. He will next appear in court on Aug. 22, according to a spokesman with the U.S. attorney's Western District of Oklahoma Office.

—Quint Forgey

CHIPS

Continued from Page One

Poway, Calif.,-based Cohu recently sent its analysis of the risks associated with the proposed sale of Norwood, Mass.-based Xcerra to the Committee on Foreign Investment in the U.S., a multiagency panel that vets deals for national security concerns, according to the correspondence reviewed by the Journal. The committee, known as CFIUS and led by the Treasury Department, can approve the acquisition or recommend the president block it.

The deal, announced in April, could give China access to intellectual property that could accelerate its efforts to become a serious player in the industry, Cohu alleges in a six-page white paper it sent to a Treasury official handling CFIUS matters.

"If Xcerra becomes a Chinese state-owned enterprise and obtains top-tier semiconductor customers like Qualcomm, Broadcom and Texas Instruments as customers, it is reasonable to expect transfer of this critical information to Chinese semiconductor companies," the document says.

Xcerra, in a statement, said: "The allegations Cohu make are false, as Xcerra does not possess critical [intellectual property] from any customer." Both parties in the deal intend to cooperate fully with CFIUS "to address any potential national security interests," Xcerra said.

A Treasury spokesman said the agency doesn't comment on whether any particular transaction is being reviewed by CFIUS.

The deal's primary financier is a $20 billion Chinese government-controlled fund called the China Integrated Circuit Industry Investment Fund Co., known locally as "the Big Fund." A representative declined to comment.

Cohu's June 2 paper also says a sale of Xcerra could disrupt the semiconductor supply chain and lead to U.S. job losses if the company uses subsidies from its new owner to improperly undercut U.S. rivals.

U.S. scrutiny of Chinese deals generally has been building.

Some U.S. officials warn that, for example, China could use state subsidies to drive U.S. chip firms out of business and eventually dominate the industry, leaving the U.S. and its military reliant on Chinese chips. Others, though, say it is critical for CFIUS to focus solely on traditional national security matters, and that taking economic concerns into account would be wrongly protectionist.

President Donald Trump has ramped up trade pressure on China, directing aides on Monday to begin a study of whether to launch a formal investigation into whether Beijing is unfairly acquiring patents and licenses from U.S. firms.

U.S. scrutiny of China's chip ambitions and Chinese deals generally has been building. In December, after a CFIUS investigation, then-President Barack Obama blocked a Chinese investment fund's purchase of German semiconductor-equipment supplier Aixtron SE, which has U.S. assets.

In January, an Obama administration advisory panel warned of economic and military dangers posed by China's 10-year, $150 billion effort to build a cutting-edge semiconductor sector.

During the Trump administration, CFIUS has thrown a number of high-profile takeover bids by Chinese firms into question, and lawmakers and the Treasury are weighing changes that could make the review process even tougher.

Cohu, in a follow-up letter dated Aug. 8, urged CFIUS to scrutinize the Chinese financing behind Xcerra's deal following Xcerra's Aug. 7 disclosure to the Securities and Exchange Commission that it had changed.

Under the new deal structure, local government funds from China's Fujian and Hubei provinces also will help finance the purchase, Chinese corporate records show.

Xcerra said in its statement that, according to terms of the deal, its buyer had a right to syndicate its financing. "This change had nothing to do with filing with the Committee on Foreign Investment in the United States," it said.

NOVO

Continued from Page One

"The incremental improvements don't seem to justify the premium prices," said Steve Miller, chief medical officer of Express Scripts Holding Co., one of America's biggest pharmacy-benefit managers, a key middleman that buys drugs in bulk on behalf of insurers.

Novo Nordisk's hopes for the new drug—which it once expected to generate blockbuster profits—have dimmed. The company has warned repeatedly it won't meet its long-term growth targets, and its stock price has shrunk by more than a quarter since the beginning of last year. Executives are scrambling to diversify—pouring money into research outside its core insulin-focused science. The company announced 1,000 job cuts last fall.

"A lot of staff—anyone who joined within the last 18 years—had not seen anything but success and constant growth," said Chief Executive Lars Fruergaard Jørgensen in an interview.

As the turmoil at Novo Nordisk shows, there are commercial limits to innovation. Nokia Corp. and BlackBerry Ltd. both lost their market dominance in smartphones because competitors beat them with major technological advances. Both firms are in the process of reinventing themselves.

In other cases, though, innovation has hit a wall. That is especially the case in some pockets of the pharmaceuticals business, where the scope for big improvements is narrowing.

Common, deadly ailments, such as asthma, high cholesterol and heart disease, were the focus of the pharmaceutical industry during a golden age of drug launches in the 1990s. Now, building on those advances has proven costlier and more complex, and usually results in smaller gains. Incrementally improved medicines are harder to sell at the prices needed to cover their development costs.

Sanofi SA and Amgen Inc. are struggling to make headway with their new cholesterol-lowering drugs. These medicines, known as PCSK9 inhibitors, bring about a greater reduction in cholesterol levels than older statins alone for certain people. But the companies have yet to convince insurers that it is worth putting these patients on them: Both cost more than $14,000 a year before rebates and discounts. Older statins are available for just pennies a day.

Novartis AG hoped its new heart-failure medicine Entresto's proven superiority to older, so-called ACE-inhibitors would guarantee rapid uptake among cardiologists. But insurers initially incentivized doctors to prescribe older, cheaper drugs, leading to a much slower launch. That is changing as insurers gradually adopt more permissive policies toward Entresto.

People with diabetes don't make enough insulin, a hormone needed to convert sugar into storable energy. In Type 1 diabetes, the body doesn't make insulin at all. In Type 2, the far-more-common form linked to obesity, the body develops resistance to insulin, and the pancreas cannot produce enough for the proper effect.

Around 12% of American adults have diabetes, according to an estimate published this year by the Centers for Disease Control and Prevention, though around a quarter of those aren't aware they have the disease. That figure could rise to as many as one in three American adults by 2050, according to a 2010 report by the CDC.

BENITA MARCUSSEN FOR THE WALL STREET JOURNAL; FABIAN BIMMER/REUTERS

Anette Søndergaard works in a Novo Nordisk lab in Maaløv, Denmark, above. Left, a Novo Nordisk insulin production line.

Of those diagnosed with diabetes, about a third depend on insulin injections, the CDC said. That was about six million people in 2011.

Novo Nordisk has been making insulin since the hormone was discovered in the early 20th century. That breakthrough, by two Canadian scientists, led to the first effective treatment for diabetes.

August Krogh, a Danish medical professor and Nobel laureate, heard about the discovery in 1922 while lecturing in the U.S. with his wife, Marie, a doctor who suffered from Type 2 diabetes. After a stopover in Toronto, the couple returned to Denmark with permission to manufacture the lifesaving treatment in Scandinavia.

Nordisk Insulinlaboratorium was founded the next year. Denmark, home to one of Europe's biggest pork industries, made sense for a business based, in its early days, on harvesting the hormone from the pancreases of pigs and cows.

In 1924, two brothers left Nordisk to set up their own firm, Novo. The rival companies competed fiercely, one-upping each other with insulin innovations, such as injections with longer effects.

Novo adopted new genetic engineering technology in the 1980s. The technology ushered in synthetic human insulin and ended the dependence on animals. The two companies joined forces in 1989, leapfrogging America's Eli Lilly & Co. as the world's biggest insulin producer.

Over its history, the company's narrow focus was a strength: Its deep expertise boosted its ability to produce ever-better products.

Through the 1990s, the company tweaked the basic insulin molecule to fine-tune its performance. It developed a fast-acting insulin, called Novolog, that enters the blood quickly, providing a ready boost at mealtimes. It also rolled out a long-acting version called Levemir that releases a steady stream of insulin into the blood throughout the day.

In the mid-2000s, Novo Nordisk launched a handful of these so-called analog insulins, as patients clamored for more convenient forms. Doctors, patients and health-care managers in the U.S. and Europe were appreciative, willing to pay more for the new benefits.

Novo Nordisk's stock surged. By 2013, Copenhagen's tiny stock exchange was forced to change its blue-chip benchmark index to keep it from being overwhelmed by the company's swelling market value.

By then, Novo Nordisk enjoyed a duopoly for its longer-acting drug, competing only with French giant Sanofi SA.

After the success of Levemir, Novo Nordisk aimed higher. It developed Tresiba, even more convenient: The drug can be taken at any time of day, whereas Levemir and Sanofi's equivalent, Lantus, require a regular dosing schedule. In addition, Tresiba is associated with fewer episodes of dangerously low blood sugar, or hypoglycemia.

An early set of results for Tresiba impressed executives, Novo Nordisk's research chief, Mads Thomsen, recalled. "We just sat there and said, 'Wow,' " he said. "We had kind of realized we were very close to perfection."

As it awaited final blessing from the U.S. Food and Drug Administration, the company rolled the drug out across Europe, starting in 2013. It hit the market with a thud.

Drug pricing in Europe is very different from the U.S. The biggest buyers aren't insurance companies and health-plan managers, but government-controlled entities or their middlemen. They typically negotiate hard with companies for supplies for an entire country. The system keeps prices lower than in the more-fragmented U.S. system.

Once a price is set by one of these bodies, it is very difficult to raise. So, drug companies typically launch a new drug at the highest price they think they can get, knowing they won't likely be able to increase it.

Novo Nordisk, however, struggled from the start to convince European buyers that Tresiba was different enough from Levemir to command a big premium.

In Germany, for example, a pricing board set the price for Tresiba at the same level as the basic synthetic human insulin that had been available since the 1980s, which has none of the long-acting or other special benefits of newer forms. An agency that assesses the cost-benefit of new medicines concluded Tresiba had no real advantage in terms of controlling the disease itself. Novo Nordisk withdrew Tresiba from Germany, Europe's largest drug market.

Other countries, such as the Netherlands, Denmark and Spain, allowed Novo Nordisk to launch Tresiba at around its desired price of 60%-70% higher than Levemir and Sanofi's Lantus.

But to minimize the impact on their budgets, the health systems wouldn't reimburse patients for Tresiba, and the new insulin gained very little market share. Last year, Novo Nordisk lowered its price to a level that the health systems would reimburse, and use of Tresiba has picked up.

"In Europe, we launched with a very high premium," said Mr. Jørgensen, the CEO. "That turned out to be too high." He said Tresiba's premium over Levemir and Lantus is now around 20% in most European markets.

Still, executives were sanguine. Prices in Europe were now locked in at much lower rates than they had expected. But they thought they could rely on the U.S. market to more than make up. In the U.S., drugmakers usually introduce new products at a modest premium over previous versions, with the assumption they will be able to raise prices for years to come.

Novo Nordisk launched Tresiba in the U.S. in early 2016, ahead of the presidential election. Politicians on both sides were slamming drug companies for raising prices. Beyond the campaign rhetoric, insurers and health-plan managers were targeting diabetes medicine, in particular, for cost-cutting scrutiny. The medicines are their second-largest drug outlay, after cancer medicines, according to analyst Ronny Gal of investment research firm Bernstein.

Payers were girding for expected cost increases related to a raft of new cancer-fighting drugs, many of which promised big gains for patients. In the diabetes field, a string of new, pricey drugs designed to control blood sugar levels in early-stage Type 2 patients were also stretching budgets. These pressures made insulin, where the older products worked pretty well, an obvious target for cost savings.

Diabetes "is on payers' radar with big, red, flashing lights," said Barry Farrimond, a European drug-pricing analyst at ZS Associates, a management consultancy.

Amid that environment, Novo Nordisk couldn't convince executives at pharmacy-benefit managers such as Express Scripts that Tresiba was enough of a game-changer to warrant a significantly higher price.

For that, large clinical groups like the American Diabetes Association "have to tell us that this medication is clearly superior and as a result everybody who has diabetes should have access to it," said Troyen Brennan, chief medical officer of CVS Health Corp., another large pharmacy-benefit manager.

Doctors and the ADA view Tresiba as "not much different," he said. This year's ADA guidelines group Tresiba alongside other long-acting insulins and note that patients with well-managed, Type 2 diabetes can use basic synthetic human insulin "safely and at much lower cost."

Novo Nordisk accepted a list price for Tresiba only around 10% higher than Levemir. The list price doesn't take into account rebates and other concessions, and some pharmacy-benefit managers are charging a higher copay for Tresiba to steer patients to cheaper drugs.

At the same time, Novo Nordisk was being hit by another new threat: competition. Eli Lilly, which for years had mostly played in the short-acting insulin market, launched a low-cost, longer-acting one, pressuring prices even more.

"We knew the dynamics were going to change, but it ended up being more dramatic than we anticipated," CEO Mr. Jørgensen said in the interview.

This month, he told reporters the price for Tresiba would take another hit in 2018, having already fallen in 2017. "The competitive environment we are in is now a permanent situation," he said.

Tresiba is gradually gaining traction. As of June, it had grabbed a 6.2% share of the U.S. long-acting insulin market, according to health data provider Quintiles IMS. That momentum helped Novo Nordisk post better-than-expected earnings in the second quarter this year, leading the company to brighten its full-year outlook.

But the tougher U.S. pricing environment took executives by surprise. Last year, the company slashed its long-term profit-growth forecasts twice: in February, to 10% from 15%, and in October, to 5%.

The company's breakneck growth of the past two decades is "an era that's over for now," said Claus Johansen, senior portfolio manager at Danske capital, a top-15 investor in the company.

The company is protected from some market forces. In a quirk of its Danish ownership structure, a foundation owns the majority of the company, shielding it from an opportunistic takeover.

The Tresiba experience has prompted a strategic overhaul. Mr. Jørgensen, who had been chief executive-designate since September 2016 and formally took up the role in January, has pivoted the company away from making incremental improvements to insulin.

"The market will probably not be screaming to get a slightly better Tresiba," he said in a February investor call.

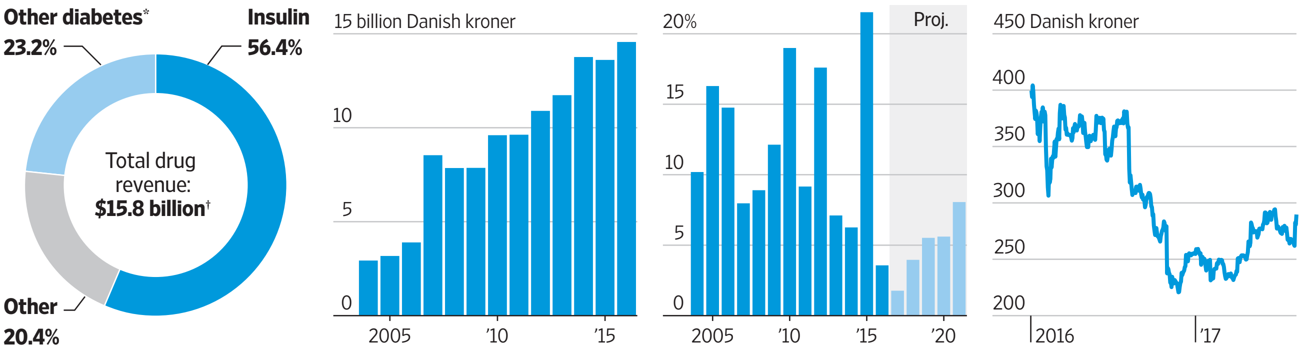
It is widening its research to diseases that the company considers "adjacent" to diabetes. Novo Nordisk has long had a sideline in hemophilia treatments but has generally refrained from dabbling in other diseases. Now, it will start investigating drugs for conditions like NASH, a disease in which fatty deposits build up in the liver; diabetic kidney disease; and cardiovascular disease.

Within the diabetes field, the company still makes and sells the popular, less-expensive insulins. A Novo Nordisk drug called Victoza is part of a new class of treatments that boost insulin production in Type 2 diabetes patients. And it hasn't given up on insulin research altogether. In October, it scrapped a project working on a tablet version of the medicine. Instead, it is now focusing on more meaningful improvements, such as "smart insulin" that acts only in the presence of high blood sugar.

"I still believe we will bring new insulin to the market," said Mr. Jørgensen. "But the innovative height has to be better than what we have today."

Hitting Price Resistance

Novo Nordisk is heavily focused on insulin, but customers are balking at paying higher prices for its new Tresiba product. The company's research and development costs continue to grow, but sales forecasts have narrowed and the share price has fallen.



Note: 1 billion Danish kroner = $159 million at the current exchange rate *Including obesity drugs †Converted from Danish kroner at the exchange rate at the end of 2016
Source: the company (drug revenue, research and development); FactSet (sales, stock price)
THE WALL STREET JOURNAL.

LIFE & ARTS

STEPHANIE DALTON

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

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.

But despite widespread acknowledgment in the infectious disease community that finishing a course of antibiotics isn't always needed, the message persists in guidance from many health organizations, including the WHO.

A WHO spokesman says it agrees with the BMJ analysis and is reviewing evidence about the ideal course duration for different cases.

Lauri Hicks, director of the office of antibiotics stewardship at the Centers for Disease Control and Prevention, says the organization changed its guidance about a year ago, to taking an antibiotic as directed by a health care provider.

"We are very interested in identifying opportunities to improve how antibiotics are being used, and that involves making sure the 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 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 world-wide 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.

MY RIDE | By A.J. Baime

THE PLYMOUTH THAT RUNS ON FLOWER POWER

MATT ROTH FOR THE WALL STREET JOURNAL

Kim Barnes with her 1969 Plymouth Barracuda Mod Top at her farm in Pylesville, Md. The car comes with floral-printed seats and trim, right, as well as a floral-printed roof.

Kim Barnes, from Pylesville, Md., the event director for the Art in Motion Concours d'Elegance at New York's Monticello Motor Club, on her 1969 Plymouth Barracuda Mod Top, as told to A.J. Baime.

Growing up, I loved cars, and in 1969, I used to ride my bike 2 miles to a Chrysler dealership in Des Moines, Iowa, to see this new vehicle in the window. It was a yellow Plymouth Barracuda Mod Top, and it had this gorgeous floral design on the roof and seats. [Plymouth was a division of Chrysler.]

The story was, Chrysler executives in the 1960s realized that women were buying their own cars rather than their husbands buying cars for them. More and more women were getting jobs and making choices for themselves, and Chrysler wanted a car that would appeal to them.

Company executives came up with this idea of floral roofs and seats, and partnered with another company that specialized in shower curtains and tablecloths to make patterned vinyl that did not fade in the sun. Chrysler called the car Mod Top, and advertised it as "The Car You Wear."

The Mod Top was not originally a success, so only 937 1969 Mod Top Barracudas were made. It took me about 40 years to find mine. I passed on two six-cylinder Mod Tops, but then, just before Christmas in 2015, I saw one with the more powerful V-8, for sale on **eBay**. My husband already thought I had too many cars—I have a small collection—so I was reluctant to bring it up. In the end, I could not help myself.

The car was in Texas. I bought it sight-unseen and had it transported to my house. My daily driver is a 2017 Jeep Wrangler Unlimited Sahara, and this Mod Top cost roughly the same as that car.

Six months later, I took it to the Carlisle Chrysler Nationals, in Carlisle, Pa.—a huge gathering for Chrysler fans. There was one other 1969 Barracuda Mod Top at the show, and the owner had the original paperwork. When I looked at it, I could not believe my eyes.

His car had been purchased in 1969 from the same Iowa dealership that I used to go to as a kid, where I first saw a Mod Top. Chrysler made so few of these, and this one had the same yellow paint, so it had to be the exact car. It was a wonderful moment, for me and my Mod Top.

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OPINION

REVIEW & OUTLOOK

Britain's Warning for the Dollar

Brexit is going badly in many ways, and one way is the falling pound that is increasingly a drag on the U.K. economy. That's a problem for London, and a warning for Washington's weak-dollar brigade.

The weak pound is raising consumer prices and hurting growth.

The pound has lost some 17% of its value since its most recent peak in November 2015 on a trade-weighted, inflation-adjusted basis. Many economists, including some Tories, predicted this would lift the economy by making British exports more price-competitive in global markets.

Data released last week show the opposite. Britain's trade deficit in goods and services ballooned to £4.6 billion ($5.97 billion) in June from £2.5 billion in May. Trade deficits aren't an economic evil. But the persistence of Britain's trade deficit whether the pound is weak or strong demonstrates that the exchange rate isn't altering Britain's competitiveness.

A closer look at the numbers explains why. Export volumes do finally appear to be picking up, growing 5% in the second quarter compared to a year ago. But the Office for National Statistics (ONS) notes that pound-denominated export prices have increased, though economists expected exporters to hold pound prices steady to grab market share.

Something's afoot, and as ONS report noted last month, Britain now exports higher-end goods that are harder for customers to substitute. This suggests that the pound matters less to British exports than does the health of the global economy, which influences demand for British goods and services at any price.

Sure enough, rising export volumes since the pound started to fall in early 2016 have mainly continued trends visible before the depreciation. Don't tell the Brexiteers, but most of Britain's export-volume gains in the second quarter came from trade with an economically recovering EU.

This mirrors Japan's recent experience with currency depreciation. The yen's decline after Prime Minister Shinzo Abe took office increased exporters' profitability, especially since Japanese workers are slower than others to demand raises. But only in the past year has capital investment reached its precrisis level, as managers awaited signs of a global economic revival regardless of the yen rate.

A weak currency was also supposed to help domestic producers by encouraging British consumers to switch to local products. The problem is that in Britain and other modern economies, often domestic consumers can't switch. Fruits and vegetables are a telling example. Britain depends on imports of food it can't grow year-round or at all. The weaker pound didn't dent fruit and vegetable imports, the volume of which has grown around 11% since the last quarter of 2015. But depreciation has forced households to pay 14.4% more for their produce.

British households are now being squeezed by rising import prices that contribute to inflation expected to hit 3% this year. Yet their pay won't catch up until employers, including exporters, feel confident enough in Brexit and the global economy to boost investment again.

Tourism encapsulates all these trends, and packs a punch for vacation-loving Brits. The ONS found that the spending of Brits traveling abroad stopped growing after 2015 because the weaker pound made travel more expensive. But the depreciating pound had almost no effect on visits by foreigners to the U.K. So in exchange for no gain in exports, Brits are stuck with fewer vacations while they eat pricier strawberries and asparagus.

* * *

If only someone in Washington would notice all this before the Trump Administration makes a similar mistake with the dollar. President Trump told this newspaper last month that he "like[s] a dollar that's not too strong."

The best watchwords for a currency are strong and stable. Since the long economic anemia of the 1970s, America has prospered most, in the 1980s and then the 1990s, when the dollar has been strong. A strong dollar means capital is flowing into the U.S., which lifts investment that drives innovation and productivity gains. It also means a higher standard of living for American consumers. A strong dollar and the 89-cent-a-gallon gasoline it delivered arguably saved Bill Clinton from impeachment—a relevant lesson for Mr. Trump.

With his approval rating under 40%, Mr. Trump needs faster economic growth. Britain's experience shows a weak currency won't help. Domestic reform such as a tax-code overhaul will help, and that's where politicians on both sides of the Atlantic should put their energies.

The German Miracle

Angela Merkel is a rare leader on the Continent in recent years to head into an election with a strong economy. She is the luckiest politician in Europe.

Germany's 0.6% growth in the second quarter, according to data released Tuesday, was slightly short of what economists expected, but no matter. Year-on-year growth was 2.1%, and some reading the survey data think the country could approach 3% growth for the year. Mrs. Merkel is campaigning on the promise of "a Germany in which we live well"—yes, that's really the slogan—and now she can tell voters she knows how to deliver.

But does she? What's striking is how little Germany itself has to do with its own growth. Strong domestic consumption is one driver, and households support the economy to a greater degree than many foreigners imagine. But the main cause for the current growth spurt appears to be rising confidence in the prospects of the eurozone economy as a whole, rather than any specific German policies. Investment, unaccountably low at 20% or less of GDP for 15 years, is also finally perking up. Here, too, the credit belongs to other parts of Europe. It can't be due to pro-investment policies from Mrs. Merkel, since she hasn't proposed any.

Today's German economy shows how far you can get on a few modest labor reforms such as those passed 15 years ago by social-democratic Chancellor Gerhard Schröder. The French can take heart from this as they contemplate their own overhauls. Mrs. Merkel has prospered politically from the Schröder reforms, which have helped Germany ride out policy mistakes like the high cost of her green-energy projects. The Chancellor seems poised to win a fourth term next month but it's too bad she's missing an opportunity to build a more durable economy.

Trump's China Trade Sally

U.S. President 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.

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

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 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.

Fighting for Free Speech When It Matters the Most

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 Ann Coulter to speak on campuses but has been virtually silent on cases involving leftist or progressive faculty members who face suspension for provocative comments."

On Monday Virginia Gov. Terry McAuliffe piled on, suggesting the violence was the ACLU's fault.

The unkindest cut came from within, when a board member of the ACLU's Virginia chapter resigned in protest of . . . well . . . the ACLU. "I won't be a fig leaf for Nazis," declared Waldo Jaquith.

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.

A week before the rally, the city of Charlottesville revoked the permit, saying it wanted the rally moved to another park, a mile away, because the police couldn't handle the crowd. The ACLU (and the Rutherford Institute) sued in federal court on Mr. Kessler's behalf, saying the Charlottesville police had handled crowds of thousands before in the same park. It further noted that the city's action seemed to be motivated by what it feared counter-protesters might do, in effect granting them a heckler's veto.

But the ACLU's chief argument was that the First Amendment precludes governments from blocking public protests based on their viewpoints, however loathsome those views may be.

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 Charlottesville, a principled stand for the speech rights of even odious speakers.

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.' "

Another tweet: "Not sure who provoked first. Both sides were hitting each other at Justice Park before police arrived."

At 9:40 p.m., after the young lady had been killed, the group issued a larger statement on the day's violence. It began by saying the ACLU of Virginia was "sickened" by the "vile acts committed" in Charlottesville, condemning "white supremacy," calling what happened "terrorism," and insisting that included in their condemnation was President Trump, "who condones today's inhumanities by default."

But it didn't back down on the stand it had taken: "What happened today had nothing to do with free speech."

As usual the liberal website Vox put its finger on what is at stake in a way it almost surely didn't intend, when it explained the reasoning of those attacking the ACLU. "It's one thing in theory to support universal free speech rights, but it's another to actually spend time and money defending neo-Nazis."

Exactly. The ACLU's sin here is that it didn't just support free speech in theory. It supported it in practice. Even speech the ACLU detests. Even while most ACLU members are probably more personally in sync with the anti-Trump sentiments of the counterprotesters.

So three cheers for the ACLU for defending free speech at the moment it most matters: when it's guaranteed to make you unpopular.

Write to mcgurn@wsj.com.

At 70, a New Vigor Coming Out of India

By Tunku Varadarajan

Independent India turned 70 on Tuesday. It is an ancient civilization and a youthful republic. India has more global clout now than it did at 50, the result of its hefty economy and palpable new self-belief. Once pious and retiring, India has become forceful and outgoing—hungrily acquisitive of assets, opportunities, even new alliances (Hello, Washington!). The country is unrecognizable from the one that the war-worn British left on Aug. 15, 1947.

Pragmatism has replaced sanctimony as the guiding principle of Indian foreign policy. But the new Indian ambition still has a strident and unlovely side.

It is fair to say that the forces of nationalism, which have allowed India to count on the world stage, also sowed great discord at home. India has never been more internally divided than it is now, and the country seems to be on the edge of turmoil.

The ruling Bharatiya Janata Party, showing scant regard for India's secularism, has hacked away at the roots of social harmony by asserting a fundamentalist brand of Hinduism. As Hamid Ansari, India's vice president from 2007 until last week, said upon his retirement, there is "a sense of insecurity" among India's Muslims.

Predictably, Hindu hard-liners suggested to Mr. Ansari, a Muslim himself, that if India wasn't to his taste, he should go live in Pakistan. "Live in a country where you feel secure," he was told. (The vice presidency in India—like the presidency—is a ceremonial post.)

Not everything about the old India was bad, but today's BJP government is behaving as if many of the political and social norms that preceded its rise to power were worthless.

It is irrefutably the case that the governments of Jawaharlal Nehru, Indira Gandhi and the Congress Party crippled India's economy through their obsession with autarky and economic "self-sufficiency." In effect, that came to mean the exclusion of foreign capital and goods and the coddling of a crony-capitalist regime that left India's people impoverished and its consumers ripped off.

The old foreign policy, too, ensured that India was a midget in global affairs. New Delhi traversed a Wonder Land of "nonalignment," Cold War jargon for a soft anti-Americanism.

But its retreat from secularism is worrying.

Yet this old, penurious India had an asset that was essential for harmony in a nation of several hundred million people with multiple religions and languages. That was secularism.

The country was never entirely free of religious tension, and communal violence erupted from time to time, but there was never any doubt that the Indian state—however corrupt in so many other ways—was an evenhanded arbiter between religions. India's Muslims, while poorer on average than its Hindus, never felt regarded as second-class citizens, let alone as unwanted aliens (as the BJP's base would like to suggest).

In all of this, Prime Minister Narendra Modi has lost sight of the insistent need for economic reform. As his Hindu activists grow ever more emboldened, he has had to devote his energy to appeasing them. Worryingly, there is little evidence that he finds their intolerance at all distasteful.

Which leaves India, at 70, vulnerable to tensions that could wound gravely not only its economy, but also its very nature as a secular, democratic republic.

Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.

Brexit's Northern Ireland Problem

By Peter Geoghegan

For most of the 14 months since the U.K. voted to leave the European Union, attention has focused on London and Brussels and Paris and Berlin as the places where the important decisions about Brexit will be made. Now, however, a new center of gravity is set to emerge: Dublin.

Avoiding a border in Ireland is one of the EU's three priorities in Brexit talks. The British government is set to publish on Wednesday its position paper on the issue, calling for a "light touch" regime along the 310-mile border between the Republic and Northern Ireland, using new technology to make border control "as seamless and frictionless as possible." Irish ministers have already dismissed such solutions as unworkable.

Membership in the EU was a crucial element of the peace process and can't easily be undone.

Dublin's anxieties about the U.K.'s Brexit approach have become increasingly—and unprecedently—vocal. Prime Minister Leo Varadkar last month said he was "not going to design a border for the Brexiteers." Brexiteers, in turn, accused Dublin of everything from wanting to derail Brexit to irredentist ambitions in Northern Ireland.

Mr. Varadkar's rhetoric reflects both strength and weakness. A transitional Brexit deal, over which each EU member state would have a veto, greatly increases Dublin's leverage.

But if, as British government ministers have promised, the U.K. leaves the single market and the customs union even after a transitional period, checks will be needed on goods crossing the border. That would be a boon for a region notorious for smuggling but also, with some 300 roads traversing the border, a serious economic impediment.

Around 13% of Irish exports go to the U.K. The Irish economy is increasingly all-Ireland, with a common energy market and some goods moving multiple times over the border during production. The post-Brexit slump in the value of the pound wiped an estimated €500 million ($591.2 million) off Irish sales to the U.K. in 2016.

Most worrying, Brexit puts Dublin and London on opposing sides of a vital issue upon which both have been united for more than 20 years—Northern Ireland.

The Conservative government in Westminster and the Democratic Unionist (DUP) members of parliament on which the Tory majority depends insist that there will be no bespoke Brexit deal for Northern Ireland and that leaving the EU will even benefit the region's sluggish economy. But if anything, Brexit will deepen Northern Ireland's political and economic problems.

EU membership helped paper over vexing questions of identity and sovereignty. Anyone born in Northern Ireland can claim Irish, British or dual citizenship, but all share EU passports allowing them to live and work freely on either side of the line.


AGENCE FRANCE-PRESSE/GETTY IMAGE

Leo Varadkar, left, and Theresa May at 10 Downing Street in London on June 19.

EU structural funds worth around £500 million ($650.6 million) annually to Northern Ireland helped rebuild an economy recovering from decades of conflict.

The Brexiteers' "Take Back Control" vision of sovereignty ignores Dublin's legitimate involvement in Northern Ireland. The 1998 Good Friday Agreement explicitly recognizes the Irish Republic's "special interest" in affairs north of the border. That peace deal allows for a referendum on unification. Some republicans are calling for such a plebiscite, which they think might draw support from among the 56% of Northern Ireland that voted to remain in the EU.

A return to armed conflict in Northern Ireland seems unlikely, but the factions appear to be hardening. In June, between them the DUP and Sinn Fein took all but one of Northern Ireland's 18 Westminster seats. Moderate voices are being squeezed out.

Since the Brexit vote, Northern Ireland's devolved assembly has collapsed. Mrs. May's reliance on the DUP, the only mainstream Northern Irish party to advocate for Leave, has all but ended any prospect of power sharing before the Brexit process is completed. It's as if the national government in Westminster is putting a finger on the delicately balanced scales in Belfast.

Many Brexiteers take the view that the border is Dublin's problem. DUP member of parliament Jeffrey Donaldson cited Irish toll roads as evidence that there was no need for a border—suggesting license-plate recognition could play the same role as customs checks. Conservative member of the European Parliament Daniel Hannan recently tweeted: "It would surely be logistically easier to treat the British Isles as what it has always been—a single customs area."

This is economically and historically illiterate. Mr. Hannan's solution would not be logistically easier for the many Irish companies that also do significant trade with the rest of the EU. And it's out of step with how modern Irish view themselves and their relationships with their neighbors. The term "British Isles" was removed from Irish textbooks more than a decade ago.

The naive belief that Ireland will bend to Brexit logic, or even leave the EU altogether, ignores political reality. The Good Friday Agreement effectively removed the border from Irish politics. In the Irish Republic, even Sinn Fein campaigns more on poverty and garbage-removal charges than unification.

But Brexit has inflamed Irish opinion. The ruling Fine Gael, often seen as the most "pro-British" party, recently resurrected its "United Ireland" slogan. No Irish government backing a Brexit deal that brings back the border can expect to remain in office for long.

There is little sign that London has given serious consideration to any of this. Mr. Varadkar's warning in essence was that the U.K. government needs to get real about how Brexit will affect Northern Ireland and Ireland, and soon. The longer Westminster delays, the more damaging for its relations with a crucial economic partner, and the more dangerous for a region that has only recently started to put its troubled history behind it.

Mr. Geoghegan is a lecturer at the University of the West of Scotland and the author of "The People's Referendum: Why Scotland Will Never Be the Same Again" (Luath Press, 2015).

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 three. (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 four 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 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 four percentage points.

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

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 isn't 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.

What Swedes Give Up for 'Free' Money

By Zach Maher

I moved to Sweden for love, not money, but I was happy to learn that merely living in this social democracy also entitled me to paid parental-leave benefits. Who could object to free money, handed out by the government to all Swedish parents? Then I became a father.

Two hundred years ago, Sweden was a nation of smallholding farm families, many of whom were poor enough to prefer emigrating to North Dakota or Minnesota. Today, workers in Sweden are offered a welfare smörgåsbord of free health care, subsidized housing, paid leave, unemployment benefits, job training and pensions.

This system of interlaced welfare programs is the government's attempt to realize a political and social ideal that has seemingly universal acceptance among Swedes, known as *trygghet*.

Although trygghet is usually defined as security or safety, neither of these translations carries the implications about the future that trygghet projects. To be *trygg* is to feel so comfortable and certain in a secure, predictable environment that you can relax, express yourself and grow. Trygghet is what Swedish parents are expected to give their children, and ensuring that they do so is the function of the most prized component of the Swedish social-welfare state, the parental benefits system.

For one year after the birth of our son, the government's social-insurance agency will pay 80% of the salary my Swedish wife earned as a lawyer working in public service. I was surprised to learn that I, too, could receive parental benefits, for up to six months, at the generous minimum level. Only after a recent family crisis did I understand why.

Six months ago, my 2-year-old niece broke her leg. The physician who treated the girl told my brother-in-law that his daughter would be given a full-body CT scan. The doctor insisted that the procedure was mandatory, but not for any medical reason. Rather, the Swedish social-services administration requires such scans to look for evidence of child abuse. While the doctor did note that the broken leg was the result of an accident, he told my brother-in-law the matter was "out of my hands."

When the girl's parents refused to subject her to this unnecessary procedure, the hidden machinery of the Swedish welfare state sprang into motion. My brother-in-law and his wife were required to attend multiple interviews with social workers and to submit friends and neighbors in their small town for questioning. Social workers even inspected their home.

Suddenly, decisions as benign as what milk to buy seemed potential evidence of parental deficiency. My in-laws feared their two children might be taken from them.

When the state treats childrearing like a job, make sure you don't run afoul of the boss.

In Sweden, the state reserves for itself ultimate responsibility for children's well-being. As a parent my job is to give my kids the trygghet necessary to become productive, tax-paying members of Swedish society. This is why I receive financial support and medical benefits. The state is paying me to be a parent. I am, in effect, an employee—and if I do a poor job, my responsibility as a parent might be taken away from me.

Social services never found grounds to continue their investigation of my brother-in-law's family beyond the preliminary steps. Nevertheless, they had been made to feel belittlement, confusion and embarrassment, simply because they disagreed with the authorities. These reflexive feelings of guilt and shame are another, far subtler and more insidious mechanism for enforcing conformity.

The Swedish word for this cultural phenomenon, *lagom*, has recently appeared in the international press, mistranslated as moderation or self-restraint. Lagom is actually a uniquely Swedish conception of common sense, according to which the best way of acting is always inextricable from how you expect your neighbors to act. Lagom is what everyone thinks everyone else thinks—whether about milk, welfare or what constitutes good parenting.

The mere fact of being investigated by a social-services agency placed my brother-in-law's family outside lagom. No one needed to accuse them of anything, and that was the point. No reasonable person should ever do anything suspected of being unreasonable.

Some parents insist, as my wife and I do, on having their own ideas about raising children. In our opinion, anesthetizing a 2-year-old girl and subjecting her to radiation for an unnecessary medical procedure is not lagom.

Does this mean we can't accept parental support from the state? Does this mean we can't live in Sweden?

Although the welfare state is often debated in economic terms, we have yet to put a price on self-determination or freedom of conscience. What I once thought was free money may cost more than I am prepared to pay.

Mr. Maher is a freelance writer and former staff member of the New York Review of Books.

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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 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.

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

Yes, You Are Oversharing Photos

How to show your favorite snapshots to friends and family without becoming a pest; preventing: 'Debbie, we don't care.'

A WEEK AFTER her father died, Dianne Adelberg arranged to meet an old pal for yoga. She was wiped out emotionally and looking forward to a restorative class and then catching up at lunch after with her friend, whom she hadn't seen in a while.

The two women greeted each other warmly. Then Ms. Adelberg's friend asked: "Have you had a chance to see the photos I posted on Facebook of my hiking trip last week?"

The pressure to view people's photos can feel inescapable these days. The pictures don't just pop up on Facebook. They're also on Instagram, Snapchat and Twitter, as well as other places.

They appear unbidden in your email inbox and your text chats. When you're really unlucky, they arrive via a group text, so you have to view not only the pictures but also everyone's replies. "Awesome!" "Hilarious!" "Sooooo cute!"

Of course, it's nice to keep up with what friends and family members are doing.

VERÓNICA GRECH

But a body of research shows that all these photos—and the implicit pressure to look at them—can harm our relationships, causing envy, resentment and even depression.

A study, published as a working paper in June 2013 by the University of Birmingham, in England, showed that, in general, when people frequently post photos of themselves or their families on Facebook it may lead to a decline in support, intimacy and companionship in their relationships with the people who view them. (The study didn't define how frequent was too frequent. And it showed that some relationships were harmed more than others: Romantic partners, in particular, did not like to view photos of their beloved's friends.)

People rarely share just one photo—or consolidate them into a group. Rather, the pictures arrive in stream-of-consciousness fashion, sometimes on several social-media apps at once.

We get to see our cousin's kid at camp—standing on a pier, standing in the outfield, standing in line at dinner—or a course-by-course litany of everything Uncle Bob ate on his cruise to Alaska. One recent afternoon, an acquaintance of mine posted more than a dozen photos of two geese in a Paris park—one after another—on both Facebook and Instagram.

The pressure to view all this is substantial—and the closer you are to the person doing the sharing, the trickier it is to ignore. There's a high expectation that you should comment on the photos of a loved one.

And the emotional buttons the photos push are higher too. ("My brother hasn't returned my call in two days, but he has time to post 15 photos of his daughter's soccer game?")

Ms. Adelberg, a 57-year-old tax specialist for a government agency, says that same friend she met after yoga once opened her computer atop a restaurant table and tried to show her photos of the rafting trip she had just done.

Ms. Adelberg reacted by saying: "We haven't even ordered the appetizers yet. Why don't we just chat?" Often, when Ms. Adelberg talks to her friend on the phone, the woman asks her if she's viewed her pictures.

"I love her dearly but I feel like she's assigning me homework," says Ms. Adelberg, who lives in Alexandria, Va. "And I feel scolded, like I haven't done a good job if I haven't sat down and looked at the photos."

Giana Crispell wonders why she is supposed to care about the photos her sister, Debbie Evenich, posts on Facebook and sometimes sends via email. Often, they are of Ms. Evenich's travels—the villa she rented with friends in Italy, her folk-dancing troupe performing in San Francisco or the waitress at a restaurant in Paris.

"She also has to give you the whole story behind the photo—'This is the couple I told you about from Oregon and he is an engineer,'" says Ms. Crispell, 72, a retired financial planner in San Diego. "I think, 'Debbie, we don't care.'"

Ms. Crispell has never dared to tell her sister this, though. No one else has either, says Ms. Evenich, 73, a retired elementary teacher from Petaluma, Calif.

Ms. Evenich also says she gets plenty of Facebook "likes" and compliments from friends—her real target audience, she says—who often recognize people in the pictures and tell her they are glad to see where she's been.

Once, she says, a professional photographer she met on a cruise told her that she has "great composition and a great eye."

So it doesn't bother her that her sister seems annoyed.

"I feel like that's her problem," Ms. Evenich says. "If someone doesn't like my photos they don't have to look at them."

How can you share your photos without alienating loved ones?

Consider your audience

Ask your loved ones how they would like to view your photos—via text or chat app, email, Facebook or Instagram. If you are posting on Facebook, use the privacy settings to post differently for different groups.

Edit yourself

Share only your very best photos. Think of your photos as pearls and let my grandmother's advice guide you: "Less really is more."

Share many photos at once

Often, it's not the amount of photos but the frequency of sharing that annoys people. When you have several similar photos, post them together.

Nix the group texts

Trust me on this. Unless you are absolutely sure that your loved ones want to be texted photos as a group, this is a bad idea. Even someone happy to see all your photos may not want everyone else's commentary.

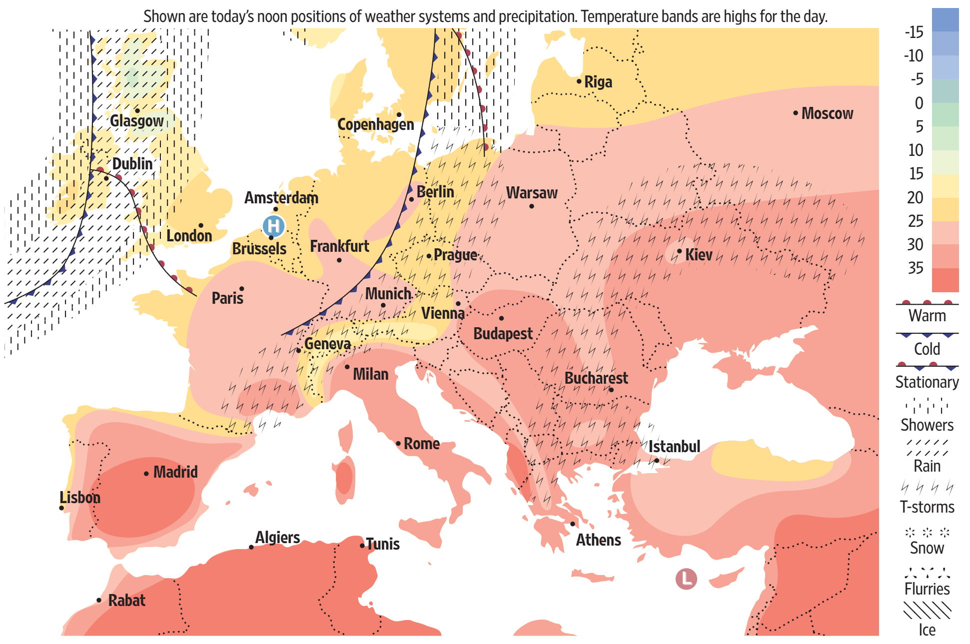
Make sure each photo tells a story about you

Sure, the sunset shots are nice. But your friends and family want to know what is really happening in your life. Share the everyday shots that connect you with others—the photo of mom's birthday dinner, the new puppy, even your cast after you broke your leg skiing.

Weather

AccuWeather.com

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



Global Forecasts

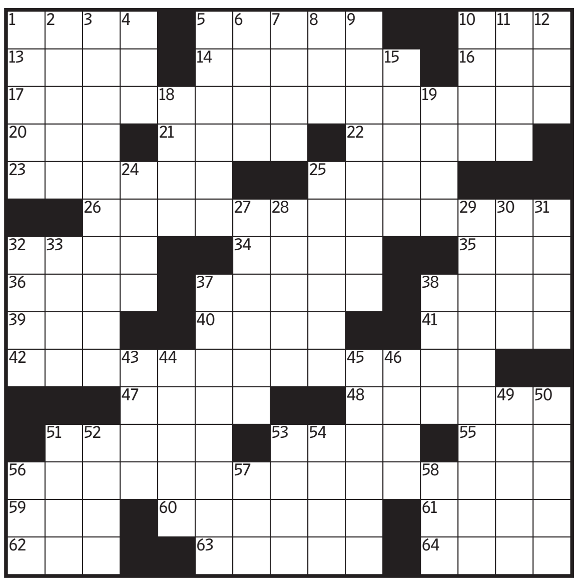
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	22	14	pc	21	17	r
Anchorage	14	10	r	16	9	sh
Athens	33	26	s	33	26	s
Atlanta	32	24	t	32	24	t
Baghdad	46	32	s	49	32	s
Baltimore	31	20	pc	29	21	pc
Bangkok	34	27	t	32	26	t
Beijing	29	21	t	29	21	s
Berlin	24	15	pc	26	18	pc
Bogota	19	10	t	20	9	r
Boise	31	15	s	31	15	s
Boston	29	16	s	26	16	pc
Brussels	24	16	pc	22	17	c
Buenos Aires	17	6	s	20	10	pc
Cairo	34	25	s	34	26	s
Calgary	26	10	pc	23	10	pc
Caracas	32	26	t	32	27	t
Charlotte	33	22	c	33	23	pc
Chicago	30	22	pc	28	18	pc
Dallas	36	27	s	36	26	t
Denver	26	13	t	29	14	pc
Detroit	29	19	pc	29	20	t
Dubai	41	33	s	41	33	s
Dublin	18	11	r	19	11	sh
Edinburgh	17	13	r	20	10	sh
Frankfurt	26	15	pc	27	17	c

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Geneva	29	16	t	29	17	pc
Hanoi	28	24	t	30	24	t
Havana	33	23	pc	33	23	s
Hong Kong	33	28	t	33	28	t
Honolulu	32	24	pc	32	24	s
Houston	35	26	pc	35	25	pc
Istanbul	29	22	sh	29	24	s
Jakarta	31	24	s	32	24	pc
Johannesburg	23	1	s	10	1	pc
Kansas City	29	20	t	29	17	pc
Las Vegas	37	25	s	38	25	s
Lima	20	14	pc	21	15	s
London	22	16	c	23	14	pc
Los Angeles	25	17	pc	26	17	pc
Madrid	36	20	pc	37	20	s
Manila	35	28	t	34	28	t
Melbourne	15	9	pc	14	7	sh
Mexico City	24	13	t	23	13	pc
Miami	33	27	t	33	26	pc
Milan	33	21	c	33	22	pc
Minneapolis	22	18	r	25	16	pc
Monterrey	37	22	pc	36	22	pc
Montreal	22	11	s	24	15	pc
Moscow	23	13	s	24	15	s
Mumbai	31	26	sh	31	26	sh
Nashville	32	24	t	33	24	pc
New Delhi	37	29	s	39	29	s
New Orleans	32	25	t	32	25	s
New York City	31	20	s	27	22	pc
Omaha	27	19	t	29	17	s
Orlando	34	25	t	33	24	t

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Ottawa	22	9	s	25	14	pc
Paris	26	16	pc	25	18	c
Philadelphia	32	22	s	30	23	pc
Phoenix	39	25	s	40	24	s
Pittsburgh	29	19	pc	30	22	t
Port-au-Prince	37	23	pc	36	25	t
Portland, Ore.	26	14	pc	25	13	pc
Rio de Janeiro	25	20	pc	24	20	r
Riyadh	44	29	s	44	29	s
Rome	32	19	pc	32	20	s
Salt Lake City	31	20	t	33	19	s
San Diego	23	18	pc	24	19	pc
San Francisco	22	15	pc	23	15	pc
San Juan	31	26	sh	31	27	sh
Santiago	20	5	s	20	6	s
Santo Domingo	33	24	pc	31	24	t
Sao Paulo	18	15	r	18	15	r
Seattle	25	14	pc	24	13	pc
Seoul	27	23	r	27	23	r
Shanghai	33	27	sh	32	27	t
Singapore	30	26	c	30	26	sh
Stockholm	21	11	r	23	12	pc
Sydney	23	13	s	23	13	s
Taipei	37	28	t	36	27	t
Tehran	36	26	s	36	27	s
Tel Aviv	31	25	s	33	26	s
Tokyo	25	23	r	29	24	c
Toronto	24	16	s	23	18	pc
Vancouver	21	14	s	21	13	pc
Washington, D.C.	32	24	pc	30	23	t
Zurich	27	15	t	27	16	pc

The WSJ Daily Crossword | Edited by Mike Shenk



MIXED FEELINGS | By Harold Jones

Across

1 Satisfy a nicotine craving, in a way
5 Sparkly topper
10 Home of "Shark Tank"
13 Adobe material
14 One who's coming along nicely?
16 Dairy sound
17 Hostile feeling that's fleeting?
20 Acct. addition
21 Succulent plant with toothed leaves
22 CBS spinoff of 2004
23 #1 film on AFI's "100 Years...100 Thrills" list
25 Ruff stuff
26 Furious feeling brought on by high elevations?
32 Fret
34 Not achromatic
35 Angsty genre
36 Dead giveaway?
37 Chum
38 Ticket remnant
39 Crumb carrier
40 Friendly femme
41 Galloway gal
42 Overcome a jaded feeling?
47 Bulldog backers
48 Boarding sites
51 Dada pioneer Max
53 Stuffing seasoning
55 By means of
56 Ones who feel euphoric while collecting coupons?
59 Concert stage sight
60 Cover completely
61 Heads out
62 Molder
63 Royal's overthrow, e.g.
64 Tennis star Murray

Down

1 TV component since 2000
2 Astronauts Bean and Shepard
3 Orders for the grill cook
4 Look over
5 Cookware coating
6 Analogist's colon
7 Consequence of overexercising
8 Sea urchin eggs
9 Comely companion
10 "Ain't that the truth!"
11 Angular
12 Guest accommodation
15 Puccini opera
18 Pearl Harbor setting
19 Appearance
24 Monk's wear
25 Brahms works
27 Texting tools
28 Speaker's output
29 "Hurry up!"
30 Australian avians
31 Holds up
32 Did a few laps
33 Funny Fey
37 Iago in "Otello," e.g.
38 Unappetizing gruel
43 Jamboree setting
44 Cow in commercials
45 More avant-garde
46 Difficult to comprehend
49 Tuckered out
50 Fresh
51 Ticklish Muppet
52 Captivated
53 Lasting mark
54 Not to mention
56 Cochlea's place
57 Big name in ATMs
58 Org. whose members do a lot of driving

Previous Puzzle's Solution

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

TECHNOLOGY: UBER SETTLES WITH FTC OVER DATA-PRIVACY PROTECTIONS B4

BUSINESS & FINANCE

Euro vs. Dollar 1.1734 ▼ 0.41% | FTSE 100 7383.85 ▲ 0.41% | Gold 1273.70 ▼ 0.82% | WTI crude 47.55 ▼ 0.08% | German Bund yield 0.435% | 10-Year Treasury yield 2.264%

Air Berlin Files for Bankruptcy

By Robert Wall

Air Berlin PLC, Germany's second-largest airline, on Tuesday said it had filed for bankruptcy protection and was in talks to sell part of its operations to larger rival **Deutsche Lufthansa AG**.

The German government, facing potentially big job losses at Air Berlin ahead of general elections next month, stepped in to provide a €150 million ($176 million) bridge loan to Air Berlin in order to keep the airline afloat during the busy summer holiday season.

The airline has about 8,000 staff and without the money would have been grounded, officials said Tuesday.

Air Berlin becomes the second high-profile European carrier to go bust this year amid fierce competition that has led to sharp declines in airline ticket prices. Italy's flag carrier, Alitalia, filed for bankruptcy in June.

The German carrier, which has lost about €2 billion in the past four years, had been trying to cut unprofitable operations and rapidly expand its more lucrative trans-Atlantic routes to the U.S. but ran out of time.

Air Berlin has struggled with high costs and growing competition from budget rivals such as **Ryanair Holdings PLC**, Europe's largest airline by passenger numbers. Ryanair has been expanding aggressively in Germany.

HANNIBAL HANSCHKE/REUTERS

The German carrier said Etihad Airways is no longer providing support.

Air Berlin said it was forced to file for the German equivalent of chapter 11 bankruptcy protection after one of its largest investors, Abu Dhabi's **Etihad Airways**, said it would no longer provide the German carrier with financial support.

Etihad owns a 29.2% stake in Air Berlin and has repeatedly provided extra liquidity to the German carrier to keep it flying.

Etihad Airways took minority stakes in a number of airlines, including Italy's Alitalia, to help deliver passengers to its own network and drive growth. But it is stepping back from that strategy after it proved too costly. Etihad last month reported a $1.87 billion net loss for the financial year ended in March, in part driven by write-downs on its Air Berlin and Alitalia investments.

"We are working tirelessly to achieve the best possible outcome for the company, our customers and employees, given the situation," said Air Berlin's Chief Executive

Please see CARRIER page B2

Blackstone Steps Up Big Bet On Gas

By Ryan Dezember

Blackstone Group LP is making one of its biggest bets on the growth of natural-gas production, wagering that even if gas prices remain stuck at depressed levels, it can profit.

The New York private-equity firm has built a roughly $7 billion bet on natural gas by investing in drilling fields, pipelines and a gas export terminal. The latest piece came last month, when it agreed to pay $1.57 billion for a 32.4% stake in the Rover Pipeline, a 710-mile tube being built across Ohio.

Natural-gas investments have been popular in recent years among private-equity firms. Many investments count on prices rising to turn profits—and have been doomed by low prices.

Blackstone says its wager is generally more dependent on production volumes increasing than on prices climbing. Most of the $7 billion has been put toward moving gas out of areas where drilling has increased despite low prices. The remainder has been invested in exploration and production in those regions.

"We're betting on which basins are going to be the winners," said David Foley, who leads the firm's energy investing. He has put Blackstone's money down in West Texas, Appalachia and Louisiana.

Blackstone raised its latest energy fund, a pool with more than $8 billion, in late 2014 and early 2015, when collapsing crude prices stoked optimism that investors could snap up oil assets on the cheap. The firm has invested billions in oil, but its splashiest deals have been aimed at natural gas.

The natural-gas gambit has grown into one of Blackstone's biggest, comparable in scope to its $10 billion bet on rental homes. But unlike home prices, the prognosis for natural-gas prices isn't as bright.

Goldman Sachs Group Inc., Citigroup Inc. and others say that abundant supply, and production that can be ramped up quickly, should keep U.S. natural-gas prices at an average of around $3 per million British thermal units for the next couple of years. Futures contracts for gas to be delivered in the winter, when demand and prices tend to be highest, don't exceed $3.50 an MMBTU until late 2027.

Blackstone joins a crowded field of private-equity firms that have barreled into gas investments since the combination of horizontal drilling and a rock-cracking process called hydraulic fracturing unlocked new drilling fields across the country. These firms' cash helped feed a drilling frenzy that has produced a flood of the heating and power-generation fuel.

Some firms have made disastrous bets, underestimating the new drilling technol-

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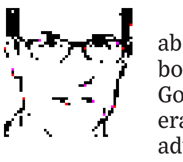
HEARD ON THE STREET
By Stephen Wilmot

WPP Is a Rare Value In the Ad Business



Worries about Facebook and Google obliterating the advertising industry as we know it are overblown. As the stock market climbs ever higher, traditional advertising agencies look like a rare pocket of value—none more so than the largest, **WPP**.

Advertising growth has slowed lately, and WPP, once a rock-solid performer, has been hit harder than most. Having lost big accounts with AT&T and Volkswagen, the London-listed owner of the Grey and Ogilvy & Mather agencies posted organic year-over-year revenue growth of just 0.2% for the first quarter, down from a peak of 6.7% in the final quarter of 2015.

Confidence took another hit last Wednesday, when Dentsu cut full-year forecasts. The storied Japanese agency held consumer-products groups responsible: The likes of Procter & Gamble, Nestlé and Unilever are shaking up their marketing budgets, as they grapple with weak growth and mounting pressure from activist investors. This is also a continuing problem for WPP, which makes more than 30% of its revenue from the sector.

Yet investors have sold off WPP even as consumer groups remain as popular as ever. Unilever's stock trades at 21 times earnings, for example, compared with just 12 times for WPP's. There has long been a gap, but the current nine-point divergence is unprecedented. Both are diversified plays on the global consumer with long track records of making money for investors.

Another explanation for the slowdown is that the entire agency business model is under threat from new competitors. These include technology giants Google and Facebook, consultants such as **Accenture**, and even advertisers such as Procter & Gamble, which has experimented with taking digital-ad buying in house.

The shift of advertising online has raised some valid worries. For example, direct marketing via email, which cuts out agencies, wasn't possible in the analog era. The much vaunted transparency of pay-per-click advertising has probably put pressure on pricing.

But the bigger picture is that digital advertising is developing so rapidly, and in such diverse ways, that agents are needed as much as ever. A steady flow of ac-

Please see HEARD page B2

Losing Streak Hits the Philippines

Security problems, scandal slow casino firms' ambition to make country an Asian gambling hub

SANJIT DAS/BLOOMBERG NEWS

Crown Resorts of Australia initially invested in the City of Dreams casino in Manila, but the company has since sold its stake.

By Jake Maxwell Watts And Ben Otto

MANILA—Poised for big business this summer, casino operators here had expected the opening of a $2.4 billion tropical waterfront resort and an influx of Chinese gamblers to further propel the sector's recent double-digit growth.

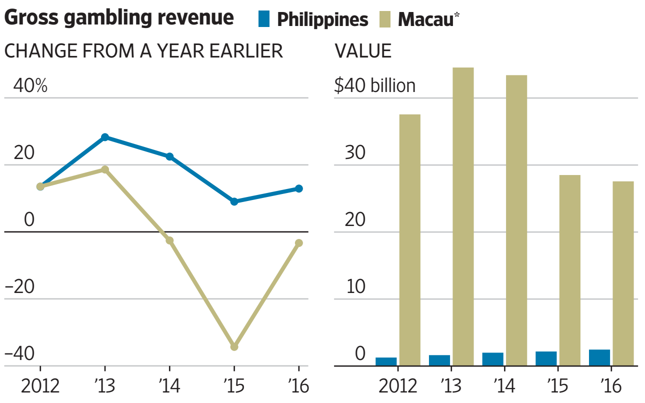
But a series of troubling events during the past several months has marred their ambitions to turn the Philippines into one of Asia's top gambling destinations.

Among them, lax security resulted in an armed assailant setting fire to a gaming hall, killing 37 people including himself; members of an alleged Chinese-run gambling syndicate were found to have paid a Singaporean woman from a casino; and Japan's Kazuo Okada, the chairman and billionaire namesake of the new waterfront resort, was ousted from his job amid a probe into alleged improper payments.

Industry experts say these events illustrate the poor state of regulation and security in the Philippine casino market, which, while growing rapidly, so far has largely failed to attract big Western investors.

Beginner's Luck

A nascent, weakly regulated Philippine casino industry is expanding at a time when revenue is falling at Asia's largest gambling market.



*Converted from patacas at the Aug. 9 exchange rate
Source: Fitch Ratings
THE WALL STREET JOURNAL.

"The credibility, the transparency, is just not there to satisfy the requirements of most international investor operators," said Ben Lee, a managing partner of the Macau-based IGamiX Management & Consulting.

The Philippines has stepped up as a global gaming center at the same time that growth at traditional hubs, such as Macau and Las Vegas, has slowed or even contracted. Philippine gaming revenue, worth $2.4 billion last year, has risen an average of nearly 24% a year from 2009 through 2016, according to data from Fitch Ratings. Macau's casino revenue, though much larger at $27.8 billion in 2016 alone, has grown less than 13% a year over the same period and has contracted in each of the past three years. Analysts expect improving relations between

Please see CASINO page B2

Depp's Money Woes Lead to U.S. Probes

Investigators from three U.S. agencies are probing a top Hollywood business-management firm facing fraud al-

By Scott Patterson, Justin Baer and Ben Fritz

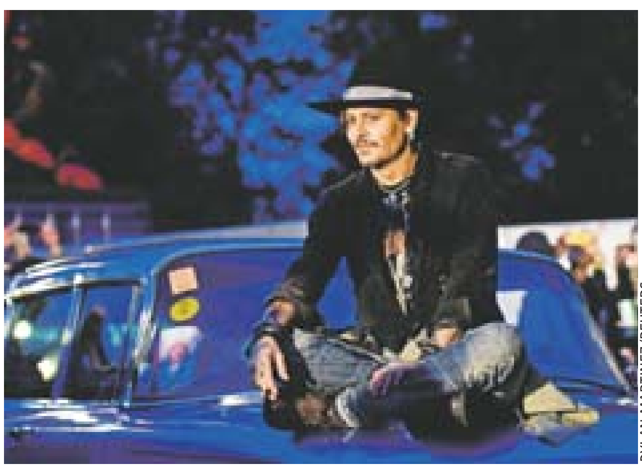
legations from a former client, actor Johnny Depp, according to people familiar with the situation.

The Internal Revenue Service and Justice Department are jointly looking into possible fraud and money laundering by the **Management Group**, founded by brothers Joel and Rob Mandel, the people said.

The Securities and Exchange Commission is separately investigating how the Management Group handled Mr. Depp's funds, according to people familiar with the matter.

Mr. Depp sued the brothers in January and is seeking more than $25 million in damages from the Mandels for alleged fraud and professional negligence. The Mandels have denied Mr. Depp's claims in a countersuit, calling them "baseless."

The IRS-Justice Department probe, which is in its early stages, is being led by the IRS's criminal investigation division and is currently focused on elements of the Mandels' dealings with Mr. Depp, according to people familiar with the matter. Mr. Depp's lawyers have met with government officials, the people said.


DYLAN MARTINEZ/REUTERS

Johnny Depp has blamed a business-management firm for his losses.

The probe may not result in any charges against the Management Group or its owners. Federal investigators typically look at the possibility of money laundering as they trace the path of funds that allegedly have been misappropriated, said the people familiar with the situation.

"In 30 years of business, no current or former client of TMG has raised any issue" of impropriety other than Mr. Depp, a lawyer for the Management Group said.

The SEC has subpoenaed at least one person in its probe, according to a person familiar with the matter.

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INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

INDEX TO PEOPLE

HEARD

Continued from the prior page
quisitions in recent years has pushed WPP's digital revenue to almost two-fifths of the total, giving it heft against Google and Facebook. These now rank first and third, respectively, in the list of media organizations to which the group funnels ads, and this doesn't seem likely to change. Each new scandal about inflated viewing statistics or inappropriate content undermines the new-media giants' automated ad-placement services and reinforces the advisory role of old-school middlemen.

After Dentsu's warning, investors will be watching WPP's full-year guidance of 2% organic growth very carefully when the company unveils results later this month. It was the downgrading of this number, from 3%, that first caused the shares to plunge in March.

But investors have a margin of safety: At 3.6%, WPP's dividend yield has reached levels not seen since 2009. Then the global economy was collapsing; now the Organization for Economic Cooperation and Development expects global growth to reach a six-year high. WPP looks like a value investment: a high-quality company that has fallen on hard times. The smart money will buy before the clouds clear.

CARRIER

Continued from the prior page
Thomas Winkelmann, who has been in the job about six months.

The airline said flights would continue as planned and that it remained open to bookings.

Lufthansa, Germany's No. 1 airline by traffic, said it was already in talks with Air Berlin to take over some of the rival carrier's operations. Lufthansa wouldn't address what assets it may acquire during negotiations but said it intends to conclude the negotiations "in due time."

It also indicated it could hire some Air Berlin staff. Lufthansa this year already deepened ties with Air Berlin by renting some planes from its rival and said that relationship would persist.

Any deal between Lufthansa and Air Berlin could raise competition concerns.

Air Berlin shares fell 34% and Lufthansa shares were up 4.7% late Tuesday in Xetra trading.

Germany Transport Minister Alexander Dobrindt said that he expected the government funds should keep Air Berlin in operation until the end of November. Germany's federal government found out about Air Berlin's pending insolvency application on Friday night and worked over the weekend to secure the transition credit to keep the airline in operation, Mr. Dobrindt said.

—Zeke Turner contributed to this article.


ALBAN GROSDIDIER/DPA/ZUMA PRESS
Thomas Winkelmann has been Air Berlin's CEO for about six months.

BUSINESS & FINANCE

GAS

Continued from the prior page
ogy and how severely it would affect prices.

The Texas power producer formerly known as TXU Corp. was bankrupted by buyout debt after KKR & Co. and TPG bought the company in 2007 for $32 billion assuming that gas prices, and thus electricity prices, would remain high. Instead, shale gas flooded the market.

Another surge of shale gas sent prices spiraling shortly after KKR and others paid $7.2 billion for oil-and-gas producer Samson Resources Corp. in 2011. Samson's bankruptcy case is approaching its second anniversary.

But there have been enough successes to keep investor interest in natural gas alive. KKR once made $1.5 billion in about a year by flipping Pennsylvania shale fields. Big scores like that have helped draw more than $200 billion into energy funds since 2013, according to Preqin.

The earliest of Blackstone's natural-gas investments is poised to begin paying dividends. In 2012, the company put $1.5 billion toward the construction of **Cheniere Energy** Inc.'s facility in Sabine Pass, La., to liquefy natural gas for export.

The facility, which last year became the first to ship U.S. shale gas overseas, is adding capacity and recently reached a construction milestone that triggered Blackstone's stake to convert to common shares of an entity that distributes 42.5 cents a share each quarter. With more than 202 million shares, Blackstone is due about $86 million quarterly, or $344 million annually.

The Rover Pipeline could be completed as early as autumn, according to **Energy Transfer Partners** LP, which is building the project. It will connect some of the country's most prolific wells to markets around the Great Lakes and along the Gulf of Mexico. Once it opens, the Appalachian drillers who have signed up for shipping space on the pipeline will pay fees whether they send gas or not.

Earlier this year, Blackstone paid $2 billion for 375 miles of pipelines in West Texas that gather gas being produced as a byproduct of the frenzied Permian Basin oil drilling, and is therefore not particularly sensitive to gas price movements.

Mr. Foley says owning infrastructure like gas pipelines and export terminals is akin to selling supplies to speculators during the California Gold Rush. "It's like picks and shovels for gold mining," he said. "We don't really care about the gold price, we just need it to be sufficient that people continue to mine."

Blackstone's strategy isn't without price risk. A decline much below $3 could hurt the firm's investments in exploration and production outfits. Persistently low prices have pressured such companies and limited the places where drilling is profitable.

In Appalachia, Blackstone has placed hundreds of millions of dollars with closely held prospectors, including $250 million with a 105-year-old Pittsburgh outfit called Huntley & Huntley, which it has used to acquire acreage and drill wells near fields that gas giant EQT Corp. has been consolidating. In northwest Louisiana, it spent $1.2 billion on drilling fields and created a company called Vine Resources Inc., which filed paperwork in April to pursue an initial public offering.


RANDY ROBERTS FOR THE WALL STREET JOURNAL
Blackstone has agreed to pay $1.57 billion for a 32.4% stake in the Rover Pipeline, which crosses Ohio.


SANJIT DAS/BLOOMBERG NEWS
The City of Dreams casino in Manila. Philippine gambling revenue is up an average of nearly 24% a year from 2009 through 2016.

CASINO

Continued from the prior page
Manila and Beijing—making it more feasible for Chinese visitors to come to the Philippines—to drive growth in Manila's gaming sector.

But foreign casino operators remain wary. Ed Bowers, senior vice president of U.S. resorts company MGM Resorts International Inc., told Philippine media in May that MGM decided not to enter the market, citing concerns about competition and the dual role of the country's regulatory authority, which is also a casino operator.

Significant investors here include the Philippines' richest man, property and retail magnate Henry Sy, and local ports tycoon Enrique Razon. Both have raked in substantial profits after pouring billions of dollars into casinos located on a plot of reclaimed land, dubbed Entertainment City, near Manila's international airport. Australian James Packer's **Crown Resorts** Ltd. initially invested in an Entertainment City casino called City of Dreams, but it has since sold its stake.

The only high-profile foreigner still in the mix was Mr. Okada. He was scheduled to formally open Okada Manila in July in Entertainment City, until he was removed as chairman of the resort after an internal investigation into alleged improper payments.

The investigation has yet to conclude, and while the Okada Manila casino is partially open, its full launch has been delayed.

Mr. Okada hasn't responded to the allegations and couldn't be reached for comment.

The Philippine government sees promise in the casino sector but the country is an outlier in Asian gaming in its light-touch regulation. It allows proxy gaming—gambling anonymously—that is illegal in the rest of Asia's major casino markets. The country's state-owned casino operator, Philippine Amusement and Gaming Corp., or Pagcor, also acts as its industry regulator, creating what other countries say is a conflict of interest.

A U.S. State Department report in March described the Philippine casino sector as a "weak link" in anti-money-laundering and terrorist financing, adding that criminal groups had "infiltrated casino operations" for organized crime. Last year, $81 million stolen from the Bangladesh central bank by hackers was laundered through Philippine casinos. The report also said that drug traffickers "use the Philippine banking system, commercial enterprises, and particularly casinos, to transfer drug and other illicit proceeds from the Philippines to offshore accounts."

The Philippines' state-owned casino operator also acts as the country's industry regulator.

Pagcor didn't reply to requests for comment.

The recent scandals have prompted the government of Philippine President Rodrigo Duterte to propose action to clean up the casino industry and strengthen regulation. Last month, Mr. Duterte signed a law to include casinos in anti-money-laundering regulations, plugging a loophole that allowed millions from the Bangladesh heist to be laundered. The president also has ordered law enforcement "to intensify the fight" against unlicensed gambling.

The government is considering ordering Pagcor to start privatizing its dozens of casino assets by the end of the year, according to public comments made by the country's finance secretary.

Pagcor has said it would be open to some form of privatization but has yet to begin any such process. It opposed a similar proposal in 2012 under a previous government.

Industry analysts say Pagcor provides a lucrative source of revenue for the government, contributing to a lack of political will to make changes at the regulator.

DEPP

Continued from the prior page
The actor in his lawsuit alleged the Mandels invested millions of his dollars in ventures partly owned by the Management Group and the Mandels, which the lawsuit says created a conflict of interest. The firm in its countersuit called those allegations "absurd," claiming that Mr. Depp cashed out one such $1.5 million investment in 2008 for a profit and that another, for less than $450,000, has been profitable.

Business managers are a staple in Hollywood, charged with making investments, paying bills and handling taxes for wealthy actors and executives. Like many business-management firms in Hollywood, the Management Group maintains a low profile and keeps its client list private.

Mr. Depp alleged in his lawsuit, filed in Los Angeles Superior Court, that the Mandels caused him to lose tens of millions of dollars, incur more than $40 million in debt and dispose of significant assets.

The Mandels, who worked for Mr. Depp from 1999 to March 2016, said in the countersuit that the actor's financial problems are the result of his own overspending and failure to heed repeated warnings. Alleging breach of contract and fraud, they claimed Mr. Depp lived a "selfish, reckless and irresponsible lifestyle" that cost $2 million a month.

The Mandels claim they repeatedly warned Mr. Depp that he couldn't continue to afford his lifestyle. He responded "by rebuking and cursing his business managers for issuing such warnings and advice," according to their suit.

The Management Group is seeking $560,000 in unpaid fees and a ruling that the movie star himself is solely responsible for his financial situation. Both suits are pending.

Mr. Depp, in an April interview with The Wall Street Journal, said it was the Mandels' negligence and fraud, not his spending, that caused him to lose tens of millions of dollars over more than a decade.

Mr. Depp in his suit also accused the Mandels of failing to make timely tax payments on his income for years, resulting in about $8 million in penalties. The Mandels, in their firm's countersuit, said they were unable to pay all of Mr. Depp's taxes because he was "squandering vast sums of money and had insufficient funds to timely pay all of his taxes."

Amazon Undertakes Rare Debt Offering

By Sam Goldfarb

Amazon.com Inc. was set to sell $16 billion of bonds Tuesday to help fund its purchase of **Whole Foods Market** Inc., making a relatively rare trip to the debt market as it looks to become a major player in the grocery industry.

Amid strong demand from investors, Amazon was poised to sell a $3.5 billion 10-year bond at a 0.9 percentage point yield premium to Treasurys, below the 1.1 percentage point guidance circulated earlier in the day, according to people familiar with the deal. The online retail giant, which generates billions of cash flow annually, is also selling debt across six other maturities, ranging from three years to 40 years, in what is on track to amount to the fourth-largest U.S. corporate bond deal of the year, according to Dealogic.

Earlier this week, Moody's Investors Service affirmed Amazon's Baa 1 rating and changed its outlook to positive from stable, saying the benefits of the Whole Foods acquisition outweighed the extra debt being taken on to fund the deal. The debt sale is just Amazon's fourth since 1998 and first since December 2014, according to Dealogic.

Compared with other companies with similar credit ratings, Amazon has relatively little debt outstanding, "making it a good opportunity for a lot" of debt investors, said Rajeev Sharma, director of fixed income at Foresters Investment Management Co.

Excluding lease obligations, Amazon reported $7.68 billion of long-term debt and more than $21 billion of cash and marketable securities as of June 30.

Expected to close by year-end, Amazon's purchase of Whole Foods has the potential to reshape the U.S. grocery industry as the online retailer makes its first big push into brick-and-mortar retailing. The company has said little about plans for the more than 460 stores it is acquiring.

CHRISTOPHER DILTS/BLOOMBERG NEWS

Coach's shares plunged after the handbag maker reported a drop in sales for its latest quarter. Home Depot and off-price retailer TJX were more successful.

U.S. Retailers' Success Is Spotty

By Suzanne Kapner

American consumers are showing signs of life, but they shop, based on the mixed bag of retailers' earnings posted Tuesday.

Overall spending has been strong, though more of it is shifting online. Sales at retailers and restaurants in July rose 0.6% from a month earlier, the biggest increase since December, the Commerce Department said Tuesday. Individual retailers missing out on the sales pickup are those struggling with their lineup of merchandise and how it is priced.

Dick's Sporting Goods Inc., calling the retail environment "highly competitive and dynamic," posted a 0.1% uptick in second-quarter sales at stores open at least a year, less than the 2% to 3% increase the company had expected. It also lowered its earnings forecast for the year.

The sporting-goods retailer has sought to benefit from the bankruptcies of rivals City Sports, the Sports Authority and others by capturing leases and intellectual property to boost its market share. But promotions it used to lure customers back to stores have pressured margins.

In a call with analysts, Dick's Chief Executive Edward Stack said the company would benefit from industry consolidation as competitors falter but pricing pressure would likely continue. Dick's shares were off 23% at $26.87 late Tuesday.

Coach Inc.'s shares were also punished, falling 15% to $40.63, after the handbag and accessories maker said its sales fell 1.8% to $1.13 billion, short of Wall Street's expectations, although the company's latest quarter was one week shorter than the year-earlier period. Sales excluding recently opened or closed retail stores for the Coach brand rose 4% in North America.

Other retailers fared better in their latest quarter. **TJX** Cos., which has become one of the country's fastest-growing retailers by sticking with a playbook from a vanishing era, said total sales increased 6% to $8.36 billion. Sales excluding newly opened or closed locations rose 3%, extending a string of gains for the parent company of the off-price chains T.J. Maxx, Marshalls and HomeGoods.

Home Depot's chief financial officer said 'there is no recession in sight.'

TJX relies heavily on the instincts of its merchandise buyers, many of whom have been with the company for decades. TJX stores rapidly turn over limited quantities of products that are all sold at bargain prices. The result is a rarity in retail—a constant treasure hunt for shoppers.

TJX CEO Ernie Herrman said the company's sales gains were driven by increased foot traffic. "The customer is clearly telling us that brick-and-mortar retail continues to be an essential part of the shopping experience and certainly when it is executed right with the right values," Mr. Herrman said.

TJX's profit fell to $553 million for the three months ended July 29, from $562 million a year earlier. Income was dented by about 4 cents a share because of foreign-currency fluctuations and by lower gross margins because of inventory hedges.

Home Depot Inc. also reported increasing sales, and the chain raised its outlook for the second time this year, saying the long-running boom in the home-improvement market is getting a new lift from millennials and other first-time home buyers.

"We anticipated this happening with millennials coming into an age where they start to form families, children or pets or whatever their family unit might look like—they're moving into homes, which bodes very well for us," Chief Financial Officer Carol Tomé said during a call with analysts.

"There is no recession in sight," she said in an interview.

Along with strong sales of starter homes that often require repairs and renovations, Ms. Tomé pointed to an aging housing stock as contributing to the continued healthy demand. Home Depot's total sales rose 6.2% to $28.11 billion in its second quarter, while same-store sales rose 6.3%.

—Ezequiel Minaya and Michelle Ma contributed to this article.

In France, Apostrophes Trip Up Domino's Pizza

By Mike Cherney

SYDNEY—**Domino's Pizza Enterprises** Ltd. thought its online delivery platform could be the pièce de résistance of a strategy to fire up sales in France.

Turns out, the system—used in English-speaking countries such as Australia and New Zealand—had problems dealing with apostrophes, commonly found in French addresses and locations such as the Rue de l'Université in Paris. French slang also posed a challenge, resulting in diners being told delivery wasn't available where they were.

Investors found the confusion hard to stomach on Tuesday when the Sydney-listed company, which licenses the brand from U.S.-based **Domino's Pizza** Inc., blamed sluggish performance in France for a lower-than-expected annual profit. Shares fell 19%, wiping more than 800 million Australian dollars (US$628 million) off its market value.

The system "wasn't optimized for French addresses," said Chief Executive Don Meij, adding that the problem was fixed. The removal of some longstanding promotions and lukewarm reception for a new budget line of pizzas also hurt performance in the French market. The pizzas are offered at €5.99 (US$7) for a medium-size pie with a single topping of olives, pepperoni or ham.

Domino's had been a darling of the market, posting impressive sales numbers as it aggressively opened stores, made acquisitions and offered quick delivery and easy ordering from mobile phones.

Heading into Tuesday's report, Domino's valuation exceeded tech companies such as Apple Inc. and Facebook Inc. when their share prices were measured against future earnings, according to S&P Global Market Intelligence.

"There's been a lot of hype around their performance," said Sam Johnson, senior industry analyst at research firm IBISWorld. "With the results today, there's a bit of discussion as to whether their growth is as manageable as they had thought."

One of the ironies of Domino's tech troubles in France is that management bet big on innovation to increase sales of fast food, which broadened the company's appeal to investors.

Domino's has tested delivery via drones in New Zealand and in recent months worked with British-Estonian company Starship Technologies Ltd. to try out robots at some German and Dutch locations.

PHILIPPE HUGUEN/AGENCE FRANCE-PRESSE/GETTY IMAGES

A Domino's in France. Profit missed the company's projection.

But Domino's is facing more intense competition from third-party delivery apps and, in Australia, a revamped Pizza Hut that is overseen by a private-equity firm and former McDonald's Corp. executives.

Domino's, which runs the brand in Australia, parts of Europe and Japan, said underlying full-year net profit rose 29% from a year earlier, though that was short of what the company had expected. Sales growth at stores open at least a year was slower than expected in Australia and Europe. Same-store sales fell in Japan. Overall, sales rose 18%.

Mr. Meij said acquisitions in previous years boosted earnings, including pizza chains in France and Germany. He also said the company is now growing off a bigger sales base, making it more difficult to post the same growth rates as in years past.

The company still expects net profit to grow about 20% in the current fiscal year.

Refunds Issued For Eclipse Glasses

By Daniela Hernandez and Laura Stevens

Amazon.com Inc. started issuing refunds to consumers who bought certain brands of eclipse glasses after reports that counterfeits were flooding the market.

On Aug. 21, a total solar eclipse will traverse 14 states in the continental U.S., and most of the country will be able to see at least a partial eclipse. Staring at the partially covered sun without protective gear can cause vision loss, according to scientists.

"Out of an abundance of caution and in the interests of our customers, we asked third-party sellers that were offering solar eclipse glasses to provide documentation to verify their products were compliant with relevant safety standards," Amazon said. It kept offers from sellers that provided documentation, and removed the others. Customers of sellers that didn't provide documentation were notified last week of the refund.

While Amazon directly sells some merchandise on its site, it has increased its reliance on third-party sellers in recent years. Those sellers now make up more than 50% of units sold on the site world-wide.

Dozens of models of glasses to view the eclipse are being sold in stores and across the internet for as little as $1 a pair. Tens of millions have been sold in recent months. The glasses must meet strict safety standards.

The demand has given rise to counterfeit and substandard products, say manufacturers and the National Aeronautics and Space Administration.

Producers Sue AMC Networks in Profit Fight

GENE PAGE/AMC

'The Walking Dead' has been a hit show for the network, and its producers say they are being denied their fair share of profit.

By Joe Flint

The creator and three other producers of the hit show "The Walking Dead" have filed a suit against **AMC Networks** Inc. alleging they have been denied their rightful share of the hit program's profit.

In the suit, filed in California Superior Court in Los Angeles, "The Walking Dead" co-creator Robert Kirkman along with producers Glen Mazzara, Gale Ann Hurd and David Alpert claim that by using in-house dealings between AMC Network and AMC Studios, which produces "The Walking Dead," the parent AMC Networks has avoided sharing the financial success of the zombie drama with the producers.

Similar charges were made against AMC Networks by Frank Darabont, a former executive producer of "The Walking Dead," in a wrongful termination suit he filed against the network.

In their suit, the current producers say that profit participation usually kicks in at the production-company level while any profit the network makes stay there. Because in this case the studio and network are owned by the same company, the producers claim that AMC Networks paid a much lower license fee to AMC Studios to "keep the lion's share of the profit at the network level and not pay a fair-market-value license fee to the production company."

In a written statement, an AMC Networks spokesman said, "These kinds of lawsuits are fairly common in entertainment and they all have one thing in common—they follow success. Virtually every studio that has had a successful show has been the target of litigation like this, and 'The Walking Dead' has been the #1 show on television for five years in a row, so this is no surprise. We have enormous respect and appreciation for these plaintiffs, and we will continue to work with them as partners, even as we vigorously defend against this baseless and predictably opportunistic lawsuit."

Last week, Mr. Kirkman signed a deal with Amazon.com inc. to develop new shows for its Amazon Prime service. However, he will continue to be involved in "The Walking Dead."

Uber Settles Privacy Probe

Ride-sharing company agrees to two decades of audits as part of settlement with FTC

By Greg Bensinger

Uber Technologies Inc. agreed to two decades of audits as part of a settlement with the Federal Trade Commission over allegations the ride-hailing company didn't have sufficient data-privacy protections for its users.

The settlement revolves around a 2014 incident in which more than 100,000 names and driver's-license numbers were accessed in a breach of Uber's database. The FTC said Uber didn't take enough steps to secure data, such as including multifactor authentication.

The FTC also said an automated system Uber designed to monitor employee access to rider and driver data was abandoned less than a year after it was put in place.

The probe focused on assertions Uber made about the security of customers' data. As a result of the settlement, Uber will no longer be allowed to misrepresent its access to customer data or how it secures the data.

"Uber failed consumers in two key ways: First by misrepresenting the extent to which it monitored its employees' access to personal information about users and drivers, and second by misrepresenting that it took reasonable steps to secure that data," Maureen K. Ohlhausen, acting FTC chairman, said in a statement Tuesday.

One cause for the FTC's concern was a program Uber used called "God view," which allowed employees to monitor the locations of riders in real time. Uber has said it since limited employees' access to a similar tool to only those with a critical need to access such data.

Uber will now undergo regular third-party audits every two years for the next 20 years to certify it has privacy protections in place that meet or exceed FTC requirements, according to the terms of the settlement. The first such audit will occur within 180 days.

"The complaint involved practices that date as far back as 2014," an Uber spokesman said in a statement. "We've significantly strengthened our privacy and data security practices since then and will continue to invest heavily in these programs."

Uber said it hired its first chief security officer in 2015 and has hundreds of people who work on data security.

The settlement was Uber's second with the FTC this year. In January, Uber agreed to pay $20 million to resolve FTC allegations it misled drivers about potential earnings and vehicle financing. The consumer protection agency alleged Uber exaggerated the amount of money drivers typically could earn in nearly 20 cities.

DONDI TAWATAO/REUTERS

Drivers gather outside an Uber office in Manila on Tuesday. Philippine regulators ordered the company to cease operations for a month.

Company to Comply With Suspension

By Jake Maxwell Watts

Uber Technologies Inc. said it would comply with a one-month suspension imposed by regulators in the Philippines after authorities rejected its appeal and threatened to arrest Uber drivers still on the road.

A month's absence could be highly damaging in this highly competitive Southeast Asian market, where Uber is pitted against regional rival **Grab Taxi Holdings** Pte in a race that many analysts see as winner-take-all.

Singapore-based Grab said Tuesday that it is experiencing a surge in demand and credited the Uber suspension.

Uber, which has clashed with regulators the world over as it disrupts the traditional taxi business, was suspended Monday by the Philippines' Land Transportation Franchising & Regulatory Board for allegedly violating an order not to register and activate new drivers.

Saying the suspension had left tens of thousands of riders stranded, Uber declared Tuesday that it would continue to operate, and filed a motion with the same board asking for a reconsideration.

The regulator rejected the company's plea Tuesday evening and said it had asked law enforcement to detain Uber drivers defying its order, after which Uber said it was "disappointed" but would in fact comply.

Filipinos rushed to defend Uber on social media Tuesday. Facebook users accused the regulator of acting in the interests of taxi companies at the expense of consumers. Sen. Grace Poe, an unsuccessful presidential candidate last year, said on Facebook that the suspension is "cruel and absurd."

Uber told a government hearing this month that it had more than 66,000 registered drivers who had worked at least once in the past year in the Philippines. Grab said it had 52,000 vehicles. Only about 6,000 vehicles on the two networks had been accredited by the regulator.

Uber's decision to comply with the regulator's suspension order marks an unusual U-turn by the U.S. firm, which has in other markets around the world often forged ahead with its service despite clashes with regulators, amid popular demand from consumers.

The thinking among Asia's ride-hailing companies has historically been to "plow on ahead and then sort out the repercussions later," said Bryan Tan, a lawyer specializing in technology at **Pinsent Masons** in Singapore. Mr. Tan said that he observed Uber trying to cooperate with regulators around the region, but that "it's cheaper to repent than to stop" when interests collide.

The ride-hailing firm has fought skirmishes world-wide as it disrupts the industry.

The Philippines regulatory board has previously said it welcomes technological innovation and wants ride-hailing companies to be able to operate. It has cited safety concerns and a necessity to promote fair dealing and accountability as a reason to compel ride-hailing companies to comply with registration demands.

A year ago, the board stopped issuing vehicle registrations for ride-hailing companies in Manila pending a policy review. In July it stressed that companies like Uber are prohibited from accepting new drivers and would need to deactivate those registered after June 30. It fined Grab and Uber 5 million pesos (about $98,000) each for allegedly allowing drivers to operate without permits.

The board said it suspended Uber's services because the company continued to take on new drivers. It didn't suspend Grab's services.

This has been a tumultuous year for U.S.-based Uber, the world's most valuable startup, which has been beset by legal challenges, the departure of its founder and chief executive and accusations that its corporate culture encourages sexual harassment.

LinkedIn Suffers Setback in Suit Over Data Use

By Jacob Gershman

A U.S. 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 data the collection of public online information.

"[T]he Court is doubtful that the Computer Fraud and Abuse Act may be invoked by LinkedIn to punish hiQ for accessing publicly available data," wrote Judge Chen. "[T]he 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 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.

In a statement, hiQ called the decision an "important victory—not just for hiQ, but for any company that uses publicly available data for the services it provides."

For years hiQ amassed data without objections from LinkedIn, which Microsoft acquired late last year. HiQ says it excludes profiles that require a LinkedIn account to view, analyzing fewer than 175,000 profiles in a 500-million-member network.

Lawyers for hiQ say LinkedIn has stretched the meaning of "unauthorized access" under the antihacking statute to "criminalize access to webpages that are public for the entire world to see."

HiQ said that without LinkedIn data, it might have "close down its operations, lay off its employees, and put to waste millions of dollars in investor capital."

RICHARD B. LEVINE/LEVINE ROBERTS/NEWSCOM/ZUMA PRESS

A U.S. judge said a startup company, hiQ, must be allowed to scrape data that has been publicly posted by LinkedIn users.

Former Sling TV Chief Chosen as Pandora CEO

By Anne Steele

Pandora Media Inc. said former Sling TV Chief Executive Roger Lynch will lead the Internet-radio company as it faces an increasingly competitive landscape.

Mr. Lynch will take the helm Sept. 18, when he will also join the company's board. Naveen Chopra, who has served as interim CEO since June, will continue as chief financial officer.

Pandora co-founder Tim Westergren stepped down as CEO in late June.

Mr. Lynch, the founding CEO of Sling TV, led that company's growth to become the No. 1 live online-television service in the U.S. Previously, he worked for **EchoStar** Corp. and Dish Network Corp., which owns Sling.

"As a lifelong musician and exuberant music fan, this is the perfect opportunity to combine my industry experience with my love for music," said Mr. Lynch, who plays lead guitar in a classic-rock and R&B band called the Merger.


ETHAN MILLER/GETTY IMAGES

Roger Lynch will become the new CEO of Pandora on Sept. 18.

Earlier in June, Pandora secured a $480 million investment from satellite-radio company **Sirius XM Holdings** Inc. As part of the deal, SiriusXM will name three directors to Pandora's board, including the chairman.

On Monday, Pandora named **Snap** Inc. Chairman Michael Lynton to its board. Before joining Snap in 2013, Mr. Lynton was CEO of Sony Entertainment.

Pandora shares rose 3.6% midday Tuesday to $8.36.

Pandora has been struggling to find a direction—and to turn a profit—as it contends with subscription services like Apple Inc.'s Apple Music and Spotify AB. Earlier this year it launched a $10-a-month subscription-music offering amid a tough environment for ad-supported services. And in June, it announced the sale of Ticketfly to Eventbrite Inc. for $200 million—significantly less than Pandora paid for the ticketing business in 2015, another effort to find a lucrative business model.

The company also said it would pull its service out of Australia and New Zealand, the only countries outside the U.S. it has operated in. Spotify and Apple Music are available in dozens of countries.

As of the end of June, the company had nearly 4.9 million paying subscribers, and 76 million active users, according to a filing. By comparison, Spotify says it has 60 million subscribers and 140 million active users.

Gates Gives Big Gift To His Foundation

By Jay Greene

Microsoft Corp. co-founder Bill Gates handed over 64 million shares of the software giant to his foundation in June, a $4.68 billion donation based on current share prices that would rank as his most valuable to the organization in more than a decade.

The gift, disclosed Monday in regulatory filings, is significantly larger in both value and number of shares than recent dispersals by Mr. Gates, the world's wealthiest person. Since June 2015, Mr. Gates has regularly donated eight million shares each quarter.

A spokeswoman for the Bill & Melinda Gates Foundation declined to say why Mr. Gates changed his pattern of giving, or whether there would be similarly larger donations in the future. The last time Mr. Gates gave the foundation as many shares was September 2008, when he transferred 84.4 million. Back then, Microsoft's stock was trading at $26.69, valuing that gift at $2.25 billion.

In afternoon trading Tuesday, Microsoft was at $73.30, a bit off its record high closing price of $74.22 on July 20.

The spokeswoman declined to say how the proceeds of Mr. Gates's latest gift would be used. The foundation has focused on global health and development, as well as educational programs in the U.S.

Mr. Gates has given the vast majority of his holdings to the foundation, whose endowment at the end of last year stood at $40.3 billion. That figure also includes gifts from Mr. Gates's longtime friend, Warren Buffett, who has given the foundation between $1.25 billion and $2.17 billion each year since 2006.

According to the filings, Mr. Gates still holds nearly 103 million Microsoft shares, valued at $7.54 billion.

MANAGEMENT

WORKAROUNDS

Hackers Target Young Job Seekers

Khawar Latif suspected fraud from the start.

In May, the 25-year-old founder of a domain-registration business, who lives in Sialkot, Pakistan, received an invitation to chat about a job with someone claiming to represent the Financial Industry Regulatory Authority.

"See your website and like to discuss with you about our new job post if you are available," read the message Mr. Latif received on Microsoft Corp.'s Skype internet-calling service. The person also sent him a file to download.

Mr. Latif contacted the Washington, D.C.-based Wall Street regulator, which quickly confirmed the person didn't work for the agency and that Finra had no external Skype accounts.

Hackers attempt to hook tens of thousands of people like Mr. Latif through job scams each year, according to U.S. Federal Trade Commission data, aiming to trick them into handing over personal or sensitive information, or to gain access to their corporate networks.

Employment fraud is nothing new, but as more companies shift to entirely digital job-application processes, Better Business Bureau director of communications Katherine Hutt said scams targeting job seekers pose a growing threat. Job candidates are now routinely invited to fill out applications, complete skill evaluations and interview—all on their smartphones, as employers seek to cast a wider net for applicants and improve the matchmaking process for entry-level hires.

Young people are a frequent target. Of the nearly 3,800 complaints the nonprofit has received from U.S. consumers during the past two years, people under 34 years old were the most susceptible to such scams, which frequently offer jobs requiring little to no prior experience, Ms. Hutt said.

Sydney Wang in California bought nearly $30,000 worth of office supplies for a fake job she was tricked into applying for this past January. After the 27-year-old made the purchases for a made-up employer using the name S.M.L. Digital Agency, the fake hiring managers she had been in touch with about the assignment for weeks disappeared, she said.

"I was desperate for a job. I thought I did my due diligence but we were tricked," said Ms. Wang, who had been sending out resumes and interviewing for a full-time role for seven months before she was duped. She now works as a receptionist.

Investigating the source of job scams can be a yearslong effort, involving coordination from law-enforcement agencies, technology companies and financial institutions.

Cybersecurity research firm Dell SecureWorks in 2015 uncovered a network of dozens of fake LinkedIn profiles, which it suspects were being used by hackers in Iran to build relationships with potential victims around the world. The hackers posed as employment recruiters to deliver fake job applications containing malware, said Dell SecureWorks senior security researcher Allison Wikoff.

—*Kelsey Gee*

Minding Your Mental Health

Companies are encouraging employees to step away from work to address illnesses including depression and anxiety

By Francesca Fontana

BRITTANY GREESON FOR THE WALL STREET JOURNAL

Madalyn Parker sent an email to colleagues at software maker Olark to say she would take time off to focus on her mental health.

Bosses want their workers to start taking mental-health days for the right reasons.

Workers often say they are taking a mental-health day with a wink and a nudge, as it is commonly understood that they will be catching up on housework or going to the beach. Meanwhile, many people who genuinely need time off to see a therapist or recover from an anxiety attack say they are less than forthcoming with their managers about why they need a break.

More companies are trying to destigmatize mental illness and encourage workers to use mental-health days for their original intent. EY, or Ernst & Young, has an initiative called "r u ok?" that encourages workers to check in with each other and offer support to those who might be struggling. American Express Co.'s employee-assistance program offers on-site access to mental-health professionals and free counseling. Prudential Financial Inc. gives employees flexible work arrangements and access to mental-health professionals.

Taking time off for mental illness can qualify as a sick day or personal time off, depending on the company's policies.

The policies don't just reflect employer benevolence. Major depressive disorder alone cost companies $78 billion in lost productivity in 2010 because of employees showing up to work while struggling with the illness, according to a 2015 study published in the Journal of Clinical Psychiatry.

In June, Madalyn Parker, a web developer at Ann Arbor, Mich., software maker Olark, sent a companywide email to say she was taking a couple of days off to focus on her mental health. "Hopefully I'll be back next week refreshed and back to 100%," she wrote. Olark Chief Executive Ben Congleton replied and thanked Ms. Parker for her openness.

"Every time you (send emails like this), I use it as a reminder of the importance of using sick days for mental health," he wrote. "You are an example to us all."

Ms. Parker, who suffers from depression and anxiety, later tweeted a screenshot of the exchange with the caption, "When the CEO responds to your out of the office email about taking sick leave for mental health and reaffirms your decision."

The tweet went viral with nearly 50,000 users liking the post, and Mr. Congleton garnered widespread praise from other executives such as Facebook Inc.'s Sheryl Sandberg.

Aside from Mr. Congleton's empathetic response, what likely resonated with thousands of Twitter users was Ms. Parker's candid explanation of her need for rest, says Clare Miller, director of the Center for Workplace Mental Health at the American Psychiatric Association Foundation.

Still, many people are unwilling to open up, fearing it could jeopardize their careers. One in five adults in the U.S. has a mental-health condition, according to the National Alliance on Mental Illness. But most workers who have a mental illness keep it secret at work. A 2014 survey conducted by market-research firm Ipsos found that 73% of workers with depression hadn't told their employer about their diagnosis. Almost half of respondents said they thought telling their boss would put their job at risk.

"Silence often equals shame," Ms. Miller says. "It adds power to the stigma by not feeling free to share all of yourself at work."

Legal experts point out that the law protects employees with mental illnesses, and provisions in the Americans With Disabilities Act allow such workers to seek accommodations such as modified work schedules, says James McDonald, a California-based employment attorney at Fisher Phillips.

In 2016, Ms. Parker's company, Olark, added language about mental health to its employee handbook. The company's flexible paid-time-off policy now includes provisions for "mental-health needs such as a rest day [or] seeking treatment," according to a spokesman.

Boston software company HubSpot Inc. has taken a different tack. It offers its roughly 1,800 employees flexible hours and unlimited vacation so they can take time off without feeling forced to explain why, says Katie Burke, the company's chief people officer. The aim is to make employees feel comfortable sharing who they are without forcing them to divulge their private struggles, she says.

HubSpot also has meditation rooms at its main office, and employees started a group to promote self-care, Ms. Burke says.

Taking the extra steps to create a culture that supports mental health can send a powerful message to employees, says Jeanne Meister, a consultant who advises Microsoft Corp. and Intel Corp. on workplace issues.

"They will never forget that," Ms. Meister says, and in the long run managers can see increased loyalty and retention as a result.

Ms. Parker, 26 years old, has been living with depression and anxiety since college, she says. When she had panic attacks during meetings at Olark, she says she would excuse herself just long enough to go to the bathroom, take a Xanax and return to the gathering.

"I would plow right through," she says. If she had to miss work because of her mental illness, Ms. Parker says she would email her co-workers vague excuses. Now, she says, she is transparent about her mental health with co-workers to set an example for "the majority of people who are suffering silently."

BUSINESS WATCH

BLUE APRON

Jana Takes Stake In Meal-Kit Maker

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. 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 function. 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 the increasingly competitive meal-kit space.

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 in June to be bought by Amazon for $13.7 billion, including debt. Whole Foods investors are slated to vote on the deal next week.

The hedge fund also previously took a more-than-6% stake in the Safeway supermarket chain in 2013.

—*Heather Haddon*

JBS

Brazilian Firm Posts Drop in Earnings

JBS SA reported a sharp drop in quarterly profit amid corruption and food-safety scandals that have ensnared the meatpacker, the world's largest supplier of animal protein.

The Brazilian company was forced to cut beef production amid accusations that employees at several meatpacking plants in Brazil had bribed sanitation inspectors in that country, allowing tainted meat to be sold.

As part of a cooperation agreement with prosecutors, JBS's parent company, J&F Investimentos, admitted to bribing Brazilian politicians in exchange for government favors, such as access to taxpayer-subsidized financing that helped fund an acquisition spree in the U.S. and other countries.

Also, JBS has since hired a former head of food safety at the U.S. Department of Agriculture to oversee safety practices and quality assurance.

On Monday, the company said that it hadn't determined the potential impact that the "allegations and facts which are subject of the plea bargain agreement" could have on its financial performance.

The Brazilian company, which controls U.S. poultry producer **Pilgrim's Pride** Corp., reported a net profit of 309.8 million reais ($97 million) in the three months ended June 30, down from 1.54 billion reais in the same period a year earlier, the company said Monday.

In all, the company's quarterly sales fell to 41.67 billion reais, driven by a 11% decline in South America.

Analysts surveyed by Thomson Reuters had projected 170.8 million reais in profit on 40.46 billion reais in sales.

JBS ended the quarter with 4.14 billion reais in cash and 50.4 billion reais in net debt. JBS attributed the 5% increase in net debt from the previous quarter to the depreciation of the Brazilian real and the Plumrose USA acquisition.

—*Maria Armental*

Weakness in Retailers Caps Dow's Gains

Downbeat earnings miss expectations; rise in financials keeps U.S. blue chips afloat

By Michael Wursthorn And Justin Yang

Several major retailers slid on Tuesday after their quarterly reports disappointed investors, holding back U.S. stock indexes.

TUESDAY'S MARKETS

The Dow Jones Industrial Average rose 5.28 points, or less than 0.1%, to 21998.99. The S&P 500 rose less than 0.1% and the Nasdaq Composite fell 0.1%.

In Europe, economic data showed growth in Germany remained solid, despite a mild slowdown in the second quarter. The Stoxx Europe 600 was up about 0.1% to 376.50.

Dick's Sporting Goods, Coach and Advance Auto Parts were among the companies that fell short of expectations and contributed to declines in the consumer-discretionary sector. Financial firms, however, helped offset those losses, keeping markets roughly where they were the day before.

Some investors and analysts say they aren't fazed by retail's latest rout, adding that strong corporate earnings overall this quarter have kept major indexes from shedding much of their gains.

"In the market, what matters is earnings, earnings, earnings," said Doug Foreman, chief investment officer of investment firm Kayne Anderson Rudnick. "Most of the world is showing a dramatic improvement in corporate profitability and earnings growth, which has been pretty rare."

Consumer-discretionary shares in the S&P 500 slid after several large retailers reported quarterly results Tuesday morning.

Shares of Dick's Sporting Goods were off 22% in late trading after same-store sales fell short of expectations in the latest quarter and the company lowered its forecast for annual earnings. Advance Auto Parts shed 20% after lowering its 2017 guidance and missing analysts' estimates on profits. Coach, whose profits beat expectations but sales fell short, was down 15%.

Even companies that exceeded expectations couldn't satisfy investors. Home Depot was down 2.7% after it said it grew same-store sales and raised its outlook for the second time this year.

Investors didn't shun all of the retail sector. TJX Cos., the parent of the T.J. Maxx, Marshalls and HomeGoods off-price chains, was up 0.7% in late trading after reporting strong quarterly sales Tuesday morning.

Shares of brick-and-mortar retailers have taken a beating this year as increased competition from e-commerce giants like Amazon.com have cut into profits.

The Commerce Department said Tuesday that sales at retailers and restaurants rose 0.6% from a month earlier, the biggest increase since December, attributing much of the increase to internet sales.

"The source of the retail sales is still the non big-box stores," said Tom Stringfellow, chief investment officer of Frost Investments. "It's the internet, not the Home Depots or the Macys. It's Amazon Prime."

Gains in financial companies helped offset retail's weak showing to keep markets roughly flat during the day.

Synchrony Financial rose 4.7%, making it one of the S&P 500's biggest gainers, on news that Warren Buffett's Berkshire Hathaway had opened a large investment in the biggest U.S. store credit-card issuer. The financials sector of the S&P 500 rose 0.5% in late trading.

Stock markets around the world continued to stabilize Tuesday, after swinging last week following some weak earnings and geopolitical tensions.

Markets will continue to shrug off the likes of North Korea-U.S. tensions, so long as interest rates stay low, the labor market stays strong and the global economy stays healthy, said Dan Miller, director of equities at GW&K Investment Management. "The stock market should continue on its merry way. Things like North Korea or events in Virginia over the weekend, the market tends to look past those events," he said.

The Federal Reserve is set to release minutes from its latest meeting on Wednesday, giving investors clues on the central bank's plans for interest rates and balance-sheet unwinding.

Federal Reserve Bank of New York President William Dudley said late Monday he expected another rate increase in 2017.

The monthly retail sales data, Fed expectations and a de-escalation of North Korea threats contributed to a pullback from havens Tuesday, some investors and analysts said.

U.S. government-bond prices fell, sending the yield on the 10-year U.S. Treasury note to 2.264%, according to Tradeweb, from 2.217% Monday.

The WSJ Dollar Index, which measures the currency against a basket of 16 others, was up 0.5%.

Gold, which investors consider a relatively safe store of value in uncertain times, fell 0.8% to $1,273.70.

South Korean markets were closed for Independence Day, and Japan led the way higher in Asia on Tuesday. The Nikkei added 1.1%, following a 1% drop Monday.

RICHARD B. LEVINE/LEVINE ROBERTS/NEWSCOM/ZUMA PRESS

A Dick's Sporting Goods store in New York. Shares tumbled after same-store sales disappointed and the firm cut its annual forecast.

Market Conundrum: Investors Shrug Off Solid Profit Reports

Corporate-earnings season is winding down, and so far the results have been solid. But the second quarter has failed to impress investors.

Shares of S&P 500 companies that beat analysts' earnings forecasts averaged a 0.3% decline over the two days before and the two days after the results, according to FactSet. That is unusual, since investors typically reward companies for topping expectations. Beating earnings has boosted shares, on average, 1.4% over that four-day period over the past five years. Should this negative price action hold up through the tail end of earnings season, it would mark the first time in five years that a company's shares were punished for topping earnings estimates.

The reaction is a sign investors have become choosier as stocks have rallied this year and valuations have become stretched. And the pattern also could signal that investors are primed to sell into rallies in the back half of 2017.

The tepid responses come at a time when major benchmarks are near all-time highs. Even after last week's market hiccup, induced by escalating tension between the U.S. and North Korea, the S&P 500 ended Monday just 0.6% below last week's all-time high. With more than 90% of S&P 500 constituents reporting, second-quarter earnings growth is forecast to grow at 10.2%, the second quarter of double-digit earnings growth in a row.

Lukewarm reactions have held true over one day, too. The above-market pop for shares of companies that beat earnings expectations has been 0.03% over one day, the narrowest margin on record, according to Goldman Sachs Group. Over the past decade, earnings beats have been good for 1.14% of above-market performance.

It is also worth noting that investors aren't selling the good news outright. Goldman finds that shares of companies that beat earnings forecasts still fared better than shares of companies that reported surprisingly flat or negative numbers.

The hurdle, it seems, is getting higher for everyone.

—Chris Dieterich

State Probes Brokers Over Payments

By Alexander Osipovich

Massachusetts is investigating whether retail brokerages hurt investors by routing orders to stock exchanges that pay them rebates, creating a potential conflict of interest, a top official for the state said Tuesday.

Charles Schwab, **Edward Jones**, **E*Trade Financial**, **Fidelity Investments**, Morgan Stanley, **Scottrade** and TD Ameritrade have been sent inquiry letters as part of the probe, Massachusetts Secretary of the Commonwealth William F. Galvin said in a news release.

"If financial rebates or kickbacks create a conflict that results in less than the best deal for the investors, this practice must stop," said Mr. Galvin, who oversees enforcement of the securities laws of Massachusetts.

The probe focuses on a longstanding practice in the U.S. stock market called "maker-taker," by which exchanges pay rebates to traders who post new orders, while collecting fees from traders who execute against orders posted on the exchange.

"The 'kickbacks' he is referring to have been explicitly approved by the Securities and Exchange Commission for almost 20 years," said Michael Friedman, who is general counsel of Trillium Management LLC, a New York-based trading firm.

Charles Schwab said it was reviewing the letter from the Massachusetts authorities. The firm "takes its responsibility to provide clients with best trade execution very seriously," a spokeswoman said.

Edward Jones, Fidelity, Morgan Stanley, Scottrade and TD Ameritrade declined to comment. E*Trade didn't respond to requests for comment.

Wells Fargo Picks Duke for Chairman Role

By Emily Glazer

Wells Fargo & Co. said Elizabeth Duke would replace its chairman, Stephen Sanger, on Jan. 1, making the former Federal Reserve governor the first woman to hold a top board role at one of the nation's largest banks.

The San Francisco lender, which has battled a sales-practices scandal and other problems in recent months, announced the promotion of Ms. Duke, the board's vice chairman, Tuesday along with other changes.

The moves represent the bank's strongest response yet to the high percentage of shareholders who voted against directors at its annual meeting in April, a clear sign of discontent after years of Wells Fargo being an investor favorite.

Mr. Sanger, 71 years old, will leave after a tumultuous period presiding over the board's response to the fake-account scandal that last year led to the departure of former Wells Fargo Chairman and CEO John Stumpf.

Mr. Sanger, a former General Mills Inc. CEO, is one of three directors who will retire at the end of 2017, the company said.

The other two are Cynthia Milligan and Susan Swenson, both of whom joined the board in the 1990s.

Mr. Sanger would have hit the board's mandatory retirement age next year and is stepping down about four months early.

The bank also named its newest director, Juan Pujadas, who will start Sept. 1. Mr. Pujadas recently retired from **PricewaterhouseCoopers** LLP. Some of the coming changes were outlined in a Wall Street Journal article last week.

Wells Fargo, the third-biggest U.S. bank by assets, has spent most of the past year trying to put last fall's sales-practices scandal behind it. Employees of the bank opened as many as 2.1 million accounts without customers' knowledge, sparking public and political outcries as well as numerous investigations.

More recently, the bank has said even more customer accounts may have been impacted. It also is facing new problems in its auto-lending unit over insurance policies potentially involving thousands of borrowers. The bank has said it would reimburse customers for around $80 million.

Ms. Duke became vice chair last October, when Mr. Stumpf abruptly retired in the face of the sales-practices scandal. Ms. Duke has served on the Wells Fargo board since January 2015.

She was a governor of the Federal Reserve from 2008 to 2013, the seventh woman to be appointed to the board and joining in the thick of the financial crisis.

"She developed a reputation for being extremely careful," and being "skeptical of some of the extreme moves the Fed took" around the financial crisis, said Peter Conti-Brown, a Fed historian and assistant professor at The Wharton School of the University of Pennsylvania.

Before her work at the Fed, Ms. Duke had served as an executive or CEO at a number of community banks in Virginia, where she is still based. Mr. Sanger said in a statement that she was the unanimous choice to lead the board. Timothy Sloan, Wells Fargo's CEO, added in the statement that her "regulatory expertise has been invaluable."

The bank said the board had been advised on the matter by another former regulator, former Securities and Exchange Commission Chairman Mary Jo White. Ms. White is now a senior partner at law firm Debevoise & Plimpton LLP.

The bank is also changing the chairs of its governance and nominating committee and adding board members to committees overseeing corporate responsibility and audit.

TAMI CHAPPELL/REUTERS

Elizabeth Duke was a Federal Reserve governor until 2013.

Deutsche Bank Names Patrick CEO for the Americas

By Jenny Strasburg

Deutsche Bank AG named its third Americas chief executive in less than 18 months, promoting the head of its global equities business, Tom Patrick, to the prominent New York-based role, according to an internal memo sent to employees Tuesday.

Mr. Patrick replaces Bill Woodley, who is leaving the German lender, according to the memo, signed by Chief Executive Officer John Cryan. The contents were confirmed by a spokeswoman.

In his new Americas role, Mr. Patrick will report to Mr. Cryan. Mr. Patrick will continue as global equities chief and co-head of the U.S. corporate and investment bank under Garth Ritchie, London-based co-head of the investment bank globally.

As Americas CEO, Mr. Patrick takes on complex legal, political and regulatory matters in a crucial market for the German bank. It is trying to reinvigorate its trading and investment-banking businesses under tighter controls by U.S. bank watchdogs, and faces a spotlight over its loans tied to President Donald Trump.

The churn in executives overseeing Deutsche Bank's sprawling U.S. business started in May 2016. That is when the bank said longtime banker Jacques Brand was leaving after a career at the bank that started before it bought U.S. lender Bankers Trust in 1999. Mr. Brand left to join boutique investment bank PJT Partners Inc.

In July 2016, Mr. Woodley was named Americas CEO, which put him in charge of Deutsche Bank's newly formed U.S. holding company, subject to stricter oversight by the Federal Reserve. Mr. Woodley reported to Jeff Urwin, who at the time ran the global investment bank.

Last summer, Mr. Urwin took on expanded duties as the management-board member overseeing U.S. operations. He left Deutsche Bank less than a year later.

Mr. Cryan in Tuesday's memo called Mr. Woodley's 19-year Deutsche Bank career "long and successful." The memo didn't specify Mr. Woodley's plans, and he couldn't be reached for comment.

Buffett Exits Crisis-Era GE Stake

Berkshire's $3 billion investment resulted in a profit of more than $1 billion

By Thomas Gryta And Maria Armental

Turbine parts at a General Electric plant in Greenville, S.C. GE shares have slumped this year and Jeff Immelt recently left the CEO job.

LUKE SHARRETT/BLOOMBERG NEWS (TOP); NATI HARNIK/ASSOCIATED PRESS

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 March 31, 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 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 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.

Warren Buffett's Berkshire lent roughly $3 billion to GE in 2008.

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 were up 9.6% over the past year through Monday.

—Emily Glazer contributed to this article.

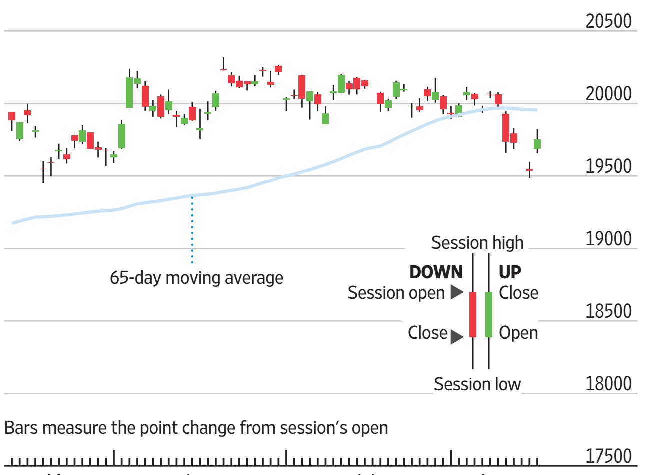
MARKETS DIGEST

Nikkei 225 Index

19753.31 ▲216.21, or 1.11%

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

Year-to-date		▲3.34%
52-wk high/low	20230.41	16251.54
All-time high	38915.87	12/29/89



STOXX 600 Index

376.50 ▲0.34, or 0.09%

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

Year-to-date		▲4.17%
52-wk high/low	396.45	328.80
All-time high	414.06	4/15/15

S&P 500 Index

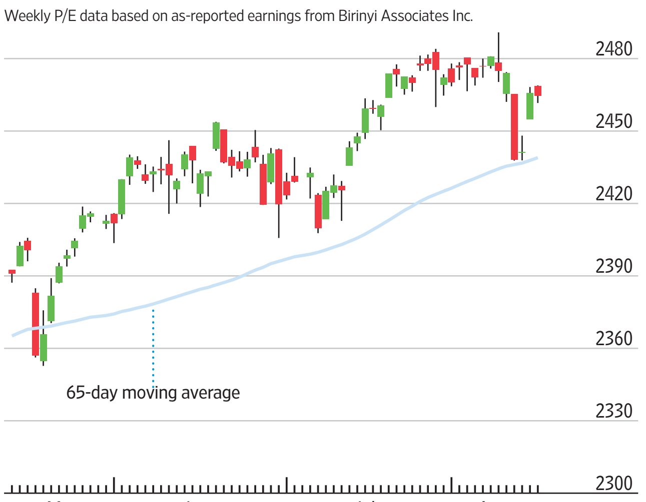
Data as of 4 p.m. New York time

2464.61 ▼1.23, or 0.05%

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

	Last	Year ago
Trailing P/E ratio	23.59	24.91
P/E estimate *	18.78	18.57
Dividend yield	1.99	2.09
All-time high:	2480.91, 08/07/17	

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



International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Latest Close	NetChg	% chg	52-Week Range Low	Close	High	YTD % chg
World	**The Global Dow**	2835.98	-2.65	-0.09	2386.93		2881.15	12.2
	MSCI EAFE	1920.75	-3.61	-0.19	1614.17		1955.39	11.9
	MSCI EM USD	1053.83	0.18	0.02	838.96		1078.53	32.7
Americas	**DJ Americas**	591.83	-0.78	-0.13	503.44		599.20	9.5
Brazil	**Sao Paulo Bovespa**	68344.99	60.33	0.09	56459.11		69487.58	13.5
Canada	**S&P/TSX Comp**	15105.49	-14.42	-0.10	14319.11		15943.09	-1.2
Mexico	**IPC All-Share**	51317.28	149.81	0.29	43998.98		51772.37	12.4
Chile	**Santiago IPSA**	3847.25	...	Closed	3120.87		3908.55	19.4
U.S.	**DJIA**	21998.99	5.28	0.02	17883.56		22179.11	11.3
	Nasdaq Composite	6333.01	-7.22	-0.11	5034.41		6460.84	17.6
	S&P 500	2464.61	-1.23	-0.05	2083.79		2490.87	10.1
	CBOE Volatility	11.91	-0.42	-3.41	8.84		23.01	-15.2
EMEA	**Stoxx Europe 600**	376.50	0.34	0.09	328.80		396.45	4.2
	Stoxx Europe 50	3062.68	3.68	0.12	2720.66		3279.71	1.7
Austria	**ATX**	3216.33	...	Closed	2245.45		3285.00	22.8
Belgium	**Bel-20**	3932.21	22.73	0.58	3384.68		4055.96	9.0
France	**CAC 40**	5140.25	18.58	0.36	4310.88		5442.10	5.7
Germany	**DAX**	12177.04	11.92	0.10	10174.92		12951.54	6.1
Greece	**ATG**	827.77	...	Closed	548.72		859.78	28.6
Hungary	**BUX**	36775.94	-27.08	-0.07	27466.59		37119.82	14.9
Israel	**Tel Aviv**	1388.68	0.10	0.01	1346.71		1490.23	-5.6
Italy	**FTSE MIB**	21722.11	...	Closed	15923.11		22065.42	12.9
Netherlands	**AEX**	522.67	1.57	0.30	436.28		537.84	8.2
Poland	**WIG**	62313.07	...	Closed	46321.24		63351.24	20.4
Russia	**RTS Index**	1027.45	-3.68	-0.36	944.88		1196.99	-10.8
Spain	**IBEX 35**	10481.50	20.30	0.19	8393.50		11184.40	12.1
Sweden	**SX All Share**	556.61	-4.01	-0.72	489.12		598.42	4.1
Switzerland	**Swiss Market**	9012.52	-18.75	-0.21	7585.56		9198.45	9.6
South Africa	**Johannesburg All Share**	54983.32	-482.33	-0.87	48935.90		56396.24	8.5
Turkey	**BIST 100**	106913.26	-2624.10	-2.40	71792.96		110321.81	36.8
U.K.	**FTSE 100**	7383.85	29.96	0.41	6654.48		7598.99	3.4
Asia-Pacific								
Australia	**S&P/ASX 200**	5757.50	27.10	0.47	5156.60		5956.50	1.6
China	**Shanghai Composite**	3251.26	13.90	0.43	2980.43		3292.64	4.8
Hong Kong	**Hang Seng**	27174.96	-75.27	-0.28	21574.76		27854.91	23.5
India	**S&P BSE Sensex**	31449.03	...	Closed	25765.14		32575.17	18.1
Japan	**Nikkei Stock Avg**	19753.31	216.21	1.11	16251.54		20230.41	3.3
Singapore	**Straits Times**	3294.93	-13.76	-0.42	2787.27		3354.71	14.4
South Korea	**Kospi**	2334.22	...	Closed	1958.38		2451.53	15.2
Taiwan	**Weighted**	10311.16	85.88	0.84	8902.30		10579.38	11.4

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

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

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points Latest	Previous	Month Ago	Year ago	Yield Previous	Month ago	Year ago
2.750	**Australia** 2	**1.813**	**46.6**	47.0	48.0	**71.2**	**1.796**	1.844	**1.441**
2.750	10	**2.659**	**39.7**	40.5	39.0	**32.7**	**2.627**	2.725	**1.885**
3.000	**Belgium** 2	**-0.556**	**-190.2**	-189.3	-184.0	**-132.1**	**-0.567**	-0.476	**-0.591**
0.800	10	**0.735**	**-152.8**	-150.7	-146.5	**-140.7**	**0.715**	0.870	**0.151**
0.000	**France** 2	**-0.480**	**-182.6**	-182.2	-173.8	**-128.7**	**-0.496**	-0.374	**-0.557**
1.000	10	**0.725**	**-153.7**	-152.1	-146.7	**-140.7**	**0.701**	0.868	**0.151**
0.000	**Germany** 2	**-0.711**	**-205.7**	-204.3	-197.0	**-133.9**	**-0.717**	-0.607	**-0.610**
0.500	10	**0.435**	**-182.7**	-181.4	-173.5	**-162.7**	**0.408**	0.600	**-0.070**
0.050	**Italy** 2	**-0.047**	**-139.3**	-138.1	-125.9	**-82.0**	**-0.055**	0.105	**-0.090**
2.200	10	**2.046**	**-21.6**	-21.0	-4.3	**-49.4**	**2.013**	2.292	**1.064**
0.100	**Japan** 2	**-0.115**	**-146.2**	-143.1	-147.0	**-91.4**	**-0.105**	-0.107	**-0.185**
0.100	10	**0.048**	**-221.4**	-216.7	-225.5	**-164.3**	**0.055**	0.080	**-0.086**
4.000	**Netherlands** 2	**-0.644**	**-199.1**	-198.0	-192.5	**-131.3**	**-0.654**	-0.561	**-0.583**
0.750	10	**0.552**	**-171.0**	-169.1	-161.7	**-152.5**	**0.531**	0.718	**0.033**
4.750	**Portugal** 2	**0.010**	**-133.6**	-132.8	-127.4	**-37.9**	**-0.002**	0.089	**0.351**
4.125	10	**2.819**	**55.7**	55.7	79.0	**112.8**	**2.779**	3.125	**2.686**
2.750	**Spain** 2	**-0.361**	**-170.7**	-169.6	-159.8	**-89.6**	**-0.369**	-0.234	**-0.166**
1.500	10	**1.460**	**-80.2**	-80.5	-68.4	**-61.7**	**1.417**	1.651	**0.941**
4.250	**Sweden** 2	**-0.637**	**-198.3**	-200.5	-201.6	**-136.8**	**-0.678**	-0.653	**-0.638**
1.000	10	**0.675**	**-158.8**	-160.0	-165.2	**-150.3**	**0.622**	0.683	**0.055**
1.750	**U.K.** 2	**0.229**	**-111.8**	-110.5	-103.5	**-59.1**	**0.222**	0.328	**0.139**
4.250	10	**1.087**	**-117.6**	-114.9	-102.6	**-102.5**	**1.073**	1.309	**0.533**
1.375	**U.S.** 2	**1.347**	**...**	...	...	**...**	**1.326**	1.364	**0.730**
2.250	10	**2.262**	**...**	...	...	**...**	**2.222**	2.335	**1.558**

Commodities

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

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 8/14/2017

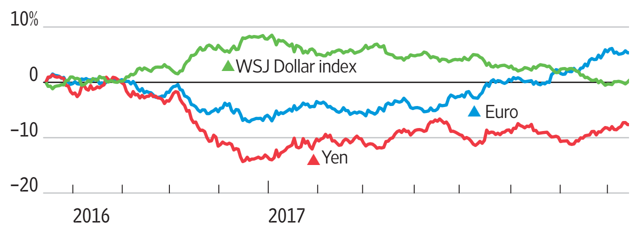
Commodity	Exchange	Last price	One-Day Change Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	369.00	-7.25	-1.93%	417.25	367.50
Soybeans (cents/bu.)	CBOT	925.00	-13.25	-1.41	1,047.00	907.00
Wheat (cents/bu.)	CBOT	455.25	-12.50	-2.67	592.25	454.25
Live cattle (cents/lb.)	CME	109.000	2.400	2.25%	122.850	99.125
Cocoa ($/ton)	ICE-US	1,852	-68	-3.54	2,301	1,794
Coffee (cents/lb.)	ICE-US	135.75	-4.75	-3.38	166.75	119.10
Sugar (cents/lb.)	ICE-US	13.19	-0.31	-2.30	20.50	12.74
Cotton (cents/lb.)	ICE-US	67.22	-0.53	-0.78	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2055.00	-45.00	-2.14	2,272.00	1,892.00
Copper ($/lb.)	COMEX	2.8825	-0.0220	-0.76	2.9550	2.4850
Gold ($/troy oz.)	COMEX	1277.80	-12.60	-0.98	1,307.00	1,160.80
Silver ($/troy oz.)	COMEX	16.660	-0.462	-2.70	18.780	14.340
Aluminum ($/mt)*	LME	2,031.50	-6.00	-0.29	2,037.50	1,688.50
Tin ($/mt)*	LME	20,330.00	unch.	unch.	21,225.00	18,760.00
Copper ($/mt)*	LME	6,383.00	4.00	0.06	6,495.00	5,491.00
Lead ($/mt)*	LME	2,337.00	-5.00	-0.21	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,910.50	5.50	0.19	2,962.00	2,450.50
Nickel ($/mt)*	LME	10,590.00	-50.00	-0.47	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	212.90	2.90	1.38	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2645.00	-30.00	-1.12	2950.00	2380.00
Crude oil ($/bbl.)	NYMEX	47.74	0.01	0.02	58.34	42.52
NY Harbor ULSD ($/gal.)	NYMEX	1.6006	-0.0051	-0.32	1.8065	1.3703
RBOB gasoline ($/gal.)	NYMEX	1.4891	0.0031	0.21	1.6860	1.2902
Natural gas ($/mmBtu)	NYMEX	2.961	-0.028	-0.94	3.5660	2.7990
Brent crude ($/bbl.)	ICE-EU	50.66	0.03	0.06	60.08	45.19
Gas oil ($/ton)	ICE-EU	472.75	-10.75	-2.22	534.00	408.25

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on Aug. 15

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



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0588	17.0178	**7.2**
Brazil real	0.3131	3.1941	**-1.9**
Canada dollar	0.7843	1.2751	**-5.1**
Chile peso	0.001540	649.20	**-3.1**
Colombia peso	0.0003366	2971.26	**-1.0**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0561	17.8255	**-14.0**
Peru sol	0.3081	3.2461	**-3.2**
Uruguay peso-e	0.0349	28.690	**-2.2**
Venezuela bolivar	0.098275	10.18	**1.8**
Asia-Pacific			
Australia dollar	0.7821	1.2786	**-7.9**
China yuan	0.1497	6.6811	**-3.8**
Hong Kong dollar	0.1278	7.8241	**0.9**
India rupee	0.0156	64.2117	**-5.5**
Indonesia rupiah	0.0000748	13361	**-1.2**
Japan yen	0.009051	110.49	**-5.6**
Kazakhstan tenge	0.003001	333.24	**-0.1**
Macau pataca	0.1239	8.0713	**2.0**
Malaysia ringgit-c	0.2328	4.2960	**-4.2**
New Zealand dollar	0.7239	1.3814	**-4.3**
Pakistan rupee	0.0095	105.375	**1.0**
Philippines peso	0.0194	51.433	**3.7**
Singapore dollar	0.7313	1.3674	**-5.5**
South Korea won	0.0008801	1136.21	**-5.9**
Sri Lanka rupee	0.0065266	153.22	**3.2**
Taiwan dollar	0.03300	30.302	**-6.6**
Thailand baht	0.03004	33.290	**-7.0**
Europe			
Bulgaria lev	0.6000	1.6667	**-10.3**
Croatia kuna	0.1586	6.304	**-12.1**
Euro zone euro	1.1734	0.8523	**-10.3**
Czech Rep. koruna-b	0.0449	22.290	**-13.2**
Denmark krone	0.1578	6.3385	**-10.3**
Hungary forint	0.003858	259.17	**-11.9**
Iceland krona	0.009185	108.87	**-3.6**
Norway krone	0.1255	7.9695	**-7.8**
Poland zloty	0.2732	3.6603	**-12.6**
Russia ruble-d	0.01673	59.758	**-2.5**
Sweden krona	0.1236	8.0877	**-11.2**
Switzerland franc	1.0284	0.9724	**-4.6**
Turkey lira	0.2828	3.5363	**0.4**
Ukraine hryvnia	0.0391	25.5925	**-5.5**
U.K. pound	1.2859	0.7777	**-4.0**
Middle East/Africa			
Bahrain dinar	2.6522	0.3771	**-0.03**
Egypt pound-a	0.0564	17.7317	**-2.2**
Israel shekel	0.2763	3.6187	**-6.0**
Kuwait dinar	3.3108	0.3020	**-1.2**
Oman sul rial	2.5976	0.3850	**unch**
Qatar rial	0.2745	3.642	**0.1**
Saudi Arabia riyal	0.2667	3.7502	**-0.01**
South Africa rand	0.0751	13.3111	**-2.8**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.65	0.40	0.46	**-6.77**

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Aug 15

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2786	1.6440	1.3144	0.0116	0.1634	1.5001	1.0028	...
Canada	1.2751	1.6393	1.3110	0.0115	0.1630	1.4959	...	0.9972
Euro	0.8523	1.0960	0.8764	0.0077	0.1089	...	0.6685	0.6666
Hong Kong	7.8241	10.0609	8.0453	0.0708	...	9.1796	6.1363	6.1200
Japan	110.4910	142.0700	113.6100	...	14.1210	129.6300	86.6600	86.4100
Switzerland	0.9724	1.2505	...	0.0088	0.1243	1.1411	0.7628	0.7606
U.K.	0.7777	...	0.7997	0.0070	0.0994	0.9126	0.6098	0.6082
U.S.	...	1.2859	1.0284	0.0091	0.1278	1.1734	0.7843	0.7821

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.22833%**	0.50744%
Three month	**1.31417**	0.80128
Six month	**1.45333**	1.19456
One year	**1.72789**	1.49822
Euro Libor		
One month	**-0.40071%**	-0.37143%
Three month	**-0.37757**	-0.32157
Six month	**-0.30329**	-0.20214
One year	**-0.20429**	-0.07271
Euribor		
One month	**-0.37100%**	-0.36900%
Three month	**-0.32900**	-0.29900
Six month	**-0.27100**	-0.18900
One year	**-0.15700**	-0.05000
Yen Libor		
One month	**-0.03393%**	-0.04814%
Three month	**-0.03357**	-0.01329
Six month	**-0.00171**	0.01036
One year	**0.11043**	0.10214
	Offer	Bid
Eurodollars		
One month	**1.3000%**	1.2000%
Three month	**1.3800**	1.2800
Six month	**1.5300**	1.4300
One year	**1.8200**	1.7200
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.95**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.25
Switzerland	**0.50**	0.50
Australia	**1.50**	1.50
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.21%**	0.56%
Euro zone	**n.a.**	n.a.

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

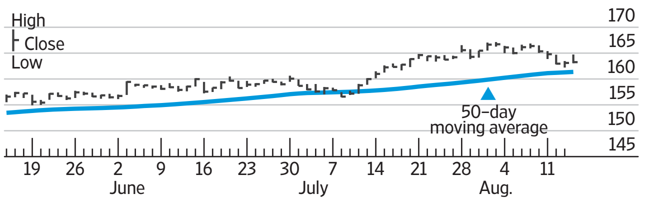
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	**1299**	59.55	0.51	36.11
¥	AstellasPharma	**4503**	1384.50	1.17	-14.72
AU$	AustNZBk	**ANZ**	29.81	1.29	-2.01
AU$	BHP	**BHP**	25.61	-0.16	2.19
HK$	BankofChina	**3988**	3.90	1.56	13.37
HK$	CKHutchison	**0001**	102.00	...	16.04
HK$	CNOOC	**0883**	8.58	-1.49	-11.55
AU$	CSL	**CSL**	127.18	0.69	26.66
¥	Canon	**7751**	3869.00	1.50	17.42
¥	CentralJapanRwy	**9022**	18310	0.85	-4.78
HK$	ChinaConstructnBk	**0939**	6.52	1.09	9.21
HK$	ChinaLifeInsurance	**2628**	23.55	-0.42	16.58
HK$	ChinaMobile	**0941**	86.75	-0.80	5.54
HK$	ChinaPetro&Chem	**0386**	5.68	-3.07	3.27
AU$	CmwlthBkAust	**CBA**	81.25	-0.07	-1.41
¥	EastJapanRailway	**9020**	10350	1.47	2.48
¥	Fanuc	**6954**	21995	1.06	11.00
¥	Hitachi	**6501**	725.20	0.62	14.75
TW$	Hon Hai Precisn	**2317**	115.50	1.32	37.17
¥	HondaMotor	**7267**	3056.00	0.82	-10.51
KRW	HyundaiMtr	**005380**	144500	1.76	-1.03
HK$	Ind&Comml	**1398**	5.55	2.78	19.35
¥	JapanTobacco	**2914**	3775.00	-0.21	-1.80
¥	KDDI	**9433**	2956.00	1.58	-0.12
¥	Mitsubishi	**8058**	2525.00	0.08	1.41
¥	MitsubishiElectric	**6503**	1686.50	0.93	3.50
¥	MitsubishiUFJFin	**8306**	700.10	1.68	-2.79
¥	Mitsui	**8031**	1619.50	1.19	0.78
¥	Mizuho Fin	**8411**	191.00	1.43	-8.96
¥	NTTDoCoMo	**9437**	2578.50	1.32	-3.17
AU$	NatAustBnk	**NAB**	30.89	0.59	0.72
¥	NipponTeleg	**9432**	5276.00	0.50	7.41
¥	NissanMotor	**7201**	1100.00	1.80	-6.42
¥	Panasonic	**6752**	1493.00	2.86	25.51
HK$	PingAnInsofChina	**2318**	57.55	0.35	48.32
$	RelianceIndsGDR	**RIGD**	48.70	-0.20	54.36
KRW	SamsungElectronics	**005930**	2250000	0.85	24.86
¥	Seven&I Hldgs	**3382**	4494.00	0.56	0.92
¥	SoftBankGroup	**9984**	8776.00	1.32	13.02
¥	Sony	**6758**	4299.00	0.99	31.27
¥	Sumitomo Mitsui	**8316**	4161.00	1.46	-6.70
HK$	SunHngKaiPrp	**0016**	122.00	-0.25	24.49
TW$	TaiwanSemiMfg	**2330**	214.00	1.42	17.91
¥	TakedaPharm	**4502**	5971.00	0.91	23.50
HK$	TencentHoldings	**0700**	318.80	-0.93	68.05
¥	TokioMarineHldg	**8766**	4504.00	1.24	-6.09
¥	ToyotaMtr	**7203**	6275.00	1.54	-8.77
AU$	Wesfarmers	**WES**	41.57	1.09	-1.35
AU$	WestpacBanking	**WBC**	32.19	0.66	-1.26
AU$	Woolworths	**WOW**	27.09	0.71	12.41
	Stoxx 50				
CHF	ABB	**ABBN**	22.22	-0.31	3.45
€	ASMLHolding	**ASML**	129.90	0.78	21.80
€	AXA	**CS**	24.88	0.48	3.73
€	AirLiquide	**AI**	104.30	0.29	-1.28
€	Allianz	**ALV**	183.00	0.44	16.56
€	AB InBev	**ABI**	99.43	0.28	-1.11
£	AstraZeneca	**AZN**	4456.50	1.05	0.43
€	BASF	**BAS**	80.93	-0.02	-8.36
€	BNP Paribas	**BNP**	67.19	0.75	10.97
£	BT Group	**BT.A**	296.65	-0.10	-19.15
€	BancoBilVizAr	**BBVA**	7.64	0.79	20.31
€	BancoSantander	**SAN**	5.61	0.29	13.11
£	Barclays	**BARC**	200.45	0.33	-10.29
€	Bayer	**BAYN**	107.05	...	7.99
£	BP	**BP.**	444.10	-0.45	-12.85
£	BritishAmTob	**BATS**	4907.50	1.28	6.19
€	Daimler	**DAI**	60.25	0.17	-14.80
€	DeutscheTelekom	**DTE**	15.70	-0.44	-3.08
£	Diageo	**DGE**	2536.00	1.44	20.19
€	ENI	**ENI**	13.35	0.38	-13.70
£	GlaxoSmithKline	**GSK**	1494.50	0.95	-4.32
£	Glencore	**GLEN**	331.25	-0.20	19.43
£	HSBC Hldgs	**HSBA**	744.50	0.19	13.34
€	INGGroep	**INGA**	15.39	0.79	15.11
£	ImperialBrands	**IMB**	3221.50	2.12	-9.06
€	IntesaSanpaolo	**ISP**	2.86	0.63	18.05
€	LVMHMoetHennessy	**MC**	217.05	0.21	19.65
£	LloydsBankingGroup	**LLOY**	65.59	1.13	4.93
€	LOreal	**OR**	175.30	0.09	1.10
£	NationalGrid	**NG.**	965.70	0.20	-6.98
CHF	Nestle	**NESN**	81.70	-0.85	11.84
CHF	Novartis	**NOVN**	81.60	0.12	10.12
DKK	NovoNordiskB	**NOVO-B**	289.00	0.49	13.47
£	Prudential	**PRU**	1811.50	0.22	11.31
£	ReckittBenckiser	**RB.**	7395.00	-0.35	7.39
£	RioTinto	**RIO**	3375.50	-1.10	6.87
CHF	RocheHldgctf	**ROG**	245.00	0.25	5.33
£	RoyDtchShell A	**RDSA**	2126.00	-0.42	-5.20
€	SAP	**SAP**	90.00	0.18	8.68
€	Sanofi	**SAN**	81.77	0.74	6.33
€	SchneiderElectric	**SU**	67.68	0.68	2.37
€	Siemens	**SIE**	110.05	-0.14	-5.78
€	Telefonica	**TEF**	9.38	-0.66	6.33
€	Total	**FP**	42.74	-0.27	-10.50
CHF	UBSGroup	**UBSG**	16.63	-0.12	4.26
€	Unilever	**UNA**	49.95	0.74	27.70
£	Unilever	**ULVR**	4471.50	1.34	35.81
€	Vinci	**DG**	76.95	0.21	18.93
£	VodafoneGroup	**VOD**	221.90	-0.09	11.03
CHF	ZurichInsurance	**ZURN**	295.10	0.37	5.24
	DJIA				
$	AmericanExpress	**AXP**	86.80	1.56	17.17
$	Apple	**AAPL**	161.63	1.12	39.56
$	Boeing	**BA**	239.23	0.88	53.67
$	Caterpillar	**CAT**	113.71	...	22.61
$	Chevron	**CVX**	108.61	-0.09	-7.72
$	CiscoSystems	**CSCO**	32.09	0.79	6.19
$	Coca-Cola	**KO**	46.18	0.83	11.38
$	Disney	**DIS**	101.52	0.12	-2.59
$	DuPont	**DD**	81.57	0.52	11.13
$	ExxonMobil	**XOM**	78.08	-0.19	-13.49
$	GeneralElec	**GE**	25.14	-0.87	-20.44
$	GoldmanSachs	**GS**	227.62	0.11	-4.94
$	HomeDepot	**HD**	150.16	-2.66	11.99
$	Intel	**INTC**	36.00	-0.94	-0.74
$	IBM	**IBM**	142.08	-0.17	-14.40
$	JPMorganChase	**JPM**	92.73	0.26	7.46
$	J&J	**JNJ**	133.40	-0.06	15.79
$	McDonalds	**MCD**	157.62	0.23	29.49
$	Merck	**MRK**	62.52	-0.24	6.20
$	Microsoft	**MSFT**	73.22	0.03	17.83
$	Nike	**NKE**	58.57	-2.02	15.23
$	Pfizer	**PFE**	33.38	0.21	2.77
$	Procter&Gamble	**PG**	92.20	0.60	9.66
$	3M	**MMM**	207.26	-0.05	16.07
$	Travelers	**TRV**	129.05	0.20	5.42
$	UnitedTech	**UTX**	116.00	-0.98	5.82
$	UnitedHealth	**UNH**	194.53	0.42	21.55
$	Visa	**V**	102.64	0.75	31.55
$	Verizon	**VZ**	48.48	-0.62	-9.18
$	Wal-Mart	**WMT**	80.79	0.11	16.88

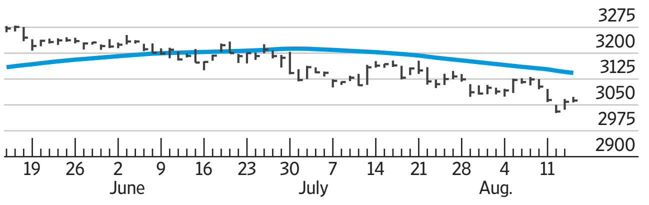
Asia Titans 50

Last: **163.26** ▲ 0.16, or 0.10% YTD ▲ **15.8%**



Stoxx 50

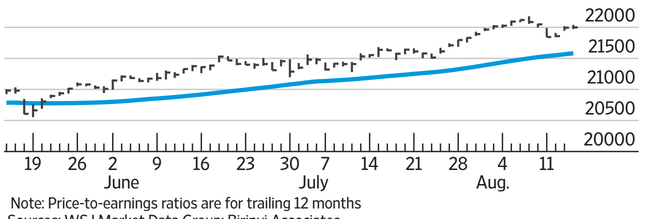
Last: **3062.68** ▲ 3.68, or 0.12% YTD ▲ **1.7%**



Dow Jones Industrial Average

P/E: 20

Last: **21998.99** ▲ 5.28, or 0.02% YTD ▲ **11.3%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

Food Makers Grab Up Chicago Property

Real estate heats up in third-largest U.S. city as a new business renaissance takes hold

By Peter Grant

TERRENCE ANTONIO JAMES/TNS/ZUMA PRESS

Chicago's Fulton Market district will be home to McDonald's Corp. once its new headquarters is built. Conagra Brands and Hickory Farms moved operations there, too.

In Chicago's trendy Fulton Market district, a once gritty area known only for Oprah Winfrey's Harpo Studios, construction crews have started facade work on a new headquarters for **McDonald's** Corp., which is returning to the city after more than four decades in the suburbs.

McDonald's, now building at the former Harpo site, isn't alone in making that move. **Conagra Brands** Inc., **Hickory Farms** Inc. and other traditional American heartland companies have shifted major operations to Chicago in recent years as well. Overall, businesses returning to the city or moving there for the first time have leased more than 7 million square feet of space since 2008, according to real-estate services firm JLL.

Like many other major U.S. cities, Chicago is enjoying a boom as big employers opt for downtowns over suburban office parks that are being shunned by young workers. More than $20 billion of residential, office, cultural and retail projects are in development or on the drawing board, according to the city Planning and Development Department.

But Chicago's growth engine is different from those benefiting booming cities on this country's East and West Coasts. Unlike cities such as San Francisco and Boston, where the technology sector is fueling economic development, Chicago lately has been relying heavily on growth of food and consumer-products companies.

While most of these companies are decades old, they also are recognizing the need to attract a young and urban workforce as they add new products, technology and services in response to shifting consumer preferences. McDonald's executive workforce, for example, has launched a mobile app, added self-order kiosks and added healthier items to its menu.

Hickory Farms, a food retailer founded in Toledo, Ohio, in the early 1950s, moved its headquarters to Chicago earlier this year to tap the city's talent pool in e-commerce and marketing. "We often refer to ourselves as a 66-year-old startup," said Chief Executive Diane Pearse.

Officials in the administration of Mayor Rahm Emanuel, who was first elected in 2011, say the longer the list of relocations, the more other companies are considering Chicago moves.

"It has become an easier sell," said David Reifman, commissioner of the Chicago Planning and Development Department.

At the same time, Chicago's growth pace also has been threatened by problems unique to many older Midwestern cities. Once dominated by manufacturing, the city still has hundreds of acres of underused industrial land, some of it prime riverfront real estate.

Also, many working-class and low-income neighborhoods in Chicago are losing population, partly due to the city's high rate of murders and other crime. Unlike cities such as New York and San Francisco, which are seeing record real-estate values practically across the board, values in some Chicago neighborhoods are still well below their pre-crash highs.

Mr. Emanuel bristles over critics who call him "Mayor 1%" for focusing much his economic-development efforts on attracting major corporations and luxury-housing developments to the downtown core. In an interview earlier this month, he ticked off a wide range of programs designed to add jobs in struggling neighborhoods and affordable housing throughout the city.

He pointed out that he has opened up hundreds of acres of land that had been set aside for industrial use, for commercial and residential development. Past efforts to preserve it for Chicago's historical heavy manufacturing were backward-looking, he said.

"Denial is not a long-term strategy," Mr. Emanuel said.

Chicago's current boom goes back more than 15 years to when Boeing Co. relocated its headquarters there from Seattle after a highly publicized search, and UAL Corp., the parent of United Airlines, moved back to the city it had left in 1962. The boom was stoked by demand for luxury apartment buildings in top neighborhoods from young people and empty nesters preferring urban living.

As in most parts of the country, Chicago development stalled after the 2008 crash. One of the symbols of the recession became a circular hole on a prime site in the city, the foundation for what was intended to be the tallest residential building in North America.

But both the residential and office markets picked up steam starting about five years ago as the latest wave of corporate relocations began. Developers began snapping up sites, including the hole at the prime site that was purchased by Related Cos. The New York-based company, which has built more than 2,000 units during the past five years, plans to reveal its plans for the hole later this year.

Meanwhile, residents and tourists have been flocking to new shopping, entertainment and cultural events along the city's reinvigorated waterfront. Other megaprojects in the pipeline include a $1 billion, 94-story condominium and hotel tower being planned by **Magellan Development Group** and **Dalian Wanda Group** of China, the redevelopment of Chicago's 92-year-old Union Station, and a new 51-story tower anchored by **Bank of America** scheduled to open in 2020.

Chicago's downtown renaissance has made it easier for corporations throughout the Midwest to move there. Many of these companies want to capture that energy as they try to reinvent their brands and products for the 21st century.

Take the case of Conagra, the formerly Omaha, Neb.-based food company known for brands including Slim Jim snacks, Chef Boyardee and Peter Pan peanut butter: Soon after becoming CEO in 2015, Sean Connolly decided to move Conagra's headquarters to Chicago to take advantage of its creative talent pool, according to a spokesman for the firm.

"We needed to make a drastic change to be truly competitive," the spokesman said. Chicago "provides the perfect setting for us to breathe new life into these brands."


STEVEN VANCE

Chicago developer Sterling Bay envisions $7 billion to $9 billion worth of projects over the next decade on its North Branch holdings including the site of the former A. Finkl & Sons Steel plant.

An Old Site Learns New Tricks

By Peter Grant

For more than 100 years, the A. Finkl & Sons Steel plant on the North Branch of the Chicago River was a big employer in Chicago as it supplied the world with a wide range of steel products.

Today a real-estate developer is planning to convert the 22-acre former plant site into office, retail and residential uses as the third-largest American city reinvents itself.

Sterling Bay, which has been one of Chicago's most active developers in its current boom, purchased the site last year for more than $100 million. Sterling Bay envisions $7 billion to $9 billion of projects over the next decade or so on the Finkl site and its other North Branch holdings, partly to serve the growing number of headquarters moving to the city.

"We're facing the obvious fact that some areas don't make sense for industrial use anymore," said Andy Gloor, managing principal of Sterling Bay.

The old Finkl site is among hundreds of acres of formerly industrial land along the so-called North Branch industrial corridor opened up for development earlier this summer by Mayor Rahm Emanuel and the City Council. The corridor, north of downtown and near the Lincoln Park neighborhood, had been protected from other types of development since 1988, when then-Mayor Richard Daley moved to preserve manufacturing and industrial jobs.

But the world economy has shifted since then with much of the steel industry shrinking, focusing on specialty products or moving overseas. The Finkl steel operation has moved to Chicago's South Side.

Developers, meanwhile, are coveting waterfront sites for other uses. "On balance the [Chicago] region has seen more growth in its services sector and has seen somewhat tepid growth compared with some other places in its manufacturing sector," said Mark Muro, senior fellow with the Brookings Institution's Metropolitan Policy Program.

Chicago is trying to preserve manufacturing jobs by directing some fees and other revenue from developers of North Branch projects to development of industrial businesses in other parts of the city. It also has been supportive of a manufacturing-innovation center named mHub, which helps create new products and businesses.

"We're putting ourselves in the forefront of whatever the transportation, distribution and logistics economy will be," said David Reifman, commissioner of the city Department of Planning and Development.

Strip Malls Have Cover From Retail Upheaval

By Esther Fung

Open-air shopping centers are on the upswing.

Shares of real-estate investment trusts that own and operate the broad category of open-air shopping centers are up about 7% since June 30 after skidding 19.6% in the first half of this year, according to an index that tracks shopping center REITs by the National Association of Real Estate Investment Trusts.

For the year, the shares are still down 14%.

The open-air mall category comprises strip malls that don't have enclosed walkways linking stores, power centers, which are open-air shopping centers that include anchor stores such as department stores and a few small tenants. It also encompasses community centers, which are neighborhood shopping centers that offer convenience-oriented stores.

Retail landlords have been battered in recent years as online shopping grabs market share and major retailers announce store closures.

Occupancy rates declined in the first half of the year, but most 2017 store closures likely have occurred already because tenants typically stay put in the second half through the year-end holidays, analysts said.

Strip centers are less vulnerable to the retail storm, according to Mizuho Securities, because they have less exposure to apparel retailers and offer more affordable rents than mall landlords.

Kimco Realty Corp., based in New Hyde Park, N.Y., said it already has accounted for retailers that are restructuring and remains confident about its portfolio, with well-located sites and affordable leases.

Strip centers are less exposed to apparel retailers and offer more affordable rents.

"It's hard for retailers to find a better economic deal in these tough markets. So typically, the rents that they have are very much below-market so they have to hold on to those leases," Kimco Chief Executive Conor Flynn said recently. He said the growing number of retailers Kimco is doing business with will far outweigh exposure to some of its tenants that are closing stores.

Shares of Kimco are up 9% since June 30. They are down 20% for the year.

Mall landlords concede they are working harder to woo tenants that are more in tune with customers' tastes and are spending more time structuring leases that are accommodative to tenants' demands while stile being profitable.

Federal Realty, another shopping-center REIT, said it still has concerns about how Ascena Retail Group Inc., which owns Ann Taylor and Loft, can continue paying its rents, but added that it is getting calls from mall-based retailers looking for better deals.

The REIT, based in Rockville, Md., also announced a $345 million joint venture this month with **Primestor Development** Inc. for a majority stake in a portfolio of seven retail properties in underserved Hispanic communities in Southern California.

"The retail world right now is very unpredictable," Christopher Weilminster, executive vice president at Federal Realty, said recently.

KIMCO REALTY

A stock index of real-estate investment trusts that own and operate open-air shopping centers is up about 7% since June 30.

Macron Rally Skips French Stocks

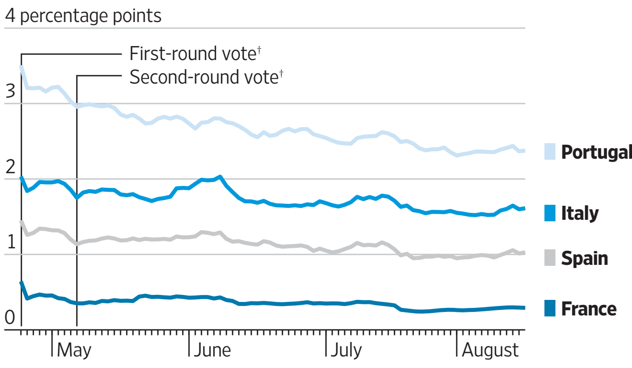
Markets see winners and losers since the pro-EU candidate's presidential victory

BY RIVA GOLD AND ANDREW BARNETT

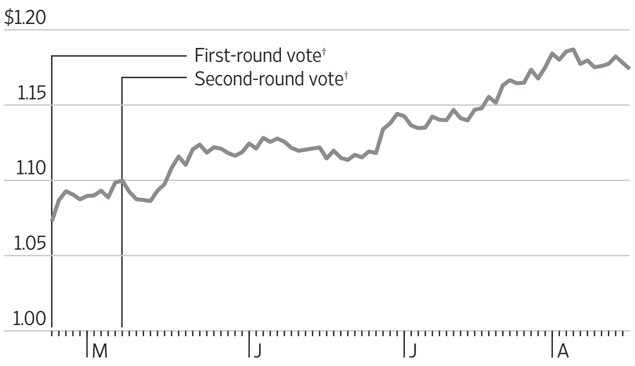
French Stocks Flambéed

Southern European and French bonds have strengthened since Macron's victory, and the euro has gained, but France's stocks have lost ground.

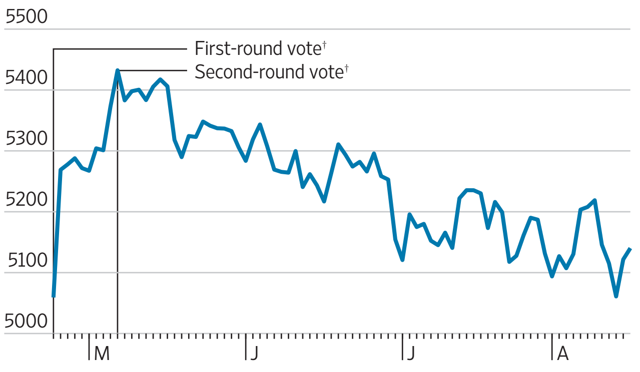
Yield gap over 10-year German government bonds



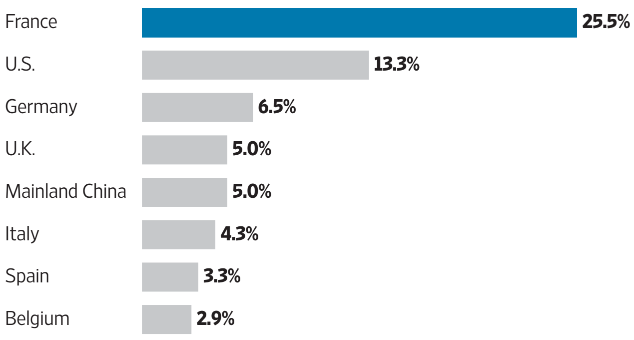
How many dollars €1 buys*



CAC-40 index



Breakdown of revenue exposure for the CAC-40 index by country for the past 12 months, as a percentage of total



*Through 3:30 p.m. Tuesday in New York †Pre-election close
Sources: Tradeweb (spreads); WSJ Market Data Group (currency, stocks); FactSet (revenue)
THE WALL STREET JOURNAL.

At the start of the year, concerns that anti-European Union politicians could win elections depressed markets across the region. But in May, pro-EU centrist Emmanuel Macron won the French presidency, triggering a rally in the region's stocks, bonds and common currency.

Investors anticipated greater political stability and more business-friendly policies across the eurozone, shifting their focus to the improving economy, which grew faster than the U.S.'s at the start of the year.

Three months into Mr. Macron's presidency, here is a look at some of the markets' biggest winners and losers since the two-round vote. Investors are still betting on solid growth, but that isn't doing any favors for French stocks.

WINNERS

Italian stocks struggled earlier this year, before Mr. Macron's election helped defuse investors' fears of a eurozone breakup and reversed a ballooning yield gap between Italian and German government bonds. Coupled with recent efforts to shore up some of Italy's most troubled lenders, Milan's benchmark stock index has climbed 10% since the first round of the French vote, outpacing its regional peers.

With political worries out of the way and a rush of flows into European funds, the euro has swelled against the U.S. dollar since the French vote. Speculators currently hold the longest position on the euro since 2007, according to data from the Commodity Futures Trading Commission.

When National Front candidate Marine Le Pen or left-wing firebrand Jean-Luc Mélenchon were pulling ahead in the polls, investors dumped French, Italian and Spanish bonds and turned to ultrasafe German debt because of worries about the impact of a possible eurozone breakup on Europe's most-fragile economies.

But the day after the first-round vote, the difference between French and German yields dropped by the most since the height of the eurozone crisis in 2011, and spreads across Europe have mostly remained compressed since then.

LOSERS

The benchmark index of blue-chip French stocks shot up 4.1% the day after Mr. Macron cleared the first round of the vote as investors bet that a reduction of political jitters and an onslaught of business-friendly policies would boost shares of Paris's largest companies. But analysts say there have been few signs of progress on market-friendly policies in France, while a stronger euro has been a headwind for shares of multinationals across the bloc.

Companies in France's CAC-40 index generate 61% of their revenue in Europe, making them vulnerable to a strengthening local currency when overseas revenue is translated back into euros. That compares with 67% for

With political worries gone and a rush into European funds, the euro has swelled.

the CAC Mid 60 index, which tracks the second 60-largest and most actively traded shares listed on Euronext Paris, and roughly 80% for the CAC Small index of small companies. Both have significantly outperformed the CAC-40 since the French election.

Investors migrated into the ultrasafe debt of the eurozone's largest economy ahead of the French vote to protect their portfolios against the chance of an outcome that could destabilize the currency area and wider financial markets. But since then, expectations for greater cooperation between France and Germany, weaker demand for haven assets and the prospect of less central-bank stimulus in the months ahead has put pressure on the bund.

KPMG to Settle SEC Claims for $6 Million

BY MICHAEL RAPOPORT AND DAVE MICHAELS

KPMG LLP agreed to pay $6.2 million to settle Securities and Exchange Commission allegations that the accounting firm botched its audit of an oil-and-gas company, and the lead partner on the audit agreed to a suspension from auditing public companies.

The SEC said KPMG failed to properly audit the financial statements of **Miller Energy Resources** Inc. in 2011, overlooking the overvaluation of oil-and-gas interests that the company had purchased in Alaska. Among other things, KPMG failed to detect that certain fixed assets were double-counted in the company's valuation, the SEC said.

That led to investors being misinformed that properties Miller had purchased for $4.5 million were worth $480 million, the SEC said.

KPMG agreed to pay a $1 million fine and disgorge nearly $4.7 million in audit fees it had received from Miller Energy, and agreed to pay more than $558,000 in interest. The Big Four firm didn't admit or deny the SEC's findings.

In a statement, KPMG said the settlement was related to audit work from six years ago and that it has "fully cooperated with our regulators to reach a resolution."

John Riordan, KPMG's lead partner on the audit, also settled charges against him, agreeing to a $25,000 fine and a suspension from auditing public companies for at least two years. He didn't admit or deny the SEC's findings.

Miller Energy filed for bankruptcy in 2015, after the SEC filed charges against it.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Garmin's Watches Merit a Look

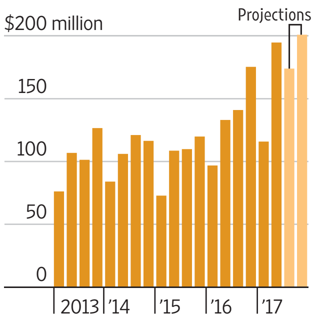
For a company that first made a name for itself in maps, **Garmin** Ltd. should get more than a little credit for seizing a solid niche in the turbulent world of smartwatches.

That was no simple feat. The company was best known for putting navigation devices into cars, which proved to be a highly profitable market until smartphones came up to the task. Meanwhile, wearable technology isn't an easy market to crack. **Fitbit** has long led the fitness band market with a wide range of devices across several price points, while **Apple** Inc. has quickly taken over the burgeoning smartwatch market.

Apple accounted for about 51% of smartwatches sold globally in the first half of this year, according to Counterpoint Research. Garmin accounted for only about 3%, but the company has been making the most of that niche. It has been able to apply its GPS expertise to produce devices popular with athletic customers who are willing to pay extra to keep closer tabs on their activities.

Wind Up

Garmin's quarterly outdoor segment revenue



Sources: the company, FactSet
THE WALL STREET JOURNAL.

Garmin inReach satellite device

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 the same period last year. That effectively doubled the company's market share, per Counterpoint's reckoning. Operating margins in Garmin's outdoor segment also reached their highest level in nearly three years in the second quarter. And 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. At 18 times forward earnings, Garmin currently trades at 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. And 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. Fitbit saw revenue plunge 40%.

Garmin's aviation and marine businesses are also growing and keep the company from becoming too reliant on wearables. Aviation 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

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 iPhone maker Apple for the current fiscal year ending in 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. Sacconaghi estimates that Apple's services revenue averages a gross margin of about 65%—well above the corporate average of 39%.

Consumers Spend but Not in Stores

Bad news for struggling U.S. retailers: Consumer spending is looking decent, but it isn't showing up in their stores.

The Commerce Department on Tuesday reported that retail sales rose 0.6% in July from June—better than the 0.4% gain economists expected. June sales were revised higher. The new figures bat away concerns that consumer spending was shifting into a lower gear.

But you wouldn't know that from looking at the recent results at many retailers. Last week, shares of department stores **Macy's**, **Kohl's** and **Dillard's** fell sharply after their quarterly reports failed assuage investor worries about their deteriorating sales. On Tuesday **Dick's Sporting Goods** stock tumbled after its same-store sales came in well short of estimates and shares of **Advance Auto Parts** dropped hard on its disappointing results.

Market share losses to **Amazon.com** and similar companies remain a big part of retailers' problem. Sales at nonstore retailers—a category that includes many online retailers—rose 1.3% last month from June and were up 11.5% from a year earlier.

Another problem is that with wages only growing slowly and low inflation ingrained in consumers' expectations, retailers have little scope for raising prices. On top of that, a decline in the saving rate suggests that Americans have little ability to spend at a faster pace than they are now.

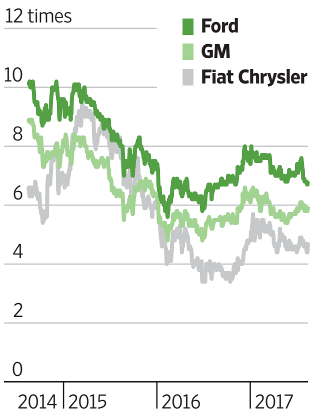
Put differently, this might be as good as it gets for retailers, yet many of them are struggling. Look out below when the going actually gets tough.

—Justin Lahart

What's the Best Kind of Deal for Car Maker Fiat Chrysler?

Rough Road

Forward price/earnings ratios



Source: FactSet
THE WALL STREET JOURNAL.

Fiat Chrysler Automobiles seems more likely to be broken up than sold to a Chinese company—and even a breakup is no sure bet.

The American-Italian car maker's shares surged 8.2% Monday in Milan on an unconfirmed report in Automotive News, a Detroit-based trade paper, that it had rebuffed a bid from an unnamed Chinese peer.

It is plausible that a Chinese car maker would want to buy FCA. Chinese companies went on a buying spree last year in both the U.S. and Germany.

It is less plausible that FCA would sell out. Chief Executive Sergio Marchionne is known as a deal maker, having famously tried and failed to engineer a merger with General Motors. But a Chinese takeover would come with big political risks. The Committee on Foreign Investment in the U.S. has appeared to toughen its stance under the Trump administration, while the European Union is also reportedly drafting new rules on takeovers. With a raft of iconic brands on both sides of the Atlantic—from Jeep to Fiat and Chrysler to Maserati—FCA would be a highly public test case.

A different kind of deal seems more likely. The success of FCA's Ferrari spinoff, which has outperformed Tesla this year and is worth more than its former parent, has raised hopes of

A Chinese takeover of the auto maker would come with sizable political risks.

a sequel involving another FCA subsidiary. The most likely candidate in the short term is Fiat's car-parts business, Magneti Marelli.

Beyond that, things are tougher. Mr. Marchionne is due to retire in April 2019, after the completion of a five-year plan. Last month, he promised a new five-year plan in the first half of next year—and with it an answer to the big strategic question: How does FCA balance value-creating spinoffs or asset sales with the scale necessary to invest in electrification and self-driving wizardry?

At little more than four times forward earnings, FCA stock looks deeply undervalued. But that value may be harder to crystallize than Monday's share-price jump implies.

—Stephen Wilmot