

# THE WALL STREET JOURNAL.

DOW JONES | News Corp

As of 12 p.m. ET DJIA 21808.64 ▼ 0.02% NIKKEI 19449.90 ▼ 0.01%

TUESDAY, AUGUST 29, 2017 ~ VOL. XLI NO. 254

WSJ.com

ASIA EDITION

## What's News

Business & Finance

Gilead Sciences agreed to pay about \$11 billion for Kite Pharma and its promising technology for harnessing the body's immune system to fight cancer. **A1**

♦ Uber's board approved Expedia Chief Executive Dara Khosrowshahi as its new CEO, capping a tumultuous nine-week search. **B1**

♦ The market for CDOs is rising in Europe after years on the decline, raising concerns that excess is seeping into the bull market. **A1**

♦ U.S. gasoline futures surged after Tropical Storm Harvey knocked out refining operations and traders tried to gauge damage in the Houston area. **B1**

♦ Commonwealth Bank of Australia faces a broad ethics health check by the industry regulator. **B5**

♦ U.S. producers are now shipping more coal abroad than at any time in the past two years as China re-emerges as an importer. **B1**

♦ Fitch Ratings downgraded Qatar's debt, citing concerns that the economic blockade imposed by Arab neighbors was unlikely to be lifted soon. **B7**

♦ CBS plans to buy Australia's Ten Network, beating out a bid from Australian media moguls Bruce Gordon and Lachlan Murdoch. **B3**

♦ Facebook drew a rebuke from a U.N. agency for allowing an objectionable video on its website. **B4**

### World-Wide

♦ Tropical Storm Harvey was poised to re-enter the Gulf of Mexico Monday and make another landfall near Houston thereafter, prolonging the devastation suffered by the area. **A1**

♦ First responders rushed to perform 3,000 rescues across Houston, as questions rose about whether the city should have been evacuated. **A7**

♦ China and India said they had negotiated a solution to a months-long standoff on a remote Himalayan plateau. **A1**

♦ Moon Jae-in ordered changes to South Korea's military structure so that Seoul could swiftly respond if North Korea "crosses the line." **A3**

♦ The U.S. Navy said it has recovered the remains of all 10 sailors who went missing from USS John S. McCain after a collision. **A3**

♦ A Guatemalan court temporarily barred President Jimmy Morales from expelling a U.N. anticorruption prosecutor. **A4**

♦ Angola's new leader João Lourenço faces the challenge of guiding the country out of a grave economic crisis. **A4**

♦ The Trump administration is considering major reductions in cultural exchange programs. **A5**

♦ Brexit talks resumed in Brussels, but officials played down the prospect of breakthroughs. **A4**

CONTENTS Markets Digest... B6  
Business News.... B3 Opinion..... A10-11  
Capital Journal.... A2 Sports..... A8  
Crossword..... A12 Technology..... B4  
Heard on Street.... B8 U.S. News..... A5-7  
Life & Arts..... A9,12 Weather..... A12  
Markets..... B8 World News..... A2-4

China: RMB28.00; Hong Kong: HK\$23.00;  
Indonesia: Rp25,000 (incl PPN);  
Japan: Yen620 (incl JCT); Korea: Won4,000;  
Malaysia: RM750; Singapore: \$55.00 (incl GST)

KDN PP 9315/10/2012 (032725); MCI (P)  
NO. 066/01/2017; SK MENPEN RI NO. 01/  
SK/MENPEN/SCJ/1998 TGL 4 SEPT 1998

ISSN 03779920 4 125 4  
9 770377992000

Copyright 2017 Dow Jones & Company. All Rights Reserved

Please see GILEAD page A2

Please see BELL page A8

STOXX 600 372.29 ▼ 0.48% BRENT 51.71 ▼ 1.34% GOLD 1307.20 ▲ 1.14% EURO 1.1976 ▲ 0.44% DLR ¥109.25 ▼ 0.10%

# Houston Braces for New Flooding

Harvey on path to strike city again with 20 more inches of rain; thousands rescued

HOUSTON—Tropical Storm Harvey was poised to re-enter the Gulf of Mexico on Monday and make another landfall closer to Houston roughly two days later, prolonging the slow-motion flooding disaster

By Erin Ailworth,  
Dan Frosch  
and Christopher M.  
Matthews

that already has crippled one of the U.S.'s largest metropolitan areas.

The storm, still over coastal Texas, isn't expected to regain hurricane strength as its eye moves back over water, according to the National Hurricane Center. But its plodding, easterly track means as much as 20 more inches of rain could fall on the Houston area. The region has seen as much as 30 inches in recent days, turning roads into rivers, inundating homes, and requiring rescues for thousands of stranded people.

The historic rains, already more than half of what Houston gets in a typical year, were forcing officials to make painful decisions to evacuate flooded areas—and to release water from reservoirs under strain, knowing that it would flow into nearby neighborhoods.

Local officials warned the



Flood victims arrive at Houston's convention center, now a shelter. About 30,000 people may be displaced by Harvey, FEMA said. .

situation would get worse Monday as the city continues to be inundated by historic rainfall.

"The reality is the water is continuing to rise," Houston Mayor Sylvester Turner said. "The water level along Buffalo Bayou in all likelihood will increase."

Buffalo Bayou is the main waterway that snakes its way through the heart of Houston. The water levels of two reservoirs that feed into it are particularly concerning.

Water levels for the Adicks and Barker reservoirs, built in the 1940s to protect downtown and the Houston

Ship Channel downstream, were rising beyond capacity, prompting the U.S. Army Corps of Engineers to strategically release water from them and asked residents nearby to voluntarily evacuate.

Mr. Turner warned there would be more flooding to

Please see STORM page A6

### Storm Fallout

- ♦ Harvey poses hazards to giant U.S. flood insurer... A6
- ♦ Texas governor, mayor split over evacuations.... A7
- ♦ Rescues tax resources... A7
- ♦ Gasoline jumps after storm shuts refineries..... B1

## INSIDE



### THE METHOD TO TRUMP'S MADNESS

CAPITAL JOURNAL, A2

### UBER PICKS EXPEDIA CHIEF AS CEO

BUSINESS & FINANCE, B1

# China, India End Standoff

China and India said they had negotiated a solution to a more than two-month-long standoff on a remote Himalayan plateau, ending a stalemate that had raised concerns about a potential military conflict.

But statements on Monday from both sides created confusion over terms of the detente. India's Foreign Ministry said the two sides had agreed to the "expeditious disengagement" of border personnel of India and China at the face-off site.

Beijing said Indian troops had withdrawn and, responding to a question about Chinese troop deployments, said it would make "necessary adjustments."

Ship Channel downstream, were rising beyond capacity, prompting the U.S. Army Corps of Engineers to strategically release water from them and asked residents nearby to voluntarily evacuate.

Mr. Turner warned there would be more flooding to

Please see CHINA page A6

fending it was crucial to protecting its own security and the interests of Bhutan. Bhutan had asked China to retreat until the boundary dispute between them was settled.

Beijing had for weeks accused India of "illegal trespassing" and called on Indian soldiers to withdraw.

Neither side would comment on whether Beijing would abandon its road-building project as part of Monday's deal. China's Foreign Ministry said border guards would continue to patrol the

Please see CHINA page A3

# A Crisis Villain Rises Again

By CHRISTOPHER WHITALL AND MIKE BIRD

LONDON—The synthetic CDO, a villain of the global financial crisis, is back.

A decade ago, investors' bad bets on collateralized debt obligations helped fuel the crisis. Billed as safe, they turned out to be anything but. Now, more investors are returning to CDOs—and so are concerns that excess is seeping into the aging bull market.

In the U.S., the CDO market

sank steadily in the years after the financial crisis but has been fairly flat since 2014. In Europe, the total size of the market is now rising again—up 5.6% annually in the first quarter of the year and 14.4% in the last quarter of 2016, according to the Securities Industry and Financial Markets Association.

Collateralized debt obligations package a bunch of assets, such as mortgage or corporate loans, into a security that is chopped up into pieces

and sold to investors.

The assets inside a synthetic CDO, by contrast, aren't physical debt securities but rather derivatives, which in turn reference other investments such as loans or corporate debt.

During the financial crisis, synthetic CDOs became a symbol of the excesses of the era. Labelled an "atomic bomb" in the movie "The Big Short," they ultimately were the vehicle that spread the risks from the mortgage market through

Please see CDO page A2

### Gilead Sets \$11 Billion Deal for Kite Pharma

By JONATHAN D. ROCKOFF

Gilead Sciences Inc. agreed to pay about \$11 billion for Kite Pharma Inc. and its promising technology for harnessing the body's immune system to fight cancer.

Gilead will pay \$180 a share, representing a 29% premium over Kite's closing price Friday. The all-cash deal would give Gilead a foothold in a new type of personalized treatment that doctors say could save patients with the worst cases of cancer and analysts estimate would ring up billions of dollars in sales. Shares in Kite rose nearly 29% to \$179 on Monday morning.

Gilead, of Foster City, Calif., had been looking for an acquisition to diversify its portfolio beyond its leading position in infectious-disease

Ask Not for Whom the Bell Tolls. They Won't Answer.  
\* \* \*  
Millennials and Gen Zers are so used to texting that doorbells freak them out

By CHRISTOPHER MIMS

Chanan Walia, a sophomore at University of California, Berkeley, can't remember the last time he used a doorbell or even knocked on a door.

It's not as if they aren't there. At home, his father installed a fancy, Wi-Fi-connected doorbell. Mr. Walia, 19 years old and a computer science major, says he just isn't comfortable ringing them. He and his friends have become so accustomed to texting one another upon arrival, he says, that the sound of a doorbell feels like an unexpected jolt.

"Doorbells are just so sudden. It's terrifying," says Tiffany Zhong, 20, the founder of Zebra Intelligence, which

helps companies conduct custom research and gather insights on people born in the past two decades.

There's no published research about doorbell phobia, but it's a real thing. In a poll by a Twitter user earlier this month that got more than 11,000 votes, 54% of respondents said "doorbells are scary weird." Some millennials and Gen Zers say they won't even consider answering a ring at the door until they've checked the security camera.

The doorbell freak-out reflects the ascendancy of mediated communication, which means people interacting through technological devices rather than directly. It's not so

Please see BELL page A8

### From the Depths

The amount of European collateralized debt obligations outstanding is growing again.

European CDOs outstanding, change from a year earlier



Sources: Association for Financial Markets in Europe, Securities Industry and Financial Markets Association

THE WALL STREET JOURNAL.

China Construction Bank Builds a better future

China Construction Bank

Builds a better future

中国建设银行

www.ccb.com

## WORLD NEWS

# Trump's Squabbles: Careless—or Calculated?



### CAPITAL JOURNAL

By Gerald F. Seib

Here are two ways of looking at how President Donald Trump has spent his August:

He has ruined the month—perhaps even his presidency—by mindlessly picking fights with Republican congressional leaders and the media, and by wallowing in divisive cultural issues rather than pushing his economic agenda.

But here is another: Rather than stumble and fumble into these controversies, Mr. Trump has quite deliberately chosen his issues and his enemies.

He has drawn attention to cultural issues—immigration, his border wall, defending Confederate symbols, Maricopa County Sheriff Joe Arpaio—precisely because they speak clearly to middle America. There, they resonate with both his core supporters and a wider universe of people who don't love the president but think the nation's elites have walked away from them on social issues.

## GILEAD

*Continued from Page One*  
treatments and provide a new revenue stream as sales of the company's hepatitis C drugs decline.

The deal for Kite would be one of Gilead's biggest, rivaling the company's \$11 billion purchase of liver-disease drugmaker Pharmasset in 2012. Through that acquisition, Gilead gained hepatitis C therapies that are among the world's top-selling drugs.

Now Gilead is betting that Kite can provide a similar payoff. Kite, of Santa Monica, Calif., is a leader among several companies that aim to use genetic engineering to weaponize a patient's own immune T cells and then deploy them to attack lymphoma and other blood cancers.

Kite's main drug, known as axi-cel, is up for approval in the U.S. and Europe. Analysts predict it would have worldwide sales of \$1.7 billion in 2022, according to EvaluatePharma, which ranks the drug among the industry's top 10 compounds in terms of sales potential. Such expectations have already pushed the company's shares sharply higher this year.

"This technology is really going to be transformative to the field," Gilead CEO John Milligan said in an interview. Axi-cel is likely to face

similarly, he has picked his targets for wrath—the media and the Republican establishment—carefully rather than cavalierly.

Targeting the news media is a winner with his base as well as a much broader segment of GOP voters. And by attacking Republican senators, he is trying to be sure they are blamed rather than him for failures on health care—while also creating grassroots pressure on them to atone for that failure by delivering on tax reform this fall.

"He's framing the fall," says Jason Miller, who was communications director of the Trump campaign and maintains close ties to the White House. "I think the president masterfully knows how to work the synergy of this counterculture, anti-Washington-elite sentiment to help him push forward on his agenda."

In short, perhaps Mr. Trump is simply doing exactly what he did during last year's presidential campaign, which is to use controversy and even seeming chaos to show that he stands apart from establishment forces that many Americans think have failed them. He won by running essentially as a political independent and, after seven rocky months in office, he appears to be gambling on that course again.

That doesn't mean this is the wisest approach, or that it won't blow up in the presi-



JOSHUA ROBERTS/REUTERS

dent's face. It's certainly risky to think that angering rather than wooing congressional leaders of his own party is going to produce a productive working relationship this fall. It's equally hard to grasp why Mr. Trump is pursuing this approach after having eased out of the White House its main proponent, Steve Bannon.

Still, it isn't mindless. It is controversy generated for a purpose.

Trump aides believe—and there is ample evidence to support them—that cultural anxiety among working-class voters was as big a factor

as economic anxiety in his campaign victory. Look at the list of issues Mr. Trump has touched upon in recent weeks—transgender Americans in the military, sanctuary cities, the racially charged march in Charlottesville—and you can see him returning to that path.

In doing so, he has stoked deep divisions in the country, particularly with his language that appeared to equate white supremacists with those who protest them. Yet while many in Washington hear defense of neo-Nazi groups when Mr. Trump talks, his

supporters make clear that what THEY hear is defense of historic Confederate statues—and, by implication, a traditional version of American culture.

House Democratic leader Nancy Pelosi has responded by calling for removing every Confederate statue from the U.S. Capitol—something Mr. Miller calls "a very dangerous spot of overreaching."

Similarly, when Mr. Trump revives tough immigration talk, he is embracing an issue that helped him steal white working-class voters away from the Democrats.

Democratic pollster Stan-

ley Greenberg calls immigration a "critical element of the Democrats' working-class challenge." His survey work has found that, among 2016 voters, white working-class men—a traditional Democratic group who became a core Trump constituency—were twice as likely to call immigrants an economic burden on the country as were college-educated white women, a core Democratic constituency.

Chicago Mayor Rahm Emanuel, who is in Mr. Trump's crosshairs over his city's policies toward immigrants, thinks he sees another motive: an attempt to distract attention from the administration's failure to produce economic policies that help the working class. "Each of these announcements is of a single piece: to grab voters they have lost on economic issues with cultural red meat," he says.

Heading into the fall, the paramount economic issue for the Republican Party and the White House is the quest for tax reform and a broad tax cut. Across the GOP there is no more important priority, and party leaders know they can ill afford to fail.

Mr. Trump's criticisms of party leaders are designed, Mr. Miller says, to add to the pressure. The president is saying: The party establishment failed me—and you—on health care. It's not my fault. Don't let them fail us on taxes.

swift, steep competition. Novartis AG, one of the leading cancer-drug makers, beat Kite to be the first company to ask the Food and Drug Administration to approve a bioengineered T-cell drug. Several other companies are developing the drugs, too.

Dr. Milligan said Gilead is accustomed to operating in competitive drug markets. He said Kite's technology could be used beyond its initial focus on an advanced form of lymphoma to other blood cancers including multiple myeloma and perhaps in combination with other immunotherapies.

Some of the drugs that various companies were working on have produced serious, even deadly, side effects during development. Dr. Milligan said doctors have learned how to cut the risk of side effects, and Gilead and Kite would work on developing improved treatments.

Gilead made its name selling treatments for HIV/AIDS. The biotech company surged in value after launching the hepatitis C treatments developed at Pharmasset. The drugs, Sovaldi and Harvoni, helped Gilead double its sales in 2014. It now has a market value of roughly \$100 billion.

Last year Gilead had \$30 billion in sales, including \$9.1 billion from Harvoni and \$4 billion from Sovaldi.

Yet the anti-viral drugs'

commercial success has also proved to be an albatross. Gilead faced public criticism and a Senate investigation for listing Sovaldi at \$1,000 a day, even though the therapy cured most patients at a cost of less than a liver transplant.

The hepatitis C drugs' sales were squeezed in recent years when Merck & Co. launched a rival treatment, forcing Gilead to offer steep discounts to health plans. And partly because of the drugs' success curing the disease, fewer patients needed treatment.

The company's second-quarter hepatitis C drug sales fell to \$2.9 billion worldwide, down from \$4 billion during the period a year earlier.

Gilead has faced pressure from investors and analysts to find new revenue sources. Management responded by touting its next generation of HIV/AIDS treatments as well as drugs in development to treat a liver disease known as NASH, for nonalcoholic steatohepatitis.

But Wall Street said Gilead needed to do another deal. Gilead fanned speculation by hiring Alessandro Riva from Novartis to run its hematology and oncology division, as well as its former adviser, investment banker Andrew Dickinson, from Lazarus.

After years of surging volume, pharmaceutical deal making has been slow this year,

with very few megamergers aside from Johnson & Johnson's roughly \$30 billion deal to buy Actelion Ltd. Drug com-

panies have been digesting earlier acquisitions and have also been hampered by uncertainty surrounding tax reform be-

cause many of them have large amounts of cash overseas.

—Dana Mattioli contributed to this article.

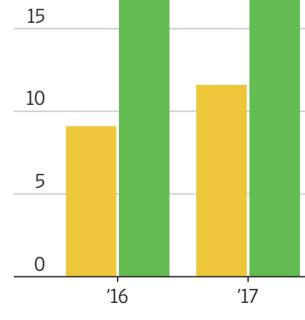
Source: Novartis

### Structured Growth

Bank revenues from structured products such as collateralized debt obligations are rising faster than conventional trading of stocks, bonds and currencies.

#### Structured products

#### Conventional trading



First-quarter trading revenues of top 12 investment banks.  
Source: Coalition  
THE WALL STREET JOURNAL.

cerned they may be hard to offload when markets get choppy—as they did in the last crisis.

"We don't see that demand from our clients and we wouldn't recommend it," said Markus Stadtmann, chief investment officer at Lloyds Private Banking, citing concerns over the products' lack of transparency and lack of liquidity, meaning it could be hard to exit a position when needed.

The return of synthetic CDOs could present other risks. Even if banks are currently less willing to loan money to help clients boost returns, credit-default swaps can be very leveraged, potentially allowing investors to make outside bets.

Structured products accounted for nearly all the \$2.6 billion year-on-year growth in trading-division revenue at the top 12 global investment banks in the first quarter, according to Amrit Shahani, research director at financial consultancy Coalition.

These days, Mr. Champion still trades synthetic CDOs, receiving a stream of income for effectively insuring against a sharp rise in European corporate defaults.

Many investors, though, still view the products as unnecessarily complex and are con-

banks had around \$1.5 billion in revenue in structured credit in the first quarter, according to Coalition, more than doubling since the first quarter of 2016. Structured equities are largest overall, a business dominated by sales of derivatives linked to moves in stock prices, with revenue of \$5 billion in the first quarter.

These days, the typical synthetic CDO involves a portfolio of credit-default swaps on a range of companies. The portfolio is sliced into tranches, and investors receive payouts based on the performance of the swaps. Those investors owning lower tranches tend to get paid more but are subject to higher losses if the swaps sour.

For instance, an investor can sell insurance against a pick-up in defaults in the lowest—or "equity"—tranche of the iTraxx Europe index, a widely traded CDS benchmark that tracks European investment-grade companies. In return, the investor will receive regular payments, but those will shrink with every company default and stop altogether once 3% of the portfolio has been wiped out through defaults.

Synthetic CDOs have evolved since the crisis, bankers say. For instance, most are shorter-dated, running up to

around two to three years rather than seven to 10 years. Some banks will only slice and dice standardized CDS indexes that trade frequently in the market rather than craft tailored baskets of credits.

There are also fewer banks involved in arranging these trades. Those active include BNP Paribas SA, Citigroup Inc., Goldman Sachs Group Inc., J.P. Morgan Chase & Co. and Société Générale SA.

**KonMari Media Inc.** is legally registered in Delaware and has its main operations base in San Francisco. A Life & Arts article Aug. 10 about tidiness guru Marie Kondo incorrectly said the company was based in New Jersey.

**The Rumble Seat** column about the Ferrari 812 Superfast was published in the Aug. 18-20 edition. A correction published Monday incorrectly said it was published Aug. 19.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com).

**THE WALL STREET JOURNAL.**  
Dow Jones Publishing Company (Asia)  
25/F, Central Plaza, 18 Harbour Road,  
Hong Kong  
Tel: 852 2573 7121 Fax 852 2834 5291

**Andrew Dowell**, Asia Editor  
**Troy McCullough**, Senior News Editor, Asia  
**Daren Everson**, International Editions Editor

**Hugo Restall**, Editorial Page Editor  
**Mark Rogers**, Advertising Sales  
**Jacky Lo**, Circulation Sales  
**Toby Doman**, Communications  
**Simon Wan**, Technology

**Jonathan Wright**,  
Global Managing Director & Publisher

**Advertising** through Dow Jones Advertising Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 269-2701; Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01; New York: 1-212 659 2176.  
Or email: [MarkRogers@wsj.com](mailto:MarkRogers@wsj.com)

**Printers**: Hong Kong: Euron Limited, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, Hong Kong; Indonesia: PT Gramedia Pratama, Jl. Palmerah Selatan 22-28, Jakarta 10270; Japan: Mainichi Newspapers Co., Ltd., 1-1 Hitotsubashi, Chiyoda-ku, Tokyo 100-8051; Korea: JoongAng Ilbo, 100 Seocho-ro, Jung-gu, Seoul, 100-814; Publisher/Printer: Song Pif-Ho, Malaysia: Datar Cetak (M) Sdn Bhd, Lot 2, Jalan Sepana 15/3, Off Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor, ROC No: 0488855; Singapore: Singapore Press Holdings Limited, 2 Juriung Port Road SPH Print Centre Singapore 619088

**Trademarks** appearing herein are used under license from Dow Jones & Co. ©2017 Dow Jones & Company, All rights reserved. USPS 337-350; ISSN 0377-9920

**NEED ASSISTANCE WITH YOUR SUBSCRIPTION?**  
By web: <http://wsj-asia.com>  
By email: [service@wsj-asia.com](mailto:service@wsj-asia.com)

**By phone**: Hong Kong: 800 901 216; Australia: 0011 800 322 8482; China: 400 991 1174; India: 0800 440 1938; Indonesia: +62 21 2970 2702; Japan: 0120 779 868; Korea: 82 844 0063; Malaysia: 1800 804 612; New Zealand: 0800 444 434; Philippines: 1800 1441 0033; Singapore: 1800 823 2042; Taiwan: 0800 444 141; Thailand: 001800 441 8323

## CORRECTIONS & AMPLIFICATIONS

These days, Mr. Champion still trades synthetic CDOs, receiving a stream of income for effectively insuring against a sharp rise in European corporate defaults.

Many investors, though, still view the products as unnecessarily complex and are con-

# WORLD NEWS

## Seoul Retools Military for Quick Response

South Korea orders a new structure better suited to react to any attack from the North

By JONATHAN CHENG

South Korea's President Moon Jae-in ordered changes to the country's military structure so that Seoul could "immediately switch to an offensive operation" in the event that North Korea "crosses the line" or launches an attack on Seoul, the South Korean capital.

The remarks, made by Mr. Moon during a meeting Monday with his defense minister, is the latest in a series of steps he has taken to boost South Korea's military posture against a threat from the North, even as he continues to extend an olive branch to Pyongyang.

It comes as South Korea's intelligence agency told lawmakers on Monday that North Korea appeared ready to conduct a sixth nuclear test, according to a lawmaker who attended the closed-door session.

It also came as House For-

ign Affairs Committee Chairman Ed Royce (R., Calif.), who is leading a U.S. congressional delegation to South Korea, said officials in Seoul had told him that North Korea had successfully miniaturized a nuclear weapon and continues to improve its long-range missile capabilities.

"This is very concerning," Mr. Royce said in an interview following a meeting with Mr. Moon. "We need to be focused right now on keeping up this pressure."

While North Korea has steadily extended the range and capabilities of its missiles, experts remain divided on whether Pyongyang can shrink a nuclear device to fit on the tip of a missile.

Last month, the Defense Intelligence Agency issued a new analysis concluding North Korea had produced nuclear weapons small enough to be carried by intercontinental ballistic missiles, U.S. officials confirmed. But U.S. officials say there isn't any indication that North Korea's miniaturized nuclear warhead could withstand re-entry into the earth's atmosphere.

In addition to the new mili-



Kim Jong Un observes an attack drill by North Korea's special-operations forces.

"more suited to modern warfare" and capable of a rapid offensive response to any provocations appears to take Seoul a step closer toward a firmer deterrent posture against North Korean actions.

It also follows U.S. President Donald Trump and his lieutenants' warnings about a strong retaliation against any further provocations by North Korea.

During the Monday discussion, Mr. Moon noted that South Korea's gross domestic product was 45 times that of its northern rival, giving South Korea the ability to overpower North Korea.

"We must respond firmly to North Korea's provocations with overwhelming military power," he said, according to reports released by the presidential office.

"I think the South Koreans have a right to indicate that they're going to defend themselves against an attack," Mr. Royce said. "It's such a *de minimis* statement compared to the onslaught of verbal assaults that they receive every day from North Korea."

—Min Sun Lee  
and Kwanwoo Jun  
contributed to this article.

pushing ahead with the temporary deployment of four missile-defense launchers in southern South Korea meant to defend against North Korean missile attacks. That move came after North Korea conducted a pair of intercontinental ballistic missile launches last month, and as

Pyongyang has batted away Seoul's proposals for dialogue.

Mr. Moon, South Korea's first left-leaning president in nearly a decade, was elected in May on a platform that included suspending the deployment of the missile-defense system, known as Thaad, favored by his unpopular prede-

cessor.

He also called for more dialogue with North Korea, and has proposed a summit meeting with leader Kim Jong Un on several occasions. North Korea has so far rebuffed all of Mr. Moon's advances.

Mr. Moon's call on Monday for a new military structure



Divers recovered the remains of 10 crew members killed in the destroyer USS John S. McCain when it collided with a tanker.

AHMAD MASOOD/REUTERS

## U.S. Finds Missing Sailors' Remains

By JAKE MAXWELL WATTS

SINGAPORE—The U.S. Navy says it has recovered the remains of all 10 sailors who went missing when the USS John S. McCain collided with a tanker near Singapore a week ago, a development that focuses attention on investigations under way into the causes of the crash and what will happen next to the stricken destroyer.

The Navy said diving teams had been combing through flooded compartments inside the destroyer, after a multinational search at sea for the missing sailors turned up

empty-handed. The Navy identified the sailors found inside the ship as junior-ranking servicemen, mostly working as electronics and communications technicians, ranging in age from 20 to 39.

The McCain remains docked in a Singapore military base while the crash is investigated. It wasn't clear what would happen to the ship, or where repairs would take place. The McCain's collision was the latest in at least four accidents involving Navy vessels in the past year. In the most recent, in June, the USS Fitzgerald destroyer hit a merchant ship, the ACX Crystal. Seven American sailors died.

Based on the Fitzgerald's experience, it could be some time before the McCain is operational again.

As for the investigation, both the Navy and Singapore authorities are probing the cause of the crash, which took place early on Aug. 21 in busy waters east of Singapore. A spokesperson from the Maritime and Port Authority of Singapore declined to say how long the probe might take.

The other ship involved in the collision—the Alnic MC, a civilian tanker—will proceed to a Singapore anchorage to undergo further assessment and repair, with its crew remaining

to operate and maintain the vessel, its manager, Stealth Maritime Corp., said in a statement. Ship-tracking data showed the Alnic at anchor to the southwest of Singapore on Monday, near Pawai and Senang islands, which the city-state uses for military training.

After the McCain's collision, the Navy called for each of its ships around the world to enact a daylong pause to reflect on and review procedures. On Wednesday, the Navy removed Vice Adm. Joseph Aucoin, the commander of the Seventh Fleet, due to a loss of confidence in his command.

The Seventh is the largest

fleet in the Navy. It is part of the Pacific Fleet, which makes up nearly 60% of the force as a whole. Based in Yokosuka, Japan, the Seventh Fleet has been among the most adversely affected by a shortage of per-

sonnel and growing demands for deployments in recent years when congressional investigators and military officials had warned about overworked sailors, shortened training schedules and budget cuts.

Relations between India and China, never close, have frayed in recent years as Beijing has grown in strength and confidence.

India has stayed away from China's ambitious Belt and Road Initiative, an expansive infrastructure plan that seeks to tie dozens of countries to its global ambitions. China's growing economic and diplomatic footprint in India's neighborhood and the Indian Ocean have irritated officials in New Delhi.

—Grace Zhu in Beijing contributed to this article.

## Indian Guru Sentenced

A popular spiritual guru was sentenced to 10 years in jail on charges of raping two female followers. Dr. Saint Gurmeet Singh Ram Rahim Insan's conviction, led to protests that killed dozens of people. At right, the heavily guarded jail in the town of Rohtak.



PRAKASH SINGH/AGENCE FRANCE PRESSE/GT IMAGES

## CHINA

Continued from Page One

disputed area.

Monday's announcement came days before a summit of the Brics countries, scheduled to take place in the Chinese city of Xiamen in early September.

That meeting—between the leaders of Brazil, Russia, India, China and South Africa—was likely to be overshadowed by the border dispute between its two prominent members.

Indian Prime Minister Nar-

endra Modi and Chinese President Xi Jinping will meet after weeks of acrimony and charged rhetoric. Chinese media has run commentary reminding India of a 1962 war between the two countries that China won.

Officials and analysts around the world have been watching to see how the two countries resolve the issue. China is also embroiled in potentially destabilizing maritime disputes with other Asian countries.

Jia Xiudong, a senior research fellow at the China Institute of International Studies, said the border standoff

has aggravated broader conflict between the two countries over competing spheres of influence and China's closer ties with Pakistan.

"There are multiple conflicts between the two countries," he said.

In a press conference earlier Monday previewing next month's Brics summit, Chinese officials played down the border dispute and emphasized trade prospects between China and India.

Zhang Jianping, an official at a research institute under China's Commerce Ministry, said the summit was an "excellent opportunity" for India

and China to work out any differences face-to-face.

Relations between India and China, never close, have frayed in recent years as Beijing has grown in strength and confidence.

India has stayed away from China's ambitious Belt and Road Initiative, an expansive infrastructure plan that seeks to tie dozens of countries to its global ambitions.

China's growing economic and diplomatic footprint in India's neighborhood and the Indian Ocean have irritated officials in New Delhi.

—Grace Zhu in Beijing contributed to this article.

A large Breitling Avenger Hurricane watch is shown in the foreground, featuring a black dial with white and yellow markings, a black rubber strap, and a prominent crown. The background features a dark, textured surface with the words "AVIENGER HURRICANE" in large, stylized letters. To the right, the Breitling logo is displayed in a yellow-bordered box with the text "BREITLING 1884" and "INSTRUMENTS FOR PROFESSIONALS™".

AVIENGER  
HURRICANE

The superlative-charged chronograph. 50 mm case in Breitlight®. Exclusive Manufacture. Breitling Caliber B12 with 24-hour military-style display. Officially chronometer-certified.

## WORLD NEWS

# U.N. Probe Sparks Crisis In Guatemala

By DUDLEY ALTHAUS

MEXICO CITY—Guatemala's political crisis deepened when a constitutional court temporarily barred President Jimmy Morales from expelling a United Nations-backed anti-corruption prosecutor probing allegations of illegal financing in the president's 2015 election campaign.

Several cabinet members resigned to protest the president's expulsion order, and hundreds of protesters in Guatemala City gathered outside the presidential palace and the foreign ministry as Mr. Morales held an emergency meeting with remaining members of his government.

Earlier Sunday, Mr. Morales said he was acting "in the interests of the Guatemalan people, the rule of law and institutionality" by ordering Ivan Velásquez, the Colombian prosecutor who heads the U.N.'s anticorruption agency in Guatemala, to leave the country and declaring him "persona non grata."

The expulsion order came two days after Guatemala's attorney general and Mr. Velásquez asked the country's Supreme Court to remove the president's immunity from prosecution for alleged electoral crimes. The president's

announcement was made by way of a video posted on his Twitter account early Sunday.

Mr. Morales, a popular television comedian who had never held public office before winning the presidency, has denied any wrongdoing. In a speech Sunday, Mr. Morales said he acted because Mr. Velásquez had "exceeded his authority," adding that fighting corruption and impunity was "not the work of one, two or three people but of the entire nation."

Formed a decade ago by an agreement between the U.N., Guatemalan officials and donor governments including the U.S., Mr. Velásquez's agency—the International Commission Against Impunity in Guatemala, or Cicig—is tasked with helping local prosecutors take on endemic corruption and organized-crime networks, which critics describe as a parallel government in the country of 15 million.

A respected Colombian prosecutor, Mr. Velásquez was appointed to his post four years ago, and his current mandate, like that of Cicig itself, runs to September 2019.

The attempt to expel Mr. Velásquez, who has received strong support from across Guatemalan society and from the U.S. and other foreign governments, has sharpened the



Demonstrators protesting against President Morales outside the Constitutional Court in the Guatemalan capital on Sunday.

constitutional crisis over the corruption probe, analysts say.

Besides Sunday's court injunction against his expulsion order, Mr. Morales has also faced stiff resistance from within his own government, according to local media reports.

The president on Sunday said he had fired Foreign Minister Juan Carlos Morales, who isn't related to him, and the deputy prime minister, after they refused to implement the order, according to local media reports. The ministers couldn't be reached to comment.

"[Morales] has completely isolated himself," Eric Olson, a Central America expert at the Woodrow Wilson Center in Washington, said of the Guatemalan president.

Mr. Velásquez and Attorney General Thelma Aldana announced Friday that investigators have identified at least \$825,000 in anonymous contributions to the president's election campaign that went unreported to regulators.

If the high court approves their request, Mr. Morales's immunity could subsequently be revoked by a two-thirds vote in Congress. That would expose him to possible criminal prosecution.

Mr. Morales's own political party, the National Convergence Front, holds just 11 of 158 seats in the congress. But Mr. Velásquez and Ms. Aldana last week also accused the legislature's two largest parties of campaign irregularities, perhaps prompting them to

strengthen their support of the president, analysts say.

Along with Brazil, Guatemala has been at the forefront of a fight against deeply rooted corruption in Latin America that economists say holds back development. In Brazil, prosecutors have put scores of leading businessmen and politicians in jail.

But there is starting to be pushback from entrenched interests, analysts say. In Brazil, lawmakers declined to strip President Michel Temer of immunity on corruption charges, saying political stability came first. And in Guatemala, Mr. Morales is pushing back, too.

The crisis echoes a similar scandal two years ago that led to the resignation of President

Otto Pérez Molina, his vice president and other officials.

Mr. Velásquez at that time was investigating a customs-fraud ring allegedly operated by the vice president and others.

Mr. Pérez Molina, a retired army general, tried unsuccessfully to get Mr. Velásquez removed by the U.N. but stopped short of kicking him out. After legislators removed

Mr. Pérez Molina's immunity, he stepped down in September 2015, months before the end of his term, and was arrested soon after. Mr. Pérez Molina, who has declared himself innocent, is currently on trial in Guatemala on charges related to alleged customs fraud.

—David Luhnow contributed to this article.

## New Angola Head Faces Tough Task

By GABRIELE STEINHAUSER

LUANDA, Angola—João Lourenço's portrait has stared down at Angolans from buildings, buses and flags for weeks, but to many of them, the country's first new president-elect in 38 years remains a man of two faces.

With 98% of the vote counted last week, the election commission declared Mr. Lourenço, a former three-star general who rose through the ranks of the ruling People's Movement for the Liberation of Angola, the winner of Wednesday's vote, where the MPLA received 61% of the vote.

To some voters, he is an apparatchik, chosen to implement the party line with an iron fist. Others see him as a deft strategist who carefully takes steps to cement power.

The 63-year-old now faces the challenge of guiding Africa's No. 2 crude producer and its 29 million citizens out of the country's gravest economic crisis in more than a decade and keep international companies investing in its rapidly depleting oil reserves despite falling prices.

Angola's leading opposition parties—the National Union for the Total Independence of Angola, or Unita, and the Broad Convergence for the Salvation of Angola-Electoral Coalition, or CASA-CE, which received 27% and 9.5%, respectively—rejected the results.

"We don't believe that a people looking for change as the Angolan people [are] right now would give a qualified majority to the MPLA," CASA-CE Vice President Cesinanda Xavier said on state television.

Mr. Lourenço will have to assert himself against an angry opposition and his predecessor, José Eduardo dos Santos. As head of the MPLA, Mr. dos Santos retains control over much of government pol-



Supporters of President-elect João Lourenço, who must overhaul the economy amid falling revenue.

MANUEL DE ALMEIDA/REX/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

icy and personnel.

The departing president made some 11th-hour moves to extend his reach, giving his intelligence, security and military leaders an extra two years in office and appointing his vice president, who has been indicted on a charge of alleged bribery and corruption in Portugal, to head a powerful panel on overhauling the economy. Mr. dos Santos's daughter Isabel is president of state oil company Sonangol and his son José Filomeno heads the sovereign-wealth fund.

In a rare news conference this week, Mr. Lourenço rejected claims he would be Mr. dos Santos's puppet. "I believe I will have all the power. I will only not have all the power if there were two presidents of the Republic, which isn't the case."

Quiet and reserved, Mr. Lourenço has struggled to electrify voters. In speeches, he likes to start sentences

with "The people knows" before monotonously running through a litany of old party slogans. But those who know him say he is adept at forming alliances within his party, while avoiding ties to any faction. That, they say, should allow him to push through plans for overhauling an economy that depends on oil for 95% of its exports and whose banks have been cut off by U.S. counterparts amid corruption and money-laundering allegations.

"He's a behind-the-scenes kind of guy," an Angolan banker who said he has met Mr. Lourenço several times said. "Now they are forcing him to smile."

At the age of 20, Mr. Lourenço joined the struggle for independence from Portugal, organizing the MPLA's first group of fighters to enter Angola after the fall of colonial rule.

He joined the party's Politburo during its Soviet-supported war against the U.S.-al-

lied Unita and became its secretary-general in 1998.

"He's done all the right things. He was governor of all the right provinces," said Roger Ballard-Tremear, former South African ambassador to Angola.

Succeeding in the presidency won't be easy. Falling oil prices have hurt government revenue and ground the economy to a near halt. The International Monetary Fund expects gross domestic product to expand just 1.3% this year, devastating for an economy that grew at double-digit rates in the first decade of the century and whose population is adding some 80,000 people a year.

Mr. Lourenço left open the possibility of seeking International Monetary Fund or World Bank help, as repayments of loans from China and other debts become too much of a burden.

—Neanda Salvaterra contributed to this article.

## U.K. EU Resume Brexit Discussion

By VALENTINA POP

BRUSSELS—British and European Union negotiators resumed Brexit talks Monday but officials played down the prospect of breakthroughs on a handful of nettlesome issues related to the U.K.'s departure from the bloc.

Officials on both sides have in recent days said discussions—set to run through Thursday—will be technical, aimed at clarifying their positions before more critical talks next month.

That round—the fourth since negotiations began in June—is expected to determine whether the EU will agree to talk about its post-Brexit relationship with the U.K., a topic London wants tackled as soon as possible but the EU has said it won't address until other issues are resolved.

Speaking on his way into the meeting, U.K. Brexit negotiator David Davis said position papers published in recent weeks covering the withdrawal and the vision for a future partnership with the EU should drive forward talks in all areas. "We want to lock in the points where we agree, unpick the areas where we disagree and make progress on a whole range of issues."

Mr. Davis's EU counterpart, Michel Barnier, said the U.K. still needs to clarify its position on several separation issues and "start negotiating seriously."

"I am concerned. Time passes quickly," Mr. Barnier said. "The sooner we remove the ambiguity, the sooner we'll be able to discuss the future relationship and a transitional period." He repeated EU's stance that talks won't advance unless divorce issues

are "addressed properly."

Earlier this year, EU leaders restricted Mr. Barnier's negotiating mandate to issues surrounding Britain's departure, such as the bill the U.K. must settle upon leaving the bloc and the rights of EU citizens living in Britain.

Only when EU leaders are satisfied with progress in those areas will the bloc start talking about its future relationship with Britain in areas such as trade, officials have said. The EU and U.K. also must negotiate terms of a potential transition period between when Britain officially exits the bloc in March 2019 and a new relationship is established. Both sides say those terms are too complex to negotiate and approve in the coming 20 months or so.

Britain's main opposition Labour Party and some members of the ruling Conservative Party have called for an extension of the status quo during the transition period to avoid disrupting Britain's economy.

Among the sticking points in the divorce talks are how the EU calculates what the U.K. still owes the bloc. Britain hasn't yet proposed its own calculations.

The role of the EU's top court in overseeing the rights of EU citizens in the U.K. is another point of disagreement. So is the question of whether a border should be reinstated between Northern Ireland, which is part of the U.K., and the Republic of Ireland, an EU member state.

If little progress is made this week, talks are likely to drag on until December before the EU will agree to talk trade and transition periods.

—Emre Peker contributed to this article.

## WORLD WATCH

### VATICAN

#### Pope to Pay Visits to Myanmar, Bangladesh

Pope Francis will travel to Myanmar in late November for a visit likely to highlight struggles of the Muslim minority.

The Vatican said Monday the pope will visit Myanmar from Nov. 27 to Nov. 30, then go to neighboring Bangladesh.

The announcement came a day after the pope, speaking to pilgrims in St. Peter's Square, decried

the persecution of "our brothers the Rohingya" in Myanmar.

Myanmar has said more than 100 people have been killed since Friday in battles in western Rakhine state. A military campaign against militants there has sent thousands of Rohingya fleeing to the Bangladesh border.

Pope Francis' Sunday remarks, in which he called for the Muslim ethnic group to be given their "full rights," was his latest of several statements on behalf of the Rohingya. The pope has taken an interest in Myanmar, naming the

country's first cardinal in 2015. His visit will be the first to the country by a pope. The Vatican and Myanmar established diplomatic relations this year.

—Francis X. Rocca and Myo Myo

### GERMANY

#### Nurse Said to Kill At Least 86 Patients

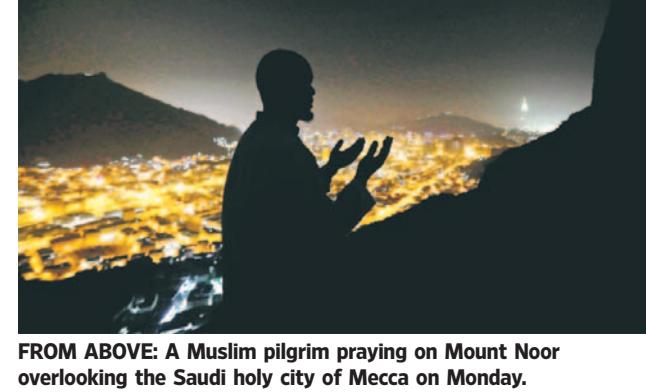
A male nurse convicted of killing patients in Germany with overdoses of heart medication is

now believed to have killed at least 86 people—and the number could be even larger, investigators said Monday.

The deaths could have been prevented if health authorities had acted more quickly on their suspicions, said Oldenburg police chief Johann Kuehme.

Niels Hoegel, now 40, was convicted in 2015 of two murders and two attempted murders at a hospital in the town of Delmenhorst. He was sentenced to life in prison.

—Associated Press



FROM ABOVE: A Muslim pilgrim praying on Mount Noor overlooking the Saudi holy city of Mecca on Monday.

SUHAIB SALEM/REUTERS

## U.S. NEWS

# Cultural Exchange Visas Under Review

Trump administration is considering cuts to summer work travel, au pair visa programs

By LAURA MECKLER

WASHINGTON—The Trump administration is considering major reductions in cultural exchange programs, including those for au pairs and summer workers, that allow young people from foreign countries to work in the U.S., people familiar with the administration's planning said.

President Donald Trump's "Buy American and Hire American" executive order, issued in April, calls for a review of U.S. immigration rules to en-

sure that the interests of domestic workers are protected. No decisions have been made, but supporters of the program worry changes will be made without a full public debate.

A White House-led inter-agency working group is particularly focused on five employment-based programs that are part of the J-1 visa exchange visitor program, according to people familiar with the discussion.

The review includes the summer work-travel program, which brings more than 100,000 students to the U.S. each summer, often stationed in tourist destinations. It also includes the au pair program, through which foreigners live in U.S. homes and provide child care as well as take classes and partici-

pate in intercultural exchanges with their host families. Other programs under discussion include those for camp counselors, interns and trainees.

The J-1 visa program includes 10 other categories that don't involve work, such as those for college students, which aren't under review, people familiar with the talks said.

The visa was instituted by statute, but the individual categories were created by past administrations and could be changed or eliminated by executive action. Some changes might need to go through the regulatory process, which provides an opportunity for public comment.

Options on the table include eliminating these visa classes, as well as imposing new re-

quirements on participants. For instance, employers could be required to show that they couldn't find Americans for these jobs, as is required for other visa programs, according to the people who are tracking the internal debate.

A recent directive to the agency at the State Department responsible for these programs instructs officials to rewrite regulations in a way that would effectively end these five categories of the J-1 visa program, according to an administration official. It was unclear whether the intent was to move forward with such a regulation or if the request was aimed at facilitating internal discussion.

A State Department official declined to comment on the debate and referred questions

to the White House. "Presently, we continue to implement the J-1 visa programs at the same levels we have for the past few years, and we appreciate the support that American businesses have shown for the program and its value to their local communities," the official said.

White House press secretary Sarah Huckabee Sanders said she had "nothing to announce at this time."

Supporters view these programs as facilitating cross-cultural exchanges while filling gaps in the U.S. labor market. They give young people from foreign countries the opportunity to come to the U.S. and gain exposure to American culture before returning home.

The program also fills the

need for summer workers, said Denise Beckson, director of human resources at Morey's Piers, which operates rides and restaurants in Wildwood, N.J. "They allow us to have the types of hours and provide the offerings that guests coming for their summer vacation expect to have," she said.

Critics of the program include conservatives who want to restrict immigration but also some liberals who worry about the impact on U.S. workers. Sen. Bernie Sanders (I., Vt.) singled out the J-1 program during a 2013 Senate debate over immigration, saying at the time it had "morphed...into a low-wage jobs program to allow corporations...to replace young American workers with cheaper labor from overseas."

## Pressure Mounts for Senate Republicans

BY SIOBHAN HUGHES  
AND KRISTINA PETERSON

SHELBYVILLE, Ky.—Tensions between President Donald Trump and Senate Republicans are rising, as lawmakers are being blamed by the president, House colleagues and many voters for the party's failure to pass a major legislative initiative.

"I'm sick of them," said Matthew Walters, a 58-year-old construction worker who lives in Shelbyville, Ky., and has been eager for the GOP to repeal the Affordable Care Act as his wife's insurance premiums jump. "They've said for six years if we get a Republican in the White House we're going to get this repealed. What is the problem? What are the excuses? I'm sick of it. We elected Donald Trump for change."

Similar sentiment is being expressed in town hall meetings and street-corner conversations, ratcheting up the pressure on GOP lawmakers as they face a difficult September.

Next month, the Republican-led Congress must pass a measure to keep the government funded beyond Sept. 30, when a current law expires, and raise the borrowing limit to guard against the risk of failing to pay its bills on time, including payments to Social Security beneficiaries, government employees, troops and U.S. debtholders.

Mr. Trump is complicating that work by threatening to reject any funding bill that doesn't include \$1.6 billion toward construction of a wall on the nation's southern border, a move that likely would result in a partial government shutdown.

"We're going to get our wall," Mr. Trump said at a rally in Phoenix last week. "If we have to close down our government, we're building that wall."

Some House Republicans say that the GOP-led Senate needs to scrap its procedural traditions, which require 60



Protesters at an event in Graves County, Ky., earlier this month where Senate Majority Leader Mitch McConnell was one of the speakers

votes to pass most legislation, and allow for bills to pass on a simple majority—even though the Senate wasn't able to find a majority for its health plan.

"The rules fundamentally paralyze the U.S. Senate, and Mr. McConnell should be ashamed of allowing that to occur," said Rep. Trent Franks (R., Ariz.), in a reference to Senate Majority Leader Mitch McConnell (R., Ky.). Mr. McConnell has said he won't change the Senate rules.

Debbie Thomas, an educator who attended Nebraska Republican Rep. Don Bacon's town hall this weekend in Omaha, said she supported Mr. Trump's willingness to shutter the government to extract funding for the border wall.

"If that's what it takes to get somebody to listen," said

Ms. Thomas, a conservative. Mr. Bacon told reporters Saturday he didn't want to shut down the government.

Republican senators have defended each other from Mr. Trump's criticisms, and over the recess have responded the way many did when they were up for re-election last year, focusing on local issues.

Sen. John Cornyn (R., Texas) spent the weekend helping Texans who were hit by the hurricane, and Sen. Rob Portman (R., Ohio) went fishing in Lake Erie to argue against Mr. Trump's proposed cut to a federal program to restore the Great Lakes.

Some voters take their side over Mr. Trump's.

"I don't see [the president] coming to the table and working with people," said Melanie

Roll, a Millard, Neb., resident who runs a small business and voted for Mr. Bacon in last year's election. "I see him stirring the pot over and over."

At the center of the GOP infighting is Mr. McConnell, who failed by a single vote to pass a measure aimed at repealing the ACA.

"The only problem I have with Mitch McConnell is that, after hearing Repeal & Replace for seven years, he failed! That should NEVER have happened!" Mr. Trump said in a tweet last week.

On Saturday, Mr. McConnell said that voter frustration over congressional inaction had been fanned by the media and obscured the fact that legislative change has come slowly all across history.

"When you've been given

the responsibility of governing, people expect an outcome, but the process along the way is oftentimes pretty challenging," Mr. McConnell said at a Kentucky Republican dinner.

"A lot of people look at all that and find it frustrating, messy. Well, welcome to the democratic process," he said. "The only reason people are so focused on it now is 24-hour cable news and the internet."

The president has also lashed out at Arizona's two Republican senators, Jeff Flake and John McCain, and Sen. Bob Corker of Tennessee. In addition, Sen. Dean Heller of Nevada, one of the most vulnerable Republicans, has been target of Mr. Trump's frustrations.

## City Cancels Wage Increase

By ERIC MORATH

The minimum wage in St. Louis was set to fall by \$2.30 an hour Monday, making it a rare city to buck the national trend of municipal pay floors rising above federal and state levels.

Many low-wage workers in the Gateway City will lose raises they received in May, when the minimum wage increased to \$10 an hour. A state law taking effect Monday mandates that Missouri municipalities follow the state minimum of \$7.70 an hour, nullifying the higher wage St. Louis officials had sought since 2015.

Some business owners have already pledged to maintain the higher wage in a region where the jobless rate is lower than the national average. Others have told their employees to expect cuts.

Rolling back an already-implemented raise shows the effectiveness of some business groups and state lawmakers in pushing back on a wave of municipal minimum-wage increases since 2014 that spanned more than 30 cities and counties from Portland, Maine, to Pasadena, Calif.

The law also bars Kansas City from setting a \$10-an-hour minimum wage approved by voters in that city, but not enforced. In recent years, several states, including Ohio and Oklahoma, have banned cities from setting their own wages, often in response to a campaign to establish new local rates.

But very few municipalities have been turned back once a wage was in effect. It occurred earlier this year in Iowa's Johnson County, when state lawmakers reduced the county's rate to match the federal minimum of \$7.25 an hour from \$10.10. Iowa and 20 other states follow the federal rate.

## Cities, Schools Struggle to Balance Safety and Free Speech

By SARA RANDAZZO

Cities and public universities are evaluating ways to prevent violent protests without limiting free speech rights in the wake of the recent violence in Charlottesville, Va., a balancing act likely to tie up lawyers and public dollars in the coming months.

"There's a difference between free expression on the one hand and violence on the other," said Mike Feuer, the Los Angeles city attorney. Mr. Feuer said that while he strongly supports peaceful protest, he would like to more heavily scrutinize those applying for permits to make sure they don't have plans to incite violence. The Los Angeles Police Commission, with consultation from Mr. Feuer's office, runs the permitting process.

The constitutional right to free speech is firmly ingrained in the public consciousness, and those on both sides of the political spectrum typically agree that attempts to constrain the First Amendment can be fraught.

"When talking about the First Amendment, the thing

that we are most terrified of is that the government is choosing either people they like or messages they like," said Jessica Levinson, a professor at Loyola Law School in Los Angeles.

Cities and other public entities are allowed under the First Amendment to limit the time, place and manner of speech or public assembly, as long as the restrictions are applied evenly and not as a means of suppressing speech.

But finding grounds to deny a permit ahead of time can be tricky, legal experts said, because it isn't enough to say violence might occur. Instead, there must be evidence that the protesters clearly intend to incite violence.

"It becomes a really difficult call, in terms of, at what point do you say there's an imminent threat of violence?" Ms. Levinson said. Courts have been wary of censoring events before they happen, she said.

Mr. Feuer said denying a permit would be the last resort. The city could also control events by prohibiting what people bring, creating physical barriers between pro-

testers and counterprotesters, and deploying more law enforcement. He pointed to Boston, which banned sticks, bats and backpacks ahead of a white supremacist rally this month and cordoned off counterprotesters.

"There's no First Amendment right to carry a stick," Mr. Feuer said.

Restricting what protesters can bring also risks butting up against another constitutional right, the Second Amendment's right to bear arms, especially in states that allow weapons to be carried openly. The American Civil Liberties Union recently reaffirmed it will no longer defend hate groups seeking to march with firearms.

Officials in San Francisco approved a rally permit last week on the condition that guns be banned, even for those with concealed carry permits, along with anything else that could be considered a weapon and a long list of other items including selfie sticks, helmets and balloons. Organizers of that protest ended up canceling the event, citing safety concerns, but left-wing counterprotesters

still streamed into the city Saturday.

On Sunday, violent scuffles erupted and more than a dozen people were arrested in nearby Berkeley, where counterprotesters had arrived to oppose a planned "No to Marxism" demonstration that also was canceled by organizers Friday. City officials had denied a permit to the Berkeley event.

Universities have slightly more leeway when deciding how to control events, and it can matter if a speaker is invited by a student or faculty, or is just looking to rent space on campus for their own event.

At least five universities have denied recent requests by white nationalist Richard Spencer's organization to hold

events on campus, including Pennsylvania State University, the University of Florida and Michigan State University. School officials all cited the violence in Charlottesville and a need to protect student safety.

Penn State President Eric Barron said "the First Amendment does not require our University to risk imminent violence."

Violent scuffles erupted and more than a dozen people were arrested on Sunday in Berkeley, Calif.

## STORM BATTERS TEXAS

# New Dangers For Flood Insurance

By RACHEL WITKOWSKI  
AND LESLIE SCISM

Hurricane Harvey poses new hazards to a giant U.S. flood insurer already facing mounting debt and a reauthorization fight in Congress.

The National Flood Insurance Program, created about 50 years ago because private insurers were unwilling to risk catastrophic flood losses, could be inundated with billions of new claims following Harvey's initial Category 4 winds and colossal rainfall.

Yet the U.S. program is scheduled to expire on Sept. 30 and has just \$5.8 billion left it can borrow from the Treasury to meet new claims, according to January figures reported to Congress. Many people buy the government policies through private-sector insurers, which are compensated for that service.

Members of Congress are discussing a number of options, ranging from a temporary renewal of the program to a more-comprehensive fix designed to return the program to solvency. Congress returns from recess on Sept. 5.

"From a public-policy perspective, Hurricane Harvey reinforces the narrative of why the national flood-insurance program is so important," said Christopher Gillott, legislative director for Sen. Bill Cassidy (R., La.).

What makes the debate in Washington so challenging is that the program already has a debt of roughly \$25 billion from earlier weather disasters. Much of that is from Hurricane Katrina in 2005 and superstorm Sandy in 2012. Sandy alone cost \$8.4 billion initially, according to the Federal Emergency Management Agency, which manages the program.

The program had to borrow another \$1.6 billion from the Treasury in January just to pay interest on its debt and storm claims, according to FEMA.

It will take days, if not weeks or longer, for claims to emerge from Hurricane Harvey, now downgraded to a tropical storm. More than 200,000 homes along the Texas coast could be at risk, according to information and analytics firm CoreLogic. In 30 Texas counties labeled disaster areas by the state's governor there are nearly 450,000 NFIP policies covering \$125.7 billion in insured value, according to the program's website. More than half of that value is in Harris County, which includes Houston.

Previous interruptions of the flood-insurance program have triggered delays in thousands of home sales during the lapses.

Sticking points in Congress include whether lawmakers will address the federal program's finances in part by increasing rates gradually for homeowners who currently pay well below the actuarial risk of flooding.

Program critics have said many policyholders are getting bargain rates compared with what private-sector insurers would require and that taxpayers in drier parts of the country are subsidizing those in flood-prone states.

Roughly a dozen senators are proposing legislation that would adjust homeowners' rates to be more in line with a property's risk, and create incentives for private insurers to take on more policies. But that package, led by Sen. Bob Menendez (D., N.J.), is unlikely to pass next month since Congress would have only a few weeks to address it, according



Emily Zurawski cried while inspecting her home in Port Aransas, Texas, on Sunday. Wind and rain hit the coastal city hard.

### Record Levels of Capital Aid Insurers

The damage from Hurricane Harvey, which hit the Texas coast on Friday, is far from being tallied. But the insurance and reinsurance industry has a fatter-than-ever cushion to absorb losses from the Category 4 storm, executives and analysts say.

Harvey's timing is good for insurers and insurance customers from one perspective: Personal and commercial insurers

have record levels of capital, the money they have on hand that isn't required to back obligations. With insurers' overall strong position, Harvey is unlikely to cause extensive damage to the industry's financial strength, though it could hurt quarterly earnings for those carriers with blocks of business in hard-hit areas.

Most residential flooding isn't covered by private-sector insurers, but is the responsibility of the U.S. government's National Flood Insurance Program. Many carriers, however, do sell flood insurance to businesses.

Analysts estimate it would take \$100 billion or more of losses in a 12-month period to cause distress within the insurance industry. Hurricane Katrina in 2005, the costliest hurricane in U.S. history, caused nearly \$50 billion in insured losses in 2016 dollars, according to Wells Fargo Securities LLC.

"You would need to see a significant level of insured losses to have an impact on the excess capital of the industry [and] have a material impact on the pricing environment," said Elyse Greenspan, an analyst at Wells Fargo Securities, last week.

Years of moderate damage from natural disasters have bolstered insurers' capital bases.

U.S. property-and-casualty insurers had \$709 billion in surplus in the first quarter of the year, a record high, according to the Insurance Information Institute, a trade group.

While the industry is strong overall, there could be some hit to insurers with large Texas operations. Insurers are preparing for hundreds of thousands of claims from homeowners, car owners and businesses.

—Nicole Friedman  
and Leslie Scism

to Senate staff members.

The two top leaders of the Senate Banking Committee recently introduced a separate, simpler bill: It would renew the program for six years without getting into the more controversial financial woes.

Lawmakers are also discussing a shorter renewal to extend the program to December, said Senate staff members.

"A short-term extension will at least give us an opportunity to address the program sooner rather than doing a

longer-term extension that would kick the can down the road," said Jason Tuber, senior adviser to Mr. Menendez.

More-traditional home insurers are increasingly willing to take on flood exposure instead of leaving that risk to the federal government—thanks to improved flood models and other tools.

"We developed a comfort level in underwriting it," said Matthew Power, a senior executive at American International Group Inc., among the

private-sector carriers with an alternative to the federal policies.

But the private-sector market isn't big enough to fill the gap if the U.S. government were to let the federal insurance program lapse. AIG for now has about 20,000 flood-insurance policyholders nationwide. The U.S. program, by comparison, has roughly 5 million policyholders.

Craig Poulton, chief executive of Poulton Associates, which administers a private

flood-insurance program, estimates that private primary flood insurance represents about 2% of the market.

"There needs to be [a federal program] to assist both individuals and businesses to rebound from flooding and severe storm damage," said Elizabeth Guimaraes, who chairs an external-affairs committee for the Risk and Insurance Management Society and is director of risk management at Nova Southeastern University in Florida.

community centers and other locations as "lily pads" to provide safe harbor in neighborhoods.

"This is a storm that is testing the city of Houston," he said.

Most rescues were from vehicles that got stranded after driving into floodwaters, with responders assisting on foot, in large vehicles, by boat and via helicopters.

"This is historic, devastating rainfall," said Jeff Lindner, a meteorologist for the Harris County Flood Control District who is working with emergency personnel.

"There is water in homes that have never flooded before, and we've received reports of water going into the second story of homes," he said.

Texas Gov. Greg Abbott warned on Sunday afternoon that the worst of the flooding might not be over, with more days of heavy rain forecast. "This likely is going to be a historic rainfall, if not an all-time record."

Harris County Judge Ed Emmett, the area's top emergency official, asked citizens with boats to help rescue people trapped by rising water in their neighborhoods. Boats and other vehicles the city hoped to receive from the state couldn't arrive because roads were blocked by flooding, he said.

He said Ben Taub Hospital, Houston's main public hospital, was being evacuated because of flooding in its basement. Bayshore Medical Center in Pasadena, Texas, on the outskirts of Houston, said it was evacuating nearly 200 patients because of rising water.

More than 150 roadways were flooded throughout Houston on Sunday, and both of Houston's airports closed.

The mass flooding was reminiscent of Tropical Storm Allison in 2001, which killed more than 20 people in the Houston region, destroyed more than 2,700 homes and caused billions of dollars in damage.

—Bradley Olson, Arian Campo-Flores, Miguel Bustillo and Russell Gold contributed to this article.



People evacuate a Houston neighborhood inundated by flood water, above, while other flood victims rest at the George R. Brown Convention Center, which, along with city libraries and facilities, has been turned into an emergency shelter.



to travel to Texas on Tuesday to survey the damage from Harvey, which made landfall as a Category 4 hurricane Friday near Corpus Christi before losing strength and becoming a tropical storm.

Houston Mayor Turner on Sunday said only one death in the city was confirmed so far as storm-related. He said a woman drove into high water in southwest Houston and drowned while trying to es-

cape. Even in a city accustomed to flooding, the rapidly rising waters caught many off-guard, raising questions about whether the city should have been evacuated.

"No one thought it would be this bad," said Aeisha Brimzy, a stay-at-home mom plucked from the rising waters around her apartment building by constables, who also rescued her six daughters,

mother and sister. The family went to the George R. Brown Convention Center downtown, which the city had turned into an evacuation center.

Rescued families sat on folding chairs or laid on the floor, many still clutching white towels they had been given with which to dry off as they received assistance from the Red Cross.

Mr. Turner said the city was also opening libraries,

## STORM BATTERS TEXAS

# Rescue Efforts Tax Houston Resources

County official urges residents to help rescue their neighbors; 'we need your help'

HOUSTON—As the waters rose around them, families headed to attics and rooftops, where they called for help, overwhelming emergency call centers.

By Arian Campo-Flores, Dan Frosch and Erin Ailworth

Frantic friends and relatives worried about stranded loved ones took to social media to plead for assistance. The city of Houston's Twitter feed grew into a litany of urgent appeals Sunday. "Please help! Parents and 4 children in danger of drowning," read one post.

As first responders rushed to perform 3,000 rescues across the sprawling city—which covers an area larger than Manhattan, Chicago, Philadelphia and San Francisco combined—a chaotic picture was emerging from the floodwaters of Harvey as the region faces days of more rain and the disaster continues to unfold.

For a city that is prone to flooding, the severity and pace of the rainfall from Harvey caught even longtime residents off guard and raised questions about whether Houston should have been evacuated.

As of Sunday afternoon, the city had received nearly 6,000 calls for help, said Houston Mayor Sylvester Turner. Since Saturday night, 911 operators had received more than 56,000 calls, compared with a typical 24-hour volume of 8,000, he



Neighbors in Friendswood, Texas, used their own boats to rescue Jane Rhodes on Sunday, as Harvey, downgraded to a tropical storm on Saturday, battered Texas.

said.

Some personnel as well as boats and rescue vehicles that Houston officials had hoped to receive from the state didn't arrive as a result of roads being blocked by flooding, Harris County Judge Ed Emmett, the county's chief executive, said. He urged Houstonians to help rescue their neighbors. "Those of you who have boats and high-water vehicles that can be used to help people out of

harm's way, we need your help," he said.

In a Houston neighborhood near Buffalo Bayou, Tim Dodson, who runs a disaster and recovery service, drove through water 3- to 4-feet deep in his large truck Sunday afternoon. He was preparing to rescue seven elderly Catholic nuns who were stuck in the Cenacle Retreat House.

Awhile later, Ryan Oakley arrived in the area carrying a

yellow kayak. He said he was heading to a friend's house to rescue a family, including 6- and 9-year-old children, trapped on their roof. As he prepared to paddle away, he gathered a yellow rope.

"We can tie it up and support it on the roof and have the kids climb down," Mr. Oakley said. "Because there's no way to get a ladder out there."

The 911 system was overwhelmed by the volume of

calls on Sunday, said Chief Darryl Coleman of the Harris County Sheriff's Office at a news briefing.

Houston's geography and historically lax building regulations have made the city more prone to flooding, experts say. The city is low-lying, with soil composed mainly of clay, which drains slowly.

Houston's rapid expansion over the years has increased the risk of flooding as wet-

lands and prairie have been paved over. Its drainage system is antiquated.

Flood protections have failed to keep pace with development. And the city's regulations haven't been updated in response to the types of drenching storms that Houston has seen in recent years, according to experts such as Samuel Brody, an environmental professor at Texas A&M University.

## Those Who Stayed Behind Face Damage With Grit

BY DAN FROSCH  
AND ERIN AILWORTH

ROCKPORT, Texas—As lashing rains and 130-mile-an-hour winds battered the concrete and steel home Max Rinche helped build, he frantically hammered nails into plywood planks that other men struggled to hold over a broken window.

While the Category 4-rated Hurricane Harvey raged outside, Mr. Rinche's worried wife scribbled his Social Security number on his arm—just as the mayor of this coastal city had urged residents to do if they defied evacuation orders. If they were killed Friday night, at least someone would be able to identify them.

On Saturday, Mr. Rinche, his tool belt dangling from his hip like a holster, walked through the torn-up streets, eyeing mangled homes, and chatting with other locals to get the latest updates on which houses got hit and how bad.

"There's going to be a lot of chainsaw work," the 32-year-old said. "If you got tools, use 'em. If you're breathing, you can work. This is Rockport. We'll be fine."

Up and down the central coast of Texas, a string of small cities and beach towns remained unnervingly populated as Hurricane Harvey bore down. Many thousands had obeyed evacuation orders and fled inland to hotels and shelters; meanwhile, some had

stayed—out of necessity, fear of looters or sheer stubbornness.

Others who chose to ride out the storm were older residents, their memories hardened by past storms they had endured.

So far, local officials said they knew of one person killed in the storm in Rockport, the small fishing and resort community devastated by Hurricane Harvey. There, the storm tangled power lines and felled hulking oaks that now cluttered the streets. Roofs, garage doors and even entire homes were crumpled by Harvey's power. The air was heavy with the odor of leaking gas.

As the storm pressed north, those who remained on the coast emerged to take stock of

the damage, count their blessings and face the next challenge: the aftermath.

"We lost what we had," said Juan Hernandez, who stayed in his Aransas Pass, Texas,

home with his family. They sat in the dark, watching as the storm took their fence line. Then they noticed the leaks in their roof.

"That's when everything started caving in," said Mr. Hernandez, a 65-year-old pipe fitter. "We've got one room good: that's the kitchen."

Mr. Hernandez said his family has food, but he was hoping help would arrive soon.

"We survived," he said, searching for a cellphone signal in the parking lot of a damaged Wal-Mart. "At least nobody got hurt."

The flashing red "Open" sign paired with the handwritten message posted on a boarded window—"HOT COFFEE"—was a beacon in the dark, broken disaster zone of this Rockport neighborhood.

Matthew Otero posted the message Saturday morning when he opened Rockport Donuts, the business he and his

wife have run for nearly six years.

"My first thing was, 'thank God the building survived,'" he said as he served the occasional customer the promised hot coffee as well as kolache pastries hand-rolled by his wife and mother-in-law.

"What can you do, you gotta wipe off your knees and keep going," Mr. Otero said. He surveyed the shop with red-rimmed eyes. He said he would be putting off plans to expand after the storm damaged a separate commercial building he owns.

"You're set back, you know," he said, his voice shaky. "I'm fortunate. There are people who have lost their homes."



Evacuation directives present their own potential dangers.

been performed by Sunday afternoon, officials said.

The offices of Messrs. Turner and Abbott didn't respond to requests to comment.

Families were stranded on rooftops, and parts of the city that residents say hadn't flooded before were submerged.

The National Oceanic and Atmospheric Administration's Weather Prediction Center is now projecting that some areas could see as much as 50 inches of rain—around as much as the region normally gets in a year—up from an earlier estimate of up to 40 inches.

Looming over the decision not to evacuate was Houston's experience with Hurricane Rita. More than 100 people died while evacuating as 2.5 million people fled that storm in 2005. Some of the stories were horrific—23 nursing-home patients were killed as a bus evacuating them caught fire and exploded near Dallas.

Houston hasn't ordered evacuations ahead of hurricanes since then.

Retired Army Lt. Gen. Russell Honoré, who led the Department of Defense response to hurricanes Katrina and Rita, said that experience has made officials wary of ordering an evacuation. But, he said, officials should have evacuated residents of flood-prone neighborhoods as well as other vulnerable populations like the elderly and homeless.

"I'm not trying to be critical of the mayor and history will prove whether they guessed right or they guessed wrong," he said. "But I do not believe we should leave people in [a] place we know is going to flood. It's counterintuitive."

He also said Gov. Abbott should immediately mobilize the entire National Guard. So far, 3,000 guardsmen have been activated. Mr. Honoré said the state would need closer to 15,000. "I'm very concerned because they don't un-

### Measuring the Downpour

Highest rainfall totals for hurricanes and tropical storms in the U.S.

|                        |           |
|------------------------|-----------|
| Hiki (Hawaii 1950)     | 52 inches |
| Harvey (forecast)      | 50        |
| Amelia (Texas 1978)    | 48        |
| Easy (Florida 1950)    | 45        |
| Claudette (Texas 1979) | 45        |
| Allison (Texas 2001)   | 41        |
| Paul (Hawaii 2000)     | 39        |
| Georges (Florida 1998) | 38        |
| Danny (Alabama 1997)   | 37        |
| Unnamed (Texas 1960)   | 30        |
| Debby (Florida 2012)   | 29        |

Sources: NOAA National Centers for Environmental Prediction; National Hurricane Center (Harvey)

THE WALL STREET JOURNAL.

### How to Aid Victims Of Harvey Flooding

To make a financial donation to the Hurricane Harvey relief efforts, contact these charities:

**The United Way of Greater Houston:**

Visit [www.unitedwayhouston.org](http://www.unitedwayhouston.org).

[towflood.org](http://towflood.org) or text UW-FLOOD to 41444.

**American Red Cross:**

Visit [www.redcross.org](http://www.redcross.org). Call 1-800-RED-CROSS.

Or text the word Harvey to 90999 to make a \$10 donation.

**Salvation Army:**

Visit [www.helpsalvation-army.org](http://www.helpsalvation-army.org), call 1-800-SAL-ARMY or text STORM to 51555.

### By the Numbers

50

Average annual rainfall in Houston, in inches

50

Maximum rain amount forecast for the region from Harvey

6.5

How many millions of people are threatened with flooding in the Houston area

3,000+

Number of people rescued from cars and homes over the weekend due to the storm

to call for an evacuation is among the hardest.

Mr. Paulison said during Hurricane Katrina, FEMA urged Ray Nagin, the mayor of New Orleans at the time, to evacuate and was dismayed he didn't. But during Katrina, the path of the storm was clear, Mr. Paulison said, which hasn't been true for Harvey.

"It's tough to evacuate a big city like that," he said. "I'm reluctant to second guess anyone at this point."

—Miguel Bustillo contributed to this article.

# SPORTS

BOXING | By Jason Gay

## When Boxing Goes Low, I Go High

Our columnist makes a (legally!) altered visit to the absurd Floyd Mayweather-Conor McGregor tangle in Nevada



*Las Vegas*

I was somewhere outside of the T-Mobile Arena when the drugs began to take hold.

My proposal had been simple and innocent: travel to Las Vegas for the ridiculous Floyd Mayweather-Conor McGregor match on Saturday.

And before the fight, partake in a little of Sin City's latest indulgence: legalized marijuana.

I'd keep it low-key. No fear. No loathing. I asked my Journal boss if it'd be OK.

"I've assumed you were smoking something whenever I've read pretty well anything you've written," he said. "Fine with me."

Friday night, upon arrival, I made the buy. Vegas stinks of weed dispensaries now; Nevada went recreational-legal on July 1 and they're popping up everywhere, like Taco Bells. I chose one called Reef, not far from the Strip. The world's happiest line curled out of the door, like a nightclub's.

Inside: It was crazy. Or rather: It was crazy because it wasn't crazy at all. The showroom resembled an Apple store...actually, you know that store at the airport where you can buy an iPhone charger, or a pair of headphones? It looked like that. Clean lines, well lit, friendly store associates, samples of the merchandise in jars to smell (no smoking inside!) and...menus.

I knew I wanted edibles, i.e. candy or a snack infused with THC. Edibles would be simple, easy to carry, no smoke, no mess.

I tried to be cool talking to the store associate: *Yeah I want something, you know, chill, like to go to the...um...movies.*

Of course, I look like a Dad taking other Dads to a Dad Convention in a Dad Car.

"Gummies," she recommended sweetly.

I went with two gummy packets, to have options: mango edible chews and grape hybrid sour gummies. The whole shopping experience was blisternormal; it's more intimidating to go to the butcher. My purchase was sealed in a white 8x11 packet, like a set of wedding photos.

The total was \$44.38. I believe I can expense this.

Fight night, I was ready. Now I know what you're thinking, my Journal gang: *You got to take it easy with edibles, man.* I knew that. I didn't want to have a bad trip like Maureen Dowd; I worry she's still curled up on that hotel bed in Denver. Popping special gummies like regular gummies would be a terrible idea.

Especially in Vegas. "This is



Floyd Mayweather Jr., left, lands a punch against Conor McGregor during Saturday's bout in Las Vegas.

thought he was," Mayweather said when it was over. "He's a tough competitor."

"I've been here before," McGregor said, referring to a UFC loss a couple of years ago. "I've been strangled on live TV and came back."

Both men seemed chipper, and why not? Reportedly, they'll collect nine-figure paydays for the half-hour or so of trouble. Mayweather, now 50-0, said he's "done," retired for good, and McGregor said he'll wind his way back to the UFC, but we've seen this movie too many times to rule anything out, especially with the fight's charitable afterglow of *that wasn't as terrible as I thought it would be.*

That's what the world has come to, folks. From sports, to air travel, to reading the world news headlines in the morning, *"That wasn't as terrible as I thought it would be"* is the new "This is great!"

Gummy haze still kicking, I headed out of the arena with the end of the crowd. In the plaza in front of the entrance, a cluster of McGregor fans wrapped in Irish flags merrily danced. A pair of men passed by in matching Versace bathrobes. Fight T-shirts were on sale for a price-slashed \$10.

As I got around the corner, outside of the New York-New York Hotel and Casino, I saw it: a ghastly replica of the Brooklyn Bridge, the actual magnificent version of which is just a few blocks from my home. It did not soar like the real thing; it merely stood there, as if embarrassed for itself. It had a sign for Bud Light at its top, and nearby, a store called Stupididiotic.

Why did anyone think this fight didn't make sense? It made perfect sense, especially here, another brilliantly inane proposition in a city that is itself an inane proposition. Stupididiotic is what people love about this town—from gambling away the rent, to 36 oz. margaritas, to legal and candidly fantastic grape hybrid sour gummies, Las Vegas has always been a comical representation of our national id. Loud, shameless and driven by money, Floyd Mayweather boxing Conor McGregor was exactly the sporting event America deserved in 2017.

*Buy the ticket, take the ride,* Thompson had written all those years before.

That's what I thought about as the desert night wound down on the madness.

I also stared for a long time at a water fountain, and ate a whole bag of potato chips back at the hotel.

"He's a lot better than I

### FROM PAGE ONE

## BELL

Continued from Page One  
much about screen time versus face time as it is a merger of the two.

Smartphones provide extra information thought by users to be vital to day-to-day interactions. Without smartphones to help, encounters can feel fraught.

"Typically, doorbells are for outsiders," says Ms. Zhong, whose LinkedIn profile describes her as a "teen whisperer." "A text signifies it's a friend."

An entire smartphone-wielding generation has begun communicating primarily via mobile device, even when other means are available.

According to Pew Research Center, 92% of Americans between the ages of 18 and 29 own a smartphone, the highest percentage of any age group. Just 42% of Americans who are at least 65 own a smartphone.

Many of the latest apps and services are tethered to mediated communication, from hailing a ride through Uber Technologies Inc. to ordering food on GrubHub Inc. to swiping left or right on Match Group Inc.'s Tinder. There are companies where the desk phone is optional but Slack Technologies Inc.'s Slack chat app isn't.

People in general are making fewer phone calls to one another, but the trend is mov-



ing especially quickly in customer service. The number of customer-service calls declined 17% from 2015 to this year at 1,351 businesses in 80 countries surveyed by consulting firm Digital Data.

Those calls are being supplanted by chat, bots and self-service options. Phone calls with actual humans are now just 54% of all customer-service interactions with businesses, says Digital Data.

The communication shift has affected the company that rings more doorbells than any other in the U.S.: United Parcel Service Inc. UPS still trains its drivers to ring any doorbell available when making deliv-

eries, but drivers don't wait for a live human unless a signature is required.

UPS also offers customers the ability to receive an email or text when a package is on its way. Customers can even track the location of the delivery truck. UPS says it built the technology because customers demanded it.

Since it launched its online service in 2009, GrubHub has given customers the option to specify that delivery persons text instead of ringing the doorbell, says a GrubHub spokeswoman.

Some young people say they shun ringing the doorbell simply because they see no

need for it.

"It's like antiquated, knocking on doors is so far back that it predates any experience people my age have ever had," says Drake Rehfeld, a junior at the University of Southern California.

The doorbell isn't about to disappear. The National Association of Home Builders says there is no sign that new houses are being built without doorbells, and they often are required by local building codes.

Like supermarket checkout lines and bank tellers, though, doorbells are being forced to change with the technologically disruptive times.



A Wi-Fi-linked doorbell and camera made by Ring, left, allows communication without eye contact. UPS drivers still ring the bell.

"When we call a car [using Uber], we watch it come to us," says James Siminoff, founder and chief executive of Ring, which makes a Wi-Fi-connected doorbell with an embedded camera.

He says Ring is primarily about giving people a way to have two-way communication with someone at their front door without ever actually having to make eye contact with the person.

Jean Twenge, a psychology professor at San Diego State University, says such innovations could further the decline in face-to-face interaction by teenagers and young adults.

"Electronic communication supplies some feelings of connection, but studies find it does not equal face-to-face interaction for emotional close-

ness or mental health," says Ms. Twenge, whose book "iGen" is about how smartphones may contribute to an epidemic of anxiety and unhappiness in young people.

Mr. Walia, the UC Berkeley sophomore, says he and his friends also don't ring doorbells because they'd rather not run into each other's parents. Other young people say the doorbell is a loser when it comes to efficiency. Why not just text to say you're about to get to the door?

"You carry your phone with you everywhere," says Adriane Taylor, a freelance writer who lives in a New York City suburb. "It's basically the teddy bear for adults. I personally sleep with my phone under my pillow. It just makes sense to get the most out of it."

# LIFE & ARTS



**BONDS: ON RELATIONSHIPS** | By Elizabeth Bernstein

## Are You Aware of How Others See You?

We don't always read how the outside world reads us; how to improve 'external self-awareness'

**MOST OF US** are not as self-aware as we think we are.

Research shows that people who have a high level of self-awareness—who see themselves, how they fit into the world and how others see them clearly—make smarter decisions, raise more mature children and are more successful in school and work. They're less likely to lie, cheat and steal. And they have healthier relationships.

Tasha Eurich, an organizational psychologist from Denver, spent three years conducting a study on self-awareness and has a new book on it titled "Insight." When it comes to self-knowledge, she says there are three types of people: those who have it, those who underestimate how much they have (she calls them "underraters") and those who overestimate how much they have ("overraters").

Underraters beat themselves up unnecessarily. Overraters believe

they do everything well. She found no gender differences in her research.

Internal self-awareness is introspective—what happens when we know ourselves well. External self-awareness is what happens when we correctly understand how others see us. You can excel at one and not the other.

External self-awareness may be trickier to achieve, Dr. Eurich says. We can go to therapy or keep a journal to try to learn about ourselves, but we're still looking at the world through our own lens. Other people can give us a much more objective view of ourselves.

How can we truly know how others see us? Those who know us best often won't tell us the truth, especially if it's critical. Social media, with all its "likes" and "friends" can give us a false sense of self, too. And technology strips away a lot of feedback, such as body language and tone of voice,

that helps us understand how we come across.

Dr. Eurich says you can boost your external self-awareness. For her study, she and her colleagues reviewed more than 800 studies on self-awareness. They also surveyed approximately 5,000 people

**Family members may not give the most honest feedback. Look for someone more objective.**

around the world, and conducted in-depth interviews with 50 people who had significantly improved their own self-awareness over time.

Dr. Eurich identified seven categories of self-knowledge—areas that we need to cultivate in ourselves

and seek feedback on from others if we want to be more self-aware. These are our values, passions, aspirations, fit (what type of environment is going to make us happy and engaged), personality, strengths and weaknesses, and the impact we have on people around us.

She has advice for how to more clearly see how others see us:

**Pick the right person to ask for feedback**

It might not be someone really close to you. A spouse, best friend or family member has a motive to try to please you. And those relationships can be emotionally complex, so there is a greater risk of conflict if you don't like the feedback.

Look for someone who is a more removed and might be more objective. Studies have shown that people can watch a stranger for five minutes on video, without ever meeting the person, and eval-

uate his or her personality as accurately as a close friend or family member can.

You will also want to pick a person who sees you in the right context. For example, if you want to know how members of the opposite sex see you, you need to ask one.

**Be specific about what you want to know**

"Don't write them a blank feed-back check," Dr. Eurich says. "You're opening the door to things you might not want to hear or might not be ready to work on."

Do some reflecting first, she suggests. Think about how you want to be viewed by others.

Here's an example: If you want to be seen as someone who is funny and charming, ask someone who was at that party with you last night how you really came across. What you did that helped you? What got in your way?

**Pay more attention to people's reactions**

We're often lost in our own heads, making up stories for ourselves about what other people think that are based more on our insecurities than their opinions.

Dr. Eurich says to think about what your goal is and compare that with the outcome. You wanted to be funny at the party. Did people laugh at the long joke where your mother-in-law was the punchline? Or did they sit silently, looking around at the others?

**Watch whether people treat you differently**

It's not enough to observe their body language—some people are animated or subdued no matter what.

Pay attention to how they respond to others. Is that the same way they react to you? Are they listening to you more or less? Laughing more or less?

It's also important to observe whether a person's response has changed over time, especially if you know that person well. Personality is fairly consistent, so any changes may be about you.

**Perform a friend audit**

Dr. Eurich suggests you ask yourself: "Who are the people who would bail me out of jail at 2 a.m.?" Family members don't count. If you don't have at least one or two people on that list, think about what you could do differently so that you have people in your life who would do anything for you.

**Create an imaginary therapist**

This is like an imaginary friend, but more honest. Imagine your therapist observing your behavior and then gently telling you what he or she sees.

"You need to change your perspective," Dr. Eurich says. "And this helps you be objective and not wrapped up in your own defenses."

*Write to Elizabeth Bernstein at elizabeth.bernstein@wsj.com or follow her on Facebook, Twitter or Instagram at EBernsteinWSJ.*

### FILM REVIEW

## 'POLINA': RISKY LEAPS, MOVING ODYSSEY

BY JOHN ANDERSON

**GIVEN THE** customary fate of beautiful, talented, self-possessed Russian heroines, a sense of foreboding might accompany viewers into the voluptuous world of "Polina," despite its gorgeous dancing and people. And passion. And art. And Slavic melancholy. Well, no one ends up under a train. But it's certainly an epic. And it's certainly cinema.

Directed by the wife-and-husband team of Valérie Müller and Angelin Preljocaj, "Polina" could provide some of that good P.R. Russia sorely needs, even as Stalinist repression echoes through the movie's dance halls and Putin-esque corruption molders in the cracks of its storyline. Ms. Müller has directed only one previous feature-length film; her husband is a prominent choreographer. It doesn't matter: The French couple's film is not only emotionally compelling and brilliantly acted, it's a finely calibrated clockwork of movement, dreams, romance and reality that incorporates everything from a bar fight to the architecture of Berlin.

Adapted from the graphic novel by Bastien Vives, "Polina" begins in Moscow, with a tiny, perfect piece of ballet physiognomy

named Polina (Veronika Zhovnytska) being pushed, pulled, pinched and measured for a spot with the fearsome, Balanchine-like Bojinski (Aleksey Guskov). He betrays an interest in her. What is dancing about, he asks the 8-year-old. "It happens by itself," she says; he responds, "You think so." It isn't really a question.

There's a deliriously beautiful sequence of little Polina leaving the dance school and improvising a routine that is a hybrid of jazz and classical, but mostly just free and, like so much of what happens in the movie, a harbinger of things to come, a clue to who she is and what will happen. The accomplished older Polina—played by the former Mariinsky Theatre ballerina Anastasia Shevtsova, who acts as well as she dances—will leave the Bolshoi to follow a male colleague (Niels Schneider) to France, become part of a contemporary troupe led by the Twyla Tharpish choreographer Liria Elsa (Juliette Binoche), injure an ankle, leave the theater, and become a barmaid in Belgium, all the while searching for a means of expression that's entirely her own.

We believe it all, emotionally, because the world of the film makes sense, because the stakes are made real—her parents have given up everything for her—and because Ms.

Shevtsova is so good: In one scene, as she watches two dancers perform, the tears well up in her eyes, but never quite spill out; she's too Russian for tears. It's breathtaking.

Elsewhere, we can read the canniness and exploration in those eyes: She sees a fight in a bar and you know she's digesting the movement, intending to make art out of it; she sees a homeless man in the subway who begins crawling across the floor (is it in her mind?), and there's a startling synthesis of her process and her fears: She's intrigued by the motion, but she's also lost her job—will she lose her home? She watches as two old friends embrace and wants to translate their movements into dance.

And will she lose her friends? The creative process is always an elusive thing for filmmakers to capture, but amid all the startling visuals and the splendid acting, "Polina" rises, gloriously, to the challenge.

*Mr. Anderson is a Journal TV critic. Joe Morgenstern is on vacation.*



OSCILLOSCOPE LABORATORIES

## OPINION

### REVIEW & OUTLOOK

#### Labour's Brexit Pains

The Brexit news of the weekend is that Britain's parliamentary democracy is stirring back to life. The Labour Party's announcement that it will formally support a "soft Brexit" means Theresa May's Conservatives now face genuine opposition on Britain's most important policy debate.

Labour will push for a transition arrangement that would keep Britain within the single market and the customs union after March 2019, the party's Brexit spokesman, Keir Starmer, wrote Sunday in the *Observer* newspaper. Labour says such a transition should be time-limited to avoid what Mr. Starmer calls "a never-ending purgatory." But the party also favors a post-Brexit relationship with the European Union that encompasses cooperation on a range of matters beyond trade, including education, medicine and culture.

Mr. Starmer's proposal for the transition period contrasts with Mrs. May's approach. The Tory leadership is pushing for a decisive break from the EU customs union in 2019 to be followed by a yet-to-be-determined transition arrangement. Labour also supports deeper integration with the EU under a permanent Brexit deal than Tory Brexiteers say they want.

Mr. Starmer's statement is a significant step for a party that has been as deeply divided as the Conservatives over Brexit. Far-left tribunes such as leader Jeremy Corbyn tacitly or openly support Brexit out of suspicion of the EU's pro-trade agenda, but they're at odds with their young, urban supporters who are pro-EU. Labour centrists such as Mr.

#### The party endorses a 'soft' exit from the EU in contrast to the Tories.

Starmer are pro-EU, but their traditional working-class supporters were more likely to vote for Brexit in the 2016 referendum.

Labour appears to be resolving these tensions by supporting a very soft Brexit. That means the party at last can start acting as an effective opposition to Mrs. May's government, which so far has enjoyed—and often wasted—the free rein it gained from Labour's disarray.

Either party can still win the debate over transition arrangements. The Tory approach would give Britain the flexibility to negotiate wide-ranging new trade agreements with partners such as the U.S. or Australia, which wouldn't be possible from inside the EU customs union. However, that entails significant disruption for businesses, and voters may come to prefer Labour's softer option if the Tories fail to deliver enough free-trade advances to ease the pain.

Most important, Labour is setting itself up to wage the Brexit debate over the effect on the British economy. "We will always put jobs and the economy first," Mr. Starmer wrote. This plays to Mr. Corbyn's most successful debating points in June's election, which spoke to voters' worries about jobs, wages and entitlements.

Tories should take this as a warning that they have to deliver a free-trade, economic-reform Brexit that benefits households, or their opponents will grab those votes in the next election. The Conservatives can benefit from the discipline imposed by a more organized opposition, but if they fail to get Brexit right, their political legacy will be a new government led by Mr. Corbyn.

#### Disaster and the Wealth of Nations

Americans watched in shock and sympathy on the weekend as Hurricane Harvey poured record amounts of rainfall on south Texas and especially Houston, America's fourth-largest city.

The aerial scenes of flooding in the sprawling city are astonishing, as highways became rivers and whole neighborhoods were submerged amid 24 inches of rain in 24 hours with as much as 50 inches or more expected by the National Weather Service. By Sunday experts were calling the flooding the worst disaster in Texas history, with days of possible rain ahead.

The government—federal, state and local—seemed to be responding well under the conditions, at least to the extent one can tell from afar. The blame-shifting between state and federal officials that sometimes attends disasters wasn't apparent. Officials were rightly focusing first on search and rescue for those threatened by floodwaters, but in the days

#### Texans will rebound from the awful flooding with their usual élan.

ahead the attention will focus on clean up and rebuilding. Red Cross and private companies are also doing what they can and will be doing more as people need food and temporary shelter.

The costs will be enormous in losses to property as the region dries out, but the good news is that a rich country like the U.S. has the resources to respond. The means to cope with disaster, natural or man-made, is one reason we put so much focus in these pages on policies that promote sustained economic growth and the wealth that flows from it.

Immunity from nature's fury is an illusion that humans cultivate until we are forced to confront that fury again. We forget the damage that storms and earthquakes can do. Complex societies can better cope with the damage if they have a reservoir of accumulated wealth that governments and private sources can devote to alleviating the suffering and helping communities rebuild.

#### Trump's Arpaio Pardon

Candidate Donald Trump promised to abide by the rule of law that took a beating under the Obama Administration, and that theme may have helped him win the election. President Trump's pardon late Friday of deposed Maricopa County Sheriff Joe Arpaio undermines that promise and further politicizes the law.

The 85-year-old Mr. Arpaio became a hero of many conservatives with his brazen style and tactics targeting illegal immigrants. His aggressive enforcement drew a lawsuit and court injunction, culminating in a contempt conviction last month. While Mr. Trump praised Mr. Arpaio's long career of public service, that hardly justifies the sheriff's defiance of the law he swore to uphold.

In 2008 the American Civil Liberties Union sued the sheriff's office for racially profiling Latinos during traffic and saturation patrols. After several years of litigation, federal Judge Murray Snow ordered the sheriff's office to stop detaining individuals who had not committed a state crime merely based on the suspicion that they are in the country illegally.

Two years later the judge found officers had violated his preliminary injunction and ordered anti-bias training, a court-appointed monitor and patrol cameras, among other remedies. In 2016 Mr. Arpaio was held in civil contempt for flouting the judge's orders. He was also reprimanded for withholding video evidence.

Then last August Judge Snow referred Mr. Arpaio to the Justice Department for criminal contempt proceedings. In his defense, Mr. Arpaio argued that the court orders were unclear to him or officers. Because his violations were supposedly unintentional, he said criminal charges were unwarranted.

It's true there was some confusion as to what officers were allowed to do under state and federal law. A 2010 state law required officers to check the immigration status of individuals during a "lawful stop, detention or arrest" when there's probable cause they're in the country illegally. Federal judge Susan Bolton blocked the state law in 2010, but the Supreme Court in 2012 upheld a central provision obligating officers to check individuals' immigration status.

In any case, the legal uncertainty doesn't gainsay Judge Snow's charge that Mr. Arpaio

#### Liberal hypocrisy doesn't justify disdain for the rule of law.

lied to him and judicially appointed monitors. Hence the criminal contempt citation, which Judge Snow said was needed "to vindicate the Court's authority by punishing the intentional disregard for that authority." Criminal contempt is the only way to hold government officials personally responsible for violating court orders.

Mr. Arpaio may be right that the Obama Justice Department relished his prosecution, and some evidence presented at the trial was irrelevant to the case. But Judge Bolton considered the merits and, based on the evidence, determined that Mr. Arpaio had demonstrated a "flagrant disregard" for the law.

Mr. Trump's power to pardon is undeniable, but pardoning Mr. Arpaio sends a message that law enforcers can ignore court orders and get away with it. All you need is a political ally in the White House or Governor's mansion. Down that road lies anarchy. Attorney General Jeff Sessions understands this, which is why he reportedly urged the President to let the judicial process play out. Mr. Trump short-circuited the courts by pardoning Mr. Arpaio before he was sentenced or granted an appeal.

Some of our friends on the right say Mr. Trump's liberal critics had no problem dismissing Congress's contempt citations against former Attorney General Eric Holder and IRS official Lois Lerner as political. The left also supported the commutation of Bradley Manning, who leaked military intelligence.

All true and deplorable, but since when does liberal hypocrisy justify conservative disdain for the law? Mr. Trump should be setting a better standard than imitating Barack Obama, but polarized politics is leading America to a bad place where policy agreement or political support makes right. You pardon your lawbreakers and we'll pardon ours.

Mr. Trump may hope the pardon will energize supporters, but it is also dividing the GOP. Even before the contempt citation, Sheriff Arpaio's aggressive tactics were becoming unpopular, and in November he was defeated by 13 points. Mr. Trump's disdain for federal judges also isn't making friends in the federal judiciary that will have to rule on his decisions in the coming years. The Arpaio pardon is a depressing sign of our hyperpoliticized times.

#### Google's Broken Promise to Cubans



AMERICAS  
By Mary Anastasia O'Grady

During his March 2016 visit to Cuba, Barack Obama raved about an impending Google-Cuba deal "to start setting up more Wi-Fi access and broadband access on the island." Greater access, he predicted, would mean "more information [that] allows [the Cuban people] to have more of a voice."

Eighteen months later Mr. Obama's forecast looks worse than a hollow platitude. Google has become a supplier of resources to the regime so that Raúl Castro can run internet at faster speeds for his own purposes.

Meanwhile the company appears to be wholly uninterested in the Cuban struggle for free speech, as the island democracy project Cuba Decide learned last month.

Google started out making big promises to Cubans. In a March 2016 blog post, Brett Perlmutter, "Cuba Lead" for Google Access, boasted that the company was "thrilled to partner" with a regime-owned museum, featuring a Castro-approved artist. "New technologies and improved internet access can... help harness a country's creativity and ingenuity," Mr. Perlmutter wrote without the slightest irony.

By then Google must have understood that the dictatorship had no interest in mass internet access. In July 2015 the Miami Herald reported that Mr. Perlmutter had visited Cuba and pitched a proposal to build an island-wide digital infrastructure. The government reportedly rejected the proposal and warned of internet imperialists seeking to "destroy the Revolution."

In December 2016 Google sealed a deal with Castro's monopoly telecom company (and internet-service provider) Etecsa to put Google servers in Cuba. Google fired up those servers in April, emphasizing the improvement they bring to viewing video because they allow Google to store content locally. A fiber-optic cable from Venezuela has also increased internet speeds.

Access is another matter. The internet in Cuba remains tightly controlled and, according to the 2017 "Freedom in the World" report, the regime has "cracked down" on "diverse independent digital media" and often blocks "critical blogs and websites."

The report noted some of the creative ways that Cubans get around Etecsa's blocking, including the use of virtual private networks. But that doesn't work when Google is blocking access.

Rosa María Payá is the daughter of the award-winning Cuban dissident Oswaldo Payá. He was killed, most likely by the regime, in a suspicious 2012 car crash. In 2015 Ms. Payá launched Cuba Decide, a project calling for a national

plebiscite to ask Cubans if they want free elections and free speech.

In the Miami Herald in March, Cuban-exile writer Jose Azel called the project "a strategic tool" to "spotlight... the people's prerogative... to decide their form of government."

Yet Cubans cannot access the Cuba Decide website, and Google is to blame.

On July 22 Ms. Payá tweeted "google joins censorship in Cuba," along with the screenshot of the Google error message that Cubans get when they try to go to her website. I retweeted Ms. Payá's tweet, noting "Google bows to Cuban censorship."

Mr. Perlmutter's response wasn't only condescending and arrogant. It was lazy. "id [sic] do more research," he tweeted, accusing me of trafficking in "fake news," and by extension slapping down Ms. Payá.

#### The company denies access to a pro-democracy website and blames the embargo.

"Definitely nothing to do w Google," he wrote in a follow up tweet. "This type of error is generated by Chrome often when sites are blocked bc of US embargo."

Mr. Perlmutter didn't cite any provision of the U.S. embargo that requires the blocking of a nonprofit citizens' initiative—because there is no such provision. On Wednesday a Google spokesperson told me "we can't say for sure what's causing the issue with that site but it isn't something we're doing on our end.... If you want more details, I recommend you check with the ISP."

By Friday the company was no longer blaming the ISP. Instead, Google told me—in a paradox that must be delicious for Castro—that it is Cuba Decide's use of Google's Project Shield that is causing the problem. The shield is offered at no charge for "news sites and free expression" against "distributed denial-of-service" attacks. When it is used, it triggers the use of Google's App Engine even if Google isn't the website's host—which it isn't in this case—and Cubans cannot access the site.

The company claims this is because of sanction restrictions, i.e., the embargo. But there is no reason to block a website that exists purely to promote freedom and civic participation. If Google wanted to advance the cause of free speech it could have reached out to Ms. Payá to find a solution rather than fire off a snotty tweet.

Google told me that Mr. Perlmutter's Twitter comments "do not represent an official Google position." It said they were made "before all the facts of the specific situation were known." Talk about fake news.

#### Llamas Magazine Is a Great Collector's Item

By Donald Altschiller

Finding a rare item unexpectedly is every collector's fantasy.

While philatelists (who save stamps) and numismatists (who amass coins and other currency) spend hours patrolling hobby stores and auction houses, a lucky few stumble onto something special through sheer serendipity.

In 2012, Karl Kissner and his cousin Karla Hench were cleaning out their grandfather's house in Defiance, Ohio, and came across a box of rare baseball cards known as the E98 series. They had been printed in 1910 and were in pristine condition. The cards were worth an estimated \$3 million.

In 1885, a 14-year-old Swedish boy named Georg Wilhelm Baeckman discovered the "Treskilling Yellow" postage stamp in his grandmother's attic. Issued in Sweden in 1855, it was printed in yellow by mistake instead of the intended green. It's considered one of the rarest and most expensive stamps in philatelic history.

In 2013, David Gonzalez was renovating a fixer-upper home he had bought in Elbow Lake, Minn., and found, ensconced in the wall insulation, a copy of Superman's 1938 debut in Action Comics No. 1. It sold for \$175,000.

My lucky finds aren't quite so remunerative. I collect magazines, quirky and arcane journals and newsletters. Some years ago, while browsing the exhibit booths at the national convention of the American Library Association in Chicago, I stopped by the table of an atheist organization.

There I found, hidden in the large display, a remarkable publication, DAMN: Deaf Atheist Material News, a newsletter for deaf atheists. It featured a page-one article detailing the two main problems with silent prayer: It is a profanation of silence and, even more troubling, it involves prayer.

Unbelievable! I'm from Cambridge, Mass., a bastion of cultural sensitivity, and even I never thought about

this double offense to deaf atheists. But, thank Whomever, I now have this deliciously obscure newsletter in my collection.

Over the years, I have also owned: Falling Leaf, a magazine for collectors of aerial propaganda; Elevator World, aimed at professionals in the building transportation industry; Llamas magazine, read by lovers of this camelid species; the Highway Evangelist, aimed at Christians who drive big rigs; and the newsletter of the International Association of Black Yoga Teachers.

#### And have you heard about the newsletter for deaf atheists?

Though I have no price guide to assess the value of my collection, I know it wouldn't draw much on the open market. Nonetheless, these offbeat publications make me happy.

"O bliss of the collector, bliss of the man of leisure!" Walter Benjamin once wrote. "Ownership is the most intimate relationship that one can have to objects. Not that they come alive in him; it is he who lives in them."

The serendipity of chancing upon oddball journals and newsletters is half of what I enjoy. Alas, the internet has diminished this pleasure. I suspect that many publications, ripe for my collection, have been digitized and are awaiting hits on the electronic screen.

But I have no desire to check. The joy of thumbing through a print copy, often acquired through happenstance, is my special quest.

Some time ago, I noticed an announcement about an organization of lesbians and gay men who speak Esperanto. I wonder if they have a newsletter.

Mr. Altschiller is a librarian at Boston University.

## OPINION

# Putting Pressure on Pakistan

By Sadanand Dhume

**C**an the United States pressure Pakistan to end its support for terrorist groups that attack U.S. and allied forces in Afghanistan? The short answer: Yes, but it will require greater resolve and more appetite for risk than we're used to seeing.

In the week since President Donald Trump outlined a new U.S. strategy for Afghanistan, several pundits have already declared it dead on arrival. After 16 long years of war, the skepticism is understandable. But obituaries for an approach that hasn't been tried before are woefully premature.

**Despite what skeptics claim, the U.S. has the ability to reduce Pakistan's interference in Afghanistan.**

The new strategy departs from Barack Obama's unsuccessful policy in Afghanistan in at least three ways. First, it refuses to attach an artificial deadline to U.S. troop withdrawal from the country. Second, it publicly envisions a larger role for democratic India in Afghanistan's stabilization.

Third, and perhaps most significantly, Washington has put Pakistan on notice for the deadly part it has played in prolonging America's lone-

gest war. As Mr. Trump put it, "We can no longer be silent about Pakistan's safe havens for terrorist organizations, the Taliban and other groups that pose a threat to the region and beyond."

In fairness, skeptics can't be blamed for feeling as though they've seen this movie before. Mr. Trump is hardly the first senior American official to express frustration at Pakistan providing safety and succor to groups responsible for the deaths of (by now) about 2,400 U.S. soldiers.

As secretary of state, Hillary Clinton famously warned Pakistan about the "snakes in its backyard." Former chairman of the Joint Chiefs of Staff Adm. Mike Mullen once called the Haqqani Network a "veritable arm" of the Pakistani army's Inter-Services Intelligence (ISI).

But it's one thing to point out that tough rhetoric hasn't made Pakistan rethink its policies before, and quite another to suggest that this makes the task impossible. How, then, should the U.S. go about ensuring that the generals in Rawalpindi who run Pakistan's "double game" in Afghanistan—cooperating selectively with the U.S. while also helping its enemies—get the message that this time things are different?

For starters, U.S. officials can point out that the political landscape in America has changed dramatically. Unlike Mr. Obama, Mr. Trump has placed fighting radical Islam near the top of his foreign-policy agenda.

Few countries are less popular with the American public than Pakistan. A 2013 report by the Pew Re-



EUROPEAN PRESSPHOTO AGENCY

The aftermath of a bomb attack in Quetta, Pakistan, on Aug. 13.

search Center found that only one in 10 Americans surveyed believed the U.S. can trust Pakistan "a great deal or a fair amount."

We don't know how these numbers break down by political affiliation, but suffice to say the odds of many Trump supporters nursing a soft spot for Pakistan appear vanishingly small.

Washington should also put the onus of maintaining stability in Afghanistan and Pakistan partly on Pakistan's generals rather than mostly on itself. In the past, the U.S. has used drone strikes in Pakistan cautiously, mostly close to the border with Afghanistan. Last year's strike on Taliban leader Mullah Mansour in Quetta suggested a willingness to hit terrorist hideouts

deeper inside Pakistan, but so far this hasn't happened.

On Tuesday, in response to a question about possible military strikes in Pakistan, Secretary of State Rex Tillerson said, "we are going to attack terrorists wherever they live." This sends the right message. Those plotting to attack U.S. soldiers should no longer be allowed to feel safe in Pakistan's cities.

At the same time, the U.S. should sharpen its public messaging to emphasize that it has no beef with the Pakistani people, only with those in the government who aid and abet violence across Pakistan's borders. The military wields outsize influence on Pakistan's media, in particular on television news. But in the age of social media, the U.S. shouldn't find it difficult to get across

a simple message that emphasizes the distinction between ordinary Pakistanis and the army.

The U.S. can also put in place targeted sanctions against top ISI officials that include freezing bank accounts and restricting international travel. This would be much more effective than simply cutting aid, especially at a time when Pakistan feels economically fortified by Chinese investments in the China-Pakistan Economic Corridor.

Finally, the U.S. should begin a process that could lead to Pakistan being declared a state sponsor of terrorism. This would have a devastating effect on Pakistan's economy and international standing, and should be used only as a last resort. But only by making the prospect real can the U.S. effectively use it as a bargaining chip to demand better behavior.

This stick-led approach will almost certainly be met with a furious response by Pakistan, including denunciations in the local media, public protests and threats to cut off supply routes to Afghanistan. On Sunday, Pakistan postponed a visit by Alice Wells, the U.S. acting assistant secretary for south and central Asia. Washington's approach will have to be balanced with carrots—including the promise that a stable Afghanistan will not be used to undermine Pakistan's internal stability. If the U.S. holds its nerve, Mr. Trump may just succeed where Mr. Obama failed.

*Mr. Dhume is a resident fellow at the American Enterprise Institute, and a columnist for WSJ.com.*

## How Well Do We Know Kim Jong Un?

By Robert Scales  
And Steve Israel

**F**or U.S. officials navigating the standoff with North Korea, Sun Tzu's know-your-enemy maxim might seem impossible. Kim Jong Un, hidden behind his regime's shroud of secrecy and isolation, is often described as too irrational and erratic to predict. But details of the North Korean leader's background and circumstances make it possible to discern his motives—and counteract his strategy.

Regime preservation and forcible reunification of the Korean Peninsula have been the Kim family's overarching goals since 1948. Those doctrines have been handed down from each generation to the next, and Kim Jong Un was weaned on them. They are as much a part of his worldview as democracy and freedom are in the West.

Mr. Kim's dream of a reunified nation is obstructed by the approximately 35,000 American troops, and advanced weaponry including B-1 bombers, based at Andersen Air Force Base in Guam. He believes that South Korea's front door can only be unlocked when the U.S. vacates the premises.

Mr. Kim doesn't need hyperbolic rhetoric to know that a nuclear strike on American soil—or on America's allies and interests—will provoke an annihilating response.

But he may not believe he has to go that far. He may think that proving he has a bomb—and the wherewithal to deliver it—will be enough to force the U.S. to leave the neighborhood.

In his view, no American president would ever risk a nuclear attack on Seattle to protect Seoul.

The oft-repeated claim that Mr. Kim

is so deranged that he might impulsively lob a missile at the U.S. doesn't add up. He may not actually be considering the costs and benefits of a nuclear confrontation. He may think all

**The North Korean's game of nuclear blackmail is potentially catastrophic—but it isn't unpredictable.**

he needs to do is scare the Americans. Frightening the U.S., he may think, will force America's hand.

This regime has been in power for almost 70 years and understands the value of the long game. Mr. Kim wants to play nuclear blackmail. It's evil, it's dangerous, it's potentially catastrophic—but it isn't unpredictable.

The U.S. can neutralize the blackmail threat by rapidly ramping up its defensive ballistic-missile capabilities. Israel's three missile-interceptor systems—Iron Dome, David's Sling and Arrow—aren't yet able to bring down an intercontinental ballistic missile. Nevertheless, America should build on those technologies to supplement its already impressive capability to strike missiles at various phases of launch, trajectory and orbital penetration.

Congress and the president should expand the economic sanctions regime against North Korea and build out the alliance with China. Keep in mind that Mr. Kim doesn't care about the 25 million North Koreans he's starving. He maintains power by enriching the elite network around him.

One day, the U.S. military may have to attack Mr. Kim's military in-

frastructure. But right now America has to attack his thinking. Mr. Kim is "rationally irrational." He calculates his moves, assesses threats and leverages his strengths. He's not unpredictable. The more the U.S. understands and exploits his thinking, the more predictable the outcome may be.

Sun Tzu's proverb about knowing the enemy was wise. It could prevent a catastrophe in North Korea.

*Mr. Scales, a retired major general and author of "Scales of War" (Naval Institute Press), served as commandant of the U.S. Army War College and a field artillery battalion commander in South Korea. Mr. Israel, a Democrat, was a U.S. representative from New York from 2001 to 2017 and now chairs the Global Institute at Long Island University.*

## Why the Left Can't Let Go of Racism

By Shelby Steele

**I**s America racist? It used to be that racism meant the actual enforcement of bigotry—the routine implementation of racial inequality everywhere in public and private life. Racism was a tyranny and an oppression that dehumanized—animalized—the "other." It was a social malignancy, yet it carried the authority of natural law, as if God himself had dispassionately ordained it.

Today Americans know that active racism is no longer the greatest barrier to black and minority advancement. Since the 1960s other pathologies, even if originally generated by racism, have supplanted it.

White racism didn't shoot more than 4,000 people last year in Chicago. To the contrary, America for decades now—with much genuine remorse—has been recoiling from the practice of racism and has gained a firm intolerance for what it once indulged.

But Americans don't really trust the truth of this. It sounds too self-exonerating. Talk of "structural" and "systemic" racism conditions people to think of it as inexorable, predestined. So even if bigotry and discrimination have lost much of their menace, Americans nevertheless yearn to know whether or not we are a racist people.

A staple on cable news these days is the "racial incident," which stands as a referendum on this question. Today there is Charlottesville. Yesterday there were the deaths of Trayvon Martin, Michael Brown, Freddie Gray and others.

Don't they reveal an irrepressible racism in American life? At the news conferences surrounding these events there are always the Al Sharpton clones, if not the man himself, ready to spin the tale of black tragedy and white bigotry.

Such people—and the American left generally—have a hunger for racism that is almost craven. The writer Walker Percy once wrote of the "sweetness at the horrid core of bad news."

It's hard to witness the media's oddly exhilarated reaction to, say, the death of Trayvon Martin without applying Percy's insight. A black boy is dead. But not all is lost. It looks like racism.

What makes racism so sweet? Today it empowers. Racism was once just racism, a terrible bigotry that people nevertheless learned to live with, if not as a necessary evil then as an inevitable one. But the civil-rights movement, along with independence movements around the world, changed that. The 1960s recast racism in the national conscious-

ness as an incontrovertible sin, the very worst of all social evils.

Suddenly America was in moral trouble. The open acknowledgment of the nation's racist past had destroyed its moral authority, and affirming democratic principles and the rule of law wasn't a sufficient response. Only a strict moral accounting could restore legitimacy.

Thus, redemption—paying off the nation's sins—became the moral imperative of a new political and cultural liberalism. President Lyndon Johnson turned redemption into a kind of activism: the Great Society, the War on Poverty, school busing, liberalized welfare policies, affirmative action and so on.

This liberalism always projects moral idealisms (integration, social justice, diversity, inclusion, etc.) that have the ring of redemption. What is political correctness, if not essentially redemptive speech?

Soon liberalism had become a cultural identity that offered Americans a way to think of themselves as decent people. To be liberal was to be good.

Here we see redemptive liberalism's great ingenuity: It seized proprietorship over innocence itself. It took on the power to grant or deny moral legitimacy across society.

Liberals were free of the past while conservatives longed to resurrect it,

bigotry and all. What else could "Make America Great Again" mean?

In this way redemptive liberalism reshaped the moral culture of the entire Western world with sweeping idealisms like "diversity," which are as common today in Europe as in America.

**Liberals sell innocence from America's past. If bigotry is pronounced dead, the racket is over.**

So today there is sweetness at the news of racism because it sets off the hunt for innocence and power. Racism and bigotry generally are the great driving engines of modern American liberalism. Even a remote hint of racism can trigger a kind of moral entrepreneurship.

The "safe spaces" for minority students on university campuses are actually redemptive spaces for white students and administrators looking for innocence and empowerment. As minorities in these spaces languish in precious self-absorption, their white classmates, high on the idea of their own wonderful "tolerance," whistle past the very segregated areas they are barred from.

America's moral fall in the 1960s made innocence of the past an obsession. Thus liberalism invited people to internalize innocence, to become synonymous with it—even to fight for it as they would for an ideology.

But to be innocent there must be an evil from which to be free. The liberal identity must have racism, lest it lose innocence and the power it conveys.

The great problem for conservatives is that they lack the moral glibness to compete with liberalism's "innocence." But today there are signs of what I have called race fatigue. People are becoming openly cynical toward the left's moral muscling with racism.

Add to this liberalism's monumental failure to come even close to realizing any of its beautiful idealisms, and the makings of a new conservative mandate become clearer.

As idealism was the left's political edge, shouldn't realism now be the right's? Reality as the informing vision—and no more wrestling with innocence.

*Mr. Steele, a senior fellow at Stanford University's Hoover Institution, is author of "Shame: How America's Past Sins Have Polarized Our Country" (Basic Books, 2015).*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch  
Executive Chairman, News Corp

Gerard Baker  
Editor in Chief

Matthew J. Murray  
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancey, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards: Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:  
1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

Robert Thomson  
Chief Executive Officer, News Corp

William Lewis  
Chief Executive Officer and Publisher

DOW JONES MANAGEMENT:

Mark Musgrave, Chief People Officer;

Edward Roussel, Innovation & Communications;

Anna Sedgley, Chief Operating Officer & CFO;

Katie Vannecque-Smith, President

OPERATING EXECUTIVES:

Ramin Beheshti, Product & Technology;

Jason P. Conti, General Counsel;

Frank Filippo, Print Products & Services;

Steve Grycuk, Customer Service;

Kristin Heitman, Transformation;

Nancy McNeill, Advertising & Corporate Sales;

Jonathan Wright, International

DJ Media Group;

Almar Latour, Publisher;

Kenneth Breen, Commercial

Professional Information Business;

Christopher Lloyd, Head;

Ingrid Verschuren, Deputy Head

DOW JONES  
News Corp

## Notable & Quotable: Monuments and Courage

From remarks by Robert M. Morgenthau, formerly Manhattan's district attorney, at the General Grant National Memorial on June 6, 2016:

In the aftermath of the Civil War, Mark Twain remarked upon this great mystery: how it could be that physical courage should be so common in the world, and yet moral courage so rare.

## LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

# What Your Gait Can Tell Doctors

A new study measuring how elderly people walk could lead to important insights about dementia, Alzheimer's and more

Bronx, N.Y.

**DAVID VICTOR** is strolling up and down a walkway at a steady pace, reciting alternate letters of the alphabet aloud.

The 20-foot walkway the 73-year-old is on is embedded with pressure sensors that track every step he takes: his velocity, his cadence, how long his foot remains in the air. The measures pop up on a computer screen here in a laboratory at Albert Einstein College of Medicine. Later, Mr. Victor will repeat the exercises with a device on his head that measures his brain function in real time.

Gait, or how people walk, is increasingly viewed as an important indicator of health for elderly people. Changes in gait have been associated with an increased risk for falling and other health outcomes. And researchers have discovered that slowing down or walking more erratically can predict later cognitive impairments, even dementia and Alzheimer's disease, more than a decade before symptoms appear.

Roe Holtzer, a professor of neurology at Albert Einstein and Yeshiva University and Joe Verghese, director of the Montefiore Einstein Center for the Aging Brain, are collaborating on several research projects to shed light on the relationship between gait and cognition and how to improve them.

"We are treating walking abilities as an extension of brain function," Dr. Verghese says.

The researchers began annually monitoring 600 elderly area residents, including Mr. Victor, starting in 2011. Along with the analysis of their gaits, the seniors receive grip and balance tests, a battery of neuropsych tests and a routine health screening.

The researchers also measure changes in the oxygenation levels of the brain, using a functional near-infrared spectroscopy (fNIRS) device that looks like a headband.



Participants wear one on their forehead. Doctors connect the device to the electronic walkway and test the patients' gaits.

Among their findings: Executive function, which takes place in the brain's frontal lobe and is associated with complex planning, is critical when walking while talking. A study they published earlier this year in the journal Neurology found that the levels of activation in this brain region while walking and talking is good predictor of future falls.

"This suggests that there are changes in the brain that show up before clinical signs, like slow gait," Dr. Verghese says.

Now the researchers hope to improve gait by improving executive function in a federally funded study testing the effect of a com-

puterized cognitive training program.

Three times a week for eight weeks the participants come to Albert Einstein to play computerized brain games for 45 minutes. On a recent day, a computer prompted 84-year-old Pedro Falcon to click a mouse as part of a memory game involving Halloween candy. A research assistant helped Natividad Jusino, 80, do a word search on another computer.

The researchers have recruited about 120 participants so far. They plan to have 420. About half will be playing brain games by CogniFit, which have been shown to improve executive function. The company—which sells games designed to improve cognitive health—has no affiliation with either researcher and isn't funding

any of their studies.

The other half will be in a control group that also plays computerized brain games made by CogniFit, but ones the researchers don't believe stimulate the same cognitive processes.

The researchers are taking detailed measures of each participant's gait—both walking and walking while talking—before they start the eight weeks of training. They'll do so again post-intervention, as well as six and 12 months later, to see if any effects are durable. Doctors are also testing their brain activity during the tasks.

"One of the issues has been if you train someone to do a memory test, they appear to improve on memory, but not anything else," Dr. Verghese says. That's known as "near transfer."



Dr. Roe Holtzer, above, and Dr. Joe Verghese, below, are researching the relationship between gait and cognition.

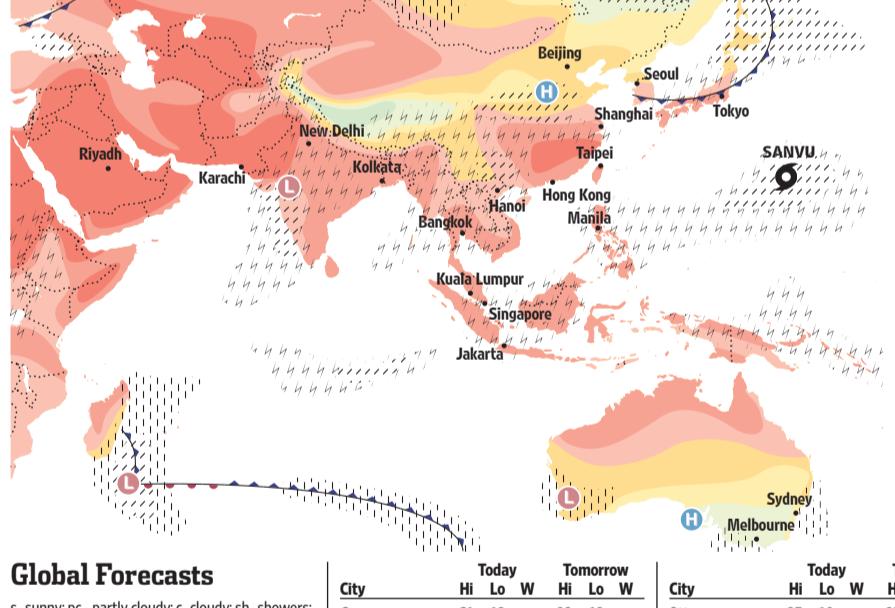


They are hoping to show a far transfer effect, meaning that playing these games won't just improve the cognitive processes they're working on, but their walking as well.

A similar 24-person pilot study published in 2010 found that the intervention and control groups showed improvements in walking and walking while talking. But the intervention group showed much greater improvements. The control group didn't play any computer games, so the researchers are trying to control for any impact playing on a computer might have in the current study.

Their ultimate goal is to help clinicians identify seniors at risk for dementia and other health risks, such as falls, and to find interventions to improve gait.

## Weather

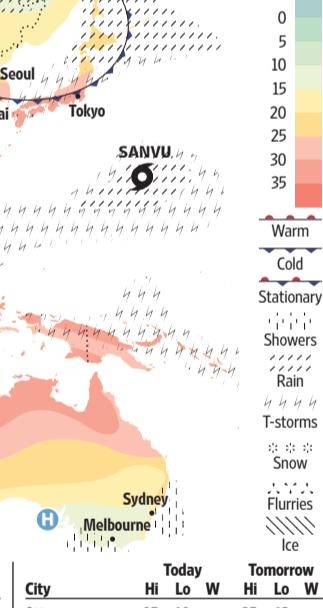


## Global Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

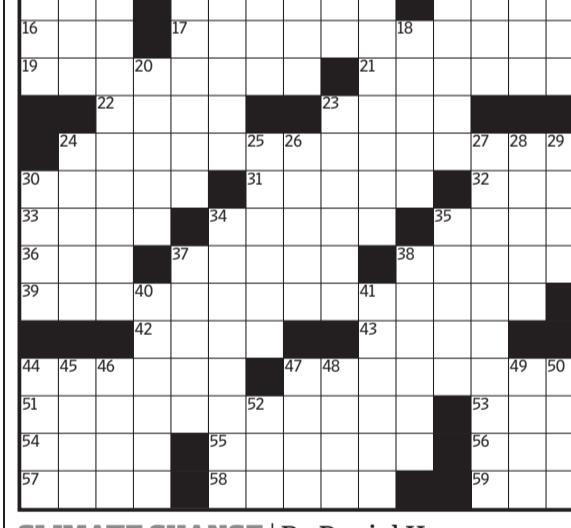
| City         | Today |    |    | Tomorrow |    |    |
|--------------|-------|----|----|----------|----|----|
|              | Hi    | Lo | W  | Hi       | Lo | W  |
| Amsterdam    | 27    | 16 | t  | 19       | 14 | r  |
| Anchorage    | 15    | 11 | r  | 15       | 10 | sh |
| Athens       | 34    | 23 | pc | 27       | 22 | pc |
| Atlanta      | 29    | 21 | c  | 26       | 20 | sh |
| Baghdad      | 47    | 28 | s  | 47       | 28 | s  |
| Baltimore    | 21    | 16 | r  | 24       | 17 | pc |
| Bangkok      | 33    | 24 | sh | 33       | 26 | t  |
| Beijing      | 24    | 15 | pc | 27       | 17 | s  |
| Berlin       | 25    | 15 | s  | 29       | 19 | pc |
| Bogota       | 19    | 7  | c  | 18       | 8  | pc |
| Boise        | 38    | 20 | s  | 35       | 17 | pc |
| Boston       | 20    | 15 | pc | 20       | 15 | c  |
| Brussels     | 30    | 18 | t  | 23       | 14 | r  |
| Buenos Aires | 21    | 8  | t  | 16       | 7  | s  |
| Cairo        | 34    | 24 | s  | 34       | 23 | s  |
| Calgary      | 27    | 11 | s  | 33       | 14 | pc |
| Caracas      | 32    | 25 | pc | 31       | 24 | pc |
| Charlotte    | 25    | 17 | c  | 29       | 20 | pc |
| Chicago      | 26    | 16 | pc | 26       | 17 | pc |
| Dallas       | 30    | 22 | pc | 29       | 22 | c  |
| Denver       | 34    | 15 | s  | 33       | 17 | pc |
| Detroit      | 22    | 15 | t  | 26       | 17 | pc |
| Dubai        | 42    | 31 | s  | 41       | 31 | s  |
| Dublin       | 16    | 9  | pc | 17       | 8  | sh |
| Edinburgh    | 16    | 8  | sh | 17       | 7  | pc |
| Frankfurt    | 30    | 17 | s  | 31       | 19 | t  |

## AccuWeather.com



| City             | Today |    |    | Tomorrow |    |    |
|------------------|-------|----|----|----------|----|----|
|                  | Hi    | Lo | W  | Hi       | Lo | W  |
| Ottawa           | 25    | 10 | c  | 25       | 13 | pc |
| Paris            | 32    | 19 | pc | 25       | 13 | t  |
| Philadelphia     | 22    | 17 | r  | 26       | 18 | pc |
| Phoenix          | 43    | 30 | s  | 43       | 30 | s  |
| Pittsburgh       | 23    | 15 | c  | 25       | 17 | pc |
| Port-au-Prince   | 35    | 24 | pc | 35       | 23 | pc |
| Portland, Ore.   | 32    | 15 | s  | 27       | 15 | pc |
| Rio de Janeiro   | 27    | 18 | s  | 29       | 20 | s  |
| Riyadh           | 42    | 26 | s  | 42       | 25 | s  |
| Rome             | 31    | 19 | s  | 30       | 19 | s  |
| Salt Lake City   | 37    | 21 | s  | 35       | 21 | t  |
| San Diego        | 32    | 23 | s  | 30       | 22 | s  |
| San Francisco    | 23    | 14 | s  | 22       | 14 | s  |
| San Juan         | 32    | 26 | sh | 33       | 26 | pc |
| Santiago         | 15    | 2  | s  | 20       | 4  | s  |
| Santo Domingo    | 32    | 24 | pc | 32       | 24 | pc |
| Sao Paulo        | 26    | 15 | s  | 29       | 15 | s  |
| Seattle          | 29    | 14 | s  | 24       | 15 | pc |
| Seoul            | 25    | 17 | pc | 24       | 18 | c  |
| Shanghai         | 32    | 24 | sh | 30       | 24 | pc |
| Singapore        | 30    | 26 | c  | 31       | 26 | t  |
| Stockholm        | 22    | 14 | pc | 20       | 11 | pc |
| Sydney           | 17    | 9  | pc | 18       | 8  | sh |
| Taipei           | 35    | 28 | pc | 36       | 27 | t  |
| Tehran           | 34    | 21 | s  | 36       | 23 | s  |
| Tel Aviv         | 30    | 23 | s  | 30       | 22 | s  |
| Tokyo            | 31    | 25 | c  | 29       | 22 | r  |
| Toronto          | 23    | 14 | pc | 25       | 15 | pc |
| Vancouver        | 26    | 14 | s  | 22       | 14 | pc |
| Washington, D.C. | 22    | 18 | r  | 26       | 19 | pc |
| Zurich           | 29    | 14 | s  | 31       | 17 | pc |

## The WSJ Daily Crossword | Edited by Mike Shenk



## CLIMATE CHANGE | By Daniel Hamm

| City      | Hi | Lo | W  | Hi | Lo | W  |
|-----------|----|----|----|----|----|----|
| Geneva    | 31 | 18 | s  | 29 | 18 | pc |
| Hanoi     | 29 | 25 | r  | 28 | 25 | r  |
| Havana    | 33 | 23 | pc | 33 | 23 | pc |
| Hong Kong | 33 | 27 | pc | 34 | 27 | s  |
| Honolulu  | 32 | 23 | pc | 31 | 24 | s  |
| Istanbul  | 29 | 19 | p  |    |    |    |

# BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Tuesday, August 29, 2017 | B1

Yen vs. Dollar 109.2510 ▼ 0.10%

Hang Seng 27863.29 ▲ 0.05%

Gold 1307.20 ▲ 1.14%

WTI crude 46.34 ▼ 3.20%

10-Year JGB yield 0.008%

10-Year Treasury yield 2.172%

## Harvey Pushes Gasoline Futures Higher

BY SARAH MCFARLANE  
AND BIMAN MUKHERJI

U.S. gasoline futures surged Monday after Tropical Storm Harvey knocked out refining operations and traders tried to gauge damage in the Houston area, preparing for a potential shortage in gasoline supply.

Harvey was the first hurricane to hit U.S. refineries since the country's emergence as a growing producer and exporter of oil, so the impact is expected to be felt further afield than with previous tropical storms. Harvey struck the Texas coast as a Category

4 hurricane on Friday, but was later downgraded to a tropical storm.

Gasoline futures for September delivery were up 7.34 cents, or 4.4%, at \$1.74 a gallon on the New York Mercantile Exchange. Diesel futures were up 1.77 cents, or 1.1%, at \$1.64 a gallon.

Energy companies are still assessing the damage from Harvey, after it shut refineries, including Exxon Mobil Corp.'s Baytown facility near Houston, second in size only to Saudi Arabian Oil Co.'s Port Arthur refinery, which is in the storm's projected path.

"We're just watching how this storm continues to develop. It seems like the worst-case scenarios keep playing out," said John Kilduff, founding partner at Again Capital. "This could linger for weeks."

It can take weeks or even months to get new electrical equipment and other parts installed to repair damage from flooding. Harvey's path cut right through the heart of U.S. oil infrastructure, with the Texas coast being home to nearly 30% of the country's refining capacity.

The reduced refining capacity is expected to hit U.S.

crude demand, while also having an impact on global futures markets.

On the New York Mercantile Exchange, West Texas Intermediate futures were down \$1.61, or 3.4% at \$42.26 a barrel. Brent crude, the global oil benchmark, was off 72 cents, or 1.4% at \$51.69 a barrel.

Refineries that are running might be having trouble accessing crude. In one indication, the U.S. Department of Energy turned down a request to tap the Strategic Petroleum Reserve, citing storm conditions that made it impossible

Please see FUEL page B2



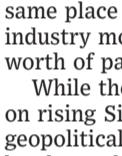
Marathon Petroleum's refinery in Texas City, Texas, on Friday. Tropical Storm Harvey has knocked out refinery operations.

F. CARTER SMITH/BLOOMBERG NEWS

### HEARD ON THE STREET

By Nathaniel Taplin

## U.S. Steel Is Positioned For Rebound



U.S. steel producers are poised to get a surprising boost from China, the same place that caused the industry more than a decade worth of pain.

While the focus has been on rising Sino-U.S. trade and geopolitical tensions, China has been chipping away at one of the main sources of friction: Huge overcapacity in its domestic steel industry, which has tanked global prices and helped gut overseas producers.

Beleaguered United States Steel, with its volatile shares and heavy debt burden, is a risky but potentially rewarding bet on a rebound for global steel producers. Investors have pushed its shares down 24% this year through Friday, despite the company posting its best margin since 2008 in the second quarter. U.S. Steel's profitable European operations are poised to benefit further from the same forces lifting Chinese margins: steel prices at multiyear highs paired with low prices for imported iron ore.

The company's flagship U.S. business would get a further boost from any movement on President Donald Trump's infrastructure or trade agenda.

The driving force is China. Since commodities bottomed in early 2016, steel prices have risen to nearly where they were at the tail end of China's last big stimulus in 2011, but iron-ore prices are less than half of 2011 levels.

The reason is that iron-ore producers ramped up supply to serve what they believed was an insatiable Chinese appetite. Now, stocks at Chinese ports are near record highs—but the nation's net steel-product exports are down more than 30% from last year, due to a combination of furnace closures and buoyant construction.

U.S. Steel's European unit is poised to benefit. If lower iron-ore costs push third-quarter earnings per ton back near the postcrisis highs touched in the first-quarter, that alone would raise earnings before interest, taxes, depreciation and amortization for U.S. Steel by about 10%.

The company has reduced net debt by 40% since March 2016, when net debt to equity hit a high of 124% during the dark days of the commodity bust. U.S. Steel is now valued in line with competitors such as Nucor and Steel Dynamics at 12 times forward earnings.

The main risk for steel right now is that the Chinese real-estate sector cools abruptly. A longer-term risk is a broad slowdown in the Chinese economy, likely sometime in 2018.

The global steel industry is in the best shape in years and U.S. Steel, while still risky, is well positioned to ride the good times.



AGENCE FRANCE PRESSE/GETTY IMAGES

A cargo ship unloading coal in Lianyungang. Chinese buying has helped solidify a business threatened by a spate of bankruptcies.

## China Spurs Coal's Resurgence

Revenue at publicly traded U.S. companies that mine the fuel rose 19% in first half of year

By TIMOTHY PUOKO

China's re-emergence as a coal importer has boosted the fortunes of U.S. producers who are now shipping more coal abroad than at any time in the past two years.

The trend has helped solidify a business that at the beginning of last year was suffering through a spate of bankruptcies and threatened with more.

Revenue at publicly traded U.S. coal companies grew by 19% in the first half of this year compared with the same period a year ago, and the biggest gains came at companies helped the most by exports, according to data compiled by Doyle Tradition Consultants, a coal-market-analysis firm.

That growth comes at a time when President Donald Trump has vowed to end a long decline in the U.S. coal business. Hundreds of mines have closed

in recent years largely because of increasing competition from other fuels, and the Trump administration has pushed to cut regulations that make coal even less competitive.

Market forces, especially China, have a much bigger influence than anything the Trump administration has done, analysts said. While that has worked in the administra-

tions LLC. "That's difficult for anyone in the United States to get a clear angle on."

China set the rebound in motion a year ago as global prices and U.S. exports were bottoming out. In the middle of a world-wide glut, China used new environmental rules to limit the number of days its domestic mines could work. And new price controls that in-

As China imported more, it shifted trade and prices rose worldwide. Russian, African and South American coal that once went to Europe has been going to China, analysts said.

Importers all over the world have to pay more to fill the gap left behind.

The chain reaction led to more U.S. exports going to every continent. U.S. exports to Europe hit 11 million tons in the first quarter, up 70% from the first quarter in 2016. Exports to Asia rose by about half to 6.4 million short tons, U.S. government data show.

A year ago Cloud Peak Energy Inc. was selling so little coal abroad that it had to take losses on its contracts with shippers and pay them for doing nothing in lieu of taking coal. Now the company is back to being one of the largest exporters in the western U.S.,

Please see COAL page B2

tion's favor so far, it could also overwhelm its deregulation efforts and put the coal industry into retreat if those factors swing back the other way.

"China is 100% the key determinant," said Mark Levin, analyst at Seaport Global Secu-

rities LLC. "That's difficult for anyone in the United States to get a clear angle on."

China set the rebound in motion a year ago as global prices and U.S. exports were bottoming out. In the middle of a world-wide glut, China used new environmental rules to limit the number of days its domestic mines could work. And new price controls that in-

creased intervention as prices moved outside a "green" zone of \$70 to \$80 a ton also curtailed production. Sharp capacity cuts hit as industrial demand took off and global benchmark prices are up 50% to 100% from about a year ago.

As China imported more, it shifted trade and prices rose worldwide. Russian, African and South American coal that once went to Europe has been going to China, analysts said.

Importers all over the world have to pay more to fill the gap left behind.

The chain reaction led to more U.S. exports going to every continent. U.S. exports to Europe hit 11 million tons in the first quarter, up 70% from the first quarter in 2016. Exports to Asia rose by about half to 6.4 million short tons, U.S. government data show.

A year ago Cloud Peak Energy Inc. was selling so little coal abroad that it had to take losses on its contracts with shippers and pay them for doing nothing in lieu of taking coal. Now the company is back to being one of the largest exporters in the western U.S.,

Please see COAL page B2

## Amazon Rewrites Rule Book for Grocers

By HEATHER HADDON  
AND LAURA STEVENS

Amazon.com Inc. brought lower prices to its new Whole Foods Market Inc. division on Monday. It also brings a new rule book.

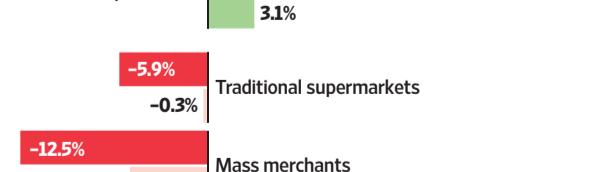
While Amazon doesn't need to make money from its grocery division yet, food sales are crucial for traditional players like Kroger Co., Wal-Mart Stores Inc. and Target Corp. The extremely competitive food-retail business demands high capital investments for low margins. Supermarkets' success has mainly relied on getting customers into conveniently located stores with deals.

By cutting prices on high-volume staples like bananas, eggs and ground beef in 470 Whole Foods stores, Amazon is signaling it will compete for that traffic. Even if it loses money, it hopes it can bring shoppers into stores, win their loyalty to the whole company and prompt them to spend

### Supermarket Sweep

E-commerce food sales are still small but growing rapidly, while those at most physical retailers are falling

#### Annual sales change of food and consumables



Source: Inmar Willard Bishop Analytics

ter its announcement, has weighed on the grocery sector, pushing food-retail stocks down 20% this year. Consumer-packaged good shares have fallen about 7% as legacy brands struggle with American consumers' increasing interest in the fresh and natural foods sold at stores such as Whole Foods, along with Kroger, Wal-Mart and a growing number of traditional supermarkets.

Wal-Mart, no stranger to Amazon's rivalry, is confident in its strategy and is spending billions of dollars to lower prices, spokesman Randy Hargrove said. The retailer is working to spruce up its stores and offer e-commerce pickup options at 1,100 of its roughly 4,600 stores by year-end. Wal-Mart in the past has moved quickly to meet challenges from Amazon, most recently acquiring a string of e-commerce startups—including a \$3.3 billion deal for Jet.com—and testing same-day deliveries.

Amazon is really good. We

Please see AMAZON page B2

### INSIDE



## AUSTRALIAN LENDER FACES INQUIRY

FINANCE, B5

## 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.

| A                                     | E                                      |
|---------------------------------------|--|
| Again Capital.....B1                  | Expedia.....B1                         |
| Amazon.com.....B1,B2                  | Exxon Mobil.....B1                     |
| Anbang Insurance Group.....B3         | Santander Consumer USA Holdings.....B5 |
| Apple.....B4                          | Slack Technologies.....A8              |
| <b>B</b>                              | Sonangol.....A4                        |
| Blue Apron Holdings..B2               |  |
| <b>C</b>                              |  |
| Campbell Soup.....B2                  |  |
| Capital One Financial.....B5          |  |
| CBS.....B3                            |  |
| China Evergrande Group.....B7         |  |
| CIMB Group Holdings.....B7            |  |
| Cloud Peak Energy.....B1              |  |
| Commonwealth Bank of Australia.....B5 |  |
| <b>D</b>                              |  |
| Dalian Wanda Group..B3                |  |
| Domino's Pizza.....B8                 |  |
| Domino's Pizza Enterprises.....B8     |  |
| Domino's Pizza Group B8               |  |
| <b>E</b>                              |  |
| Facebook.....B4                       | Target.....B1                          |
| <b>G</b>                              | Ten Network Holdings.....B3            |
| Gilead Sciences....A1,B8              |  |
| GrubHub.....A8                        |  |
| <b>H</b>                              | Uber Technologies.....A8               |
| Hewlett Packard Enterprise.....B1     | United States Steel.....B1             |
| <b>I</b>                              |  |
| HNA Group.....B3                      | Wal-Mart Stores.....B1                 |
| Hong Kong Exchanges & Clearing.....B8 | Wanda Film Holding...B3                |
| <b>K</b>                              | Wanda Group.....B3                     |
| Kite Pharma.....A1,B8                 | Wanda Hotel Development.....B3         |
| <b>M</b>                              | Wanda Properties International.....B3  |
| Match Group.....A8                    | Wells Fargo.....B5                     |
| <b>R</b>                              | Yum Brands.....B8                      |
| Ring.....A8                           |  |
| <b>S</b>                              | Zebra Intelligence.....A1              |
| Samsung Electronics..B4               |  |

## INDEX TO PEOPLE

| A                        | K                             |
|--------------------------|-------------------------------|
| Agbo-Bloua, Kokou.....A2 | Nunez, Armando.....B3         |
| Alderman, Elizabeth...B2 | Nybo, Andy .....B8            |
| <b>B</b>                 |                               |
| Blumenfeld, Andy.....B2  | Kalnack, Travis.....B1        |
| <b>C</b>                 | Khosrowshahi, Dara...B1       |
| Champion, Renaud.....A2  | Kilduff, John.....B1          |
| <b>F</b>                 | Kun-hee, Lee.....B4           |
| Fowler, Martin.....B3    | Kwon Oh-hyun.....B4           |
| Freedman, Marc.....B2    |                               |
| <b>G</b>                 |                               |
| Gordon, Bruce.....B3     | L                             |
| <b>H</b>                 | Lee, Jae-yong.....B4          |
| Hargrove, Randy.....B1   | Levin, Mark.....B1            |
| Hill, Heath.....B2       | Livingstone, Catherine.....B5 |
| <b>M - N</b>             |                               |
| McCabe, Chris.....B1     | M                             |
| Morrison, Denise.....B2  | McCabe, Chris.....B1          |
| Morrison, Scott.....B5   | Morrison, Denise.....B2       |
| Murdoch, Lachlan.....B3  | Murdoch, Lachlan.....B3       |
| Narev, Ian.....B5        |                               |
| <b>U</b>                 | Ul-Haq, Ehsan.....B2          |
| <b>W</b>                 | Whitman, Meg.....B1           |



Amazon's strategy for its Whole Foods division will put pressure on traditional players in the extremely competitive business.

## AMAZON

Continued from the prior page  
certainly have respect for them, and we have experience competing with Whole Foods," said Steve Schmitt, Wal-Mart's vice president of investor relations, when speaking to shareholders earlier this month.

Executives at Kroger, whose shares are among the hardest hit in recent weeks, say they haven't changed their strategy following Amazon's push into grocery, but now feel a heightened urgency to invest in technology to better tailor promotions to shoppers and expand online-grocery pickup.

The U.S.'s largest traditional supermarket chain is also sacrificing profits in select markets. "If we have to sell a can of corn for 40 cents, we'll figure out a way to sell a can of corn for 40 cents," said Mike Schlotman, Kroger's chief financial officer, during a recent interview.

Amazon has focused on the long term when it enters a new business.

Kroger, which reports earnings next month, has lost more than \$7 billion in market valuation since it reported a disappointing financial outlook in June. Its stock is down by 36% since the start of the year.

News of the Amazon deal has also hurt Target's stock, and the retailer is putting renewed focus on its grocery business. Target has hired a number of food-retail executives and put more attention to its assortment this year after grocery had declined in sales.

Amazon has focused on the long term when it enters a new business, with a pledge to make bold investments to gain market leadership. While Amazon's grocery plan is still unclear, the company wants to draw customers into stores with lower

prices and more convenience, adding perks like Amazon pickup lockers and Prime membership benefits, according to former executives.

Online grocery sales remain small, but they are growing fast. Same-store sales for online ordering at supermarkets are growing 26% year-over-year, with an average online transaction size of \$148—much higher than the \$35 average for in-store purchases, according to internal market research by consultancy Brick Meets Click.

Whole Foods had one of the poorest price perceptions among 13 national food retailers, according to a Morgan Stanley survey of 2,900 U.S. grocery shoppers last month, which also found its customers were nearly twice as likely to earn upward of \$125,000 a year than Kroger shoppers. Whole Foods began to lower its prices in 2015 as its sales slipped, but the promotions did little to woo back customers. Those cuts weren't as extensive as analysts expect to see this week.

Still, Americans increasingly want to eat better, and the Whole Foods name continues to symbolize quality. "The brand is incredibly aspirational. Amazon knows this," said Scott Mushkin, managing director at Wolfe Research, LLC.

Slashing prices is an easy first move, but more telling will be if Amazon can determine how to use data and algorithms for real-time price matching and better identifying what consumers are willing to pay in store, said Greg Portell, lead partner in the retail practice of A.T. Kearney.

If Amazon can figure out what Whole Foods shoppers are willing to spend for organic tomatoes and grass-fed beef, it could result in more regular visits from customers including Elizabeth Alderman, a 37-year-old senior product manager and Amazon Prime member from Chicago.

"We don't buy their meat all the time, because it is really expensive and we have other options," she said, something she's willing to change if prices drop.

## BUSINESS & FINANCE

# Campbell Tries to Heat Up

Facing investor pressure, firm aims to turn around yearslong decline in revenue

BY AUSTEN HUFFORD

**CAMPBELL SOUP** Co. is striving to remain a pantry mainstay even as what, where and how consumers eat undergoes a transformation.

The company, known for its eponymous canned soups, is also facing investor pressure to reverse a yearslong revenue decline and lift its share price, which has fallen 15% this year.

When Campbell reports its fourth-quarter results Thursday, investors and analysts will be looking to see if the company can end 10 straight quarters of declining revenue. Analysts polled by Thomson Reuters are expecting a modest 0.1% revenue increase from the prior year's quarter.

Campbell and other packaged-food companies are facing difficulties in attracting consumers who increasingly want foods that they see as healthier, more natural and more environmentally sustainable.

At an investor day last month, Chief Executive Denise Morrison laid out the company's ultimate goal: to become the leading health and well-being food company.

"In this environment, companies and brands must differ-



The packaged-food industry faces challenges including discounting and meal-kit companies.

entiate themselves or risk extinction," Ms. Morrison said.

Campbell and its peers are also slogging through a changing food-retail environment, with the rise of meal-kit companies such as **Blue Apron Holdings** Inc., the growth of deep-discount chains in the U.S. and the food-selling ambitions of **Amazon.com** Inc. as it completes a takeover of Whole Foods Market Inc.

Amazon started slashing prices on groceries at Whole Foods on Monday.

One question in the short term, said RBC Capital Markets analyst David Palmer, is that if Amazon is willing to make less money as it cuts prices on items, will retailers then "ask food companies to

share in those price investments?"

"There is certainly an argument that major food companies are going to be channel-agnostic or even supportive of the rising role of e-commerce," Mr. Palmer said.

Campbell executives have said they intend to use acquisitions and investments in new products to help lift the company's fortunes.

In July the company said it would buy organic-soup maker Pacific Foods for \$700 million, as part of its natural-food push. It has also invested in some food-related startups, such as Habit, which is developing an at-home testing kit designed to make personalized diet recommendations.

Still, there have been some missteps in its efforts. A 2012 move to buy juices, baby-carrots and salad-dressings maker Bolthouse Farms Inc. for \$1.55 billion has been somewhat marred by execution issues, including a recall of some of its drinks. Campbell has also drawn attention recently for its actions outside of the supermarket.

The company said last month it would leave the Grocery Manufacturers Association amid a disagreement with the food-industry trade group's positions. Campbell supports alerting customers when food products contain genetically modified organisms on packages, which the trade group has lobbied against.

## OSHA to Cut Fatality Reports in U.S.

BY ALEXANDRA BERZON

The Occupational Safety and Health Administration is reducing its reporting of fatalities in the U.S., part of a series of moves by the agency to cut back the amount of information about workplace accidents made available to the public.

The U.S. Chamber of Commerce, which had long complained about the practice, asked OSHA to roll back some of the information in the fatality reporting and other initiatives when the Trump administration took over.

The publication of the reports—listing the names, locations, employers and circumstances of people who were reported to OSHA as having died in apparent accidents at work—began early in

the Obama administration. Before that, OSHA did compile some information about fatalities, according to former OSHA officials. But they said Obama administration officials made the reports more publicized and included additional information.

Last week, OSHA removed links to reports going back to 2009 from its website. Instead, the agency posted a more limited set of information about U.S. workplace fatalities that resulted in citations for companies dating to the beginning of the year. An OSHA spokeswoman said the new fatality-data listing respects the privacy of surviving family members because they don't give out the name of the worker who died.

OSHA's weekly reports were, for some, an important

regular reminder of the human cost of workplace accidents and a source of information about workplace safety.

"It's really important pieces of information just for raising public awareness," said Celeste Monforton, an occupational health lecturer at George Washington University who writes extensively about OSHA.

To some companies, however, the release seemed an overreach of government that could produce unfair black marks on employers before the deaths had been fully investigated.

Under the Obama administration, "they saw this as a way to scare employers straight," said Marc Freedman, executive director of labor law policy for the U.S.

Chamber of Commerce.

With the election of President Donald Trump, OSHA has taken several steps that have cut down on publicizing information about workplace accidents. In addition to the change in fatality reporting, OSHA has begun rolling back a regulation that went into effect Jan. 1 of this year to require workplaces to electronically file to the government the injury logs they keep at their work site. OSHA had planned to eventually post some data from the forms online.

Under the new fatality reporting system, OSHA is posting links to fatality citations, which don't include the name of the worker who died, for accidents only in states regulated directly by the federal agency.

administration official. It has also been pushing other policies to keep feeding a drilling boom that has already made natural gas cheaper and gas-burning plants more competitive against coal.

The Commerce Department did help get a new supply agreement for a U.S. company to ship coal to Ukraine. Pennsylvania-based coal marketing company Xcoal Energy & Resources this month started shipments of 700,000 tons of coal to Ukrainian power plants ahead of the winter. That is to help Ukraine diversify its supply and lessen its dependence on Russian fuels.

But that deal is on pace to amount to less than 1% of total U.S. exports this year. And Ukraine is a small buyer, making more deals of this type hard to replicate and hard to substantially improve the whole U.S. industry, Mr. Blumenfeld said.

"It is a price driven market, and if we weren't able to compete into Ukraine, we wouldn't have won the business," said Ted O'Brien, vice president, capital markets at Xcoal.

record amounts of fuel during the summer.

"The weekly EIA data will likely send some conflicting signals over the next few weeks—lower production, lower refinery demand with a likely build in stocks as oil produced further inland is unaffected and dumped into stocks—and could result in price whipsawing as we enter a seasonal refinery downturn," said Edward Bell, an analyst for Dubai-based Emirates NBD.

—Alison Sider and Stephanie Yang contributed to this article.

## COAL

Continued from the prior page  
raising exports from almost nothing a year ago to an expected 4.5 million tons in 2017. That increased its revenue nearly 20% in the first half of the year even while domestic sales have fallen.

"We've had a good and stable year, which in our environment is a good year," said Heath Hill, the company's finance chief.

Industry leaders say that good fortune has been backed up by a change of sentiment led by Mr. Trump. Business would have been worse and future prospects would be lower under a Democratic administration that used new rules to move consumers further away from coal, they said.

But the rebound has been so dependent on exports that U.S. producers face a big risk if China undoes last year's policy changes. Chinese coal production is showing signs of picking up again and the government is starting to block some imports

to support domestic miners, researchers at Italian ship broker Banchero Costa said Wednesday. With U.S. year-to-date production up 14% from last year, the specter of oversupply is rising again, analysts said.

"When you're at the whim of Chinese policy makers, it's not really a great place to be," said Andy Blumenfeld, head of market analytics at Doyle. "Beyond the first quarter of next year, it becomes very risky."

Mr. Trump's team has made

moves primarily to boost the domestic market. It has taken the first steps to try to roll back President Barack Obama's Clean Power Plan that required utilities to reduce power plant carbon-dioxide emissions. The Trump administration also wants to streamline environmental permitting.

The goal is to signal to the market that coal won't be unfairly taxed by regulation, not to prop up coal compared with other fuels, according to an

fuel, while Europe could look to the Middle East for additional distillates to compensate for any fall in U.S. exports.

The storm in the U.S. halted activity at several big offshore oil-and-gas platforms in the Gulf of Mexico. The platforms account for roughly 22% of offshore oil-production capacity in the Gulf.

Investors are also looking to the U.S.'s Energy Information Administration stockpiles data this week, which could cushion some of the impact on reduced supplies caused by Harvey. U.S. refiners produced

Continued from the prior page  
to release oil from the reserve.

A spokeswoman said in a statement that the department "stands ready to provide assistance as deemed necessary, to include any release of the Strategic Petroleum Reserve."

"We already heard that some Asian refiners are trying to send gasoline to the U.S."

This is in addition to the traditional European supply, so I think some refineries in the U.S. might take time to re-

start," said Ehsan Ul-Haq, a director at energy consultancy Resource Economist Ltd.

Analysts said that South Korea and India produce gasoline that meets U.S. specifications and could therefore fill some of the gap left by U.S. refiners in meeting domestic demand, although Europe was likely to fill the lion's share.

"I think for a couple of weeks the U.S. will need supplies from all over the world," Mr. Ul-Haq said.

Latin American countries relying on U.S. gasoline or distillates will also have to find alternative sources for their

## BUSINESS NEWS

# CBS Intends to Buy Ten Network

U.S. company's bid for ailing broadcaster tops rival proposal by two Australian moguls

By MIKE CHERNEY

SYDNEY—U.S. media company **CBS** Corp. plans to acquire Australian broadcaster **Ten Network Holdings Ltd.**, beating out a bid from Australian media moguls Bruce Gordon and Lachlan Murdoch for the company after it went into receivership.

CBS's bid was favored by receivers for Ten Network, one of Australia's three main broadcasters, over a proposal from Messrs. Gordon and Murdoch, who wanted to run the broadcaster as a joint venture, people familiar with the deal said. Mr. Murdoch is co-chairman of News Corp., which owns Wall Street Journal publisher Dow Jones, while Mr. Gordon controls a company that owns broadcasting licenses across Australia.

Financial terms for the pur-

chase weren't disclosed, but analysts said CBS likely got a favorable deal given the Australian broadcaster in June went into voluntary administration, a process similar to bankruptcy in the U.S. CBS, Ten Network's largest unsecured creditor, supplies content to Ten Network and owns a stake in Ten Network's digital-television channel, Eleven.

Aside from boosting its international-distribution footprint, the deal gives Manhattan-based CBS an existing platform to help it roll out its CBS All Access subscription service in Australia, which CBS announced along with the deal. CBS is looking to expand the service in global markets and this month said it would launch it in Canada in the first half of next year. No date has been set for an Australia launch.

"This acquisition not only presents CBS with considerable broadcasting opportunities in Australia, but also allows for further multiplatform distribution and growth," said Armando Nunez, president

and chief executive at CBS Studios International, in a statement.

Representatives for Mr. Murdoch and Mr. Gordon declined to discuss what next steps the pair might take.

The acquisition comes as traditional broadcasters face an audience migration to online streaming services such

*CBS supplies content to Ten Network and is its largest unsecured creditor.*

as Netflix, Amazon and others, threatening advertising revenue. For the quarter ended in June, CBS reported better-than-expected earnings as it received a boost from new initiatives such as CBS All Access and the Showtime streaming service.

The timing of the deal is "pretty savvy" given Ten Network's current predicament,

said Martin Fowler, a partner at money manager Pitcher Partners Sydney Wealth Management, which has avoided Australian media stocks given the challenges facing the industry, including hefty government-license fees in the past.

Australia is a relatively small market, but would be attractive for a global competitor such as CBS because it is one where consumers are willing to pay for content, said Jun Bei Liu, deputy portfolio manager at Tribeca Investment Partners in Sydney.

The CBS transaction still needs to win approval from Ten Network creditors, as well as from Australia's Foreign Investment Review Board.

On Monday, Australian Prime Minister Malcolm Turnbull voiced support for the CBS transaction. A deal offering financial stability to the Australian company "would be in the interests of the network, its employees and, of course, its viewers," Mr. Turnbull said of the CBS offer.

—Rob Taylor in Canberra contributed to this article.

## BUSINESS WATCH

### ESTÉE LAUDER

#### **Beauty Company Says It Isn't for Sale**

Estée Lauder Cos. over the weekend shot down rumors that it is considering a sale.

In a letter to employees, Chief Executive Fabrizio Freda and Executive Chairman William P. Lauder addressed news reports that the beauty giant hired advisers to consider a sale amid interest from consumer-products companies.

The Lauder family owns roughly 40% of Estée Lauder's shares outstanding and holds close to 90% of the shareholders' vote.

"There is no truth to these rumors. The Estée Lauder Companies is not for sale," the executives said. "The Lauder Family and our Board place great value

in remaining independent."

The company confirmed the message, which was reviewed by The Wall Street Journal.

—Sharon Terlep

### ALTICE

#### **Conglomerate Plans To Buy Back Shares**

Altice NV, the telecommunications conglomerate controlled by billionaire Patrick Drahi, said Monday that it plans to repurchase as much as €1 billion, or up to \$1.19 billion, in shares over the next year.

Altice, which owns France's SFR and Cablevision in the U.S., said the repurchases would run through Aug. 31, 2018.

"Going forward, Altice will continue to assess the use of excess cash for either significantly accretive M&A opportuni-

ties or further shareholder returns," the company said.

—Matthew Dalton

### YPF

#### **CEO Resigns From State-Run Oil Firm**

Ricardo Darré has resigned as chief executive of Argentina's state-run oil and gas producer, **YPF**, the company said Monday.

Mr. Darré, who had been in the job for just over a year, stepped down for personal reasons, the company said.

YPF's president, Miguel Gutiérrez, will remain in his job, as will the company's other top executives.

YPF said it has created a six-member executive committee aimed at making key strategic decisions and keeping the company's focus on operations man-

agement and future business opportunities.

"With this reorganization, the management team's mission will be to transform YPF into an integrated energy company that offers innovative and sustainable solutions for the country's energy development," the company said.

Members of the new committee include Daniel González, who has been in charge of YPF's finances, and Pablo Bizzotto, who has been lauded for his work building YPF's giant shale oil and gas field in Vaca Muerta, located in the Patagonian province of Neuquén.

Local media have been reporting for months that government officials haven't been impressed with YPF's performance since President Mauricio Macri took office in late 2015.

—Taos Turner

# Wanda Denies Reports About Its Chairman

By SHEN HONG

SHANGHAI—Hong Kong-listed shares and bonds of Chinese billionaire Wang Jianlin's **Dalian Wanda Group Co.** plunged for the second time in two months on Monday, following what the company called rumors about its leader being barred from leaving the country.

Shares of **Wanda Hotel Development Co.**, the Chinese real-estate and entertainment giant's hotel and commercial-property arm, fell as much as 11%, and closed down 8.1% at 1.59 Hong Kong dollars (20 U.S. cents) after Wanda Group issued a statement denying that an overseas travel ban on Mr. Wang was in place.

The company was responding to reports on Chinese social media that Mr. Wang was detained by police at Tianjin's airport on Aug. 25 and barred from taking a private jet to the U.K. The reports said Mr. Wang was released but was told not to leave China.

"Some people with malicious intent have been spreading vicious rumors about Chairman Wang Jianlin," Wanda Group said Monday. "These rumors are out of thin air and we hope that people don't believe in them and don't circulate them either."

Wanda said it reported the



Rumors circulated that Wang Jianlin was barred from leaving China.

MARK SCHIEFELBEIN/ASSOCIATED PRESS

**Headlines  
are perishable.**

**Knowledge  
is not.**

**Know what  
matters,  
and why.**

**Bloomberg  
Businessweek**

[businessweekmag.com/apac](http://businessweekmag.com/apac)

## TECHNOLOGY

# Samsung Asks Staff to Carry On

BY EUN-YOUNG JEONG

SEOUL—Samsung Electronics Co. urged its employees to stay focused on their work after last week's conviction of the company's de facto leader, and punctuated that business-as-usual appeal with a fresh \$2.3 billion investment in semiconductors.

The dual moves on Monday appeared intended to send a message of steadiness and continuity as Samsung, one of the world's biggest technology companies, navigates a precarious period.

The Korean-language message from a Samsung Electronics co-chief executive, Kwon Oh-hyun, urged employees to continue to work hard and not be distracted.

It came just three days after a Seoul court sentenced Lee Jae-yong, the company's vice chairman and the Samsung heir, to five years in prison for bribing South Korea's former president.

The verdict has rocked South Korea, reflecting a new rigor in scrutinizing the traditionally close ties between government and the powerful family-run conglomerates known as *chaebols*.

On Monday, Mr. Lee's lawyers filed an appeal contesting Friday's court verdict.

The brief memo from Mr. Kwon was the first company-wide message since Mr. Lee's conviction.

In the memo, which was posted on the company's internal web bulletin board and reviewed by The Wall Street Journal, Mr. Kwon described Mr. Lee's imprisonment as an "unprecedented challenge" and encouraged employees to continue working hard as they wait for "the truth to come to light."

Mr. Kwon seemed to do just that hours later, when Samsung said its management committee had approved a \$2.3 billion investment to boost its NAND memory-chip facilities in Xi'an, China, part of a new, three-year \$7 billion investment plan, according to a filing with regulators. NAND

chips are memory chips that dictate the amount of data that can be stored in digital devices.

Mr. Kwon, one of three co-chief executives at Samsung Electronics, has been a steady force behind the scenes since Mr. Lee was detained in February, according to people familiar with the matter.

The company, the world's largest maker of smartphones, memory chips and television sets, has continued to fare well even amid the continuing legal process. Samsung shares are near a record high after the company recently posted a record quarterly profit.

But Mr. Lee, the 49-year-old only son of Samsung Chairman Lee Kun-hee, is seen as playing a critical role in approving Samsung's biggest investments and deals.

Monday's announcement seemed designed to send a signal that the company will conduct business as usual despite Mr. Lee's absence.

A Samsung spokeswoman declined to comment on Mr. Kwon's internal memo, but said Samsung Electronics, led by its three co-CEOs, would endeavor to carry out operations without disruptions from the continuing legal matters.

Mr. Lee was found guilty on Friday of offering \$7.9 million as bribes to entities linked to Choi Soon-sil, a friend of South Korea's former President Park Geun-hye. In return for the financial contribution, the court found Ms. Choi colluded with Ms. Park to provide government backing for business deals relating to Mr. Lee's succession over Samsung.

Along with bribery, Mr. Lee was also convicted of embezzlement, hiding assets abroad, concealing criminal profits and perjury.

Ms. Park and Ms. Choi have both denied wrongdoing and are facing charges in a separate trial.

Samsung Electronics' shares fell 2% Monday, far steeper than the broader benchmark's 0.3% decline.

—Timothy W. Martin contributed to this article.



U.S.-based Apple is expected to unveil three iPhones next month. Above, iPhones on display at a Maxim store in Buenos Aires.

PABLO E. PIOVANO/BLOOMBERG NEWS

# Apple Unveiling Draws Near

Newest iPhones set to take the stage on Sept. 12; China sales viewed as key

BY TRIPP MICKLE AND DREW FITZGERALD

Apple Inc. has scheduled a product-announcement event on Sept. 12, according to people briefed on its plans, reinforcing expectations that the technology giant will release new iPhones and a smartwatch well ahead of the holiday shopping season.

The company is expected to unveil three iPhones, according to other people familiar with its plans. Those include a showcase iPhone to mark the product's 10th anniversary that is larger and pricier and features an edge-to-edge display and facial-recognition technology, as well as updates to the two iPhone 7 models that started selling last year.

Analysts had widely reported in recent months that production glitches on the newest iPhone could cause it to be delayed. If the event pro-

ceeds on Sept. 12, its timing would be roughly consistent with iPhone launches in previous years, reassuring investors and customers that the device is on track.

Still, it remains to be seen if production shortfalls like those that constrained supplies of the iPhone 6 will crimp sales of the latest handsets. Apple typically begins selling new iPhones about 10 days after unveiling them.

Apple declined to comment.

Its announcement is scheduled to happen a week after sales start in the U.S. for Samsung Electronics Co.'s Galaxy Note 8. The South Korean company's flagship smartphone features a new dual-lens camera similar to the iPhone 7 and one of the largest smartphone screens on the market. Samsung hopes the device convinces some iPhone owners to switch.

Apple has increased production in recent weeks of the new showcase iPhone and is poised to expand manufacturing from one plant in China to others, according to people familiar with the process. The expansion bodes well for the company's efforts to meet sales de-

mand for the device during the holiday shopping season, one of the people said.

Expectations for strong sales of the new iPhones have sent Apple's stock to record levels, increasing its market capitalization by 36% to \$825.71 billion since the start of the year.

"This is a game changer because of the new functionality that will really strengthen ties with consumers," said John Koczara, senior portfolio manager at LaFleur & Godfrey, a Grand Rapids, Mich.-based investment firm that counts Apple among its largest holdings. "Not only domestically will it move the needle, but it will also really take share in China and move the needle once again there."

Apple also is expected to unveil a new Apple Watch with an LTE cellular chip that allows it to pull data directly from wireless services, easing the device's current dependency on the iPhone to transmit emails, texts and calls.

The iPhone's success will hinge largely on its performance in China, said Katy Huberty, a Morgan Stanley ana-

lyst. Apple has been losing market share in China to local, low-price rivals like Huawei Technologies Co. and BBK Electronics Corp. Sales declined 16% in Greater China, which includes Hong Kong and Taiwan, in the 12 months through June.

Investors hope the new high-end iPhone—the exact name of which hasn't been disclosed—reverses those declines because it is expected to look different from previous models. Many Chinese consumers treat their devices as status symbols, analysts say, and haven't upgraded in recent years because the iPhone 7, released last September, looked the same as the iPhone 6 and iPhone 6s that preceded it.

To boost sales, though, Apple will have to persuade consumers to pay more for the new high-end model, which analysts expect to cost as much as \$1,000, with higher-memory versions priced at as much as \$1,400. That starting price would be more than 50% more than the base price of the current iPhone 7.

—Joann S. Lublin contributed to this article.

# Fitbit Watch Takes Aim at Rivals

BY YOREE KOH

Fitbit Inc. unveiled its long-awaited smartwatch on Monday, elbowing into a crowded market to restart its growth.

Fitbit's smartwatch, called the Ionic, priced at \$299.95, will compete with incumbents such as Apple Inc.'s Apple Watch, which starts at \$269.

And while Fitbit is touting the health and fitness features on its device, building on its expertise in fitness trackers,

the Ionic lacks some of the technological capabilities of an expected revamp of Apple Watch.

The smartwatch is going to "be a big part of our growth story," said Fitbit Chief Executive James Park.

He added that the device's ability to marry medical-grade capabilities with the company's mass-market appeal will help position it as an essential product.

The Ionic is scheduled to hit stores in October ahead of

the critical holiday season.

Its fate is pivotal to Fitbit, which last year suffered a lackluster holiday season, driving it to post its first quarterly loss since going public. Sluggish sales led to layoffs.

Analysts say that the watch's success will hinge on whether Fitbit is able to leverage its expertise in health and fitness.

Fitbit is "playing to their wheelhouse," said Ramon Llamas, research manager of

wearables and mobile phones at International Data Corp., a research firm.

Consumers said that health and fitness apps were the most desirable feature in their smartwatches, according to a survey conducted by IDC late last year.

But competitors such as Apple and Samsung Electronics Co. Ltd. have released watches with a variety of features, and "not everybody wants or is using those features," said Mr. Llamas.

ber.

If Uber ultimately hires Mr. Khosrowshahi, the search will have taken place in about two months, a relatively short period for a company of Uber's size. Generally it takes three to five months for such a company, recruiters say. But Uber is in great need of a new leader after Mr. Kalanick resigned, leaving the company's big decisions to an executive committee of more than a dozen people.

Mr. Khosrowshahi would need to find new executives for a number of top jobs, including chiefs of finance, marketing and operations. Uber is also looking for a new independent chairman.

Before Uber officially announces Mr. Khosrowshahi as CEO, he will have to negotiate his contract, according to people familiar with the matter. That can take days or weeks, but Uber hopes to fast-track the process to announce the executive to employees this week, one of the people said.

Mr. Khosrowshahi sits on the boards of both sports retailer Fanatics Inc. and New York Times Co. Fanatics CEO Doug Mack called Mr. Khosrowshahi's appointment as Uber CEO "a coup" in an interview. "He understands how tech is a catalyst for anything you're doing in a business. And he's very attuned to matters of culture."

## UBER

Continued from page B1

can steer the company to a successful public offering. It isn't clear when Uber, valued last year by investors at roughly \$68 billion, may file for an IPO. It is first working to shore up its finances to appeal to potential investors.

In 2015, Mr. Khosrowshahi was one of the most highly compensated chief executives in the S&P 500, receiving a pay package valued at as much as \$94.6 million in mostly long-term stock options designed to get him to stay for several years.

In Mr. Khosrowshahi, Uber would get a longtime internet executive with deal-making experience and a track record of steady growth. He started his career at investment bank Allen & Co., impressing media mogul Barry Diller, chief executive of IAC, with his financial acumen. He joined Mr. Diller's company in 1998, became financial chief of IAC, then called USA Networks, in 2002 and took over the CEO job of Expedia when it was spun off in 2005.

Mr. Khosrowshahi would inherit a 15,000-employee global concern that is still deeply unprofitable. It had losses of more than \$3 billion last year and nearly \$1.4 billion in this year's first half. It is still in-

creasing sales, including reporting last week \$1.75 billion in revenue for the second quarter, up 17% from the first quarter. Full-year sales last year were \$6.5 billion.

Expedia, by comparison, had sales of \$8.77 billion last year, up 31% from the year before, with net income of \$281.8 million, which was down by 63% from a year earlier.

The choice of Mr. Khosrowshahi was a surprise given other, bigger candidate names that surfaced in the media. Over the weekend, directors met with Ms. Whitman and General Electric Co. Chairman Jeff Immelt for final presentations detailing their visions for the company in the top job.

Mr. Immelt removed himself from consideration on Sunday morning after observing disorder and divisions among different factions of Uber's board, according to a person familiar with the matter.

Others said it was a face-saving move after he was advised he would not get the votes necessary to be elected to Uber's top job.

Ms. Whitman's candidacy was a source of bitter fighting among directors after she stated publicly in July on Twitter and last week in The Wall Street Journal that she wasn't interested in the position. Some directors felt Ms. Whitman's re-emergence was being pushed by Benchmark

Capital, which has had a close relationship with her since her time as eBay Inc. CEO.

Benchmark has denied it advocated for Ms. Whitman. The firm this month sued Mr. Kalanick, claiming he knew about misbehavior at the company when he persuaded the venture-capital firm and other shareholders to add three board seats under his control. Mr. Kalanick and Matt Cohler, a partner at Benchmark, are both on the board and five-member CEO search committee. Mr. Kalanick has said the lawsuit is without merit.

The lawsuit, and competing claims and accusations among Uber's biggest shareholders, served as a distraction as the board aimed to complete the CEO search by early Septem-



DAVID RYDER/BLOOMBERG NEWS

# Facebook Gets Heat From U.N. on Videos

BY DEEPA SEETHARAMAN

Facebook Inc. is again in hot water for allowing objectionable videos on its website, this time drawing a rare rebuke from a United Nations agency.

The U.N. migration agency hammered the social network for allowing what it said was a "horrifying" video showing gangs in Libya threatening to harm a group of terrified migrants, many from Somalia and Ethiopia. One migrant in the video is lying on his chest with a concrete block on his back, and the video shows the faces of some migrants without their consent in a way that they can be identified.

The smugglers also are issuing threats to the migrants' families over WhatsApp, a messaging app owned by Facebook, according to Leonard Doyle, spokesman for the International Organization for Migration.

Mr. Doyle said the video surfaced in June, after which his organization issued a news release condemning it. He said that should have prompted Facebook to take down the video. "On what possible grounds can you show these poor, vulnerable people?" he said in an interview, adding that it was very rare that the U.N. agency would specifically

criticize Facebook in this manner. Facebook officials reached out to his agency on Friday to discuss the issue after the Times of London published an article on the video, but the company as of Sunday hadn't removed the video.

Facebook said it allowed the video to stay up because the footage was shared by a journalist to shed light on human rights violations around the world. The company said part of its role is to be a place where its more than 2 billion monthly users can raise awareness about important issues.

"This specific video was posted to condemn smuggling and raise awareness (of) the issue, so we would not consider it a violation of our policies," a Facebook spokeswoman said in an email. "We realize the video is disturbing so we have added a warning screen and the video's distribution will be limited to those aged 18 and over."

The episode marks the latest in a string of examples of Facebook's video tools being used to promote and showcase violence and revive questions about Facebook's handling of sensitive videos.

Earlier this year, Facebook was widely criticized by users and civil rights groups for allowing violent videos to be broadcast live on its platform.

Continued from page B1  
can steer the company to a successful public offering. It isn't clear when Uber, valued last year by investors at roughly \$68 billion, may file for an IPO. It is first working to shore up its finances to appeal to potential investors.

In 2015, Mr. Khosrowshahi was one of the most highly compensated chief executives in the S&P 500, receiving a pay package valued at as much as \$94.6 million in mostly long-term stock options designed to get him to stay for several years.

In Mr. Khosrowshahi, Uber would get a longtime internet executive with deal-making experience and a track record of steady growth. He started his career at investment bank Allen & Co., impressing media mogul Barry Diller, chief executive of IAC, then called USA Networks, in 2002 and took over the CEO job of Expedia when it was spun off in 2005.

Mr. Khosrowshahi would inherit a 15,000-employee global concern that is still deeply unprofitable. It had losses of more than \$3 billion last year and nearly \$1.4 billion in this year's first half. It is still in-

increasing sales, including reporting last week \$1.75 billion in revenue for the second quarter, up 17% from the first quarter. Full-year sales last year were \$6.5 billion.

Expedia, by comparison, had sales of \$8.77 billion last year, up 31% from the year before, with net income of \$281.8 million, which was down by 63% from a year earlier.

The choice of Mr. Khosrowshahi was a surprise given other, bigger candidate names that surfaced in the media. Over the weekend, directors met with Ms. Whitman and General Electric Co. Chairman Jeff Immelt for final presentations detailing their visions for the company in the top job.

Mr. Immelt removed himself from consideration on Sunday morning after observing disorder and divisions among different factions of Uber's board, according to a person familiar with the matter.

Others said it was a face-saving move after he was advised he would not get the votes necessary to be elected to Uber's top job.

Ms. Whitman's candidacy was a source of bitter fighting among directors after she stated publicly in July on Twitter and last week in The Wall Street Journal that she wasn't interested in the position. Some directors felt Ms. Whitman's re-emergence was being pushed by Benchmark

## FINANCE & MARKETS

# Commonwealth Bank Faces an Inquiry

Australian lender will be examined over governance issues and its culture

BY ROBB M. STEWART

MELBOURNE, Australia—Commonwealth Bank of Australia Ltd. faces a broad ethics health check by regulators, as the fallout over alleged money-laundering compliance breaches expanded.

In an unusual step, the Australian Prudential Regulation Authority on Monday said that it would establish an independent inquiry into the nation's biggest bank, focusing on governance, culture and accountability. The move follows a civil suit brought against the bank by the country's financial-intelligence agency and a review by the securities regulator into compliance by the board and senior executives.

Following a string of scandals, Commonwealth Bank has been a focal point for calls by opposition politicians for a judicial review of the banking industry, a move Prime Minister Malcolm Turnbull's government has deflected with annual parliamentary quizzing of bank executives and plans for a new consumer complaints authority and an accountability regimen for executives.

Commonwealth Bank was among several financial institutions in the country to have



Commonwealth Bank has been a focal point of calls by opposition politicians for a review of the banking industry.

faced claims of offering poor financial advice in recent years. This month, the Australian Transaction Reports and Analysis Centre filed a federal court suit alleging the bank contravened the Anti-Money Laundering and Counter-Terrorism Financing Act more than 53,700 times, each carrying a maximum penalty of 18 million Australian dollars (US\$14.3

million).

The goal of the inquiry is to identify possible organizational and cultural shortcomings that may have led to scandals that have shaken public confidence, said Wayne Byres, chairman of the prudential regulator.

The Australian community's trust in the banking system has been damaged in recent years, and CBA in

particular has been negatively impacted by a number of issues that have affected the reputation of the bank," he said.

The inquiry has Commonwealth Bank's full support, Chief Executive Ian Narev said. "Over the last few years there have [been] a number of highly publicized issues that have hurt public perception. We've

been in the news for all the wrong reasons," he said.

The inquiry panel will take about six months to produce a report that will be made public, the regulator said. Members of the panel have yet to be finalized, but the cost of the review will fall on the bank.

The inquiry wouldn't specifically address matters that overlap with legal proceedings

or reviews by other regulators.

Australia Treasurer Scott Morrison recently met with Commonwealth Bank Chairman Catherine Livingstone in the wake of accusations made by the Australian Transaction Reports and Analysis Centre, or Austrac, and made it clear the government would be considering all options to address the matter.

Days after Austrac's case was filed, Mr. Narev said he would step down by mid-2018. The CEO and senior bank executives lost out on short-term bonuses for the last year through June in the wake of the allegations.

Austrac's allegations center on the use of the bank's "intelligent deposit machines," which allow anonymous deposits of up to A\$20,000 in cash at a time to be automatically credited to accounts. Austrac's allegations largely relate to a failure to provide timely reports on transactions above a A\$10,000 threshold for over three years from 2012, as well as accusations it failed to report suspicious transactions on time or at all, and of not monitoring customers even after it became aware of suspected money laundering.

The bank has yet to file a response in court but has said a coding error introduced with a software upgrade accounted for the vast majority of reporting failures alleged by the agency.

## Car-Loan Practices Come Under Scrutiny

BY EMILY GLAZER AND ANNAMARIA ANDRIOTIS

U.S. regulators are reviewing some auto-lending procedures, including those related to borrower refunds, at several banks and other financing businesses in the wake of problems at Wells Fargo & Co., according to people familiar with the matter.

The Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency are examining guaranteed-asset-protection products and the refund processes associated with them at these firms, the people said.

The CFPB is focusing on the refunding process, these people added. It isn't clear whether the regulatory reviews will lead to any action.

Wells Fargo previously disclosed that during an internal review it discovered issues relating to the administration of so-called GAP products, particularly customer refunds.

The regulatory reviews are happening as many lenders themselves also check up on their internal controls around the GAP products and related refunds.

Capital One Financial Corp., Santander Consumer USA Holdings Inc., and U.S. Bancorp are among banks that are reviewing their GAP product refund policies given the situation at Wells Fargo, according to people familiar with the matter. While reviews occur on a continuing basis, the banks are taking a closer look at procedures meant to ensure borrowers who are entitled to refunds are receiving them, the people said.

Auto lenders have reason to be cautious. After Wells Fargo cited the problems in a recent quarterly securities filing, The Wall Street Journal and other media reported the San Francisco Federal Reserve made an inquiry about control breakdowns related to GAP refunds. The OCC is also probing Wells Fargo's practices.

Wells Fargo spokeswoman Catherine Pulley said in a statement at the time: "During an internal review, we discovered issues related to a lack of oversight and controls surrounding the administration of guaranteed asset protection...products." Ms. Pulley added the bank is working to make the customer refund process "more consistent for customers."

for consumers additional protection beyond standard auto insurance policies and are often financed as part of the customer's loan.

For instance, if a customer has an accident and the vehicle is totaled, so-called GAP waivers could help pay off the loan balance that isn't covered by the customer's primary insurance. Laws in nine states require that customers receive refunds for unused coverage periods, and the holder of the contract—the lender—often ensures this is done properly.

Some lenders use a third-party provider to oversee the refunding process. Some of those providers, including World Omni Financial Corp., have received questions from lenders following news of Wells Fargo's problems, people familiar with the matter said.

Kenneth Rojc, a lawyer at Chicago-based Nisen & Elliott LLC who manages the law firm's automotive-finance group, said some of his clients are examining whether they have the right procedures in place to implement GAP refunds. "Every single one of our auto-finance managers here are saying 'What are we doing? Is this something we should be concerned about?'" Mr. Rojc said.

Auto lenders have reason to be cautious. After Wells Fargo cited the problems in a recent quarterly securities filing, The Wall Street Journal and other media reported the San Francisco Federal Reserve made an inquiry about control breakdowns related to GAP refunds. The OCC is also probing Wells Fargo's practices.

Wells Fargo spokeswoman Catherine Pulley said in a statement at the time: "During an internal review, we discovered issues related to a lack of oversight and controls surrounding the administration of guaranteed asset protection...products." Ms. Pulley added the bank is working to make the customer refund process "more consistent for customers."



Ford vehicles sit on a dealership's lot in Miami in May.

## ADVERTISEMENT

### The Mart

#### BUSINESS OPPORTUNITY

#### GOVERNMENT OF MAHARASHTRA, INDIA P.W. Division No.2, Thane

#### Notice for Hybrid Annuity Project (Online) Tender E-Tender Notice No. 20 for 2017-18

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, P.W. Division No.2, Thane (the "Authority") is engaged in the development of highways and as part of this endeavor, the Authority has decided to undertake development and operation / maintenance of the following Projects (the "Projects") on [Design, Build, Operate and Transfer (the "DBOT")] Hybrid Annuity basis, and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

| Sr. No. | District / State Country | Pack- age No. | Name of Project  | Project Length in (km) | Project Cost (Rs.) | Earnest Money/ Bid Security (Rs.) | Duration of the Project | Cost of Tender Fee Document (Rs.)          |
|---------|--------------------------|---------------|--|------------------------|--------------------|-----------------------------------|-------------------------|--|
| 1)      | Thane Maharashtra India  | MU-26         | A) Improvement to Mokhada Kasara Vashala Dokhamb Tokawade/Vaishakharhe Mhasa Road SH-78 Km 44/00 to 130/540 Tal-Shahapur & Murbad, Dist-Thane. (80.35 km)<br>B) Improvement to Shenva Kinavali Nagaoon Kalambe Dehari Road MDR-64 in Km. 0/000 to 32/400 in Tal-Shahapur & Murbad, Dist-Thane. (30.128 km) | 110.478 km             | 176.10 Crore       | 1.176 Crore                       | 24 Months               | 50.000/- Online payment through NEFT/ RTGS |
|         |                          | Total         |  | 110.478 km             | 176.10 Crore       | 1.76 Crore                        |                         |  |

E-Tender download period Dt. 21.8.2017 to Dt. 24.10.2017

Pre-Bid meeting 1 Dt. 13.09.2017 office of the Chief Engineer, Mumbai (P.W.) Region Mumbai at 3.30 pm

Pre-Bid meeting 2 Dt. 04.10.2017 office of the Chief Engineer, Mumbai (P.W.) Region Mumbai at 3.30 pm

E-Tender Opening date Dt. 31.10.2017

All information about the E-tenders is available on following websites.

1) <http://mahapwd.com>

2) <http://mahatenders.gov.in>

(Changes if any, will be displayed above websites.

3) Notice board of the Executive Engineer, P.W. Division No.2, Thane

No. PWD No.2/Thane/E-Tender/2017/5830

Office of the Executive Engineer,

P.W. Division No.2, Thane,

Maharashtra (India) - 400601.

Date:-05/08/2017

Executive Engineer,  
Public Works Division No.2, Thane

D.G.I.P.R. 2017/2018/2393

#### ANNOUNCEMENTS

#### MEN'S SPECIALTY CLINIC

Local non-doctor owner-operators wanted. New clinically-proven, state-of-the-art European medical treatment uses acoustical waves to restore performance when pills fail. No surgery or needles. Huge profits, make \$2k+ per patient, all cash, no insur. Exclusive areas. \$99,700 inv. (702) 570-7557

#### TRAVEL

#### Save Up To 60% First & Business INTERNATIONAL

Major Airlines, Corporate Travel  
Never Fly Coach Again!  
[www.cooktravel.net](http://www.cooktravel.net)  
(800) 435-8776

#### BUSINESS OPPORTUNITY

#### GOVERNMENT OF MAHARASHTRA SPECIAL PROJECT DIVISION, AMRAVATI NOTICE FOR Hybrid Annuity (Online) Tender E-TENDER NOTICE NO 21 FOR 2017-18

#### Notice Inviting Bid

Package No. AM - 21

Dated: 18/08/2017

Subject :- RFP for Improvement of Roads in the Amravati District in Maharashtra State for Two Laning road / Two Laning road with paved shoulders under MRIP Package AM- 21 on Hybrid Annuity Mode

The Government of Maharashtra had entrusted to the Authority the development, maintenance and management of state highways and Major District Roads of State of Maharashtra. The Authority had resolved to augment the existing road for Improvement to Akola Mahisang Daryapur Road to Joining Akola Dist HQ to Daryapur Taluka HQ (SH 280 & SH 312), Improvement to Daryapur Walgaon Road to Joining Daryapur Taluka HQ to Amravati Dist HQ (SH 47), Improvement to Anjangaon Daryapur Murtizapur Road in Amravati Dist to Joining Anjangaon & Daryapur taluka HQ to NH-6 (SH 282) in the state of Maharashtra by [Two Lanning / Two Lanning with paved shoulders thereof] (the "Project") on design, build, operate and transfer (the "DBOT Annuity" or "Hybrid Annuity") basis, and has decided to carry out the bidding process for selection of [a private entity] as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

| Name of the State Highway Major District Road   | Length (in Km) | Estimated Project Cost (In Rs.Cr) |
|---|----------------|-----------------------------------|
| Improvement to roads<br>A) Improvement to Akola Mahisang Daryapur Road to Joining Akola Dist HQ to Daryapur Taluka HQ (SH 280 & SH 312) | 134.955 Km     | ₹ 354.82                          |
| B) Improvement to Daryapur Walgaon Road to Joining Daryapur Taluka HQ to Amravati Dist HQ (SH 47)                                       |                |                                   |
| C) Improvement to Anjangaon Daryapur Murtizapur Road in Amravati Dist to Joining Anjangaon & Daryapur taluka HQ to NH-6 (SH 282)        |                |                                   |

The complete BID document can be viewed / downloaded from e-procurement portal of [<https://maharashtra.etenders.in>] from Dt. 28.08.2017 to Dt. 30.10.2017 (up to 23.00 Hrs. IST) Bid must be submitted online only at [<https://maharashtra.etenders.in>] during the validity of registration with the [Maharashtra Government e-Tendering Portal] being managed by portal / website, i.e. [<https://maharashtra.etenders.in>] on or before 30.10.2017 (upto 23.00 hours IST). Technical submissions of the Bids received online shall be opened on Dt. 06.11.2017(at 11.30 Hrs) to Dt. 10.11.2017 (at 18.00 Hrs IST).

Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. as specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before 06.11.2017 (at 11.00 hours IST). Please note that the Authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever.

Thanking you,

Yours faithfully,  
(A.M. Jawanjal)  
Executive Engineer  
Special Project (P.W.) Division No.2  
Daryapur

DGIPR/2017-2018/2488

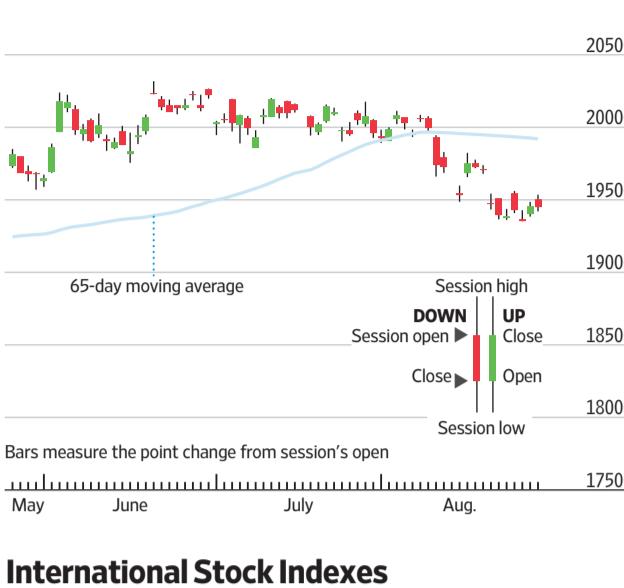
</

## MARKETS DIGEST

### Nikkei 225 Index

**19449.90** ▼2.71, or 0.01%

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



Bars measure the point change from session's open

### STOXX 600 Index

**372.29** ▼1.78, or 0.48%

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



### S&P 500 Index

Data as of 12 p.m. New York time

Last 23.53 24.71

P/E estimate \* 18.73 18.59

Dividend yield 2.01 2.11

All-time high: 2480.91, 08/07/17

**2443.53** ▲0.48, or 0.02%

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



### International Stock Indexes

Data as of 12 p.m. New York time

| Region/Country  | Index                         | Close     | Net Chg | % chg  | 52-Week Range | Low         | Close | High | YTD % chg |
|-----------------|-------------------------------|-----------|---------|--------|---------------|-------------|-------|------|-----------|
| <b>World</b>    | <b>The Global Dow</b>         | 2834.75   | 2.86    | ▲0.10  | 2386.93       | ● 2881.15   | 12.1  |      |           |
|                 | <b>MSCI EAFE</b>              | 1931.92   | 4.12    | ▲0.21  | 1614.17       | ● 1955.39   | 12.6  |      |           |
|                 | <b>MSCI EM USD</b>            | 1085.51   | 0.14    | ▲0.01  | 838.96        | ● 1085.37   | 36.7  |      |           |
| <b>Americas</b> | <b>DJ Americas</b>            | 588.75    | -0.06   | -0.01  | 503.44        | ● 599.20    | 9.0   |      |           |
| Brazil          | Sao Paulo Bovespa             | 71248.33  | 174.68  | ▲0.25  | 56459.11      | ● 71505.69  | 18.3  |      |           |
| Canada          | S&P/TSX Comp                  | 15053.95  | -2.04   | -0.01  | 14319.11      | ● 15943.09  | -1.5  |      |           |
| Mexico          | IPC All-Share                 | 51036.62  | -336.61 | -0.66  | 43998.98      | ● 51772.37  | 11.8  |      |           |
| Chile           | Santiago IPSA                 | 3922.06   | -10.56  | -0.27  | 3120.87       | ● 3945.90   | 21.7  |      |           |
| <b>U.S.</b>     | <b>DJIA</b>                   | 21808.64  | -5.03   | -0.02  | 17883.56      | ● 22179.11  | 10.4  |      |           |
|                 | <b>Nasdaq Composite</b>       | 6287.15   | 21.51   | ▲0.34  | 5034.41       | ● 6460.84   | 16.8  |      |           |
|                 | <b>S&amp;P 500</b>            | 2443.53   | 0.48    | ▲0.02  | 2083.79       | ● 2490.87   | 9.1   |      |           |
|                 | <b>CBOE Volatility</b>        | 11.63     | 0.35    | ▲3.10  | 8.84          | ● 23.01     | -17.2 |      |           |
| <b>EMEA</b>     | <b>Stoxx Europe 600</b>       | 372.29    | -1.78   | -0.48  | 328.80        | ● 396.45    | 3.0   |      |           |
|                 | <b>Stoxx Europe 50</b>        | 3028.67   | -13.71  | -0.45  | 2720.66       | ● 3279.71   | 0.6   |      |           |
| France          | <b>CAC 40</b>                 | 5079.75   | -24.58  | -0.48  | 4310.88       | ● 5442.10   | 4.5   |      |           |
| Germany         | <b>DAX</b>                    | 12123.47  | -44.47  | -0.37  | 10174.92      | ● 12951.54  | 5.6   |      |           |
| Greece          | <b>ATG</b>                    | 838.47    | 3.17    | ▲0.38  | 548.72        | ● 859.78    | 30.3  |      |           |
| Israel          | <b>Tel Aviv</b>               | 1392.42   | 0.41    | ▲0.03  | 1346.71       | ● 1490.23   | -5.3  |      |           |
| Italy           | <b>FTSE MIB</b>               | 21726.21  | -20.29  | -0.09  | 15923.11      | ● 22065.42  | 13.0  |      |           |
| Netherlands     | <b>AEX</b>                    | 514.76    | -2.66   | -0.51  | 436.28        | ● 537.84    | 6.5   |      |           |
| Russia          | <b>RTS Index</b>              | 1068.75   | 8.26    | ▲0.78  | 944.88        | ● 1196.99   | -7.3  |      |           |
| Spain           | <b>IBEX 35</b>                | 10285.90  | -59.40  | -0.57  | 8512.40       | ● 11184.40  | 10.0  |      |           |
| Switzerland     | <b>Swiss Market</b>           | 8864.23   | -41.95  | -0.47  | 7585.56       | ● 9198.45   | 7.8   |      |           |
| South Africa    | <b>Johannesburg All Share</b> | 56555.62  | -100.26 | -0.18  | 48935.90      | ● 56896.89  | 11.7  |      |           |
| Turkey          | <b>BIST 100</b>               | 110339.99 | 584.85  | ▲0.53  | 71792.96      | ● 110530.75 | 41.2  |      |           |
| U.K.            | <b>FTSE 100</b>               | 7401.46   | ...     | Closed | 6654.48       | ● 7598.99   | 3.6   |      |           |

### Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

| Country/Coupon | Maturity, in years | Yield  | Spread Over Treasury, in basis points | Latest | Previous | Month Ago | Year ago | Previous | Yield  | Month ago | Year ago |
|----------------|--------------------|--------|---------------------------------------|--------|----------|-----------|----------|----------|--------|-----------|----------|
| 2.750          | Australia 2        | 1.869  | 52.3                                  | 50.2   | 46.3     | 60.5      | 1.840    | 1.818    | 1.449  |           |          |
| 2.750          | 10                 | 2.674  | 50.7                                  | 48.9   | 40.0     | 23.2      | 2.657    | 2.693    | 1.865  |           |          |
| 3.000          | Belgium 2          | -0.573 | -191.9                                | -190.4 | -187.2   | -144.6    | -0.566   | -0.517   | -0.602 |           |          |
| 0.800          | 10                 | 0.706  | -146.2                                | -147.2 | -147.4   | -150.6    | 0.695    | 0.819    | 0.128  |           |          |
| 0.000          | France 2           | -0.504 | -185.0                                | -183.6 | -181.8   | -142.0    | -0.499   | -0.463   | -0.576 |           |          |
| 1.000          | 10                 | 0.700  | -146.7                                | -147.3 | -148.8   | -148.5    | 0.694    | 0.805    | 0.149  |           |          |
| 0.000          | Germany 2          | -0.735 | -208.0                                | -206.7 | -203.8   | -145.6    | -0.730   | -0.683   | -0.612 |           |          |
| 0.500          | 10                 | 0.381  | -178.7                                | -178.9 | -174.9   | -170.5    | 0.379    | 0.544    | 0.072  |           |          |
| 0.050          | Italy 2            | -0.022 | -136.8                                | -136.4 | -137.4   | -93.3     | -0.026   | -0.019   | -0.089 |           |          |
| 2.200          | 10                 | 2.091  | -7.7                                  | -6.8   | -16.6    | -52.2     | 2.099    | 2.127    | 1.111  |           |          |
| 0.100          | Japan 2            | -0.155 | -150.1                                | -149.6 | -146.8   | -101.9    | -0.159   | -0.112   | -0.174 |           |          |
| 0.100          | 10                 | 0.008  | -215.9                                | -215.4 | -221.5   | -170.2    | 0.014    | 0.078    | 0.069  |           |          |
| 4.000          | Netherlands 2      | -0.684 | -203.0                                | -202.2 | -203.1   | -144.3    | -0.684   | -0.676   | -0.598 |           |          |
| 0.750          | 10                 | 0.515  | -165.2                                | -165.2 | -163.9   | -162.2    | 0.516    | 0.654    | 0.011  |           |          |
| 4.750          | Portugal 2         | 0.005  | -134.1                                | -135.0 | -131.2   | -36.2     | -0.012   | 0.043    | 0.482  |           |          |
| 4.125          | 10                 | 2.837  | 67.0                                  | 67.6   | 58.5     | 139.2     | 2.843    | 2.878    | 3.025  |           |          |
| 2.750          | Spain 2            | -0.345 | -169.1                                | -168.5 | -168.9   | -105.5    | -0.348   | -0.334   | -0.210 |           |          |
| 1.450          | 10                 | 1.594  | -57.3                                 | -56.8  | -76.3    | -71.9     | 1.600    | 1.530    | 0.914  |           |          |
| 4.250          | Sweden 2           | -0.668 | -201.4                                | -200.9 | -205.8   | -147.8    | -0.671   | -0.702   | -0.634 |           |          |
| 1.000          | 10                 | 0.591  | -157.6                                | -156.2 | -158.9   | -154.3    | 0.606    | 0.703    | 0.090  |           |          |
| 1.750          | U.K. 2             | 0.179  | -116.7                                | -115.8 | -110.0   | -67.8     | 0.179    | 0.255    | 0.167  |           |          |
| 4.250          | 10                 | 1.054  | -111.4                                | -111.4 | -107.5   | -106.4    | 1.054    | 1.218    | 0.569  |           |          |
| 1.375          | U.S. 2             | 1.346  | ...                                   | ...    | ...      | ...       | 1.338    | 1.355    | 0.845  |           |          |
| 2.250          | 10                 | 2.168  | ...                                   | ...    | ...      | ...       | 2.168    | 2.293    | 1.633  |           |          |

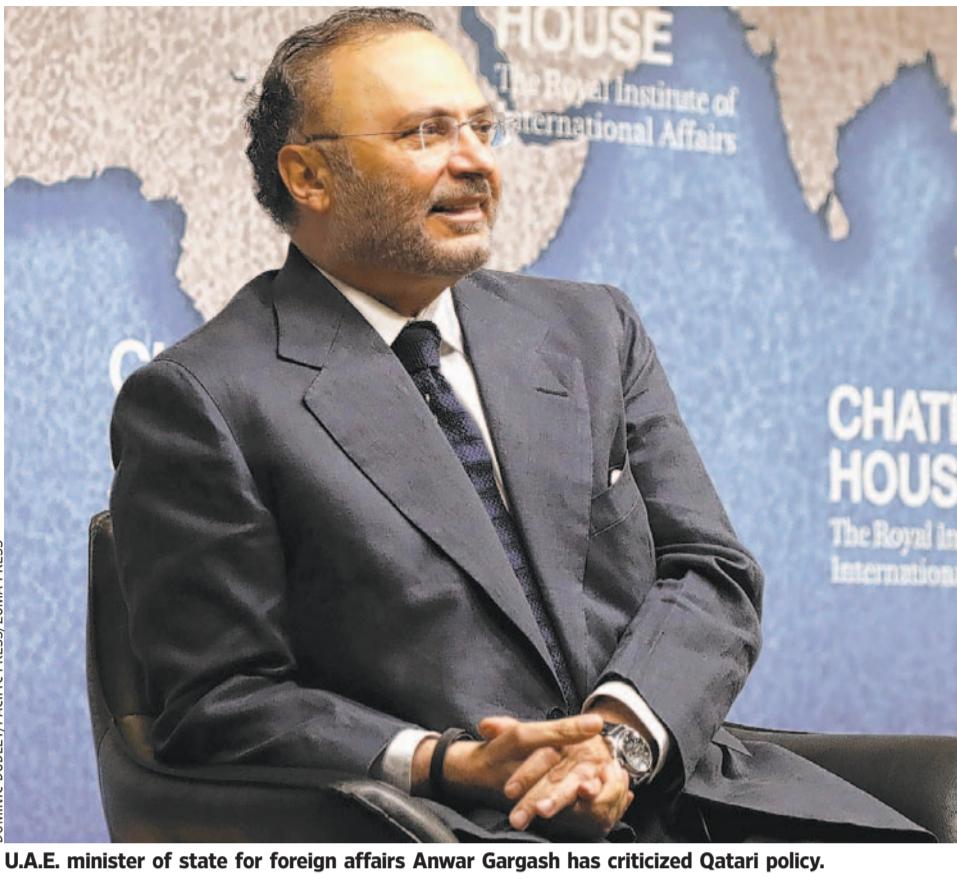
### Commodities

Prices of futures contracts with the most open interest

12 p.m. New York time

| Commodity       | Exchange | Last price | Net   | One-Day Change | Percentage | Year high | Year low |
|-----------------|----------|------------|-------|----------------|------------|-----------|----------|
| Corn (cents/bu) | CBOT     | 352.00     | -1.50 | -              |            |           |          |

## FINANCE & MARKETS



U.A.E. minister of state for foreign affairs Anwar Gargash has criticized Qatari policy.

## Fitch Downgrades Qatar

BY NICOLAS PARASIE

DUBAI—Confidence in Qatar's creditworthiness took another hit Monday, as Fitch Ratings downgraded the country's debt, citing concerns that the economic blockade imposed by Arab neighbors was unlikely to be lifted soon.

The move is the latest sign of worry from credit-rating firms that a diplomatic dispute between Doha and a Saudi Arabia-led bloc of countries has taken a toll on Qatar's economy, and that the situation could continue to deteriorate.

Fitch lowered the energy-rich Persian Gulf nation's long-term issuer rating by one notch, to AA- from AA, noting that the negotiating positions between Qatar and its adversaries "remain far apart" as international efforts to resolve the diplomatic standoff make little progress.

Saudi Arabia, the United

Arab Emirates, Bahrain and Egypt accuse Qatar of promoting extremist groups and meddling in their domestic affairs, charges Doha denies. Qatar's adversaries also issued a list of 13 demands, including shutting down news broadcaster Al Jazeera and curbing ties with Tehran.

Doha has refused to agree to the demands. Last week, tensions rose further when Qatar restored full diplomatic relations with Iran. Majority Shiite Muslim Iran is the Sunni kingdom's main rival for power in the Middle East.

Qatar's policy amounts to "crisis management of burning bridges," U.A.E. minister of state for foreign affairs Anwar Gargash said following that move. "The wisdom we wished for is completely absent."

Fitch and the other leading ratings firms, Moody's Investors Service and Standard & Poor's, worry that the conflict will pressure Doha's finances.

Lower credit rates could push up Qatar's borrowing costs.

Monday's downgrade underlines the mounting costs for Qatar since the diplomatic crisis erupted in early June, when the Saudi-led bloc severed diplomatic ties and closed all air, land and sea borders shared with Qatar.

A flurry of diplomatic efforts has failed to break the impasse between the countries—all of which are U.S. allies in the region. S&P said Sunday that the continuing boycott will slow down Qatar's economy, keeping its AA- rating and negative outlook on the country's long-term prospects despite removing Qatar from negative CreditWatch. Moody's last month lowered its Qatar rating outlook to negative.

For this year, Fitch predicts Qatar's gross domestic product will grow at 2% and at 1.3% in 2018 and 2019, compared with 2.2% in 2016.

### REAL ESTATE

#### China Evergrande's Profit Takes Off

**China Evergrande Group** said first-half net profit soared from a year earlier, partly due to an increase in the fair value of investment properties and higher property sales.

The Hong Kong-listed developer said net profit rose to 18.83 billion yuan (\$2.83 billion) from 2.02 billion yuan a year earlier. Revenue more than doubled to 187.98 billion. —Chester Yung

### CIMB GROUP

#### Lender Is Upbeat About Economy

**CIMB Group Holdings** Bhd. reported a 26% year-on-year jump in net profit for the second quarter, mainly because of higher net interest income, and earnings from Islamic banking operations.

Net profit rose to 1.10 billion ringgit (\$258.4 million) from 872.83 million ringgit a year earlier.

CIMB spent the past decade

expanding in Southeast Asia, which has lately been struggling with softer economic growth.

But things have turned positive in the region this year, especially at home in Malaysia, which reported faster-than-expected second-quarter growth of 5.8%.

"We feel cautiously optimistic for the second half of 2017, given the strong GDP [gross domestic product] growth for Malaysia and Indonesia, and the expected gradual improvement in Singapore and Thailand," Chief Executive Zafrul Aziz said.

—Yantoultra Ngui

### Advertisement INTERNATIONAL INVESTMENT FUNDS

[ Search by company, category or country at [asia.wsj.com/funds](http://asia.wsj.com/funds) ]



Data as shown is for information purposes only. No offer is being made by Morningstar, Ltd. or this publication. Funds shown aren't registered with the U.S. Securities and Exchange Commission and aren't available for sale to United States citizens and/or residents except as noted. Prices are in local currencies. All performance figures are calculated using the most recent prices available.

Fund Name NAV -%RETURN- GF AT LB DATE CR NAV YTD 12-MO 2-YR

■ Chartered Asset Management Pte Ltd - Tel No: +65-6835 8866

Fax No: 65-6835 8865, Website: [www.cam.com.sg](http://www.cam.com.sg), Email: [cam@cam.com.sg](mailto:cam@cam.com.sg)

CAM-GTF Limited OT MUS 08/25 USD 309085.29 1.0 0.7 5.1

| FUND NAME                     | GF | AT | LB  | DATE      | CR | NAV    | YTD  | 12-MO | 2-YR |
|-------------------------------|----|----|-----|-----------|----|--------|------|-------|------|
| VP Classic-B Units            | AS | EQ | HKG | 08/25 USD |    | 154.05 | 34.5 | 27.3  | 20.7 |
| VP Classic-C Units            | AS | EQ | HKG | 08/25 USD |    | 19.35  | 33.3 | 26.6  | 20.5 |
| VP Classic-C Units AUD H      | AS | EQ | HKG | 08/25 AUD |    | 15.87  | 32.9 | 26.0  | 20.7 |
| VP Classic-C Units CAD H      | AS | EQ | HKG | 08/25 CAD |    | 15.45  | 33.4 | 25.8  | 20.3 |
| VP Classic-C Units HKD H      | AS | EQ | HKG | 08/25 HKD |    | 13.28  | 34.8 | 27.8  | 20.1 |
| VP Classic-C Units NZD H      | AS | EQ | HKG | 08/25 NZD |    | 15.82  | 31.2 | 25.1  | 20.1 |
| VP Classic-C Units RMB H      | AS | EQ | HKG | 08/25 CNY |    | 12.61  | 21.0 | 21.3  | NS   |
| VP Multi-Asset Fund Cls A HKD | OT | OT | HKG | 08/25 HKD |    | 10.69  | 11.1 | 7.8   | NS   |
| VP Multi-Asset Fund Cls A USD | OT | OT | HKG | 08/25 USD |    | 10.76  | 10.1 | 6.9   | NS   |
| VP Taiwan Fund                | AS | EQ | CYM | 08/25 USD |    | 20.37  | 21.6 | 19.8  | 23.6 |

For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: [freda.fung@wsj.com](mailto:freda.fung@wsj.com)

LIST YOUR FUNDS

In print & online. Contact:

[wsja.advertising@dowjones.com](mailto:wsja.advertising@dowjones.com)

THE WALL STREET JOURNAL.

WSJ TALK / EXPERIENCE / OFFER / GETAWAY



Win a Luxury Ski Trip to Niseko

Experience Niseko, the most famous ski destination in Japan. Win a four-night getaway for two to the luxurious Kamui Niseko resort and take in the magnificent views of Mt. Yotei and Mt. Konbudake.

EXCLUSIVE TO WSJ MEMBERS

ENTER TO WIN AT [WSJPLUS.COM/KAMUINISEKO](http://WSJPLUS.COM/KAMUINISEKO)

WSJ+  
INVITES • OFFERS • INSPIRATION

Skijapan.com

\*No purchase or payment necessary. Void where prohibited. If you subscribed to The Wall Street Journal after the date that the sweepstakes is first advertised, you will not be eligible to win. Visit [wsjplus.com](http://wsjplus.com) official rules for complete terms including: age, residency and other eligibility requirements; odds; start and end dates and prize descriptions and values. Geographical and residency restrictions will apply. Applicable to Hong Kong only: Trade Promotion Competition Licence No.: 49158. Applicable to Australia only: NSW Permit No. LTPS/17/15818. Applicable to Australia only: ACT Permit No. ACT TP 17/01336.

© 2017 Dow Jones & Co., Inc. All rights reserved. 6DJ583

## MARKETS

# Floor Traders Make a Last Stand

An era is ending in Hong Kong as exchange operator shuts once-busy hall

By STEVEN RUSSOLILLO

HONG KONG—The Hong Kong stock exchange's 31-year-old trading hall is set to close this fall, but not without push-back from remaining tenants.

Stock-exchange operator **Hong Kong Exchanges & Clearing** Ltd. said earlier this month it would shut the trading floor, one of the few remaining such venues in major global markets, in October. It plans to convert the venue into an exhibition area.

Only about 30 people now work in the trading hall on a normal day, according to HKEx, compared with nearly 1,000 during its heyday in the 1980s and 1990s. Almost all trading there is conducted electronically, the same way brokers buy and sell stocks from an external location.

Yet many brokers are struggling to accept the decision. In a letter sent to Hong Kong's government this month, reviewed by The Wall Street Journal, a group of 30 remaining floor traders bemoaned the closure, as well as the long-term difficulties faced by independent brokers.

"As Hong Kong's economy took off, the HKEX also became one of the world's most famous securities exchanges, and we all felt proud for being a member of it," a translation of the letter said.

"There are still a group of observant and conscientious people who aspire to reignite the lights here. Why can't we be of one mind and make concerted efforts to rekindle the past glory?" it said.

The rise of electronic trading since the 1990s has led to the steady demise of traditional floor trading globally, making obsolete big, open



Nearly a thousand people worked in the trading hall, shown in 1992, in its heyday. Only about 30 work there on a normal day now.

spaces where shouting and hand signals were typically used to make trades. Better technology has made trading far cheaper, allowing big players to lower the commissions they charge to clients, in turn hurting smaller brokers who are unable to withstand lower margins.

The trading floor at the New York Stock Exchange remains a rare holdout, although it has significantly pared down the number of active traders there in recent years.

"There are very few trading floors left around the world where there are substantial amounts of volume done," said Andy Nybo, a director at Burton-Taylor International Consulting. "The vast majority of cash equity trading is done electronically."

Hong Kong's stock exchange

played host to 906 trading booths at its peak, with each able to accommodate two traders. Today, there are only 62 active desks: In two trips to the exchange last week, there were only about a dozen people on the floor each time, with the ambience more akin to a library than a loud, energetic trading floor.

In the letter, the floor traders lamented what they see as a lack of support they have received to counter the long-term decline in brokerage fees and commissions, their main source of revenue, in the face of competition from larger banks and brokerages.

The Hong Kong exchange and the Hong Kong government have been turning a blind eye to our plight, or even didn't lift a finger to save us, using the excuse that

"Hong Kong is a free market" to get rid of any responsibilities," the letter said. "The reason that there are fewer and fewer floor traders at the exchange was caused by the existing malignant system, and all of their contribution has been obliterated and sacrificed."

In response, HKEx said it had been working hard with market practitioners to strengthen the competitiveness of the market.

"Local brokers and other participants are important to us and we appreciate their contribution to the market," the exchange said.

Christopher Cheung Wah-fung, chief executive of Christ-fund Securities, which has a trading desk at the exchange, said although he is sad about the exchange closing its trad-

ing hall, he understands the reasoning.

"We always told ourselves that one day this would end," he said. "We are not surprised, but we have deep feelings about this place and hope that it can still exist...Every day, we sat together and the mood was very infectious. But that feeling of solidarity is lost if we were scattered and trade from different places."

His one final wish: to get as many traders as possible back together in red jackets for a final group picture the night before the trading hall closes.

"That will help cement the last memory of the [trading hall] as well as show respect for all the past contributions from small traders like us," he said.

—Yifan Xie contributed to this article.

## Shanghai Shares Notch A Gain

By ESE ERHERIENE

Shanghai stocks rose 0.9%, outstripping other Asian markets, driven by gains in banking shares that stemmed from expectations for solid first-half earnings.

The Nikkei Stock Average closed flat, constrained by a stronger yen.

**MONDAY'S MARKETS** Singapore's Straits Times Index pared early losses to end 0.3% higher, buoyed by banking and real-estate stocks.

Australia's S&P/ASX 200 declined 0.6% and South Korea's Kospi was off 0.35%. In Hong Kong, the Hang Seng Index gave up early gains to close just 0.05% higher, supported by robust corporate results.

AAC Technologies, a supplier of components to Apple, surged 11% after reporting a 57% year-over-year rise in first-half results.

In the U.S., the S&P 500 edged higher as gains in health-related companies offset declines in the energy sector. Near midday in New York, the Dow Jones Industrial Average was down 15 points, or 0.1%, to 21797. The S&P 500 rose 0.1%, and the Nasdaq Composite added 0.4%.

Shares of health-related companies rose after biotechnology company Gilead Sciences said it agreed to pay about \$11 billion to acquire Kite Pharma. Gilead rose 2.6% and Kite rallied 28%.

Energy stocks fell as investors struggled to gauge the fallout as Tropical Storm Harvey floods the Houston area, home to much of the U.S.'s oil infrastructure.

—Akane Otani contributed to this article.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

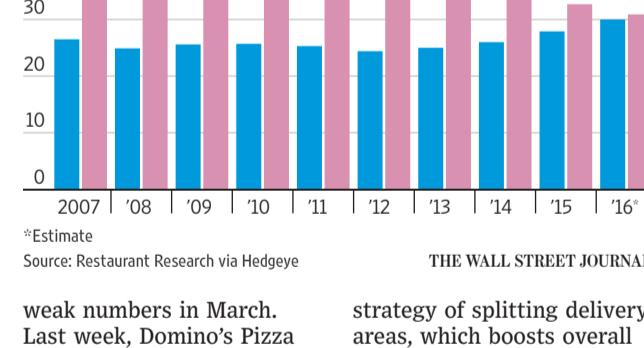
WSJ.com/Heard

Email: heard@wsj.com

# Domino's Pizza Seems Overbaked

### Bigger Slice

U.S. pizza chain market shares



weak numbers in March. Last week, Domino's Pizza Enterprises reported slower growth than management had hoped, sparking a 19% plunge in the shares.

One problem is competition. Domino's was an early adopter of digital systems. Now, others are catching up. The trend is perhaps most mature in the U.K.

Another headwind in some countries, notably the U.K. and Japan, has been a

strategy of splitting delivery areas, which boosts overall sales but cannibalizes same-store growth. The London-listed Domino's now excludes these splits from same-store growth, otherwise the number would have turned negative in the second quarter, according to Howard Penney of research company Hedgeye Risk Management.

Whatever the strategy's merits, investors have concluded the U.K. market for

Domino's outlets is getting crowded. The shares now trade at 18 times earnings, their lowest since 2009.

The chain continues to post expectation-busting results in the U.S.: Same-store sales rose 9.5% year over year in the second quarter. And international franchise income accounts for such a slender slice of the New York-listed company's revenue that investors have largely shrugged off worries from abroad.

But it is almost certainly only a matter of time before U.S. growth slips. Market leader Pizza Hut has been ceding market share for the past half-decade, mainly to Domino's, but franchise owner **Yum Brands** is now funding a comeback.

As delivery companies work out how to deal with American-style suburbia, both pizza chains will have to compete with all sorts of other options. At 30 times earnings, Domino's Pizza stock is baking in too many extra toppings.

—Stephen Wilmot

### OVERHEARD

If the use of its network as a bully pulpit by the president of the United States can't save Twitter, then what will? Maybe stopping its use as a bully pulpit.

President Donald Trump's tweets have made it the go-to place for news from the White House. He has sent out over 35,000 tweets and has nearly as many followers as two nemeses, CNN and Oprah Winfrey.

But **Valerie Plame Wilson**, the CIA agent famous for allegedly being "outed" by the George W. Bush administration, has been raising money to buy a "controlling interest" in Twitter for \$1 billion to kick Mr. Trump off.

It seems like a quixotic quest, in part because she had raised only \$65,000 by Friday afternoon on her GoFundMe page and because \$1 billion would buy her less than 8% of the much-diminished company at current prices.

## Evergrande Ramps Up Risky Wager

A gigantic bet on China's housing market by its biggest property developer seems to have paid off, but only by it putting off a day of reckoning once again.

**China Evergrande Group** on Monday reported a nine-fold jump in its first-half net profit, with a major boost coming from its decision to retire \$17 billion of expensive perpetual securities during the period. Interest payments on those perpetual securities had wiped out almost two-thirds of Evergrande's net income last year.

Evergrande's sales also doubled in the first half. The developer has gobbled up land in the past few years by loading up on debt, a strategy that is paying off. Despite the strong results, Evergrande's borrowing is still rising, with its net debt increasing 17% to \$61 billion since December.

Evergrande has benefited from continuing to delay full recognition of its interest expenses by capitalizing them onto its balance sheet.

Most Chinese developers do something similar, but most don't face such a big interest bill: Evergrande capitalized \$3.2 billion of interest expenses—over 80% of its bill—in the first half, equivalent to more than the net profit it made during the period.

They will eventually have to be recognized, eating into future earnings.

Meanwhile, there are signs that China's housing market has reached an inflection point.

Evergrande's stock has risen fivefold this year, but the shaky foundations underpinning that surge are starting to show.

—Jacky Wong

# Gilead Has Earned Benefit of the Doubt on Deal Making

### Shot in the Arm

Gilead's annual revenues



fight cancer, known as cell therapy. It is possible these treatments could eventually be used for many forms of

cancer. However, the therapy is commercially unproven, because it hasn't received regulatory approval and entails a complex manufacturing process not required for typical drugs. The company also faces significant competition from rivals. Gilead said the deal would dilute earnings for three years.

But for CEO John Milligan, standing pat was no longer a realistic option. Gilead's hepatitis C franchise, once the envy of the industry, is facing a steep decline. The company forecasts an 18% drop in total revenue this year, and Gilead's shares trade at less than seven times last year's

earnings, a significant discount to large biotech peers.

Then there was the matter of its bulging war chest. Gilead had \$36.6 billion in cash and securities on its balance sheet at the end of June.

Analyst questions about a new acquisition had become an incessant focus of earnings conference calls in recent years.

But Gilead was patient until Monday, and there is little doubt that this management team has earned investors' trust as a savvy buyer. Gilead's acquisition in 2011 of Pharmasset, which focuses on hepatitis C, came at a 90% premium to Pharmasset's market price and sparked worry that Gilead

had overpaid, but it turned out to be one of the most successful biotech deals of all time.

It is unrealistic for investors to expect similarly great results with the Kite acquisition, but it won't necessarily be Gilead's last one. While the hepatitis C business had fallen out of favor with investors, it still generates significant amounts of cash flow. Gilead is well-positioned to make other deals if it chooses.

A bright future isn't priced into Gilead's stock.

Taking the other side of that trade is a worthy idea for investors.

—Charley Grant