

THE WALL STREET JOURNAL.

 DOW JONES | *News Corp.*

TUESDAY, AUGUST 22, 2017 ~ VOL. XXXV NO. 142

WSJ.com

EUROPE EDITION

DJIA 21703.75 ▲ 0.13% **NASDAQ** 6213.13 ▼ 0.05% **NIKKEI** 19393.13 ▼ 0.40% **STOXX 600** 372.72 ▼ 0.40% **BRENT** 51.66 ▼ 2.01% **GOLD** 1290.80 ▲ 0.40% **EURO** 1.1815 ▲ 0.45%

What's News

Business & Finance

Total has agreed to acquire Maersk's oil unit for \$4.95 billion, a deal that will boost Total's position among the world's largest oil companies. **A1**

◆ **There has been** a historic number of class-action securities lawsuits this year, as law firms target business disruptions. **A1**

◆ **China's Great Wall Motor** said it is interested in acquiring Jeep, the auto maker owned by Fiat Chrysler. **B1**

◆ **The prices of** copper, aluminum and other industrial metals are reaching multiyear highs. **B1**

◆ **Qatari banks** are facing funding pressure, as foreign customers worried about Doha's growing spat with its Arab neighbors withdraw deposits. **B1**

◆ **Herbalife announced** that it would buy back \$600 million of its stock from shareholders. **B3**

◆ **Sempra Energy** has reached a deal to buy Oncor for \$9.45 billion after outbidding Berkshire. **B5**

◆ **McDonald's** has cut ties with its second-largest franchisee in India, which may lead to the closure of 150 outlets. **B3**

◆ **ADP board members** have rejected a bid for a board seat made by William Ackman. **B5**

World-Wide

◆ **Spanish authorities** shot and killed the man suspected of being the driver in last week's attack in Barcelona. **A1**

◆ **The alleged** involvement of Moroccan nationals in the attack has raised concerns about the influence of radical Islamic groups throughout the EU. **A4**

◆ **The U.S. Navy** has paused its global operations and begun a broad investigation after a recent collision left 10 sailors missing. **A1**

◆ **Many people in** Hong Kong took to the streets to protest the government appeal that put three activists behind bars. **A3**

◆ **Tensions were** revealed between the U.S., Mexico and Canada as the countries completed the first round of NAFTA talks. **A5**

◆ **Boston succeeded** in preventing widespread violence at a right-wing rally and counterprotest over the weekend. **A7**

◆ **Putin appointed** a hard-liner diplomat as Moscow's new ambassador to the U.S. **A5**

◆ **Millions of** Americans were fascinated by the spectacle of a total solar eclipse caused by the moon's shadow. **A7**

Inside

CAPITAL JOURNAL A2

Trump Aides Face Dilemma

CONTENTS	Markets
Business News..... B3	Markets Digest..... B6
Capital Journal..... A2	Opinion..... A10-11
Crossword..... A12	Technology..... B4
Finance & Mkts.... B5	U.S. News..... A6-7
Heard on Street... B8	Weather..... A12
Life & Arts..... A9,12	World News..... A2-5

€3.20; CHF5.50; £2.00;
U.S. Military (Eur.) \$2.20



© Copyright 2017 Dow Jones & Company. All Rights Reserved

Police Kill Spain Terror Suspect

Moroccan was accused of carrying out last week's Barcelona van attack

By JON SINDREU
AND JEANNETTE NEUMANN

SUBIRATS, Spain—Police shot and killed the man suspected of being the driver in Thursday's attack in Barcelona after confronting him in this village wearing what ap-

peared to be an explosive vest, Spanish authorities said.

The suspect, Younes Abouyaaqoub, was stopped by two police officers in Subirats, 35 miles west of Barcelona, where four days earlier a van he is believed to have been driving swerved through the crowded Las Ramblas promenade, killing 13 people and injuring dozens more, many of them critically.

Police were pursuing a tip from a local resident who reported she had seen a man

resembling circulated photos of Abouyaaqoub dressed in layers of clothing despite the summer heat.

Police later found him in a vineyard, Josep Lluís Trapero, the police chief of Catalonia, told reporters.

When the two officers approached him, Abouyaaqoub revealed what a robot later determined was a phony explosives belt and shouted, "Allahu akbar!" or "God is great!"

The officers immediately

shot him, Mr. Trapero said.

Earlier Monday, Spanish officials identified Abouyaaqoub as the driver and said he was the final suspect in the attack still at large. Mr. Trapero told reporters Spanish authorities' priority was to find the 22-year-old, Moroccan-born man, the target of an international manhunt.

Authorities disclosed that after fleeing from the scene of carnage on Las Ramblas on Thursday, Abouyaaqoub

stabbed and killed a man who was parking his car and commandeered it to escape from the city. He abandoned the vehicle, leaving the body of the slain man in the back seat, they said.

Abouyaaqoub then drove the vehicle out of Barcelona, at one point hitting a police officer as he sped through a checkpoint, officials said, adding police lost track of him after that.

Monday's announcement of
Please see SPAIN page A4

Coast-to-Coast Total Eclipse Catches America's Eye



FLEETING: A jet flies by the total solar eclipse in Guernsey, Wyo. It was the first transcontinental one in the U.S. since 1918. **A7**

Maersk Sells Oil Business To Total

By SARAH KENT
AND COSTAS PARIS

Total SA has agreed to acquire Danish conglomerate A.P. Moeller-Maersk A/S's oil unit for \$4.95 billion, signaling a renewed appetite for deals in the global oil-and-gas industry.

The deal will help the French energy giant bolster its position among the world's largest oil companies, potentially boosting its earnings and cash flow and shoring up its ability to pay dividends.

By 2019, Total now says its production will reach 3 million barrels a day of oil and gas—a level achieved by only a handful of private companies in-

Please see MAERSK page A2

EUROPE'S POPULISTS RETHINK EU SKEPTICISM

Many officials think attempt to associate with Brexit, Trump backfired

CARPENTRAS, France—Europe's populist politicians hoped this would be the year they rocked the Continent's establishment. Instead, their assault on the European Union has brought election defeats, recriminations and self-doubt.

Hervé de Lépinau, a parliamentary candidate for France's far-right National Front, ended a rally before parliamentary elections in June with an attack on his own party's leadership. "Making a French exit from the euro the essence of our platform was an absurdity," he said. His party subsequently lost that seat in what was supposed to be a party stronghold in France's sun-baked south.

Many of Europe's far-right politicians now believe their attempt to associate themselves with the antiestablishment uprisings behind the U.K.'s vote to leave the EU and Donald Trump's U.S. presidential victory has backfired.

Outright rejection of the EU and the euro

was a departure for most of Europe's far right, which traditionally concentrated more on immigration and identity. What they discovered is that Continental European voters, although hardly content with incumbents or the EU, viewed electoral shocks in the U.K. and U.S. as destabilizing.

Centrist leaders such as new French President Emmanuel Macron and German Chancellor Angela Merkel exploited those concerns, and nationalist parties have stopped talking about

leaving the EU or the euro—or styling themselves as the local version of Mr. Trump.

Anti-EU nationalists "were so electrified after Brexit and Trump that they thought all of us would be president or prime minister of their country," says Gerolf Annemans, a leading figure in Belgium's Flemish-nationalist party and in a group of EU-skeptic parties in the European Parliament. Instead, he says, "to some extent the Trump election

Please see EUROPE page A8

*By Stacy Meichtry,
Anton Troianovski
and Marcus Walker*

Securities Lawsuits on Price Drops Rise in U.S.

By SARA RANDAZZO

When pharmaceutical company Depomed Inc. of the U.S. said this month it is fielding federal and state inquiries over its marketing of opioid painkillers, a stock drop was likely to follow.

But it was less expected, legal experts say, that shareholders would then sue the company for securities-law violations, alleging that Depomed made false and misleading statements over a more than two-year period leading up to the Aug. 7 announcement in its earnings statement.

Depomed, which is one of several pharmaceutical firms involved in the opioid probes, declined to comment Sunday.

The Friday lawsuit comes after 131 class-action securi-

Please see SUITS page A2

When You Already Have 35 Political Parties, What's 63 More?

* * *

Tired of dysfunction, Brazilians are forming dozens of new parties

By SAMANTHA PEARSON

SÃO PAULO—The list of hopefuls includes the Brazilian Military Party (which wants to privatize prisons), the Christian Ecological Party (they worry about despoiling God's planet), and the Sport Party (which demands more gymnasiums).

Nicole Puzzi, an animal-rights activist and popular soft-core porn star from the 1970s, is one of the 102 vegans who helped launch the Animals Party. Among the group's policy proposals: Cracking down on illegal dog breeders and changing animals' legal status so they have the same rights as children.

"Being a politician in Brazil is even more of a scandalous profession than mine,"

says Ms. Puzzi, 59, clad in knee-high leather boots and a white lace bodysuit on the set of her TV talk show in downtown São Paulo.

She doesn't want to actually run for office herself. "Whenever I go to Brasília, people there just try to take me to bed," she says, referring to offers she has received from politicians in the capital.

Over the past year, a deluge of 63 wannabe political parties have jumped in line to get official status that would allow them to put up candidates for office. Some are hoping to become official in time for the general elections in October next year.

Brazil provides generous
Please see BRAZIL page A8



Nicole Puzzi

China Construction Bank

Builds a better future

中国建设银行

China Construction Bank

www.ccb.com

WORLD NEWS

Stay or Go? All Sides Pressure Trump Aides



CAPITAL JOURNAL

By Gerald F. Seib

For some top figures in the Trump administration—the ones who occupy the more conventional space of the political world—last week was a tough one. They listened in distress as the president they work for appeared to defend a march marked by white-supremacist and anti-Semitic sentiments in Charlottesville, Va. From the left, and from some never-Trump conservative circles, they were then told they had a moral responsibility to resign. Meanwhile, on the Breitbart right, they were being called traitors and worse. There, they were labeled “White House globalists” out to undermine President Donald Trump’s agenda, who had helped drive out strategist Steve Bannon. The cry was for them to be booted out. Amid it all, some friends and allies were privately pleading with them to stay for the good of the country, arguing that less-qualified

newcomers with dangerous ideas could take charge in their absence. Caught in this swirl of conflicting forces, most feel compelled to stay for the greater good, convinced, justifiably, that they are helping steer the nation’s policies onto safer ground. Still, in many cases they left behind good careers or safe sinecures, only to find themselves under attack by both Trump lovers and Trump haters for doing so.

The pressures of the moment are such that Treasury Secretary Steven Mnuchin felt compelled over the weekend to issue a statement rejecting calls for him to resign in protest over the way Mr. Trump responded to the violence in Charlottesville. He told Yale classmates demanding his resignation that the president doesn’t endorse hate groups. The push and pull is similarly captured in a pair of new commentaries from opposite sides of the Trump spectrum. A piece on Breitbart News—the brash, nationalistic site to which Mr. Bannon now has returned—charged that “a group of globalist White House advisers and generals” were working with establishment Republicans to “betray” Trump voters. It specifically mentioned H.R. McMaster, the national security adviser; his deputy,



President Donald Trump, with, from left, H.R. McMaster and Steven Mnuchin at the White House in July.

Dina Powell; and Gary Cohn, the national economic council director. It carried a picture of Mr. Mnuchin as well. Mr. Cohn and Ms. Powell both left positions at Goldman Sachs to join the administration, Mr. McMaster left a top Army command post, and Mr. Mnuchin left a banking and hedge-fund career. Meanwhile, the opposite pull was reflected in a piece from the Atlantic, written by former national-security official and Trump critic Eliot Cohen, which posed the question: “Is It Time for

Trump Aides to Resign?” That question is particularly agonizing for members of the Trump national-security team, who may well be the most functional part of the administration at a time of great international peril. Mr. McMaster, Defense Secretary Jim Mattis, Secretary of State Rex Tillerson, new White House Chief of Staff John Kelly and Ms. Powell all have significant experience on the global stage, though none were early Trump loyalists. They have helped steer Mr. Trump through a fraught

internal debate over military strategy in Afghanistan, in which the president sometimes was battling them as well as himself, culminating in a new policy he is to announce Monday night. They engineered a significant accomplishment at the United Nations: a resolution imposing new sanctions on North Korea that was supported by both China and Russia. And they have won some quieter victories, such as the release of American aid worker Aya Hijazi after three years of detention in Egypt.

They have become a cohesive group; their experience seems particularly valuable amid a gathering storm over North Korea’s nuclear program.

So should such people stay, even if they have misgivings? Richard Haass, president of the Council on Foreign Relations, who served in national-security posts for presidents of both parties, offers some thoughts. “The answer is a conditional yes,” he says. “And the condition is that you believe that you are having a real impact. Both your conscience and your reputation can take a hit if you’re working with someone with whom you’re out of sync. You’ve got to be brutally honest with yourself that your presence really makes a meaningful difference.” The two reasons an official should resign, Mr. Haass says, are either because he or she “can’t live with where the president comes out on a big issue,” or because there is “a pattern of decision-making you can’t agree with.” For those working specifically in the national-security area, he adds, those conditions probably don’t apply right now: “Given what is in their inbox, they can tell themselves they’re making a difference and aren’t having to defend policies they disagree with. As long as they can do that, we’re all better off” having them in place.

SUITS

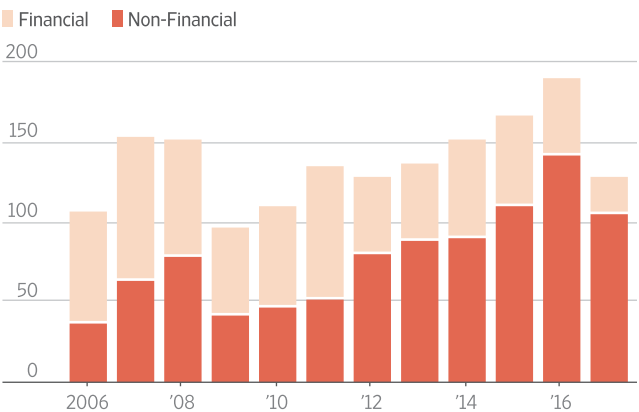
Continued from Page One ties suits were filed in federal court in the first six months of the year, a historic high, according to data from Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse. The volume, which doesn’t include suits challenging mergers and acquisitions, is higher than in any equivalent period since the Clearinghouse began tracking data in 1996, after the passage of landmark securities-litigation legislation. Under securities laws, investors can sue to recoup losses after a stock drops by proving a company or its employees fraudulently misstated or withheld information that would have been material to buying or selling shares. “What’s going on this year is absolutely without precedent,” said Kevin LaCroix, an attorney who advises companies on directors and officers insurance. Industry watchers say the rise is being driven by enterprising plaintiffs’ firms bringing more, arguably weaker cases under the perceived strategy that companies will settle early to make a case go away. Advisers are alerting clients that in the current era, every company needs a plan for defending against fraud accusations after investor losses. “There’s a reality of securities class-actions that needs to

be baked in,” said Douglas Greene, a securities defense lawyer at Lane Powell PC in Seattle. These cases rarely proceed to trial. Of cases filed from 1997 to 2016, according to Cornerstone, 48% have been settled, 42% have been dismissed and 10% are continuing. Overall, less than 1% of filings have reached a trial verdict. Traditionally, the most lucrative cases for plaintiffs have hinged on misstatements within audited financial statements, which can come to light when a company announces plans to revise previously reported results. But increasingly, smaller law firms are bringing securities cases targeting business disruptions or disasters, failed pharmaceutical trials and disappointing earnings. Such cases are often settled for lower amounts and are more likely to be dismissed, data shows. But that hasn’t stopped the flow. At the current pace, 9.5% of the 4,411 U.S. exchange-listed companies will face a securities suit this year, including merger suits, according to Cornerstone—the highest rate since 1997. Researchers Jason Hegland and Michael Klausner at Stanford Securities Litigation Analytics coined the term “emerging” law firm last year, positing that the firms are largely responsible for bringing what they call higher volumes of lower-quality cases.

The pair found the dismissal rate of cases brought by so-called emerging firms was 60% from 2012 to 2016, compared with 45% for established firms. Their research found emerging firms—which they identify primarily as Pomerantz LLP, the Rosen Law Firm PA and Glancy Prongay & Murray LLP—are more likely to pursue securities cases that aren’t pegged to a financial misstatement. Lawyers at the three firms say suing over smaller losses is just as valid a legal strategy and that smaller companies often have fewer safeguards in place, making them more susceptible to engaging in fraudulent activity. Laurence Rosen, managing partner of the Rosen firm, said the suggestion that “we take lots of bad cases with the hope of a few panning out is baseless conjecture.” Jeremy Lieberman, co-managing partner of 80-year-old Pomerantz, said he agrees his firm and others have approached a broader range of cases in recent years, but he calls it a necessary adaptation as the more obvious accounting misstatements have become scarcer. “It’s a new market, but securities laws apply just as well in this market,” he said. Nonfinancial cases used to account for less than half of nonmerger securities class actions, but have risen steadily,

Angry Investors

As the volume of federal class-action securities cases rises, fewer are filed over financial misstatements, traditionally viewed as the most lucrative cases.



Note: 2017 is as of June
Source: Stanford Securities Litigation Analytics

THE WALL STREET JOURNAL.

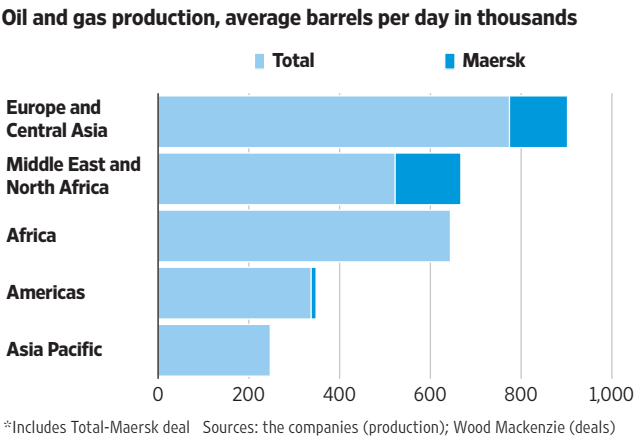
to 75% of those filed in 2016 and to 82% so far this year, Stanford Securities Litigation Analytics data shows. In recent months, that has included lawsuits claiming Ocular Therapeutix Inc. allegedly withheld manufacturing issues and that Tableau Software Inc. inadequately warned about increased competition. Tableau said the case has no merit. Ocular didn’t respond to a request for comment. Shareholders also sued Anadarko Petroleum Corp. after the oil-and-gas company temporarily shut down 3,000 wells after an explosion in Colorado. The suit claims the

company didn’t warn investors of safety concerns. In a court filing, Anadarko called the case an “event-driven complaint” and said the tragedy doesn’t give rise to a securities claim. Under the Private Securities Litigation Reform Act of 1995, plaintiffs’ firms primarily earn lead-counsel appointments by representing the investor with the largest loss. That has led more established players such as Robbins Geller Rudman & Dowd LLP; Bernstein Litowitz Berger & Grossmann LLP; and Grant & Eisenhofer PA, to build deep connections with pension funds and other insti-

tutional investors to position themselves to be named lead-counsel. The smaller firms, meanwhile, have had to create niches with individual, rather than institutional, investors. More than a decade ago, that meant filing stock-options backdating cases and, later, suits against Chinese companies that did reverse mergers in the U.S. Now, with those cases dried up, smaller firms look for outward signs of trouble to latch onto, such as an auditor resigning, a short seller report, or a government investigation, analysts and defense attorneys say. Since 2013, individual investors have been named lead plaintiff more than institutional investors, according to Cornerstone, a further indication of the ascension of the smaller suit. Emerging firms are more likely to settle cases early and for less money, Messrs. Hegland and Klausner found. The median settlement size for emerging firms is \$2.6 million in the early pleading stage, and \$3.1 million once a case reaches discovery. For established firms those numbers are \$8.75 million and \$13.9 million, respectively. “Companies are driven by economics,” said Sean Coffey, a partner at Kramer Levin Naftalis & Frankel LLP who used to be a plaintiffs-side securities litigator. “If you can buy out the risk using insurance money, you do it.”

Appetite for Oil

The Maersk transaction adds to Total’s output in several regions, and to deal-making momentum in the sector



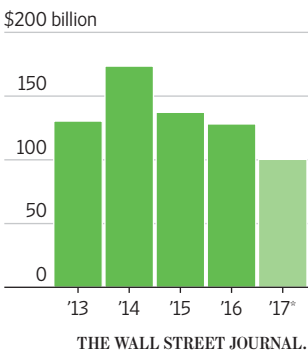
*Includes Total-Maersk deal Sources: the companies (production); Wood Mackenzie (deals)

MAERSK

Continued from Page One cluding Exxon Mobil Corp. and Royal Dutch Shell PLC. Total currently produces around 2.5 million barrels a day. For Maersk, among the world’s largest shipping companies, the deal streamlines its business as it grapples with historic downturns in both the shipping and oil industries. It is the first sale for Maersk after it announced plans to break up the company last September. It is also look-

ing to sell or list other units, such as Maersk Drilling, which operates oil and gas rigs mainly in the North Sea, and Maersk Tankers, which moves oil and oil products on a fleet of 158 vessels. Maersk is trying to reshape itself into a global supply-chain player like United Parcel Service Inc. and FedEx Corp. The plan involves moving more ships through its port operations, APM Terminals, and more cargo inland through Damco, its supply-management division handling airfreight, trucks and warehouses. “We are investing in our core business” of shipping,

Oil-industry deals have picked up the pace thus far in 2017



THE WALL STREET JOURNAL.

Maersk Group Chief Executive Soren Skou said. The sale to Total “will strengthen the financial flexibility of AP Moller-Maersk and free up resources to focus our future growth on container shipping, ports and logistics,” he said. The acquisition, announced by both companies on Monday, is the latest sign of consolidation in the oil-and-gas industry, which finally appears to be stabilizing after a prolonged downturn in petroleum prices. Total and other big oil companies say they have reduced their costs enough to generate cash at crude prices at current

levels, about \$50 a barrel, giving them flexibility to grow through acquisitions. In the U.S., where small shale-oil producers have proved remarkably resilient amid low energy prices, the sector has experienced a flurry of deals. So far this year, deals in North America have totaled \$73.2 billion, more than in all of 2016, according to data from Edinburgh-based consultancy Wood Mackenzie. Activity has also picked up internationally, particularly in Europe. Though the number of European deals so far this year stands at roughly half the level of those completed in 2016, their value has reached \$16.8 billion, compared with \$5.3 billion in all of 2016, according to Wood Mackenzie. Many of the acquirers have been private-equity firms and smaller players, eager to get a foothold in major oil areas such as the North Sea. Earlier this year, Shell sold its British North Sea assets to Chrysaor Holdings Ltd. in a deal valued at as much as \$3.8 billion. Chrysaor is backed by Harbour Energy Ltd., an investment vehicle managed by Washington-based EIG Global Energy Partners. Total’s acquisition of Maersk Oil is one of the big-

gest deals in the sector since Shell’s roughly \$50 billion acquisition of BG Group last year. Total will pay for the deal with \$4.95 billion in shares, while also taking on \$2.5 billion in Maersk oil debt. The French company will also assume nearly \$3 billion in expected costs for decommissioning oil rigs in the North Sea. In Monday trading, Total’s shares rose 0.3% while Maersk closed up 2.9%. “We imagine [Total] investors won’t be overly enthused with the idea of buying more oil barrels when they are overly concerned with falling oil demand,” Bernstein said Monday in a note that praised the deal for adding potentially profitable barrels. The deal is a vote of confi-

CORRECTIONS & AMPLIFICATIONS

In 2015, Qatar supplied the European Union with 24.81 billion cubic meters of gas. A graphic with a Page One article Monday about Europe’s natural-gas market incorrectly rounded this figure to 24.80.

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

dence in the North Sea, where around 80% of Maersk’s reserves are located. The region has been a major oil-and-gas hub for decades but has also been plagued by high costs, aging infrastructure and declining production. —Dominic Chopping contributed to this article.

THE WALL STREET JOURNAL.
Europe Edition ISSN 0921-99
The News Building, 1 London Bridge Street,
London, SE1 9GF

Thord Barker, Editor, Europe
Grainne McCarthy, Senior News Editor, Europe
Cicely K. Dyson, News Editor, Europe
Darren Everson, International Editions Editor

Joseph C. Sternberg, Editorial Page Editor

Anna Foot, Advertising Sales
Jacky Lo, Circulation Sales
Andrew Robinson, Communications

Jonathan Wright,
Global Managing Director & Publisher

Advertising through Dow Jones Advertising
Sales: Hong Kong: 852-2831 2504; Singapore:
65-6415 4300; Tokyo: 81-3 6269-2701;
Frankfurt: 49 69 29725390; London: 44 207
842 9600; Paris: 33 1 40 17 17 01;
New York: 1-212-659-2176

Printers: France: POP La Courneuve; Germany:
Dogan Media Group/Hurlyet A.S. Branch; Italy:
Qualprinters s.r.l.; United Kingdom: Newsprinters
(Broomfield) Limited, Great Cambridge Road,
Waltham Cross, EN8 8YW

Registered as a newspaper at the Post Office.
Trademarks appearing herein are used under
license from Dow Jones & Co.
©2017 Dow Jones & Company. All rights reserved.
Editor responsible: Thord Barker M-17936-
2003. Registered address: Avenue de Cortenberg
60/4F, 1040 Brussels, Belgium

**NEED ASSISTANCE WITH
YOUR SUBSCRIPTION?**

By web: <http://services.wsj.com>
By email: subs.wsj@dowjones.com
By phone: +44(0)20 3426 1313

WORLD NEWS

Sentences Rev Up Hong Kong Activists

Tens of thousands take to the streets to protest prison terms for student leaders

By NATASHA KHAN

HONG KONG—A successful appeal by Hong Kong’s government that put three prominent activists behind bars is having an unintended consequence: reinvigorating the city’s pro-democracy movement.

Three days after the former student leaders of mass protests in 2014 began prison sentences for unlawful assembly, tens of thousands of people took to the streets to decry their punishment, with some accusing the city’s authorities of political persecution. The turnout was far greater than other recent rallies, including those during the July visit of Chinese President Xi Jinping, when protesters could be counted by the dozen.

Voices across the antiestablishment spectrum that had fragmented in the wake of the bruising but unsuccessful demonstrations to demand freer elections in 2014 are beginning to speak out in unison. Foreign governments also expressed concern the sentences would deprive young people of their political voice.

“No matter what party you belong to, now we have something to fight back against in the short term,” said Lee Cheuk-yan, a vice chairman of Hong Kong’s Labour Party. “The three jailed activists are now the spiritual leaders to help stimulate the whole movement.”

Before the three were jailed, the beleaguered opposition camp had been losing momentum following a series of defeats challenging Beijing’s growing control of the city. A resurgence of public opposition



Thousands of people turned out in Hong Kong on Monday to protest the jailing of pro-democracy activists Joshua Wong, Nathan Law and Alex Chow.

could make it harder for officials to bulldoze through controversial legislation on national security and introducing patriotic education to schools.

Both Beijing and the Hong Kong government denied using the criminal courts for political means, with local authorities saying the activists went beyond civil disobedience to disorderly and intimidating behavior. The three student leaders were among protesters who scaled security gates to access a square outside government headquarters in 2014.

The most well-known protest leader, Joshua Wong, 20

years old, is being held in a maximum-security prison. After he was sentenced, he issued a courtroom rallying cry to people not to give up the fight for democracy.

Since the 79-day protests three years ago, opposition groups have disagreed on tactics and goals to proceed with their causes. Some have demanded independence—something Beijing has made clear it won’t tolerate—while others have focused on protecting Hong Kong’s limited autonomy from China.

“I think it was a big political mistake to unearth the

whole thing again,” said Jean-Pierre Cabestan, head of Hong Kong Baptist University’s government and international studies department. “They’ve made three martyrs and that, I think, will enhance and deepen the stir of resistance.”

The consulates of the U.S., Canada and Germany in the city all stressed the importance of protecting rights to freedom of expression and peaceful assembly.

The U.S. consulate expressed concern over the prison sentences, noting that two of the men had already served their original sen-

tences.

Because those sentenced to three months or more imprisonment can’t run for office for five years according to Hong Kong law, “a large part of the younger population, therefore, loses their voice and the opportunity to be politically represented,” Bärbel Köfler, Germany’s human-rights commissioner, said.

Hong Kong’s government maintained that “there is absolutely no political consideration involved. Further, allegations that the court is under political interference are totally unfounded and groundless.”

Chinese Foreign Ministry spokeswoman Hua Chunying in a regular briefing on Monday urged respect for the judgment of the court and Hong Kong’s judicial freedom.

But others, including Chinese University of Hong Kong academic Suzanne Pepper, say the claim there was no political influence on the court decisions “belies common sense.”

Mr. Wong and the other two jailed leaders—Alex Chow and Nathan Law—plan to appeal their case to the Court of Final Appeal, their lawyers said.

U.S. Targets China Finance to Squeeze North Korea

By ARUNA VISWANATHA AND IAN TALLEY

U.S. federal prosecutors are preparing new actions targeting Chinese firms that officials say are critical financial conduits for North Korea’s government, according to people familiar with the matter, an effort that could provide muscle to the Trump administration’s plans to rein in Pyongyang’s weapons program.

The Washington U.S. Attorney’s office in May obtained warrants to capture funds of Chinese firms that were processed through correspondent bank accounts in the U.S., alleging these firms help fi-

nance North Korea’s weapons program.

Prosecutors are now moving toward cases building from information obtained in these warrants. As part of the investigation, U.S. banks that froze the funds flagged additional information prosecutors are using to build broader cases aimed at further squeezing the finances of the nuclear-armed state, these people said.

The warrants targeted wire transactions involving Dandong Zhicheng, allegedly one of the largest exporters of North Korean coal, and four related front companies run by Chinese national Chi Yupeng.

Eight American or European banks were involved in processing the transactions.

Warrants are an investigative tool and interim step. Prosecutors would need to file a formal case in order to permanently seize the funds.

Further action is expected in coming days, focusing on other companies based in Dandong, a city in southeastern China that borders North Korea, people familiar with the investigation said.

North Korea experts, examining these actions, say new powers to stem cash flows to North Korea could prove a potent tool to pressure the country’s leader, Kim Jong Un, as

Washington tries to put a stop to the regime’s nuclear-weapons program.

The legal efforts complement a promised escalation in efforts by the Trump administration targeting Chinese firms and nationals accused of financing the regime.

China, North Korea’s biggest trading partner, has said it would ban imports of coal, iron and seafood, exports critical to North Korea’s economy, in line with new United Nations sanctions. Pyongyang recently backed off its threats to fire missiles at the U.S. Pacific-island territory of Guam.

China’s latest efforts and the tempering of Pyongyang’s

rhetoric is unlikely to put a damper on U.S. prosecutors’ efforts. Four cases have been made public to date. In one in June, U.S. officials filed a lawsuit seeking to seize \$1.9 million from Minzheng International Trading Ltd., another alleged China-based front company created to move U.S. dollars for Pyongyang.

In the Zhicheng case, Chief Judge Beryl Howell of the U.S. District Court for the District of Columbia agreed with prosecutors’ argument that forfeiture law allowed them to reach suspect transactions even if the person engaging in them isn’t specifically designated as a sanctioned entity

by the Treasury Department. That, North Korea watchers say, is a powerful precedent, arming prosecutors with a new tool to fight illicit finance.

Federal prosecutors in Washington—who are in the default jurisdiction for trying to seize any overseas assets through U.S. courts—have the power to freeze funds of Chinese firms allegedly helping the regime in Pyongyang when they try to use dollar-funding in U.S.-based banks. And prosecutors have the authority to fine any banks that use the U.S. financial system, including U.S. and Chinese banks, if the firms fail to properly vet for illicit-actor customers.





INSTRUMENTS FOR PROFESSIONALS™

AVENGER

HURRICANE

AVENGER
★
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

Spain's Moroccans Under Scrutiny

After Barcelona attack, officials worry about some radicals within the diaspora

By **Benoit Faucon**
And **David Gauthier-Villars**

The alleged involvement in last week's terrorist attacks in Spain of a number of Moroccan nationals has Western security officials fretting over how deeply radical Islamic groups have penetrated a community of four million spread across the European Union.

Spanish authorities have said most of the 12-strong network they believe plotted and conducted Thursday's rampages in and near Barcelona were Moroccan nationals or of Moroccan descent. Islamic State has claimed responsibility for the attacks in which 15 victims died. Spanish authorities said Sunday they take this claim at face value, adding that some bomb material had the trappings of the militant group.

Concerns over the dispersion of Moroccan radicals, many of whom grew up in Europe, escalated further after Finnish police said a man suspected of stabbing two people to death in the provincial town of Turku on Friday was an asylum seeker from Morocco.

In a statement released Thursday, the Council of the Moroccan Community Living Abroad, which represents the country's diaspora, said it "condemns this abominable terrorist act" and appealed to its members "to reject terrorism and extremism and to intensify their efforts to defy the destructive ideologies which spread feelings of fear and hatred in societies."

Morocco's monarch, Mohammed VI, also expressed his



Interior Minister Juan Ignacio Zoido holds up a picture of Moroccan suspect Younes Abouyaaqoub, whom police shot dead on Monday.

country's "total commitment to international efforts seeking to address the plague of terrorism and eradicate it."

Ali Yassine, president of the predominantly Moroccan An-nour Islamic Community of Ripoll, a town at the foot of the Pyrenees where some of the alleged Barcelona attackers had lived, also decried the assault.

"People have to understand that we Muslims aren't guilty, what these people do is outside of Islam," Mr. Yassine said. "People who launch these terrorist attacks are cowards."

In Spain, investigators said they believe the group used a

house in Alcanar, a seaside town southwest of Barcelona, to stockpile more than 100 gas canisters and prepare the attacks. The finding, if confirmed, would suggest members of the Moroccan diaspora, possibly without direct connections to Islamic State, succeeded in stealthily using a European base as an incubator to recruit and train young operatives—one was 17 years old—before acting.

Ahead of last week's attacks, counterterrorism officials were worried that large Moroccan communities established in Spain, as well as in France and Belgium, provided

fertile ground for the development of radical cells. That is in part because some members of those communities have access to steady flows of illicit revenue from the trade of cannabis resin, of which Morocco is the world's largest producer, one Western counterterrorism official said.

The role of Moroccans inside Islamic State came into sharp focus in late 2015 when it emerged that a Belgian-Moroccan, Abdelhamid Abaaoud, had used connections within the Moroccan diaspora in Brussels to travel back from Syria, and organize coordinated attacks on Paris. In the

French capital, he had also relied on logistical support from a female cousin, before both were killed by police.

Some émigrés turned terrorists without receiving Islamic State training. One of the two Moroccans involved in the London Bridge attack in June, Youssef Zaghba, had sought to reach Syria, according to his Italian mother, Valeria Collina. After his travel plans were foiled by Italian police, he went to the U.K. where he took part in a truck-and-knife rampage.

—Jon Sindreu
and Jeannette Neumann
contributed to this article.

Qatari's Saudi Trip Increases Tensions

A meeting between Saudi Arabia's crown prince and an obscure Qatari royal, officially aimed at narrowing differences between two estranged Gulf neighbors, has instead added more fuel to their long-running diplomatic dispute.

By **Margherita Stancati**
in Jeddah and
Dahlia Kholaif
in Cairo

Sheikh Abdullah bin Ali Al-Thani's visit to Saudi Arabia was billed as easing access for Qatari citizens in the coming hajj pilgrimage to Mecca. His meeting last week with Crown Prince Mohammed marked the first public encounter between a Saudi leader and a member of Qatar's royal family since a breakdown in relations in June. It was initially seen as an indication of a possible thaw in strained ties.

The problem is that few had heard of the Qatari sheikh beyond tight royal circles, and Doha said he wasn't a government envoy. That situation prompted speculation that Sheikh Abdullah was a pawn in a Saudi plot to promote him as a possible alternative to the country's current ruler, Sheikh Tamim bin Hamad Al-Thani.

"The Saudis put him out there to say: 'There are legitimate people like him who one day could be in a position to take the throne,'" said a Gulf-based Western diplomat.

Many Qataris, including members of the royal family, have responded by publicly reaffirming their allegiance to Sheikh Tamim, the ruling emir, and playing down the influence of Sheikh Abdullah within the family.

Qatar's government was quick to distance itself from the visit, with the foreign minister saying Sheikh Abdullah had traveled to the kingdom strictly in a personal capacity.

Sheikh Abdullah, in a statement over the weekend, took a different tack. "My goal was to assist Qataris in the hajj process," he said. "The crown prince welcomed my mediation on behalf of my people in Qatar." A Saudi government spokesman said he wasn't aware of the regime-change allegations.

WORLD WATCH

NIGERIA

President Returns From Medical Care

President Muhammadu Buhari said his government would step up its campaign against Islamist extremists, but he made no mention of his health as he spoke to the nation for the first time after more than three months of medical treatment in London.

"We are going to reinforce and reinvigorate the fight not only against elements of Boko Haram, which are attempting a new series of attacks on soft targets, kidnappings, farmers-versus-herdsmen clashes, in addition to ethnic violence fueled by political mischief makers," Mr. Buhari said in a speech.

The 74-year-old leader didn't say what illness caused him to leave Nigeria in May for the lengthy treatment in Britain. Earlier in the year, he spent seven weeks in London for treatment. Nor has his government said what exactly has been ailing Mr. Buhari. His long absences have led some to call for his replacement and for the military to remind its personnel to remain loyal.

—Associated Press

GERMANY

Bundesbank Sees Strong Growth

Germany's economy is expected to continue its strong growth in the current quarter on the back of industrial exports, the central bank said. The outlook should bode well for incumbent Chancellor Angela Merkel in Sept. 24 elections. Ms. Merkel is hoping to win a fourth term.

The Bundesbank's comments follow official data last week that showed the German economy grew by 0.6% in quarterly terms, or 2.5% in annualized terms, in the second quarter.

—Todd Buell



A coroner's van carrying the body of Younes Abouyaaqoub leaves the site where police shot and killed the Moroccan suspect in the Barcelona terror attacks.

SPAIN

Continued from Page One
the bystander's death raised to 15 the number of people killed last week by a suspected terrorist cell along Spain's Catalonia coast.

The vehicle attack in Barcelona late Thursday afternoon took 13 lives and occurred just hours before militants, also in a vehicle, struck and killed a woman in the seaside village of Cambrils.

In the hours after the assault in central Barcelona, police killed five members of the cell in Cambrils, a seaside village about 75 miles southwest of Barcelona. Officials believe two more militants died in an explosion late Wednesday night at a suspected bomb factory in the

coastal town of Alcanar. Four others were also arrested.

At his news conference, Mr. Trapero said Abouyaaqoub was believed by police to be part of a terrorist cell that had planned to launch an attack on Thursday using explosives and more than 100 gas canisters they had stockpiled in a house in Alcanar.

Members of the cell may have sold jewelry and other precious items—some of it possibly stolen—to pay for the gas canisters, he said.

Meanwhile, investigators were piecing together the activities of Abdelbaki Es Satty, the Moroccan-born imam who is believed to have radicalized the young men involved in the plot.

Es Satty is thought to have died in the house explosion last week in Alcanar. Police

said Monday that based on scientific evidence and witnesses who saw Es Satty at the house, the charred remains found at the site of the blasts were likely to be his. Final confirmation of that finding was pending, they said.

More Belgians fought in Syria and Iraq than any Western European nation, per capita.

In 2010, Es Satty was arrested in Ceuta, a Spanish enclave surrounded by Morocco, for trafficking hashish, according to an official. He was convicted and imprisoned between 2010 and 2014, Spanish officials said Monday.

Authorities have no evidence that he was linked to known terrorists while in prison, Mr. Trapero said.

Es Satty's subsequent travels to Belgium are now under scrutiny. He stayed in the town of Vilvoorde for several months early in 2016, Hans Bonte, the town's mayor, told the Belgian broadcaster VRT on Sunday.

Es Satty also sought contact with several mosques in Belgium to start work there, but it was unclear if he was ever successful, according to Mr. Bonte. It also wasn't clear whether the imam was in touch with any terrorist suspects in Belgium, he added.

Belgian federal prosecutors said they weren't aware of any criminal activity by Es Satty at the time of his visits to Belgium. They said he had traveled to the country sev-

eral times, but declined to provide more detail around the timing of the visits.

Vilvoorde, a Flemish town outside Brussels, once had a reputation among Belgians for being a hub for Islamist radicalization and sending youths to Syria to join Islamic State and other militant groups. The town was one of the first in the country to establish deradicalization programs to stem the problem, which has subsided in recent years, according to the mayor.

Belgium, which was hit by twin bombings in March 2016, has more local residents who have fought in Syria and Iraq per capita than any other Western European country, Belgian officials say.

—Natalia Drozdiak
in Brussels
contributed to this article.

WORLD NEWS

U.S., Canada Intensify Scrap Over Wood

Higher American tariffs on lumber would squeeze some firms even as others cheer

By **WILLIAM MAULDIN**

MADAWASKA, Maine—The river that divides the U.S. and Canada in this border town also cuts directly through the **Twin Rivers Paper** Co.'s wood pulp and paper operation.

The two-country arrangement has worked for years in the tightly integrated operation, with a Twin Rivers Canadian lumber mill up the road supplying wood chips to a plant that turns the chips into pulp in Edmundston, New Brunswick. The pulp is then piped across the St. John River into Maine, where it gets pressed into massive rolls of paper used to make Bible pages, food packaging and shipping labels.

Today, company managers say the entire operation—including 500 jobs on the U.S. side—is at risk, threatened by a trade fight between the U.S. and Canada over the softwood logs from which the chips are collected to make the pulp. This year the Trump administration announced preliminary 27% tariffs on the lumber from Twin Rivers's sawmill, squeezing the margins of the operation and weighing on the rest of the business.

Sawmills and timberland owners from Alabama to Oregon are eager to benefit from the higher lumber prices that come with tariffs on their Canadian competition, which they say benefits from unfair subsidies. But U.S. home builders are complaining about



Trees are readied for the sawmill at the Pleasant River Lumber Company mill in Dover-Foxcroft, Maine.

higher lumber prices, and American businesses, like Twin Rivers's paper mill, that rely on raw materials from north of the border, find themselves caught in the middle.

"Ultimately [the tariff] affects everything from where the trees come in to where the paper comes out," said Ken Winterhalter, president of Twin Rivers. "It is an economic driver for that area, and the impact would be felt in the entire northern part of Maine."

The forest fight is putting Washington and Ottawa at loggerheads at a time when senior officials from both countries are sitting down with Mexican counterparts to renegotiate the North American Free Trade Agreement for the first time since the pact was enacted 23 years ago.

Officials are hoping to resolve the matter separately

but concede it could bleed into the talks, complicating political support in the U.S. and Canada.

Fights over lumber and logging have plagued U.S. relations with its northern neighbor for two centuries, especially in and around Maine.

In recent decades, logging and lumber production have remained an important part of Canada's economy especially on the other side of the continent, in British Columbia. There, forests on government-owned land provide the biggest share of wood for the U.S. home-building industry.

Lumber mills across the U.S. say their Canadian counterparts get below-market access to logs from government-owned land and have urged the U.S. to take actions like the one hitting the Twin Rivers operation.

One of them, the Pleasant River Lumber mill in Dover-Foxcroft, Maine, churns out 2 by 4s and other boards from fragrant spruce, with an American flag printed on each stick. The Brochu family, which has worked in forest products for four generations, says it uses nearly all American spruce and pine logs in its mills.

Jason Brochu has traveled to Washington with the U.S. Lumber Coalition to argue that Canadian mills in general aren't paying market prices for coniferous logs cut from "crown," or provincial government-owned, land. He backs the preliminary tariffs that Commerce Secretary Wilbur Ross imposed this year and believes any deal to avoid tariffs should limit Canadian lumber strictly to a limited share of the American market.

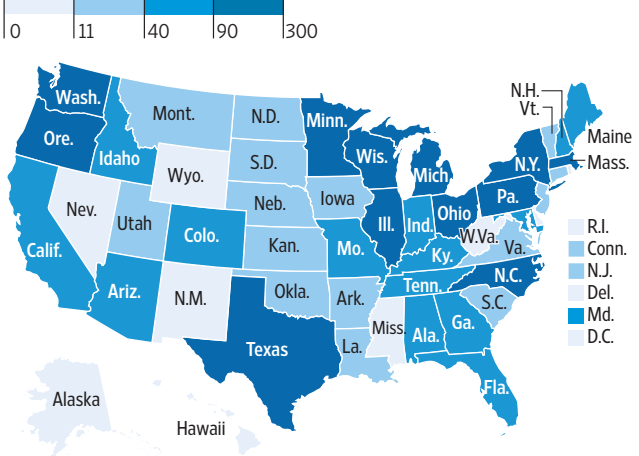
With the uncertainty hang-

Tree Trade

Canadian softwood lumber is used across the U.S., with border states and large home-building markets importing the biggest share of the boards, which now face preliminary U.S. tariffs.

Softwood lumber imports from Canada

January through June 2017, value in millions of dollars



Source: U.S. Census Bureau

THE WALL STREET JOURNAL.

ing over the market, the Brochu for now are delaying a goal of expanding production, instead investing in upgrading equipment to boost efficiency.

"If we can't be competitive because of subsidies, then we have to maintain what we have," Mr. Brochu said. He said his firm faces competition from companies in Quebec that obtain logs both from private land and Canadian public land.

Quebec has faced lumber tariffs before, but neighboring New Brunswick was for years previously excluded from U.S. tariffs.

This year, Mr. Ross included New Brunswick in the preliminary tariffs. The move is supported by the U.S. Lumber Coalition, a powerful group that has the backing of at least 25

U.S. senators.

In Maine and New Brunswick, politicians are concerned that penalizing New Brunswick lumber could hurt the Twin Rivers paper operation as well as major timberland and sawmill owners on both sides of the border.

The Canadian government and the country's industry groups call the U.S. allegations baseless and say they are prepared to fight the tariffs.

Permanent tariffs would "drastically increase the cost of the wood chips and biomass used by the Madawaska paper mill," Twin Rivers's Mr. Winterhalter wrote to Mr. Ross. "These increased costs have the potential to destroy the financial viability of the Madawaska operation and eliminate thousands of jobs in northern Maine."

Russian Hard-Liner Named U.S. Envoy

Opening Nafta Talks Bare Divisions

By **THOMAS GROVE**
AND **JAMES MARSON**

MOSCOW—Russian President Vladimir Putin appointed a hard-line diplomat known for his gruff style as Moscow's new ambassador to the U.S., signaling a more confrontational approach to Washington.

Monday's appointment of Anatoly Antonov, who served for nearly five years in the Defense Ministry, will bring a harsher line at a time when ties between the two countries are at their lowest point since the fall of the Soviet Union.

"His positions are defined by his experience with the Ministry of Defense," said Andrey Kortunov, the head of the Russian International Affairs Council, which has ties to the Foreign Ministry. "Antonov has always been defending the Russian trenches."

The diplomat will have to navigate what some analysts say may become a downward spiral in U.S.-Russian relations of sanctions and counter-sanctions. On Monday, the U.S. Embassy in Moscow said it would sharply cut back visa services in Russia after the Kremlin in

July forced the U.S. to cut hundreds of diplomats and staff.

Mr. Antonov will be arriving in Moscow in the midst of a growing investigation into ties between members of U.S. President Donald Trump's campaign team and Russian officials, including former Ambassador Sergey Kislyak.

Analysts say Mr. Antonov was selected last year, when Moscow believed Hillary Clinton, who Russian leaders believed would take a harder tack toward the country, would win the presidential race. But they say given the increasing tensions between Moscow and Russia, Mr. Antonov will serve the Kremlin's interests.

Mr. Kortunov said Mr. Antonov's arrival likely signals the start of a new approach from Moscow toward Washington, one that will likely see a more adversarial stance and lower chances of cooperation.

"We must understand that any cooperation will be situational and be transactional and that otherwise the U.S. will be hostile to Russia," he said.

By **SARA SCHAEFER MUÑOZ**
AND **BOB DAVIS**

WASHINGTON—Opening-round talks to remake the North American Free Trade Agreement revealed early fissures dividing the U.S. from Mexico and Canada, including a Trump administration proposal to require a "substantial" portion of autos and auto parts produced under the pact be made in the U.S.

The renegotiation of the trade deal, which was one of President Donald Trump's main campaign promises and a key pillar of his "America First" agenda aiming to revive U.S. manufacturing and reduce the country's trade deficit, is likely to face many hurdles.

Auto makers in all three nations generally oppose the stricter rules floated by the U.S. negotiator, and pro-business lawmakers in Congress don't want the pact altered to restrict trade.

In the first-round talks, which concluded Sunday, the three countries said they had made "detailed conceptual presentations" of their positions and were working toward "an ambitious outcome" through a fast-paced schedule of negotiations.

Early tensions over areas



Trucks pass through U.S. customs in Laredo, Texas. Early tensions signal a tough road ahead in Nafta talks.

such as rules of origin—a major issue for the automotive industry—signaled the tough bargaining that lies ahead as the three nations try to wrap up a deal by early next year.

Rules of origin requirements govern what portion of a product must come from within the bloc to qualify as tariff-free.

The chief U.S. negotiator, Robert Lighthizer, came into the talks Wednesday saying

the U.S. would insist on tightening the rules of origin, and adding a provision covering U.S. production, an idea quickly dismissed as unworkable by Mexican and Canadian officials.

At this early stage, it is difficult to measure the depth of the disagreement. Opening rounds generally set the tone and schedule for negotiations.

The U.S. has yet to release specifics on some of its most

controversial positions, including measures to reduce its trade deficit, prevent currency manipulation, favor U.S. companies in government contracts, known colloquially as Buy America, and rework rules governing arbitration panels.

Discussions continue within the administration about how to accomplish those goals without harming U.S. companies, U.S. and industry officials said.

SHIP

Continued from Page One

"The chief of naval operations' broader inquiry will look at all related accidents at sea, that sort of thing. He is going to look at all factors, not just the immediate ones," Mr. Mattis said.

Sen. John McCain (R., Ariz.), chairman of the Senate Armed Services Committee, said Monday he agreed on the need to look behind the recent collisions.

"I agree with Adm. Richardson that more forceful action is urgently needed to identify and correct the causes of the recent ship collisions," Sen. McCain said. "I expect full transparency and accountability from the Navy leaders as they conduct the associated investigations and reviews."

The guided-missile destroyer USS John S. McCain, the warship in the latest incident, was named after the senator's father and grandfather.

The missing sailors are believed to have been thrown overboard when an oil-and-chemical tanker struck the ves-



MASS COMMUNICATION SPECIALIST 2ND CLASS JOSHUA FULTON/U.S. NAVY/AP

The collision tore a gash in the side of the USS John S. McCain.

sel after 5 a.m. east of Singapore and the busy Strait of Malacca, according to Malaysian officials involved in the rescue operation. U.S. and Singaporean officials said that the front of the tanker struck the warship on the rear left side.

The 30,000-ton Alnic MC, though empty of cargo, tore through the destroyer's hull, flooding the crew berthing, machinery and communications rooms as the crew sought to limit the damage, the Navy said.

Malaysian search opera-

tions were called off Monday night due to rough seas and would continue at 7 a.m. Tuesday, the director of the Malaysian search said. Singapore authorities said their search would continue overnight. The McCain returned to port in Singapore on its own power.

There were no injuries aboard the Alnic, according to Stealth Maritime Corp., which manages the tanker. Stealth Maritime said there was no reported pollution of the area as a result of the collision.

Since June, two of the 7th Fleet's 12 destroyers have been taken out of service because of collisions. The McCain incident came days after the Navy released an initial report on the June 17 collision of the USS Fitzgerald, another 7th Fleet destroyer, with a merchant ship in Japanese waters, leaving seven Navy sailors dead. The Fitzgerald's captain, the executive officer and the senior enlisted sailor were relieved of command, based on what the investigation had found so far.

In May, another 7th Fleet ship, the USS Lake Champlain cruiser, collided with a South Korean fishing boat. The 7th Fleet, which is based in Japan and operates in Asian waters, is commanded by Vice Adm. Joseph P. Aucoin.

A Navy spokesman declined to comment on the lead-up to the collision nor how other ships may be redeployed, adding that the focus is now on the rescue operation. He didn't address questions about the Navy's navigational capability.

The USS John S. McCain was entering one of the world's busiest sea lanes when it collided with the tanker. Around half of the world's sea-

borne shipments by tonnage and around 70% of Asia's oil imports pass through the Strait of Malacca each year, according to market intelligence firm IHS Markit.

The two vessels were at a point where broader waters funnel into the narrow strait. The Strait of Malacca is governed by rules that split ships into traffic lanes, with each vessel responsible for its own navigation.

As in road traffic, the ship on the right has the right of way, with the ship on the left obliged to yield. Once vessels are around half a mile apart on a collision course, it can't be avoided, maritime experts said.

Ships traveling through the Strait of Malacca are typically navigated by their commanders, said Yannis Sgouras, a retired Greek captain who has crossed the straits dozens of times. "Accidents happen there because it's a chokepoint, but this one is strange because U.S. Navy ships are highly maneuverable with high-tech radar and navigation systems. One of the two ships got out of course or one tried to overtake the other," he said.

The Alnic MC is 600

feet long. It belongs to Energetic Tank Inc., and is managed by Stealth Maritime, both Greek firms, according to a spokesman for Stealth. Shipping tracking firms had noted the ship's registration under another firm, Brave Maritime Corp., owned by Greek shipping magnate Harry Vafias.

The Alnic anchored off the coast of Singapore late Monday under its own power, pending damage assessments. It suffered a gash toward the front of the ship, the Stealth spokesman said, but the damage was over the waterline.

The McCain was escorted by Singapore Navy vessels back to the city-state.

Both Singapore and Malaysia claimed responsibility for leading the search-and-rescue operations. The collision took place a few kilometers from Pedra Branca, a tiny rock that the two nations dispute. An international ruling in 2008 declared the island belonged to Singapore, a decision Malaysia challenged as recently as June.

—Saurabh Chaturvedi, Yantoultra Ngui, Gaurav Raghuvanshi and Costas Paris contributed to this article.

U.S. NEWS

Trump and the CEOs: A Soured Partnership

Top executives were cautiously optimistic the president's goals were their own—then came the travel ban, Paris and Charlottesville

Can this relationship be saved?

By Vanessa Fuhrmans,
Joann S. Lublin
and Emily Glazer

Few chief executives openly supported candidate Donald Trump in the 2016 election. Yet by the time of his inauguration, many were expressing cautious optimism they could work with a president who presented himself as a leader with business acumen.

Many of Mr. Trump's stated priorities—lighter regulation and a tax overhaul—are supported by corporate leaders. Comforting some executives, Mr. Trump appointed several CEOs to his cabinet, such as Exxon Mobil Corp.'s Rex Tillerson and billionaire investor Wilbur Ross.

"Everyone wanted to support the president in making the country and its economy better," said Kathryn Wylde, chief executive of the Partnership for New York City, a group that represents major Wall Street firms and U.S. companies, and who led a CEO delegation to the White House earlier this year.

Last week saw a parade of top executives distancing themselves from the president, in some cases sharply, in response to his comments about racial violence in Charlottesville, Va. Once executives started quitting the president's advisory councils, the groups disbanded, a rare instance of companies putting themselves squarely into the political sphere.

"The social issues became too difficult to navigate," said Ms. Wylde.

Charlottesville was the tipping point, not the cause. Behind the scenes, some executives say, ties had been growing strained for months.

Then-Uber Technologies Inc. Chief Executive Travis Kalanick, initially a supporter of Silicon Valley engaging the president, was the first to quit a White House council in early February, following employee pressure and a social-media backlash relating to Uber's response to the president's proposed travel ban.

David Crane, former CEO of power company NRG Energy Inc., and now senior operating executive at Pegasus Capital Advisors, said the president's decision to withdraw from the Paris climate accords, despite intensive industry lobbying, "was seen as a slap in the face by many executives."

The Twitter threat

From the beginning, many were uneasy about Mr. Trump's habit of calling companies out by name on his Twitter account—even for praise.

Apple Inc. executives chose to bite their tongues when in July the president incorrectly portrayed the company's plans to build plants in the U.S. Similarly, Merck & Co. chief Kenneth Frazier and Walt Disney Co. CEO Robert Iger chose to overlook issues where they and the White House differed so they could have a voice in deliberations, according to industry executives and Mr. Iger.

As early as February, the heads of two dozen manufacturers got a taste of the president's style. At a White House meeting to discuss job creation, Mr. Trump urged General Electric Co.'s Jeff Immelt to share how the president hit a hole-in-one during a golf game they played together. At GE's next board meeting, directors ribbed Mr. Immelt for telling the story, according to a person familiar with GE. (Mr. Immelt stepped down as GE's chief executive this month but remains chairman.)

By June, CEOs on the White House councils were already discussing whether to disband them, because of the time commitment and the increasing costs of a close association with the



Above: President Trump met with business leaders at the White House in January. Below: Demonstrators protested over the Paris decision.



CHIP SOMODEVILLA/GETTY IMAGES (TOP); SUSAN WALSH/ASSOCIATED PRESS

White House.

"It's not in the mandate of a company to enter politics, but CEOs are politicians, too," said Eric Dezenhall, a Washington consultant who helped companies respond to Charlottesville. "They have their own bases and constituencies of employees and consumers and shareholders that they also have to navigate."

The question now is whether Mr. Trump can win them back. During President Barack Obama's two terms, chief executives often felt like they were treated as bystanders, and some hold out hope for working with the administration.

Kevin Burch, president of Dayton, Ohio, trucking company Jet Express Inc., said recent events shouldn't overshadow policy goals. His industry wants a seat at the table for many of the same reasons that attracted CEOs in the first place.

"The president's a business guy," he said. "We think infrastructure is something he can really get his arms around and get some movement."

Larry Kudlow, a commentator and informal economic adviser to Mr. Trump, who helped draft a campaign tax plan, said while CEOs are sensitive to social issues, they haven't broken from Trump policies particularly on deregulation and the tax code.

"This is going to blow over," he said. "I guarantee you that he will be on the phone with many of them."

The White House said the councils, a standard and often ineffective device used by administrations of all political stripes, had outlived their purpose. Trump aides

said they retained open lines to business leaders. "We have an incredible amount of CEOs that want to give us their advice and guidance," one official said.

When Mr. Trump announced his bid for the presidency, few prominent business figures, apart from venture capitalist Peter Thiel, threw their support behind him. By the end of August 2016, not one CEO at the nation's 100 largest companies had donated to his campaign, according to a Wall Street Journal analysis.

During the transition and the early days of the presidency, many felt a cautious optimism. Stephen A. Schwarzman, chief executive of investment firm Blackstone Group, declared a new era for economic growth at January's World Economic Forum gathering in Davos, Switzerland.

Declining to work with Mr. Trump risked incurring his wrath on Twitter.

Health-care company executives such as Johnson & Johnson Chief Executive Alex Gorsky and Merck's Mr. Frazier worried not engaging the president—who had criticized drugmakers as "getting away with murder"—might make it easier for his administration to give Medicare the power to negotiate and lower drug prices, according to industry officials.

Not on the invite list

Connecticut-based United Technologies Corp. had been targeted by Mr. Trump on the campaign trail over plans to ship jobs from its U.S.-based Carrier Corp. subsidiary to Mexico. The company and the president-elect later struck a deal af-

ter the election to keep some jobs in Indiana.

CEO Gregory Hayes appeared at the White House early on a rainy January morning for the president's first meeting with corporate chieftains. It was an inauspicious start. Mr. Hayes was left waiting outside the gate and eventually left. His name had been left off the list of invitees, according to people familiar with the incident.

Mr. Trump's initial immigration ban, imposed days after his inauguration, posed the first major test. Some tech companies had immigrant employees stranded outside the U.S. Employees at technology firms in particular were restive.

Microsoft Corp. initially issued a neutral-sounding statement stressing the importance of immigration. A day later, it sharpened the tone, calling the policy a "fundamental step backwards."

By early February, more than 130 mostly tech companies had joined legal action against the ban, which proposed temporarily barring travel from some Muslim-majority countries. The administration said the policy, now tied up in the courts, was needed to combat terrorism.

Executives on the president's strategic and policy forum were unhappy, but disbanding wasn't on the table, people familiar with the group's discussions said. Instead, members discussed whether to confront Mr. Trump about the policy during the group's first meeting in February. There, Tesla Inc.'s Elon Musk kicked off the criticism, which participants said Mr. Trump acknowledged.

'I think there is a certain level of euphoria out there that we're going to see tax reform.'

United Technologies Corp.
Chief Executive
Gregory Hayes, Feb. 22, 2017

'I feel a responsibility to take a stand against intolerance and extremism.'

Merck & Co. Chief Executive
Kenneth Frazier,
Aug 14, 2017

Executives took heart that the president could be persuadable. At the same meeting, Mr. Trump asked J.P. Morgan Chase & Co. chief James Dimon to back his argument that China was a currency manipulator.

Mr. Dimon disagreed, according to people familiar with the meeting.

"They're not, Mr. President," he said. "They're defending their currency." Gary Cohn, the White House's economic adviser, and other members expressed similar views. Mr. Trump backed off the subject, and two months later, his administration chose not to tag China with the label of currency manipulator.

By late spring, business leaders were growing weary of having to publicly defend their participation with the White House.

Walt Disney CEO Mr. Iger, the target of online petitions with hundreds of thousands of signatures calling for him to withdraw from the business council, responded at a March shareholder meeting that his participation didn't mean he agreed with all Trump policies.

Quoting a song from the Broadway hit "Hamilton," he said remaining on the council gave him a voice "in the room where it happens."

Others bit their tongues. When in a July interview Mr. Trump told the Journal that Apple CEO Tim Cook had promised to build "three big plants, beautiful plants" in the U.S., Apple declined to comment publicly.

Though Mr. Trump had incorrectly portrayed Apple's U.S. plans, Mr. Cook didn't openly challenge the president because "it would have been a tweet war," according to a person familiar

with the company.

Over the months, leaders brooded to their boards and families over whether they should take a stand against the president, according to leaders and corporate advisers.

"Informal conversations among board members often revolved around 'what do you tell your kids?'" said Leslie A. Brun, Merck's lead director and CEO of Sarr Group LLC, an investment holding company.

Doubts over Paris

Some business leaders broke with Mr. Trump after the June decision to withdraw from the Paris climate accord.

Dozens had publicly urged the president to keep the deal, and several, including Dow Chemical Co. head Andrew Liveris and Apple's Mr. Cook made the case directly to the president that the treaty benefited job growth.

Within hours of Mr. Trump's decision, Mr. Iger and Mr. Musk quit the presidential council. Mr. Iger told only a few senior executives at Disney about his decision before announcing it in a tweet, according to a person close to the CEO.

By then, individual members of both main business advisory councils had been discussing disbanding them, given they had met only a few times, according to participants. The discussion picked up steam in July, when Mr. Trump moved to bar transgender people from serving in the military, they said.

In recent weeks, IBM's Ms. Rometty and Boston Consulting Group head Rich Lesser asked Mr. Schwarzman, the head of the strategy advisory council, about the future of the group and its effectiveness, given the pressure they were under from employees and the public, said people familiar with the group.

On Aug. 13, after the president's initial Charlottesville response, Merck's Mr. Frazier called Mr. Brun, the Merck lead director, to tell him that his conscience wouldn't permit him to stay on the manufacturing council, Mr. Brun said. Under Armour Inc.'s CEO Kevin Plank soon followed, along with Intel Corp.'s Brian Krzanich.

After Mr. Trump's Tuesday news conference, in which he apportioned blame equally between hate groups and people protesting them in Charlottesville, other executives said they had no choice but to go.

—Ted Mann,
Jonathan Rockoff,
Andrew Tangel
and Ben Fritz

contributed to this article.

From Parties to Research, Eclipse Stars

ions watched the
such solar
ttacle across the
since 1918

ROBERT LEE HOTZ

es skyward, millions of
icans were transfixed by
spectacle of a total solar
se midday Monday, as the
's shadow raced from
to coast like a brush
e across the canvas of the
ment.

likely was the most-
ed solar eclipse in his-
despite cloud-cover in
regions, and certainly
most closely scrutinized
scientists. Expectations
stoked by months of
and ballyhoo, with more
two million social media
filed in the 24 hours
ng up to Monday's solar
acle, according to Talk-
er Inc., a social media an-
s company in New York.
told, 200 million people
within a day's drive of
zone of totality, as the
of complete darkness
g a total eclipse is called,
ne epic traffic jams feared
ate and federal highway
als failed to materialize.
d, morning traffic along
al major highways to key
ng areas appeared rela-
light.

en so, satellite images
a by DigitalGlobe Inc.
ed overflow crowds at
e viewing sites in Oregon
elsewhere along the nar-
2,400-mile-long corridor
ality. Many people pulled
to the side of the road to
n. At one rest area along
near Santee, S.C., cars
parked four deep in
s by midmorning.

r many of those who
a special pilgrimage to
grounds, mountain peaks
parks, or who simply
ed in their errands to
along sidewalks and



Nathan Mauger and Connie Young, with family and friends, toasted to the solar eclipse in Spokane, Wash., on Monday after their wedding ceremony.

roadsides, the fleeting min-
utes when the sun revealed its
halo offered a moment of com-
munity, inspired by the clock-
work movements of our sun,
moon and home planet.

"There were maybe 40 mil-
lion people across the U.S.
looking at the same thing at
the same time," said astro-
physicist Ed Guinan at Vil-
lanova University who has
seen eight total eclipses. "That
gives me goosebumps."

It was the first time since
1918 that a total solar eclipse
crossed the U.S. coast to coast.
From Oregon to South Caro-
lina, many people hit their
pause button for a day of awe

and high jinks. Challenger,
Gray & Christmas Inc. esti-
mated the cost of the day's
lost productivity at \$694 mil-
lion.

Stargazers started gather-
ing along the airstrip at
Glendo, Wyo.—smack in the
middle of the 70-mile-wide
path of totality—before dawn
Monday. From the backs of
trailers and vans, amateur
stargazers set up long-lens
cameras on tripods and high-
powered telescopes.

"It's like a Star Trek con-
vention combined with Back-
packing World," said Kip Tani,
who made the three-hour
drive up from Fort Collins,

Colo., starting at 4 a.m., with
his family. "It's quite a scene."

In the Cascade Range high-
lands near Madras, Ore, 10
wing suit enthusiasts at-
tempted a coordinated group
flight at the height of the
eclipse, in a stunt organized
by Outside TV.

For thousands of astron-
omers and solar physicists, it
was a rare opportunity to
study the tenuous outer atmo-
sphere of the sun—the corona
—normally obscured by the
star's blinding light. Research-
ers scrutinized many aspects
of eclipse with sensors aboard
50 high-altitude balloons, 11
orbiting satellites, the Interna-

tional Space Station, and thou-
sands of ground-based tele-
scopes.

Astrophysicist Thomas Zur-
buchen, head of NASA's sci-
ence mission directorate,
watched the eclipse aboard an
agency jet flying at 35,000 feet
off the Oregon coast. "I saw
the atmosphere of our star for
the first time with my own
eyes," he said. "I saw the lunar
shadow sweep over the clouds
at the speed of darkness."

Thousands of student as-
tronomers and volunteer sky
watchers collected data
through telescopes, other
high-altitude balloons, and
personal smartphone cameras.

They also studied how an-
imals reacted to an eclipse.

At California's Oakland Zoo,
a troop of baboons se-
listless, with many of
hiding at the height of a
tial eclipse there that
ened the skies like sun-
Nearby, three camels also
played unusual behavior,
dling together and swir-
their necks around.

"The camels are a
weird," said zoo spokeswo-
Erin Harrison.

—Daniela Hernandez
Ashby Jones
Leubsdorf, Jim Ca-
and Christopher Z
contributed to this ar-

Confederacy Group 'Reeling' From Memorial Removal

WENNIFER LEVITZ

men vandals defaced a
ederate memorial at a Los
les cemetery last week,
ee Scarlett Stahl took it
nally, as if her own prop-
ad been damaged.

a way, it had. She heads
California division of the
d Daughters of the Con-
facy, a national organiza-
whose members donated
arge stone and bronze
ment to Hollywood For-
Cemetery in 1925 and
the driving force behind
s of the Confederate
ments across the U.S.
are now being decried as
ols of bigotry and are be-
argeted for removal.

feel very hurt, like this is
my America," Ms. Stahl
choking back sobs as she
ed how she had to autho-
having a truck haul the
ment away to storage
Wednesday.

celerated efforts by cities
activists across the U.S. to
tve Confederate monu-
s in the aftermath of the
y white supremacist rally
harlottesville, Va., has
t the United Daughters of
onfederacy, a lineage so-



The pedestal where Baltimore's Confederate Soldiers and Sailors Monument stood before removal.

ciety, reluctantly into the fray
because of its influential role
in spreading these memorials
often seen as valorizing those
who fought to secede from the
union.

It is an uncomfortable spot
for the private group founded
in 1894, and the momentum

against the statues is starting
to take a toll.

"They're reeling, the daugh-
ters are," said Susan McCro-
bie, the current historian and
past president of the United
Daughters' Kentucky Division,
describing the mood in the or-
ganization in recent days.

Mrs. McCrobie said many
members felt sadness about
the deadly Charlottesville
rally, where the scheduled re-
moval of a statue of Confed-
erate Gen. Robert E. Lee touched
off the initial demonstrations.
They are also upset, she said,
that white supremacists had

latched onto the monument
debate. "The UDC has nothing
to do whatsoever with white
supremacy," she said.

The national president of
the United Daughters didn't re-
spond to requests for comment.

There are more than 700
Confederate monuments and
statues on public property in
the U.S., according to a 2016
study by the Southern Poverty
Law Center. The United
Daughters of the Confederacy
was a key organizer and fund-
raiser behind the majority of
them, Mrs. McCrobie said.

Among the group's gifts: a
1903 monument in Baltimore
that was hauled off in a stealth
operation before dawn
Wednesday; a 1904 statue in
Alachua County, Fla., nick-
named "Old Joe," which was
taken down last week; and the
Confederate Memorial Foun-
tain in a park in Helena, Mont.,
that was removed Friday.

The Daughters, who must
provide "proof of ancestors'
service to the Confederate
States of America," grew out of
several Southern women's as-
sociations that formed after the
Civil War. Many women were
suffering because they had lost
fathers, brothers, husbands and

sons in the country's blood-
conflict, which resulted in
heaviest number of deaths
the Confederate side.

The earliest monument
erected by these women's
groups—from the late 1860s
around 1890—were typi-
cally placed in cemeteries as
pressions of grief.

But the tone and place
of the monuments shifted
the end of the 19th cen-
Against the backdrop of r-
Jim Crow laws in the south
wave of more resplendent
monials erected largely thr-
the 1920s were placed pre-
nently in public areas
sought to pay tribute to
Confederate cause and co-
white dominance, said J-
Elliott, an associate profes-
of history at the Universi-
North Carolina at Greens-
The United Daughters
the Confederacy "really
wired the 'Lost Cause' in
of ways," said Brian Jorda-
assistant professor of his-
at Sam Houston State Un-
sity in Texas, referring to
specious notion" that the
wasn't about slavery, that
fight was never fair and t-
culture had been lost as
sult of the war.

In Boston, Police Tactics Helped Keep Huge Protest Ordered

M CARLTON

ing demonstrators and an
estimated 40,000 counterpro-
testers. "We didn't want what
happened in Virginia to hap-
pen here," Boston Police Com-
missioner William Evans told
reporters afterward. "We
didn't want them at each
other's throats."

Uniformed police officers
also circulated in the crowds
looking for troublemakers. A
total of 33 people were ar-
rested, mostly for disorderly
conduct and some for assault-
ing the police.
Most important, Boston po-
lice enforced a city rule of no
weapons at the event, other
law-enforcement officials and
observers said. Even sticks and
flagpoles, such as were used to
fight in Charlottesville, were
confiscated by police.
"It shows they had a lot of
preplanning," said William
Lansdowne, former police
chief of San Diego. "They

planned to have a lot of
police in regular uniform,
dispersed within the group.
Then they had a contingent of
a lot of tactical officers
nearby. It created an environ-
ment where people don't eas-
ily get involved in violence."
Other large cities, including
San Francisco, have learned to
manage such large demon-
strations. Seattle police now
route opposing groups after
being criticized for letting
mass protests descend into vi-
olence during a World Trade
Organization meeting in 1999.



Saturday's counterprotest drew about 40,000 people in Boston.

San Francisco, have learned to
manage such large demon-
strations. Seattle police now
route opposing groups after
being criticized for letting
mass protests descend into vi-
olence during a World Trade
Organization meeting in 1999.

San Francisco, have learned to
manage such large demon-
strations. Seattle police now
route opposing groups after
being criticized for letting
mass protests descend into vi-
olence during a World Trade
Organization meeting in 1999.

science," said Anthony Ribera,
former San Francisco police
chief. "It's pretty basic in keep-
ing antagonists separate."

Mr. Ribera said major cities
have an advantage over
smaller ones because they deal
with so many more demon-
strations and have greater re-
sources. Charlottesville has
130 police officers, compared
with about 2,000 in Boston.
When he was San Francisco's
chief in the 1990s, for instance,
Mr. Ribera said his department
had to monitor more than 200
demonstrations a year.

Smaller cities sometimes
have a tougher time maintain-
ing control. Police in Berkeley,
Calif., were unable to prevent
violent clashes between conser-
vative demonstrators and anti-
fascists at three pro-right rallies
between February and April.
With a "No to Marxism in
America" rally set for Aug. 27 in
Berkeley, the City Council on

measure giving local off-
broaden authority to pro-
weapons or other hazar-
items at demonstrations.

Mr. Ribera said smaller
cities can help compensat-
their lack of size by call-
more help from larger a-
cies. Berkeley, Calif., has
so under a mutual-aid
with other cities and agen-
But Berkeley officials
been criticized for call-
outside help too late in s-
instances and for taki-
hands-off approach to
tests. City officials have
they didn't want to tak-
tions that might have res-
in more violence.

"The key is to get help,"
Mr. Ribera, also director of
International Institute of
inal Justice Leadership at
University of San Fran-
"Always err on the side of
ing too much manpower."
—Zuscha F.

IN DEPTH

BRAZIL

Continued from Page One

public funding for political parties and has put few rules in place so far to limit the creation of new ones, partly in a bid to foster the country's young democracy. Parties have proliferated as a result.

The majority of would-be party founders are ordinary people angry about Brazilian politics who figure they couldn't do any worse than the politicians now in office.

Under current rules, parties automatically receive about \$30,000 of taxpayers' money a month—\$360,000 a year—once they are approved by the electoral court, and a bonus for each member elected to Congress.

Brazil's largest parties are seeking to change those rules in a bid to protect their turf. Congress is set to vote as early as Wednesday on a constitutional amendment that would effectively reduce the number of political parties in Brazil by allowing funding only after they have elected a minimum number of lawmakers.

Political scientists say the country's problem is too many parties. With 35 official political parties in existence, and

26 of them represented in Congress, most lawmakers just spend their time coalition-building.

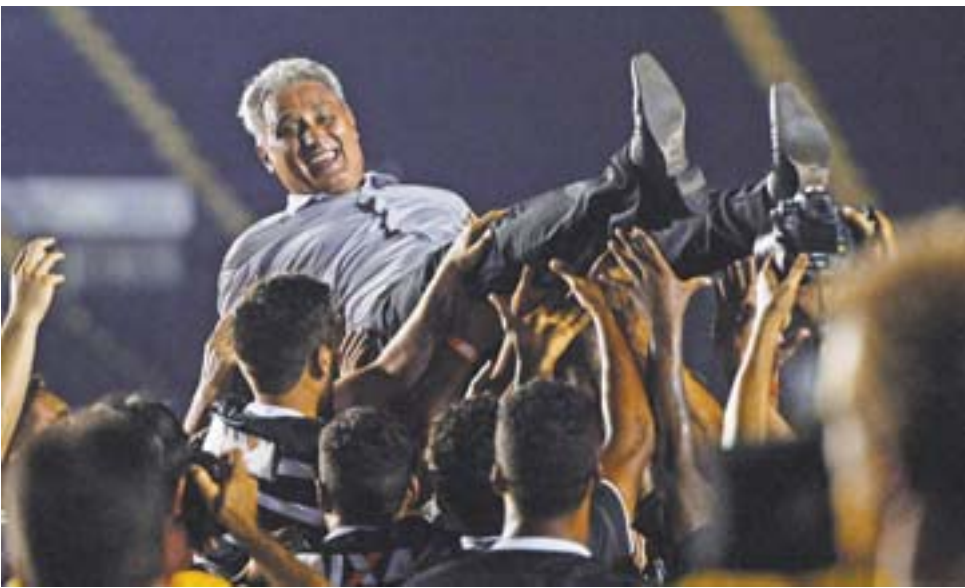
"It's become a joke but really it's a tragedy," says Paulo Sotero, director of the Brazil Institute of the Woodrow Wilson International Center for Scholars in Washington.

One of the parties hoping to get registered for next year's presidential election was formed by Juan Moreno, 40, a burly gas station owner from the beach town of Ubatuba.

Like most of his countrymen, he's livid about corruption so widespread that a third of all members of Congress are under investigation, mostly for graft but a couple for rape and attempted homicide—allegations they have denied, except in a few cases involving minor infractions.

Mr. Moreno is also obsessed with soccer. To combine both passions, he founded the National Corinthians Party in 2014, after his beloved São Paulo soccer club, Corinthians.

Since then he has enlisted the help of his mom, his wife and hordes of soccer fans to prowl the streets with clipboards to gather the exactly 486,679 signatures required to become an official party in Brazil. He's got more than 400,000 and he has less than



Tite, then-coach of Corinthians, celebrates the sixth title of the Brazilian championship in 2015.

two months to collect the rest in time for the 2018 vote.

The next step is persuading Tite, the coach of Brazil's national soccer team, to run for president of the republic. "Can you imagine that?!" Mr. Moreno said, wide-eyed at the prospect, on a recent visit to the party's São Paulo headquarters in a run-down shopping mall.

Many aspiring parties don't seem overly concerned with ideology beyond the cause suggested by their names. Mr. Moreno's Corinthians Party

doesn't have any policies yet or official positions. "Abortion, homosexuality, blah blah, the masses don't discuss that," he says.

Other platforms are painstakingly specific, though few seem to offer solutions for the country's deeply troubled state of government finances or other big problems. Some of the potential parties are focused entirely on single issues, such as the struggles of indigenous tribes, slum-dwellers and disabled people.

With Brazil's entire political system now discredited by corruption allegations, the fad now is to avoid the word "party." Among the list of party hopefuls are Equality, Popular Unity, Renovate, Popular Tribune, Real Parliamentary Democracy, Strength Brazil, New Social Order, Common Citizen Movement and Roots.

Over the past three years, Brazil's vast Car Wash corruption probe has implicated scores of top politicians, including President Michel Te-

mer and former leader Luiz Inácio Lula da Silva. Both have denied wrongdoing.

It isn't always easy setting up a political party. Mr. Moreno was disavowed by the Corinthians soccer club, who dismissed him and his party as "opportunists." Local press branded him a thug for hitting a military policeman—an incident Mr. Moreno says was self-defense. Corinthians fans are eager to sign up; supporters of other clubs are harder to convert, he says.

Mr. Moreno is still optimistic. "Politics is not just for boring men in suits; it's for simple folk too," he says. "We will make Brazilians proud to be Brazilian again!"

One of the Animals Party's founders, Alexandre Gorga, is a bashful security guard at Brazil's Supreme Court. His wife, an animal-rights activist, urged him to take action around the time she persuaded him to stop tormenting cows by giving up milk and cheese.

It wasn't long before the couple won the support of Nicole Puzzi and other vegans, a relatively isolated group in meat-loving Brazil. Like Ms. Puzzi though, the thought of actually running for office leaves him queasy. Mr. Gorga says: "I never wanted to get involved in politics."

EUROPE

Continued from Page One

has frightened off parts of the center electorate in Europe."

The tide of far-right and populist parties is still running high in Europe by historical standards, even with the economy picking up steam, and some voters say it wouldn't take much to see them switch back their support.

Far-right and other populist parties made significant gains, despite recriminations over their tactical decision to up their anti-EU rhetoric. National Front leader Marine Le Pen won 34% of the vote in France's presidential election, her party's highest-ever share. Her vanquisher, Mr. Macron, has struggled in his early days with falling poll numbers and some domestic political setbacks.

The anti-immigration Alternative for Germany party, or AfD, is on course to enter the German parliament in September's national elections, the first time a far-right party has done so in decades.

In Austria, elections in October could put the far-right Freedom Party in a position to join the next government. Italy's ideologically eclectic 5 Star Movement, fueled by fury at incumbents, could become the country's biggest party in elections due next year.

Yet in most of Europe, elections and surveys suggest that populism might have peaked—at least for now. Support for European antiestablishment parties rose to just over 30% in opinion polls in 2016, but has declined to around 23%, according to a composite measure of opinion-poll support developed by economists at bank Nomura Holdings.

The current level of support still represents a substantial increase from five years ago. That suggests the populist movement is here to stay, even through recent election tactics appear to have backfired.

The Dutch Party for Freedom, led by anti-Islam firebrand Geert Wilders, won more seats in elections this March than in the previous elections in 2012, but fewer than in 2010. Mr. Wilders missed his goal of becoming the Netherlands' biggest party. Like Mr. Wilders, France's Ms. Le Pen performed worse in the presidential election than opinion polls last winter suggested she would. The AfD is polling about 8% in Germany, well below its 15% level of support last fall.

When the heads of Europe's populist parties gathered in the picturesque German Rhineland town of Koblenz in January, they believed momentum was with them. The U.K.'s Brexit vote and Mr. Trump's November victory, they said, heralded an antiestablishment wave that would sweep them into power or close to it, while bringing about the end of the EU in today's form.

"Yesterday a free America...Tomorrow a new Europe," Mr. Wilders told a cheering crowd from a stage shared with Ms. Le Pen and other allies.

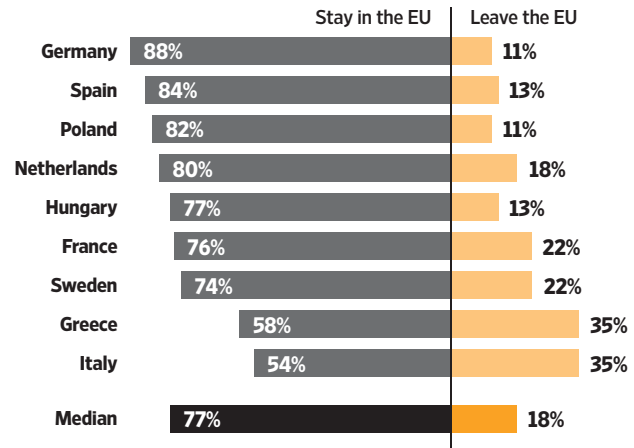
Mr. Wilders styled himself as the Dutch Trump. Ms. Le Pen visited Trump Tower in New York, although she didn't

Pro-European Union

European voters want to preserve the bloc.

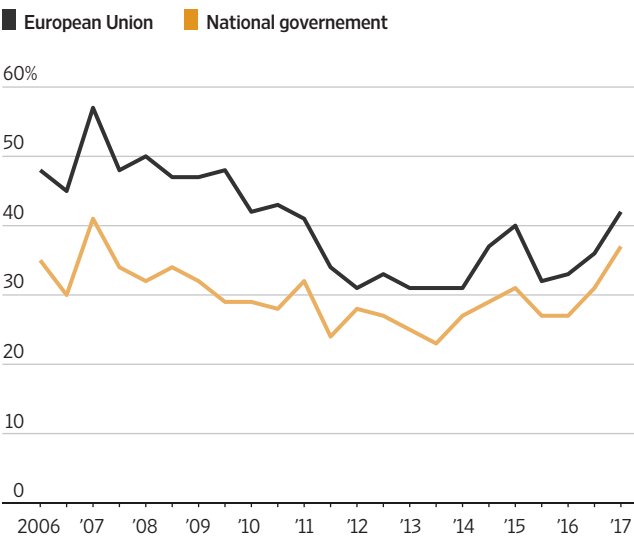
To Stay or to Go?

Large majorities across many EU member states want their nation to stay in the EU



Whom do you trust?

Trust in the EU has gained 10 percentage points since the fall 2015



Sources: Pew Research Center report on EU public opinion 2017 (staying or leaving EU); Eurobarometer report on public opinion, spring 2017 (trust in EU and national government, opinions on main areas for EU policy cooperation)

THE WALL STREET JOURNAL.

meet the president-elect. Each promised to emulate Brexit by holding referendums on leaving the euro or EU, proposals dubbed "Frexit" in France, "Nexit" in the Netherlands, and "Öxit" in Austria.

Incumbents believed that populist upsets were distinctly possible. In the German chancellor, some aides to Ms. Merkel feared they might soon lose France as a close and predictable ally. The multilateral order of the West, consolidated since the end of the Cold War, was felt to be in unprecedented danger. "If Le Pen wins, then the EU is over," predicted one longtime German official.

Yet many European voters were unsettled by what was happening in the U.K. and U.S. The U.K. has struggled to figure out how to disentangle itself from the EU. Germans' trust in the U.S. fell from 59% in Nov. 2016 to 21% in February, and has remained at low levels, according to opinion polls commissioned by public broadcaster ARD.

Support for the EU, battered by long crises over debt and migration, began to recover. The EU's own latest Eurobarometer report on public opinion, published in August, found that trust in the EU has risen to 42%, from 36% a year ago and 32% in late 2015.

Improving economic growth

in much of Europe, especially in the 19-country euro currency zone, helped blunt some of the discontent. Eurozone growth reached at an annualized pace of 2.5% in the most recent quarter, high by recent standards. That has helped slowly reduce the unemployment rate, which now stands at around 9% in the eurozone, compared with 12% after the region's debt crisis.

By 2017, Europe's recovery was spreading from Germany and Spain to laggards such as France and Italy, spurring

Outside the U.K., dissatisfaction with the EU didn't translate into support for leaving.

hope that Europe—apart from still-suffering Greece—can finally leave its decade of economic crisis behind.

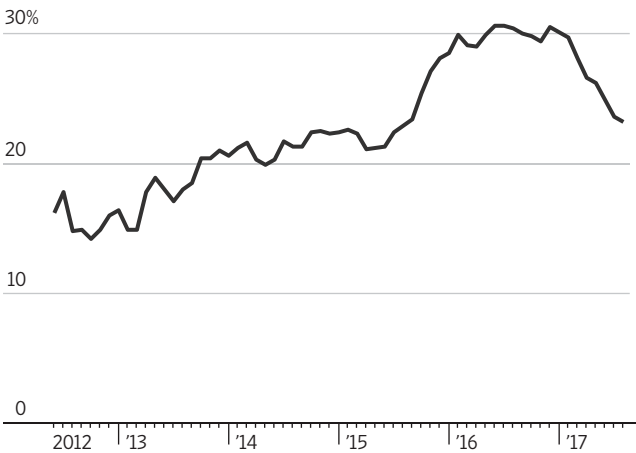
Mr. Wilders and Ms. Le Pen began slipping in opinion polls over the winter.

Peter Appelt, a 57-year-old worker in a train factory who lives in Germany's east, told The Wall Street Journal last year he supported the anti-immigration AfD party because Europe "doesn't work," and because he was fearful of the large influx of immigrants. "The other parties need to be taught a lesson," he said then.

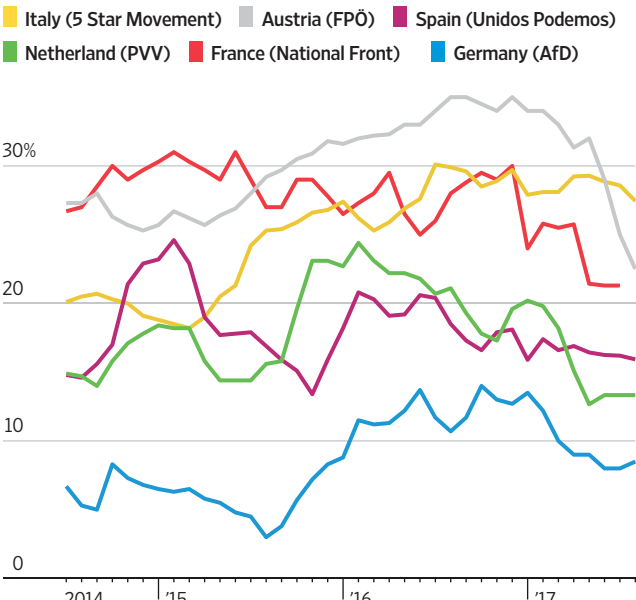
Peak Populism

Europeans have grown more skeptical of populist parties this year.

Opinion-poll support for antiestablishment parties in Europe*



Polling in six countries



*composite measure tracking opinion-poll support for AfD (Germany), National Front (France), 5 Star Movement (Italy), Unidos Podemos (Spain), PVV (Netherlands) and FPÖ (Austria)

Sources: Nomura

THE WALL STREET JOURNAL.

Now, he says he has changed his mind. He doesn't know yet who he will vote for in Germany's Sept. 24 parliamentary elections, he says, but it won't be the AfD. He says he finds the party too amateurish and extreme, and that watching events in the U.S. and U.K. has made him more skeptical.

He sees the AfD's policies as similar to Mr. Trump's. "He wants to wall off his country, and the AfD also wants to keep all foreigners from entering, and that doesn't work either," he says. Mr. Trump's political

could have used the new president's success to trumpet the feasibility of its own demands to close Germany's borders.

"Now that it's become tangled up in details, people are no longer paying attention," Mr. Gauland says.

Mr. Trump's mixed messages on traditional U.S. security commitments to European allies—in June he affirmed U.S. defense guarantees to NATO allies, after declining to do so at a NATO summit in May—have also hurt support for an EU-skeptic agenda, Mr. Gauland says. His party continues to campaign for a "Dexit" referendum on leaving the EU unless the bloc agrees to loosen ties between members.

Only 20% of Germans want a looser EU, however, while 78% support more cooperation between EU countries, according to an ARD survey this spring. Another survey by market-research firm GfK in March found that only 10% of Germans would vote to leave the EU in a referendum, while 75% would vote to remain.

In France, Ms. Le Pen hailed Mr. Trump and Brexit as halibingers and echoed the message of economic nationalism and sovereignty. She amplified her opposition to the EU and unveiled a plan in January to pull France out of the euro.

Some National Front politicians thought the party should

stick to its traditional anti-immigration theme. Among the sharpest internal critics was Ms. Le Pen's niece, Marion Maréchal-Le Pen, a rising star in the party since she won a parliamentary seat in the Vaucluse region of southern France in 2012 with an anti-immigration message.

Ms. Maréchal-Le Pen told the party brass that returning to the French franc was irrelevant to voters' problems in the coming decades, says her longtime lieutenant, Mr. Lépinau. "I don't care if one day my daughter needs to use francs or euros to buy her burqa," Ms. Maréchal-Le Pen told one leadership meeting, according to her spokesman.

The elder Ms. Le Pen stuck to the Frexit policy. In a televised debate against Mr. Macron, she gave a raucous performance. She spoke over Mr. Macron, gestured at him theatrically and falsely insinuated he had an offshore account.

A close aide to Ms. Le Pen says the performance gave an impression of recklessness that backfired with French voters. Already trailing in the polls, Ms. Le Pen slumped to a defeat by 32 percentage points.

Ms. Maréchal-Le Pen resigned from office after her aunt's defeat in May, leaving Mr. Lépinau to defend the Vaucluse seat in June's parliamentary elections.

His adversary was political neophyte Brune Poirson, a 34-year-old entrepreneur who says she decided to join Mr. Macron's brand-new party, "En Marche!", after Mr. Trump's win in November. "I was devastated," she says. "We had Brexit and then Trump, and I was like, 'We're going to have Le Pen.'"

The odds of her winning in the Le Pen family bastion were long. But the divisions in the National Front gave her an opening, as did the right's association with the American president in some voters' minds.

She won in an upset, partly because of a weak turnout among National Front supporters. Mr. Macron's upstart movement achieved a large majority in Parliament.

At meeting in late July, National Front leaders reaffirmed their opposition to the EU but said they would prioritize tougher immigration and trade policy over matters of "monetary sovereignty."

A survey of 10 EU countries published in June by the Pew Research Center found that Europeans remain critical of the bloc. A median of 46% disapproved of the EU's handling of its long economic crisis, while 66% disapproved of its management of the refugee crisis.

But dissatisfaction didn't translate into support for leaving. The survey found that, outside the U.K., a median of only 18% wanted to quit the EU, while 77% wanted to stay.

Mr. Appelt, the factory worker from eastern Germany, says voters such as himself will give mainstream politicians a brief opportunity to fix Europe's problems.

"It's now all about whether things take a turn for the better," he says. "If this doesn't happen in the next couple of years, then it is possible that Europe again simply takes a rightward turn."

LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

A Striking Rise in Allergy Cases

Insurance claims for dangerous reactions to foods like peanuts, eggs and dairy have increased by nearly five times over the past decade



THE RATE OF REPORTS of severe allergic reactions to foods like peanuts has increased by nearly five times over the past decade, according to a new analysis of private insurance claims.

The analysis looked at private insurance claims with a diagnosis of an anaphylactic food reaction from 2007 to 2016. Anaphylaxis is a systemic allergic reaction in which the immune system affects multiple parts of the body at the same time, often leading to trouble breathing. It can be fatal if not treated promptly and requires an injection of epinephrine and a trip to the emergency room.

The analysis was conducted by FAIR Health, a New York City-based, independent nonprofit that has a database of 24 billion medical and dental claims from 150 million privately insured people.

“This is an incredibly important study,” says James Baker, chief executive officer and chief medical officer for the Food Allergy Research & Education (FARE), a Virginia-based advocacy group. “Clearly our own information suggests that not just the frequency of people having food allergy but the severity of food allergy in individuals has increased dramatically.”

The proliferation of food allergies in the western world, particularly to peanuts, has baffled medical experts who struggle with how to advise parents and children for a condition with no permanent cure. Studies have found that as many as 8% of children have a food allergy, with nearly 40% having a history of severe reactions.

The increase could be related to the increasing use of antibiotics,

rising rates of C-sections, and an increasingly sterile environment, says Hugh Sampson, director of the Jaffe Food Allergy Institute at the **Icahn School of Medicine at Mount Sinai in New York City**. All have altered the good bacteria in our intestinal tracts, which alters the programming of our immune systems.

Many years of medical advice telling parents to avoid highly allergenic foods such as peanuts when children are babies may have

contributed to increasing allergy rates, he says.

Earlier this year medical organizations changed their advice recommending that babies at high and moderate risk of developing a peanut allergy be introduced to the foods by six months.

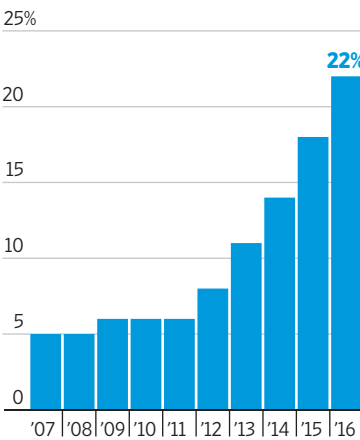
The rate of food allergies to peanuts and tree nuts have doubled or even tripled over the past two decades in the U.S., Dr. Sampson says.



Peanuts made up 26% of insurance claims in the study. That was followed by tree nuts and seeds, eggs and crustaceans.

Serious Spike

The rate of severe allergic reactions to foods has increased by 377% over the past decade. Twenty-two percent of all such claims were reported in 2016.



Source: FAIR Health
THE WALL STREET JOURNAL.

The FAIR Health analysis found that peanuts were the most common cause of anaphylaxis, making up 26% of claims. Tree nuts, such as walnuts and pistachios, and seeds accounted for 18% of claims, followed by eggs, crustaceans, and dairy. About 33% of claims were due to unspecified or unknown foods.

The analysis also showed a greater increase in claims in rural areas than in cities. “The one thing that surprised me was the bigger change occurring in rural areas as opposed to urban areas,” Dr. Sampson says.

The urban and rural area designations were based on the U.S. Census, says Robin Gelburd, presi-

dent of FAIR Health.

The group will dig deeper into the data in a white paper to be released in October, she says, looking at geographical and gender variations and costs of services, among other factors.

About 34% of claims were in people over 18, she says.

“I think a lot of people assume children grow out of these allergies, and the fact that we’re seeing about a third of the claims attributable to those over 18-years-old is something that raises some interesting questions and invites some further study,” Ms. Gelburd says.

Kristin Osborne, a mother to three boys in Virginia Beach, Va., knows the fear of anaphylaxis. Her sons—ages 15, 11 and 5—all have multiple food allergies.

Her middle son, David Osborne, is allergic to peanuts, tree nuts, wheat, dairy and eggs. He has had two anaphylactic reactions in the past 12 months. The most recent was at the grocery store, when she suspects he was exposed to an allergen on the conveyor belt at the checkout line.

“He started wheezing and coughing and couldn’t breathe, so I administered epinephrine and rode to the emergency room,” recalled the 36-year-old, who works as a disability advocate.

“It’s extremely scary,” she says of the reactions.

“It’s kind of like a roller coaster. We really prepare and try to be as proactive as possible, but when it happens, you never really know what the end result is going to be. We just hope to get to the ER in time.”

FILM REVIEW

FUTURE TECH FOR LOVERS

BY JOHN ANDERSON

WHAT CREEPS OVER the viewer during the first segment of Michael Almereyda’s “Marjorie Prime,” based on the play by Jordan Harrison, is the incongruously flat, nuance-free look of the film. The visuals are, in a word, unromantic—which is the point, despite a sentimental context: an older woman named Marjorie (Lois Smith), sitting in the living room of a modernist seaside home, talking with her much-younger husband, Walter (Jon Hamm), who isn’t her husband at all, but rather a computer-generated representation. Her husband was actually older than she. But she has chosen to summon him up at a time that suits her memory best—her memory, at least, the way she wants it to be.

The artificial intelligence explored in “Marjorie Prime,” which was a 2015 finalist for the Pulitzer Prize for Drama, is the more sensational and overtly intriguing aspect of a drama that also

stars Geena Davis and Tim Robbins, as Marjorie’s daughter and son-in-law. But it is memory, and the nature of it, that puts the blood in Mr. Almereyda’s sophisticated sci-fi. Memory is probably always selective, but when you get to choose its embodiment—of Walter, later of Marjorie herself—the selection process becomes something nearly gothic.

Much of the fun of “Marjorie Prime” is in figuring out where it’s going, and why. It would be shameful to reveal much more of the journey save to say that the people who make it do a splendid job: Ms. Davis and Ms. Smith give performances that are moving, and full of angles; Mr. Robbins is as good as he’s ever been. Likewise Mr. Hamm, whose deliberate process of educating himself about Marjorie and the real Walter, even in the midst of his “character’s” impersonation, maintains the critically inhuman quality in an otherwise human story.

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



Jon Hamm in Michael Almereyda’s ‘Marjorie Prime’

OPINION

REVIEW & OUTLOOK

Texas Political Prosecution

Texas has a history of politicized prosecutions that attempt to destroy careers only to be thrown out of court. Think Tom DeLay and Rick Perry. The latest target is Texas Attorney General Ken Paxton, and on inspection the evidence and legal process against him so far look equally dubious.

Mr. Paxton was elected in 2014 on a wave of tea-party support after spending several years in the state legislature. As a lawmaker, Mr. Paxton ruffled the Republican establishment and challenged House Speaker Joe Straus. Mr. Paxton has also roiled Texas politics as AG, challenging the federal government on environmental and labor regulations and the state government on issues involving political speech.

(We recently criticized his grandstanding threat to sue the Trump Administration to deport adult immigrants who were brought to the U.S. as minors.)

In July 2015 Republicans convinced a state grand jury to indict Mr. Paxton on fraud charges, claiming that in private business he had failed to register as an investment adviser in the state when he referred some people to a tech company and was paid a commission. The indictment named GOP state lawmaker Byron Cook, a rival of Mr. Paxton, as a complainant.

But under the Texas State Securities Act Mr. Paxton was not required to register because he never acted as an adviser to Mr. Cook or the others. The relevant law explicitly exempts attorneys from the requirement if “performance of the services is solely incidental to the practice of the person’s profession.” The investment firm Mr. Paxton worked with was already registered with the SEC, which eliminates the requirement of agents to also register.

The indictment also claimed that Mr. Paxton had an affirmative duty to disclose he was *not* invested, but there is no such duty under state or federal law. When the U.S. Securities and Exchange Commission filed similar charges in federal court, federal judge Amos Mazzant dismissed the case.

In his October 2016 ruling, Judge Mazzant noted there was no evidence Mr. Paxton vio-

lated laws or engaged in illegal conduct. “The SEC is attempting to place square pegs in round holes,” he wrote. Judge Mazzant ultimately dismissed the case “with prejudice,” barring the SEC from refileing charges.

The state case has nonetheless marched on with political theatrics, including date swapping and venue shopping by the prosecutors. The investigation into Mr. Paxton’s actions was handled by the Texas Rangers, who don’t routinely handle securities cases.

In documents presented to the grand jury that indicted Mr. Paxton, the prosecutors and Rangers claimed that Mr. Paxton referred investors to an investment adviser on July 18, 2012, rather than June 26, when the referral letter was actually sent. The change allowed the state to avoid the statute of limitations, which would have prevented an indictment on any actions before July 7, 2012. These documents are under seal but we have seen a copy.

The trial was scheduled to begin in May 2017 in Collin County, where Mr. Paxton lives and where the charges were brought. The prosecutors filed a petition with Judge George Gallagher to change venue because they claimed they could not get a fair trial. Judge Gallagher granted the petition, moving the trial halfway across Texas to more liberal Harris County around Houston.

That’s highly unusual. A change of venue is typically sought by defendants who don’t believe they can get a fair trial, but not to prosecutors. When the venue was changed, Mr. Paxton petitioned to have Judge Gallagher removed from the case, and a top state appeals court agreed in June. The latest judge is a newly elected Democrat who has never presided over any case, and who has set a trial date for Dec. 11.

Weaponizing the courts for political gain is a refuge of scoundrels and needs to be policed by the courts. Perhaps some new and shocking evidence will emerge to justify the legal assault on Mr. Paxton, but unless it does this looks like a trumped-up case intended to take down a politician who made himself unpopular with the grantees of the GOP establishment.

The Teamsters’ Impunity

Federal prosecutors say members of Boston’s Teamsters Local 25 demanded jobs at the “Top Chef” cable-TV show, and when they didn’t get them, they showed up on set in June 2014 and threatened and roughed up the staffers. But last week a jury found the four Teamsters members not guilty of extortion, thanks to a legal loophole that lets unions get away with behavior that would likely land nonmembers behind bars.

At trial in federal court, several witnesses described the Teamsters’ tactics. Host Padma Lakshmi testified that she was “petrified” after one of the Teamsters suggested he’d bash in her “pretty face,” while location manager Derek Cunningham told the court he was so scared he slept with a kitchen knife under his bed. Teamsters were caught on camera taunting a crew member with racist slurs, while prosecutors noted that the tires were slashed on nine vehicles rented by “Top Chef.” One delivery-truck driver said he received a bomb threat.

Remarkably, while the union members denied guilt, they didn’t dispute that they’d behaved aggressively. Defense attorney Oscar Cruz told us that while some of the testimony was exaggerated, his client, Daniel Redmond, had engaged

‘Legitimate union business’ now includes abusing Padma Lakshmi.

in “typical picket-line conduct, which is oftentimes not very politically correct.”

Instead, the defense relied largely on a 1973 Supreme Court decision that effectively creates an extortion carve-out for organized labor. *U.S. v. Enmons* established that union members could not be investigated or prosecuted under the Hobbs

Act as long as they are carrying out “legitimate union business.” Since that ruling, several states have created their own organized-labor exemptions for behavior that might typically qualify as criminal.

The Freedom From Union Violence Act, which would have closed the loophole in federal law, has repeatedly failed to gain momentum in Congress, most recently stalling in 2015. That same year, in response to some egregious union intimidation in Philadelphia, the state of Pennsylvania passed legislation ending an exemption that shielded unions from prosecution for stalking, harassment and violent threats during labor disputes.

Massachusetts lawmakers should consider similar prohibitions. The Boston Herald reports that since the “Top Chef” fiasco, the number of reality-show tapings in the state have dropped precipitously. When unions can resort to mafia tactics with impunity, why risk it?

The Seattle Tax Fight

Washington is one of seven lucky U.S. states that don’t have an income tax, and one reason is that its state law greatly limits the authority to introduce one. “A county, city, or city-county shall not levy a tax on net income,” reads the statute.

Then again, when have progressive warriors let a little thing like legality stand in their way? Certainly not in Seattle, where the City Council last month passed 9-0 an ordinance imposing an income tax on high-income residents despite the black-letter law. Individuals in Seattle with incomes above \$250,000 and couples with more than \$500,000 will now pay a 2.25% tax.

To get around the language of state law, Seattle’s solons claim that they passed a tax on “total income” as defined by the amount reported on line 15 of the IRS Form 1040A tax form or line 22 of IRS Form 1040. One problem: These lines from the federal tax forms in fact represent *net* income. That’s because the amounts listed are after various deductions and exclusions, such as exempt interest or expenses.

In addition, the Washington state constitution says that “all taxes shall be uniform upon the same class of property.” In 1933 Washington’s state Supreme Court ruled that property included income, meaning a progressive tax is unconstitutional.

In light of the strong statutory and constitutional case against Seattle’s new tax, a local think-tank known as the Freedom Foundation has sued the city as an “assault on the rule of

law.” Not to mention the clear will of Washingtonians, who rejected a ballot measure for an income tax aimed at the wealthy as recently as 2010. The campaign was led by Bill Gates Sr. and was well funded by labor unions but lost 64%-36%.

Never mind. This latest tax-the-rich initiative comes courtesy of an outfit called Trump Proof Seattle, a coalition of progressives and public unions. Its main idea, endorsed by Mayor Ed Murray, is that a new income tax targeting high earners advances the general progressive goal of “fairness” while the estimated \$140 million in new revenue it would raise would insulate the northwest city from any potential federal budget cuts (not that those are coming).

But this is about more than revenue for the city. The city councilors even welcome the litigation, because the larger goal here is opening a path to a statewide income tax. And the path becomes much easier if the state Supreme Court takes advantage of this litigation to reverse its 1933 ruling.

As the Freedom Foundation notes in its suit, there is no need for the court even to go to the constitution. Statutory law and the city charter make it abundantly clear that the Seattle City Council lacks the legal authority to impose such a tax, especially without a vote of the people. But as with so many progressive policies these days, the City Council and mayor are counting on the courts to override the voters and impose a manifestly illegal tax.

Bricks, Mortar—And Experiences

By Daniel Freedman

Retailers world-wide are cracking smiles. Amazon’s \$13.7 billion acquisition of Whole Foods has flipped the script. Rather than wondering which retailer Amazon will put out of business next, analysts are starting to ask which retailer it will buy next.

Reports of the death of retail were greatly exaggerated. Turns out humans are human. They often want personal experiences when shopping. Now Amazon is betting that retail is still part of the future—but only part. Retailers need to pay attention to the terms and conditions.

Since online shopping arrived in the 1990s, tech futurists have been predicting brick-and-mortar retail’s demise. In 2011 venture capitalist Marc Andreessen wrote on these pages that “software is eating the world,” rendering many physical retailers unnecessary. He warned a year and a half later that “retail guys are going to go out of business and e-commerce will become the place everyone buys. You are not going to have a choice.”

These critiques were reasonable at the time. In 2011 Borders, then America’s second-largest bookstore chain, liquidated after failing to find any buyers. Amazon was the purported assassin. Household retail names such as Blockbuster and Radio City were “victims” of software and the internet.

Then, in 2015, Amazon opened a physical bookstore not far from its Seattle headquarters. The company now has eight, with another five on the way. Apple has built around 500 stores across the world. Some of the most successful e-commerce companies have been eefing up their offline presences: Warby Parker (eyewear), Bonobos (clothes), Casper (mattresses) and Peloton (fitness). Retail’s supposed killers are betting quite a bit on brick-and-mortar stores.

These won’t be your grandfather’s general store, though. Brands like Amazon and Apple see the future of retail as less of a traditional transactional interaction and more of an experience. It’s curated, much like museum exhibits. Customers are going there to learn and interact with others.

The future of retail will be filled with more Disney-park experiences. Between an app and a digital wristband, you’ll be able to pay, skip lines and make reservations. The unpleasant parts of in-person shopping—for instance, waiting in line to pay—are on their way out. Technology

will adapt what you see to your preferences. People with allergies will use personal screens that will guide them to see only what they can eat.

Online shopping will continue to grow—especially for items people would rather not waste time buying in person, like tissues or car parts. The internet makes it possible to experience events people prefer to see up-close but can’t attend, such as concerts or sporting events.

But physically going to a site remains many Americans’ first choice. People cherish being able to touch and choose groceries or seeing their favorite team up close.

From the Apple Store to Whole Foods, a new twist on old-fashioned retailing.

Some entrepreneurs, such as Elon Musk, have focused on finding the most efficient ways to take people places: locally with Tesla’s electric cars, between cities with Hyperloop, and beyond Earth with SpaceX. Mr. Musk doesn’t seem particularly interested in giving consumers experiences they can enjoy while sitting on the couch.

Perhaps the greatest proof of the value of in-person interactions comes from venture capitalists. They’re still largely clustered in one location, Silicon Valley. Most prefer to invest in local companies. At worst, they might settle for a city with direct flights to San Francisco. Ask them why and they’ll tell you it’s because they like to keep up with founders and teams face-to-face. Video technology, virtual reality and augmented reality haven’t changed that.

I had an eye-opening experience last year, and it inspired me to bet my new company on the symbiotic relationship of the online and offline worlds. A company planning to build stadiums where people could watch top videogame players sought to recruit me. This took me by surprise. People can already watch and comment on others playing online. Yet this company thinks the future of gaming will involve in-person human experiences. People want to be spectators, not viewers. And in the company’s stadium plans, there are lots of space for retail stores.

Mr. Freedman is a co-founder of *BurnAlong*, an online fitness and wellness video platform.

LETTERS TO THE EDITOR

Putting the Bell on North Korean Nuclear Cat

U.S. Secretary of Defense Jim Mattis and U.S. Secretary of State Rex Tillerson explain and defend the Trump administration’s new policy of strategic accountability that applies intense diplomatic and economic pressure on North Korea to end its nuclear and ballistic missile programs in “We’re Holding Pyongyang to Account” (op-ed, Aug. 15). Messrs. Mattis and Tillerson make clear that military options are on the table.

Is there any reason to believe that North Korea’s Kim Jong Un will be more intimidated than were Iran’s mullahs by U.S. actions and therefore won’t up the nuclear ante in the face of new sanctions? At the moment, Kim Jong Un appears to be a bigger risk-taker than Iran’s leaders.

Switching from a policy of strategic patience (i.e., endless talks) to strategic accountability is the best of many bad options, but the rational decision for the “irrational” Kim Jong Un is to stay the course and patiently wait for regime change in the U.S. Today, there is a better than even chance that next year will bring more patient and accommodative Democrats back into Congress, and two years later a less-belllicose president in the White House. America’s enemies know that they can stick to their guns (and missiles) and wait patiently for a political course change in the U.S.

In the meantime, a president who defies the isolationist mood of the country and actually approves some type of military engagement with North Korea would face enormous domestic opposition. Even an irrational risk-taking enemy of the U.S. would like those odds.

GLENN DALTON
Washington

Henry Kissinger’s advice, however sound it may appear, will face several practical problems in implementation (“How to Resolve the North Korea Crisis,” op-ed, Aug. 14). The U.S. is so used to being in the driver’s seat in international diplomacy that accepting another country, especially China, as a coequal, will psychologically be most difficult and will call for great discipline and patience.

Demanding China’s cooperation on the Korean issue while at the same time threatening it with severe trade penalties is unlikely to generate a positive response from China.

China and the U.S. share the imperative need to check and reverse North Korea’s nuclear program but have dif-

fering and even contradictory long-term objectives for what Mr. Kissinger calls the “aftermath.” The statements of senior American cabinet officials notwithstanding, there is no doubt that the U.S. wants an end to the Kim regime and eventually a unification of the peninsula, which can only mean the establishment of a democratic, unified Korea, something which China cannot accept.

Mr. Kissinger doesn’t define “short term,” but he would know better than most people that it would need protracted, at times painful, negotiations to establish even a preliminary framework, let alone congruence among the two most powerful nations.

CHINMAYA GHAREKHAN,
Scarsdale, N.Y.

Mr. Gharekhan is a former Indian ambassador to the United Nations.

Mr. Kissinger’s advice presupposes the existence of mutually beneficial objectives and outcomes between China and the U.S. for a Korean resolution. But what if China’s interests are best aligned not with a denuclearized North Korea but with reunification of the Korean peninsula under exclusively Chinese terms? Allowing and perhaps even assisting North Korea to develop and deploy a nuclear capability of its own, even a limited one, would dramatically alter, or perhaps nullify, the current zero-sum calculus of the U.S. security guarantee.

WILLIAM A. MATTHEWS
Boston

North Korea has transformed itself from a gerbil into a tarantula by developing missiles equipped with nuclear weapons. Moammar Gadhafi gave up his nuclear program and didn’t fare well. Ukraine gave up the large nuclear arsenal it inherited with the dissolution of the Soviet empire, with written assurances of a guarantee of integrity of its sovereign borders that were and continue to be violated.

If I were Kim Jong Un, I would have zero interest in giving up my missiles.

JAMES W. BENEFFIEL
Dunedin, Fla.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.letters@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

Playing Chicken With China

By **Graham T. Allison**

President Trump appears desperate, erratic and even irrational as he struggles to stop North Korea from developing nuclear weapons capable of reaching the U.S. mainland. If the president is to be believed, he stands ready to run any risk, pay any price and do whatever necessary to keep the U.S. safe. This includes launching a pre-emptive attack that risks dragging America and China into a second Korean War. To understand the method in what looks like madness, recall the Cold War strategy known as “nuclear chicken.”

Trump’s North Korea brinkmanship may seem scary, but it’s not that unusual.

A game played by thrill-seeking teenagers in the 1950s captures the strategy’s essence. A pair of daredevils would each put the left wheel of his car on the centerline of the road. From opposite directions, they then drove toward each other at full speed. The one who swerved first was the chicken; the other got the girl—at least in the movies. If neither swerved, the cars collided and both drivers died.

In the current version of this contest, North Korea’s Kim Jong Un

has straddled the centerline and is driving straight at Mr. Trump. The president responded by revving up America’s military machine. He is now heading toward a collision with his North Korean counterpart. This has led many to call Mr. Trump irresponsible, but a version of his strategy successfully deterred the Soviet Union during the Cold War.

When Moscow was thought to have 100 divisions of troops poised to invade and capture Europe, the U.S. threatened to respond with tactical nuclear weapons against any invading Soviet tanks. American leaders made the warning knowing that the Soviet Union would likely respond in kind, and that the war could rapidly escalate to strategic nuclear weapons destroying American cities.

In 1962 the U.S. discovered that the Soviets had brought nuclear-tipped missiles to Cuba, sparking the Cuban Missile Crisis. How did President John F. Kennedy convince Soviet leader Nikita Khrushchev to withdraw the missiles? He threatened to order airstrikes to destroy them, even though the president and his advisers knew this threat increased the chance of nuclear war. As Kennedy told his brother Robert at the height of the crisis, he believed the chances of nuclear war were “between 1 in 3 and even.”

President Richard Nixon described his version of this brinkmanship as a “madman theory.” As his secretary of state, Henry Kissinger, explained in 1972 to counter-



Donald Trump is betting Pyongyang will bend if he gets Beijing to blink.

parts at the Defense Department, the president’s goal was to “push so many chips into the pot” that the other side would think he might be “crazy.” Nixon’s chief of staff, H.R. Haldeman, recalled in his diary that Nixon said: “I want the North Vietnamese to believe that I’ve reached the point where I might do anything to stop the war.” For Nixon, the key to this “madness” was not unpredictability, but convincing his adversaries that he was predictably willing to take greater risks than they were.

If Kim Jong Un is driving North Korea’s hot rod toward Mr. Trump,

why have the president and his national-security team chosen to play chicken with China’s Xi Jinping? Because they recognize that the Chinese are stuck in the back seat of Mr. Kim’s car. If Mr. Xi wants to, he can take the wheel from the reckless young leader.

The Trump team knows that successive U.S. presidents have confronted North Korea—and blinked. From President Clinton’s threat to attack North Korea over its development of nuclear weapons in 1994 to President Obama’s demands that the country give up its nuclear arsenal, Republican and

Democratic administrations have discovered that attempting to appear crazier than a North Korean leader is hard work.

China provides 90% of the oil that North Korea’s military and factories depend on, as well as the fuel that allows members of the regime to visit their vacation homes. In 2003, when China interrupted the flow of oil for less than 72 hours, Kim Jong Il immediately snapped to attention.

Between now and November, when Mr. Xi is scheduled to win his second five-year term in office, China’s overriding objective is not to rock the boat. A conflict on the Korean Peninsula that leads to hundreds of thousands of refugees flooding into China—or worse, war with the U.S.—would threaten not only China’s national security but also Mr. Xi’s dominance of the Chinese political system.

To persuade China to squeeze North Korea’s oil lifeline, Mr. Trump must convince Beijing that he’s willing to order the unthinkable. Will he actually bomb North Korean missile sites and risk restarting the Korean War? No one, perhaps not even the president, can be sure. But unless Mr. Xi concludes the odds of such an outcome are too high for him to ignore, he is unlikely to rein in his North Korean ally.

Mr. Allison, a professor of government at Harvard, is the author of “Destined for War: Can America and China Escape Thucydides’s Trap?” (Houghton Mifflin Harcourt, 2017).

Hezbollah Is Running Rings Around U.N. Monitors in Lebanon

By **Danny Danon**

Over the past year, I have given dozens of United Nations ambassadors tours of Israel’s border with Lebanon. During a recent visit with my American counterpart, Nikki Haley, Israel Defense Forces officers identified Hezbollah positions along our northern border. Our guests appropriately asked where the U.N. Interim Force in Lebanon was, and why nothing was being done to stop Hezbollah terrorists from blatantly violating numerous Security Council resolutions.

Our answer was simple. The Unifil force is there, but they aren’t effectively fulfilling their mandate. The good news is that when Unifil’s mandate comes before the Security Council later this month, there are practical steps that can be taken to ensure that this important U.N. force succeeds and another conflict with Hezbollah is avoided.

Unifil was established in 1978 with the goal of restoring “international peace and security” and assisting the Lebanese government in

extending its authority over southern Lebanon. The force was altered in 1982 after the First Lebanon War and again in 2000 when Israel completed its withdrawal from Lebanese territory.

In August 2006, following the Second Lebanon War and the subsequent Security Council Resolution 1701, Unifil’s mandate expanded to include monitoring the cease-fire. Most importantly, Unifil was charged with ensuring that the territory south of the Litani River remained free of weapons and fighters other than the Lebanese army.

Unfortunately, these efforts have failed. Over the past year alone, we have shared with the Security Council new information detailing how border towns have become Hezbollah strongholds. One out of three buildings in the village of Shaqra is now being used to store arms or launch attacks on Israel. We also shared with the council intelligence revealing how the Iranians use civilian airlines to smuggle dangerous arms into southern Lebanon. When the Second Lebanon

War ended, Hezbollah had around 7,000 rockets. Today, they have more than 100,000.

Hezbollah is lately stepping up its efforts to destabilize the region. In April its fighters posed for pic-

The Security Council should expand the force’s mandate—and make sure it does its job.

tures with rocket-propelled-grenade launchers during a media “tour” of their positions along Israel’s border. Unifil forces did nothing to halt this live, televised violation of Security Council resolutions.

In June, Israel reported to the U.N. that Hezbollah has established a series of border outposts under the guise of an agricultural organization called Green Without Borders. Our intelligence services have determined that these positions are used regularly for reconnaissance opera-

tions against Israel. In this instance too, Unifil insisted on turning a blind eye, claiming that it lacked authority to investigate.

To rectify this situation, and avoid a new conflict, the Security Council must make real changes to Unifil’s mandate. In addition to generally improving Unifil’s performance, the council should insist on three vital steps.

First, Unifil must increase its presence in the territory. This includes meticulously inspecting the towns and villages of southern Lebanon. Hezbollah strongholds, like the one in Shaqra, must be dismantled, and other villages must be kept free of rockets and weapons aimed at Israeli population centers.

Second, Unifil must report all violations of Resolution 1701. The Security Council shouldn’t hear about them from us, and definitely not from the media. It is vital that Unifil report on these violations in real time to ensure that the members of the council can take appropriate measures.

Third, the Unifil forces must insist on unlimited access to all sus-

picious installations under their mandate. As a report by the U.N. secretary-general recently noted, Unifil is regularly obstructed in southern Lebanon. Excuses regarding the activities of nongovernmental organizations or other Hezbollah front groups should not be tolerated.

Israel has been, and always will be, ready to defend its citizens. At the same time, no one wants Unifil to succeed more than Israel does. With Hamas rearming in Gaza and Islamic State increasing its strength along our frontier with Syria, we seek calm and stability on our northern border. To achieve this, the Security Council must step up its efforts to ensure that Unifil’s renewed mandate fulfills the goals outlined above.

Failing to do so will call into question the efficacy of this U.N. peacekeeping force and endanger the lives of innocent Israelis and Lebanese.

Mr. Danon is Israel’s ambassador to the U.N.

How Spain Became a Terror Target

By **Haras Rafiq And Muna Adil**

With each new Islamist-fueled terror attack on European soil, at least two things can be certain: that the intended devastation was to be much worse, and that it won’t be long before the next assault occurs.

Authorities investigating last week’s van attack in Barcelona, which left 13 people dead and scores more injured, believe it was the work of a 12-person terror cell. All 12 have now been either arrested or killed, including the final member, who was shot dead Monday just west of the city. Authorities believe the group had been planning a bigger, deadlier attack involving gas explosives.

As Islamic State continues to lose territory in Syria and struggles to maintain its relevance, there has been a rise in such low-tech, high-impact attacks on soft targets. Western governments have been doing a good job of adapting security systems to these attacks, helping to

mitigate the damage. Yet there’s a difference between responding to and preventing acts of terrorism.

Spain as a terror target may have come as a surprise to some, but it shouldn’t have. For 700 years, the territory of al-Andalus, which included what is today modern Spain, remained under Muslim rule. It wasn’t until the Reconquista of 1492 that the Islamic Empire lost its prized territory in the European heartland and began its slow decline.

In the Islamic world, this loss has lingered as a point of contention, with Osama bin Laden justifying the deadly 2004 Madrid train bombings, which killed 191 people, by saying “this is only part of the settlement of old scores with Crusader Spain.” As recently as last year Islamic State warned Spain: “We will recover our land from the invaders.”

On a practical level, experts have long considered the country a terrorist hub linking Europe to Iraq and Syria, not least because of its geographical location. Though phys-

ically distant from the main fighting in Iraq and Syria, its proximity to North Africa and easy links to Western Europe make it an ideal center for jihadist activity. It’s also a major finance hub for terror networks in Iraq and Syria.

Since the 2004 Madrid bombing, Spain’s security apparatus has been intensifying its efforts to uproot and disrupt the underground networks operating on its soil, and to a large extent it has been successful.

In February 2016, authorities arrested seven members of a cell responsible for sending goods to fighters in Iraq and Syria. In April this year, Spanish police arrested nine people with possible ties to the recent attacks in Belgium and France. A day later, police arrested two men suspected of recruiting for Islamic State and helping fighters travel back into Europe.

At present, 700 suspected terrorists have been arrested, 120 imprisoned and a further 259 investigated by courts, all while Spanish police are monitoring more than 1,000 high-risk individuals. Close to 500 phones are being tapped. Between 1996 and 2013, nearly 29% of people sentenced for jihadist-related terrorism offenses were arrested in the province of Barcelona.

Perhaps in response to Spain’s crackdown, earlier this year jihad-

ists warned they would be intensifying their campaign of terror in major areas of the Mediterranean. The CIA warned Spanish police two months ago that Barcelona was a potential target, even highlighting Las Ramblas, the street where last week’s attack occurred, as a particularly vulnerable location.

Madrid is effective at thwarting many potential plots, but now must counter Islamist ideology.

But it’s not enough just to prepare for the next terror attack and minimize the death toll. More must be done to tackle the root of the problem and challenge the Islamist Salafi ideology that has been behind the recent spate of senseless violence. Salafism is arguably the most puritanical brand of Islam, with adherents adopting the most fundamentalist reading of the Quran. These are the fanatics who populate al Qaeda and Islamic State.

To undermine this ideology, we first must address the myopic political correctness that appears to tolerate views contrary to everything the Western liberal world

stands for, all for the sake of protecting minorities. The West must realize that it commits a grave injustice to mainstream Muslims when it fails to name and shame and challenge this Islamist ideology and refuses to isolate the extremists in their midst.

The Muslim community in Spain is among the most well-integrated in Europe and has some of the lowest rates of radicalization on the Continent. Not only have Muslim communities lauded Spanish authorities’ efforts to eradicate the terror networks in the country, but they insist on more being done.

According to Laarbi Mateis, the secretary of the Islamic Commission in the Spanish city of Ceuta, “The police are doing things well, with recruitment slowing down. But all of the efforts are related to security and not to education. We need social measures.”

Mr. Mateis is right. Until we address and debilitate the fundamentalist ideology that is the root cause of Islamist extremism, we cannot hope to be safe from terror on our streets, no matter how exceptional our intelligence and security apparatus.

Mr. Rafiq is the CEO of Quilliam International, where Ms. Adil is a researcher.

Notable & Quotable: Gen. Lee’s Trojan Horse

Nathan Fenno reporting for the Los Angeles Times, Aug. 19:

When Richard Saukko galloped his chalk-white Arabian horse named Traveler around the Los Angeles Memorial Coliseum almost 56 years ago, it was supposed to be a one-time stunt.

Instead, the brief performance before USC kicked off its season against Georgia Tech turned into one of college football’s iconic traditions. A succession of white horses named

Traveler have followed—Traveler IX debuts this fall. . . . But during a rally earlier this week to show solidarity in the aftermath of the violence in Charlottesville, Va., a USC campus group linked the name to Confederate Gen. Robert E. Lee, whose favorite horse was Traveller.

At the rally, according to the student newspaper the Daily Trojan, Saphia Jackson, co-director of the USC Black Student Assembly, asked students not to be quiet, and reminded that “white supremacy hits

close to home” and referenced the name of the Trojans mascot. . . .

“The problem is this: maybe three weeks ago it was fine,” [Saukko’s widow] Pat Saukko DeBernardi said. “So now the flavor of the day is . . . we all have to be in hysteria. . . . It’s more of a political issue. The horse isn’t political and neither am I.”

She noted that the name of Lee’s well-known horse included an extra “l” and, besides, Traveler was already named when her late husband purchased him.

LIFE & ARTS

JERRY LEWIS: AN APPRECIATION

A Committed Comedian

When Jerry Lewis was at the peak of his powers, he was too much for some people, but his vast influence is undeniable

BY DON STEINBERG

EVEN AT HIS BEST, Jerry Lewis was like a sour pickle, not to everyone’s taste. Some giggle just thinking about Mr. Lewis playing Julius Kelp and Buddy Love in “The Nutty Professor.” Others want to run and hide. Few artists have had their genius so disputed. Cartoonist Al Capp wrote a nasty opinion piece about “The Ladies Man” in the Los Angeles Mirror claiming to have walked out of the movie, “not simply because I was bored. It was something more painful: I felt it had been somehow indecent of me to peek at a grown man making an embarrassing, unentertaining fool of himself.”

But in the wake of his death, his mark on comedy and filmmaking is hard to dispute.

“I think if you don’t get Jerry Lewis, you don’t really understand comedy. Because he is the essence of it,” Jerry Seinfeld said in “Method to the Madness of Jerry Lewis,” a 2011 documentary.

It’s tempting to underestimate Mr. Lewis, to dismiss the impact that the sputtering slapstick doofus had on modern entertainment. There are too many pretexts for writing off his game-changing influence, phases of an 80-odd-year career that painted over the brilliance of his prime. There were decades as a maudlin TV telethon host, his repeated, unforgivable insistence that female comedians could never be funny.

Yet his influence extends beyond the comedians most obviously indebted to Mr. Lewis’s antic style: Robin Williams, Jim Carrey, Adam Sandler, Eddie Murphy, who played “The Nutty Professor” in a 1996 remake and 2000 sequel that Mr. Lewis produced. “The Simpsons” built a regular character, Professor Frink, around the dweeby main



ASSOCIATED PRESS

Jerry Lewis, right, making his famed facial contortions in a 1956 gag shot with Dean Martin.

character in the original “Professor.” Mr. Lewis was humorously lip-syncing other people’s records on stage decades before Andy Kaufman supposedly changed

modern comedy by doing it. On a 1966 talk show, a young Richard Pryor told Mr. Lewis what an influence he was. “I love you tremendously and you’re the god

of comedy,” Mr. Pryor confessed. Woody Allen decided to direct his own films only after Mr. Lewis declined the request to direct Mr. Allen’s 1969 comedy “Take the

Money and Run.”

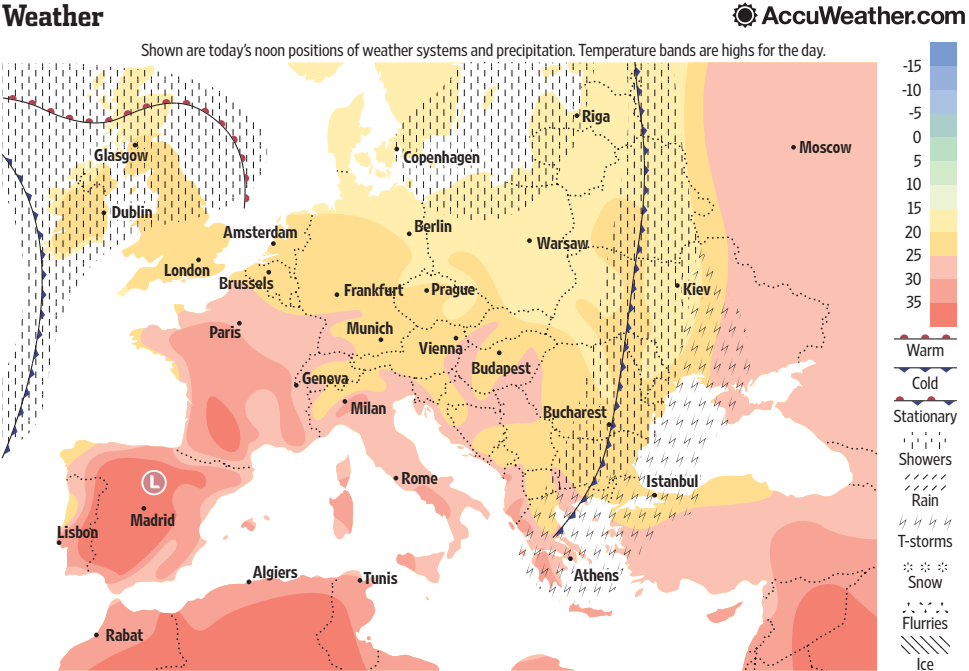
As a filmmaker, he became known for his obsessive attention to detail and ambition. Paramount Pictures gave him a \$10 million contract in 1959, when he was 33, allowing him to write, direct and produce his own films. He’d already spent more than a decade talking to wardrobe designers, cinematographers and everyone else who worked on the movies he made with Dean Martin to learn the craft. Mr. Lewis is credited with inventing the technology of “video assist”—using video cameras to watch what was being filmed in real-time, during his production of “The Bellboy” in 1960.

For the set of his 1961 film “The Ladies Man,” he designed a four-story doll house with 42 rooms, a half-million-dollar work of midcentury-modern art. For a scene in “The Patsy” where he clumsily knocked over vases and hilariously caught them, he practiced the moves for three weeks, breaking hundreds of vases.

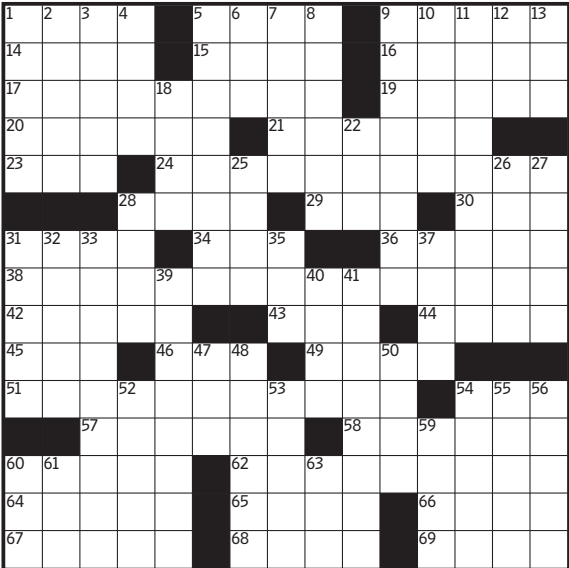
As with many relentless hams, he had a work ethic that seemed to be about attention and approval. Biographer Shawn Levy wrote that an old show-business joke was revived to explain Mr. Lewis’s need to perform: “When Jerry Lewis opens the refrigerator and the light goes on, he does 20 minutes.” French actress Corinne Calvet, who co-starred with Mr. Martin and Mr. Lewis in two early 1950s films, wrote in her 1983 memoir: “He seemed afraid of silence, compelled to fill the empty spaces. I was sensitive to his great anxiety, his wanting to be liked by everyone.”

He never won everyone over. But his impact on today’s entertainment is as deep as his character were goofy. Said the comedian Richard Lewis (no relation), “He spoke this language that even probably wildlife would laugh at.”

Weather



The WSJ Daily Crossword | Edited by Mike Shenk



TWISTED TALES | By Alan Arbesfeld

- | | | |
|--|---------------------------------|--------------------------------------|
| Across | 28 Boss of a fashion company | 46 Reel-to-reel speed measure: Abbr. |
| 1 Big do | 29 4.0 at a univ., e.g. | 49 Went quickly, in olden days |
| 5 Ring event | 30 Word, in French | 51 Get closer to home, in a way |
| 9 Frees of mind | 31 Jazz singer Laine | 54 Relaxation destination |
| 14 Spotted | 34 Bird with a booming call | 57 Saskatchewan's capital |
| 15 Roughly | 36 Cumin or cardamom | 58 It needs frequent changing |
| 16 Completely overrun | 38 Feature of the easiest path | 60 Puccini creation |
| 17 Paint color with a lot of gray in it | 42 Bewildered | 62 Tie on a board |
| 19 Politico Pelosi | 43 Rolls-Royce's parent company | 64 On the up-and-up |
| 20 Parcels out | 44 Frankenstein's aide | 65 End for disk or towel |
| 21 Old game consoles | 45 Pose for a portraitist | 66 Azerbaijan neighbor |
| 23 Thanksgiving staple | | |
| 24 Company that introduced the electric Roadster in 2008 | | |

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

- | | |
|---|---|
| 67 "Shucks!" | 28 It may wind up in the garden |
| 68 Not natural | 31 Elegance |
| 69 Ward of Hollywood | 32 The Beatles' "___ Be" |
| Down | 33 Hidden feature in a computer game or DVD |
| 1 Test for purity | 35 Thumb drive interface |
| 2 Guy | 37 Settled up |
| 3 Domain | 39 Party in the parking lot |
| 4 Aware of | 40 Texter's "It seems to me..." |
| 5 "Night Moves" singer | 41 Took in, in a way |
| 6 Magic, on scoreboards | 47 Penultimate Greek letter |
| 7 Conventional | 48 Had a hunch |
| 8 Morgue ID | 50 Singer Brickell |
| 9 Move from stovetop to oven | 52 Nest on a cliff |
| 10 Lie ahead | 53 Slyly malicious |
| 11 Putting up money with expectation of a return? | 54 Pickup in an alley |
| 12 Key near the tilde | 55 Potpourri piece |
| 13 Reserved | 56 Thunderdome, e.g. |
| 18 Shakespearean rebuke | 59 Author Kingsley or Martin |
| 22 Concert blaster | 60 Suffix that may indicate bribery |
| 25 A few | 61 Church perch |
| 26 Celebrity chef DiSpirito | 63 Took in, in a way |
| 27 Take the helm | |

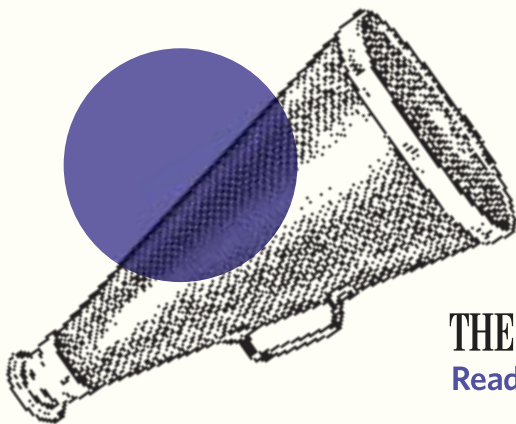
Previous Puzzle's Solution

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

Have Your Say.

Become a WSJ Opinion Leader to engage in forums, discussions and surveys that help shape the Journal.

wsjopinionleaders.com



THE WALL STREET JOURNAL.
Read ambitiously

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Tuesday, August 22, 2017 | B1

Euro vs. Dollar 1.1815 ▲ 0.45% **FTSE 100** 7318.88 ▼ 0.07% **Gold** 1290.80 ▲ 0.40% **WTI crude** 47.37 ▼ 2.35% **German Bund** yield 0.402% **10-Year Treasury** yield 2.182%

Chinese Auto Maker Pursues Jeep

Great Wall Motor expresses interest, but Fiat Chrysler says it hasn't received a bid

By TREFOR MOSS

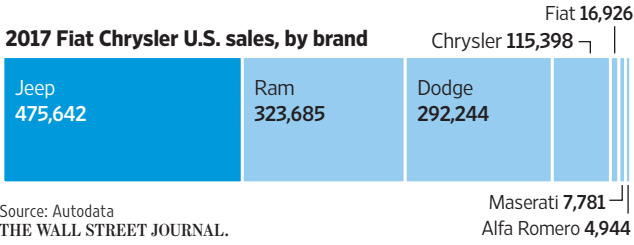
Chinese auto maker **Great Wall Motor** Co. aims to acquire Jeep, the profitable U.S. sport-utility vehicle maker owned by **Fiat Chrysler Automobiles** NV, a Great Wall representative said Monday.

The spokeswoman couldn't confirm whether Great Wall had submitted a bid to Fiat Chrysler already or whether an offer was being prepared. But she did say the company would continue to pursue Jeep in hopes of doing a deal.

Fiat Chrysler, which said

Sales Driver

Fiat Chrysler's rugged SUV brand is a considerable part of U.S. operations. Units sold through July



Monday it "has not been approached by Great Wall Motors in connection with the Jeep brand or any other matter relating to its business," has a joint venture with a separate Chinese auto maker, GAC Group, for its sales in China.

Great Wall's salvo is one of the first demonstrations of

public interest in a Fiat Chrysler deal since Fiat Chrysler Chief Executive Sergio Marchionne began talking about finding a merger partner several years ago. Mr. Marchionne, long at the helm of Fiat, maintains that auto makers need to get bigger and consolidate in order to shoulder regu-

latory costs and keep up on emerging technology.

Fiat Chrysler's shares were up 7% on the New York Stock Exchange late Monday.

Great Wall's interest could be seen as following Zhejiang Geely Holding Group's purchase of Volvo Car from **Ford Motor** Co. earlier in the decade. The Chinese auto maker has revived Volvo, adding manufacturing in China and building a plant in South Carolina, and used Volvo's global brand to become one of the few Chinese auto makers competing on the global stage.

It isn't clear how willing Mr. Marchionne would be to carve the lucrative Jeep unit out of the Fiat Chrysler lineup, which has several brands. Jeep vehicles share components with other Fiat or Chrysler

units and often are produced in the same factories.

Chinese ownership of Jeep could face opposition in Washington amid the Trump administration's focus on American manufacturers.

Analysts have estimated Jeep is Fiat Chrysler's most valuable asset, delivering much of the company's volume and substantially all its profit. The Ram pickup lineup is a healthy money maker, but it doesn't share the potential as a global brand because large trucks are primarily a U.S. product.

Sales of Jeep have quadrupled since Fiat took a stake in Chrysler in 2009. In a note to analysts last month, Morgan Stanley analyst Adam Jonas said Jeep is worth more than Fiat Chrysler as a whole—the

Please see JEEP page B2

Qatari Dispute Weighs On Banks

By NIKHIL LOHADE

Qatari banks are facing funding pressure as foreign customers worried about Doha's intensifying spat with its Arab neighbors withdraw deposits.

Foreign deposits in Qatari banks declined nearly 8% month over month in July to 157.2 billion Qatari riyals (\$43.2 billion) after falling by a similar level in June, according to Qatar central-bank data posted on its website Monday.

Deposits from outside the country accounted for about 20% of total bank deposits in July, down from more than 24% in May.

The outflow of foreign bank deposits represents a worrying sign of how Qatar's diplomatic standoff with Saudi Arabia, the United Arab Emirates, Bahrain and Egypt is weighing on the tiny oil-dependent Persian Gulf country, as it tries to ramp up spending on infrastructure, partly related to hosting the soccer World Cup in 2022.

"Any major difficulty in accessing external funding would impact Qatar's investment program, which has increasingly relied on foreign capital," said Monica Malik, the chief economist at Abu Dhabi Commercial Bank.

The fall in foreign deposits in June and July came despite local banks offering higher interest rates to woo customers.

Analysts expect a further decline because many customers, especially from the Gulf countries, are unlikely to renew their deposits upon maturity.

Moody's Investors Service this month changed its outlook on Qatar's banking system to "negative" from "stable," citing weakening operating conditions and continued funding pressure facing Qatari banks.

The Qatari government, meanwhile, appears to have taken steps to support the domestic banking sector. Despite the foreign withdrawals, total deposits still increased by 1.3% in July from May.

Qatar's public-sector deposits rose by more than 33% over the same two-month period, mostly in the form of foreign currency, likely reflecting stronger demand for the U.S. dollar.

The public sector also reduced borrowing from the commercial banking sector, while Qatari banks repatriated deposits held overseas to reduce pressure on domestic banks, analysts say.

While Qatar is in a strong position to further support domestic funding requirements—it has reserves of about \$340 billion, including assets of its sovereign-wealth fund—access to foreign capital remains vital to maintain liquidity.

The Saudi-led alliance abruptly broke diplomatic and some commercial ties with Qatar in June after accusing it of sheltering and supporting Islamist groups like the Muslim Brotherhood and Hamas, and citing its alleged links to terrorist groups.

STREETWISE

By James Mackintosh

Long-Term Vs. Short: Which Is a Gamble?

To politicians and voters, "investors" carry on the noble work of capitalism, while "speculators" are no better than gamblers who treat share prices the same way as racing odds.

A new study suggests the caricature has it backward. The most speculative of speculators, it turns out, make their money when the companies they gamble on have good fundamentals—the cornerstone of what we traditionally think of as investing. And those who think of themselves as the most fundamentalist of fundamental investors make most of their money when the luck of the markets pushes prices up, absent improving company financials.

Understanding where the extremes of investment and speculation make their money matters for buyers of so-called smart beta exchange-traded funds—vehicles that attempt to exploit anomalies in the market.

Definitions are fluid, but in practice speculation and investment are often delineated by time. Speculators buy and sell frequently, following fashions and trends in the hope that someone else will be willing to pay more in the future for the same business.

Investors, by contrast, are in for the long haul and expect to make their money from improvements in the underlying business.

Criticism of speculation dates back to at least the 18th century, but it was in the 1930s that British economist John Maynard Keynes gave one of the neatest definitions. He said speculation was about forecasting the psychology of the market and contrasted it to the "enterprise" of forecasting future earnings of assets over their entire life—a difference he detected in the behavior of Englishmen and Americans.

When purchasing an asset, "the American is attaching his hopes, not so much to its prospective yield, as to a favorable change in the conventional basis of valuation, i.e. that he is, in the above sense, a speculator," Keynes wrote.

In modern parlance, speculators bet on changes to valuation, while investors care about corporate fundamentals. Strangely, it turns out that momentum strategies driven entirely by the hope that prices will keep moving in the same direction they have been moving make

Please see STREET page B2



A copper-smelting facility in Russia. Copper prices are at their highest since 2014, and investors are wagering on further gains.

Rally in Metals Signals Optimism

By IRA IOSEBASHVILI
AND AMRITH RAMKUMAR

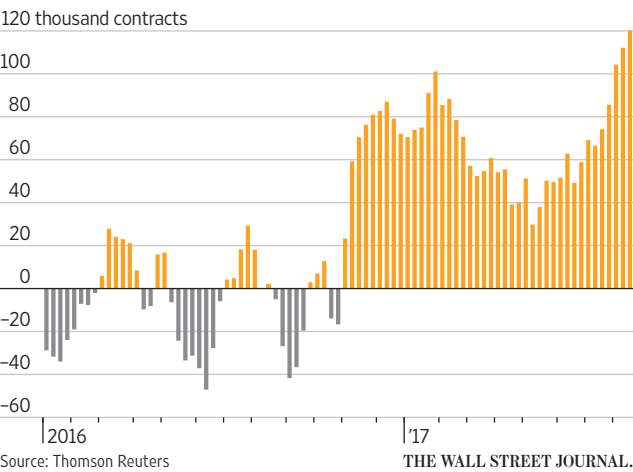
Bullish investors are pushing the prices of copper, aluminum and other industrial metals to multiyear highs, betting that recent signs of resurgent global growth and falling supplies will stoke demand for raw materials.

Prices for copper hit their highest level in nearly three years last week, and zinc reached its highest price in a decade. Aluminum has climbed to three-year peaks and iron ore has rallied nearly 35% since the end of May. Shares of miners also have soared, with the MSCI World Metals & Mining Index up roughly 13% during that span.

Driving the gains are expectations that this year's nascent rebound in global growth will continue, with major economies around the world shifting into higher gear after a long

Copper Top

Net bets on higher copper prices have hit record levels.



period of lackluster performance. Many investors are also betting that reduced supplies and a selloff in the dollar will continue boosting prices, which had fallen in recent

years alongside other commodities as new producers saturated markets. Commodities denominated in dollars make it less expensive for buyers using other currencies.

The recovery in copper and some other base metals "has really only just begun," said Christopher LaFemina, an analyst at Jefferies. "There's much more to go."

Global investors view demand for base metals as an important gauge of economic health, as they are the building blocks of construction and used to make everything from airplanes to smartphones. A continued rise in metals prices could help push up inflation in the U.S. and abroad, giving central banks a freer hand to raise interest rates or taper the monetary policy programs they have used to kick-start growth in the aftermath of the financial crisis.

The rally in the metals sector affects everything from currencies in developing markets to debt from commodity-producing countries, some analysts said. Rising metals

Please see METALS page B2

Firms Strive to Free Up Working Capital

By TATYANA SHUMSKY
AND NINA TRENTMANN

Finance chiefs in the U.S. are shrinking the time it takes to convert trillions tied up in their businesses into tangible cash, while some of their European counterparts struggle to do the same.

The 1,000 largest U.S. public companies reduced the number of days it took to convert working capital into cash received from customers to 35.7 days in 2016 from 37.1 a year earlier, according to a study by Hackett Group Inc., a consulting firm. The same measure of European companies took 40.4 days, up from 39 days in 2015.

There is roughly \$6 trillion in working capital locked up across U.S. and European com-



Businesses like Diageo are squeezing more cash out of operations.

panies, Hackett estimates. Finance chiefs at companies including **Conagra Brands** Inc., **NRG Energy** Inc. and **Diageo** PLC are among those reducing

the amount of cash used to run their operations.

The focus on more efficient use of working capital follows a prolonged period of near-

zero interest rates around the world. Credit is becoming more expensive as the Federal Reserve has started inching up interest rates in the U.S., and there are expectations of a less accommodative monetary policy from the European Central Bank.

Therefore, businesses are seeking ways to squeeze more cash out of their operations to pay down what they borrowed or to avoid taking on new loans.

"Working capital improvements enable companies to pay back debt, fund future growth, reward shareholders and reduce risk," said Paul Moody, associate principal with Hackett. "There's a mentality of 'get your house in order now, when times are good, and be prepared for the unexpected.'"

U.S. companies have \$3 trillion in working capital, Moody said. *Please see CAPITAL page B2*

INSIDE



HEDGE-FUND
TRADER BETS
ON LONDON

FINANCE & MARKETS, 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	Exxon Mobil.....A2	Morningstar.....B5
Alibaba Group.....B4	F	N
Amazon.com.....B3	Facebook.....B4,B8	Nabisco.....B8
Anadarko Petroleum Corp.....A2	Fiat Chrysler Automobiles.....B1	Nacco Industries.....B3
AngloGold Ashanti.....B4	Ford Motor.....B1	Nestlé.....B8
A.P. Moller-Maersk.....A1	Freeport-McMoRan.....B2	NRG Energy.....B1
Automatic Data Processing.....B5	G	P
B	Glancy Prongay & Murray.....A2	Pershing Square Capital Management.....B5
Baidu.....B4	Glencore.....B2	Pomerantz.....A2
Berkshire Hathaway.....B5	Grant & Eisenhofer.....A2	R
Bernstein Litowitz Berger & GrossmannA2	Great Wall Motor.....B1	Repsol.....B5
C	H	Robbins Geller Rudman & Dowd.....A2
Conagra Brands.....B1	Herbalife.....B3	Rosen Law Firm.....A2
D	Houlihan Lokey.....B8	Royal Dutch Shell.....A2
Depomed.....A1	HTC.....B4,B8	S
Diageo.....B1	J	Sasol.....B4
E	Johnson & Johnson.....B3	Sempra Energy.....B5
Electronic Arts.....B4	JPMorgan Chase.....B5	Shire.....B4
Ele.me.....B4	K	Sony.....B4
Elliott Management.....B5	Kramer Levin Naftalis & Frankel.....A2	T
Energy Future Holdings.....B5	M	Total.....A1
Evercore Partners.....B8	McDonald's.....B3	Twin Rivers Paper.....A5
		W
		Wal-Mart Stores.....B3

INDEX TO PEOPLE

A	Hatzius, Jan.....B7	Moody, Paul.....B1
Ackman, William...B3,B5	Howard, Alan.....B5	O
Andrews, Kirk.....B2	J	O'Brien, Dan.....B4
B	Jonas, Adam.....B2	P
Bakshi, Vikram.....B3	K	Poulton, Jeff.....B4
Buffett, Warren.....B5	Kushner, Joseph.....B2	S
C	L	Sambor, JC.....B8
Chubak, Steven.....B8	LaFemina, Christopher.....B1	Schamotta, Karl.....B7
Conelius, Michael.....B5	Lau, Martin.....B4	Scher, Peter.....B5
Corry, Stephen.....B8	M	Stanton, Christopher..B2
D	Malik, Monica.....B1	W
Dalio, Ray.....B7	Marberger, David.....B2	White, Lucas.....B2
Dimon, James.....B5	Marchionne, Sergio.....B1	Wilson, Andrew.....B4
H	Mattis, Jim.....A1	Z
Halpin, Chris.....B4	Mikells, Kathryn.....B2	Zhang, Yale.....B2

CAPITAL

Continued from the prior page
lion tied up in working capital, which represents the amount of cash left after deducting current liabilities from current assets. Hackett Group estimates that \$1.04 trillion could be liberated through efficiency improvements.

Companies in Europe have roughly the same amount tangled up in operations, with €1 trillion (\$1.17 trillion) able to be freed, Hackett adds. However, these firms struggle when it comes to cash conversion, largely because they held on to 63 days worth of inventory in 2016, up from 57.9 days a year earlier, according to Hackett.

Many European companies have struggled to free cash from working capital.

Still, businesses on both sides of the Atlantic are using several tactics to free up cash. They run down inventory levels to reduce the amount of money tied up, collect cash from customers faster and pay suppliers more slowly to avoid using debt to fund operations.

Companies that cut their cash-conversion cycle by seven days added between 1.05% and 2.1% to their earnings margin, according to Hackett.

Chicago-based food maker Conagra cut its cash conversion cycle by roughly 12 days during its 2017 fiscal year, resulting in a \$263 million, or 27%, reduction in its working capital. The lower a company's working capital—without hitting negative numbers—the

more cash efficient it is perceived to be.

The maker of Healthy Choice frozen dinners and Reddi-wip dessert topping improved capital use in areas including inventory, accounts receivable and accounts payable, said CFO David Marberger on the company's fiscal fourth-quarter earnings call in June.

Working capital improvements contributed to an 81% increase in Conagra's net cash flow from operating activities to \$1.1 billion for fiscal 2017 from a year earlier, Mr. Marberger said.

Electricity producer NRG Energy said it identified \$370 million in one-time working-capital improvements that will be fully realized by the end of 2019 as part of its transformation plan launched last month.

The company expects to net a one-time working capital reduction of \$175 million this year by reducing fuel inventory and cutting the amount of machinery and spare parts kept on hand.

"We have a responsibility to manage working capital at levels appropriate and necessary for day-to-day operations," said NRG's CFO Kirk Andrews, in a statement.

Many European companies have struggled to free cash from working capital. However, Diageo, known for its Johnnie Walker whiskey and Guinness beer, said it reduced its working capital by 4.5% over the past two years. The company, in its July results presentation, said that more efficient debtor management and a reduction in overdue customer payments helped shrink working capital.

"We have got really good day-to-day execution around working capital," finance chief Kathryn Mikells said on the company's fourth-quarter earnings call in July.

JEEP

Continued from the prior page
latter's market capitalization equals about \$19 billion.

Great Wall is approaching Fiat Chrysler at a murky time. The company faces federal scrutiny related to sales reporting and diesel emissions, and a former executive is set to go on trial this year for allegedly bribing union officials.

Jeep's health could improve in coming months with the release of an updated Wrangler model, which is built in the U.S. The off-road vehicle is being updated to better meet fuel-economy standards and customer demands for increased technology and safety.

Buying Jeep would be "a very logical move" for Great Wall, said Yale Zhang, managing director of Automotive Foresight, a Shanghai auto consultancy.

Great Wall has been open about its global ambitions, but has made relatively little headway outside China. When it launched Haval, a brand for its sport-utility-vehicle range, in 2013, "it wanted Haval to be another Jeep," said Mr. Zhang, "and to be the number one SUV brand in the world." That hasn't happened, but the dream could still be realized by acquiring Jeep and combining it with Haval, he said.

Great Wall's plan to make a Jeep bid was reported earlier by Automotive News.

—Junya Qian and Eric Sylvers contributed to this article.

METALS

Continued from the prior page
prices are a boon to countries like Australia, a major iron-ore exporter, as well as Indonesia and Chile, which produce nickel and copper, respectively. The Australian dollar has risen almost 7% against the U.S. dollar since the end of May, while the Chilean peso is up roughly 4%. The iShares J.P. Morgan USD Emerging Markets Bond ETF has risen in five of the past six sessions through Friday and posted an 11-session winning streak in mid-July, its longest in more than five years.

Net bets by hedge funds and other speculative investors on a higher copper price stood at 120,175 contracts for the week ended Aug. 15, the highest level since the Commodity Futures Trading Commission began recording the data in 2006. On Monday, front-month copper for August delivery rose 1.4%, to \$2.9810 a pound, its highest settlement price since November 2014.

The one-sided positioning and pace of the rally has concerned some investors, who worry that prices have gotten ahead of fundamentals and disappointing news could spark a rush for the exits.

"When the whole world gets crowded into one trade, it typically ends in tears," said

BUSINESS & FINANCE



Fiat Chrysler's Jeep brand faces U.S. scrutiny related to sales reporting and diesel emissions.

The Chinese Suitor Interested in Jeep

SHANGHAI—In China, private auto makers have struggled to escape the shadow of their much bigger state-run rivals, which have formed lucrative joint ventures with foreign firms and enjoy easier access to credit.

Great Wall Motor Co. is one of the exceptions—thanks in large part to a big bet on the sport-utility vehicle. Now, it says it wants to go after one of the segment's best-known makers: Fiat Chrysler Automobiles NV's Jeep unit.

Great Wall, a Shanghai- and Hong Kong-listed company that dates to 1984, is worth roughly

\$16 billion in market value. That is less than half that of Fiat Chrysler's \$38 billion capitalization, making a serious play for Jeep—Fiat Chrysler's largest and most-lucrative business by far—a big bite.

Still, financing an overseas acquisition might not be much of a hurdle if Beijing backs such a move, analysts say. China has reined in global deal making by many of its biggest companies, but it continues to profess strategic interest in enlarging its footprint in the global auto industry.

Earlier this decade, however, Great Wall was quick to divine that China, until then mostly a sedan market, was poised to follow the U.S.—where growth and profitability have long been dominated by the SUV.

In 2013, it launched a stand-alone SUV brand, Haval. It quickly soaked up much of the early demand for such models, offering a much more affordable option than the imports available in China at the time. The Haval also won respect among consumers, one of just a few homegrown brands that have done so.

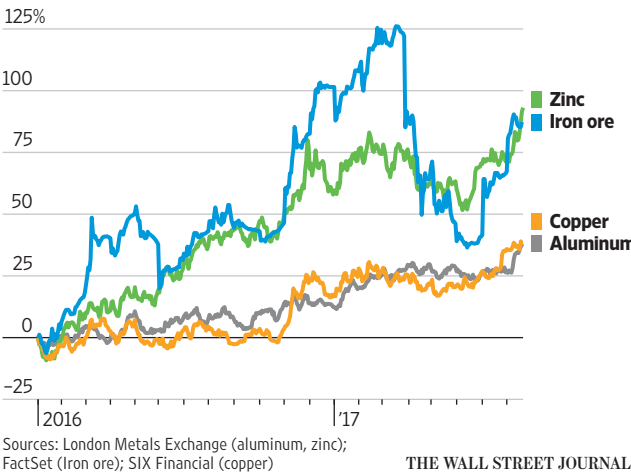
Last year, Great Wall sold 1.07 million vehicles, up 26% compared with a year earlier, making it one of China's top-selling auto makers.

That success helped make founder Wei Jianjun one of China's richest men. He has a fortune of about \$5.8 billion, according to the Hurun Report, which tracks the wealth of China's richest individuals.

—Trefor Moss

Basic Recovery

Inflation could get a boost if the prices of metals continue to rise.



Christopher Stanton, portfolio manager at Sunrise Capital LLC. Mr. Stanton took profits on most of his copper and nickel positions last week. "If anything, this is a market begging to be shorted."

Although analysts have cautioned that the rally may have come too far, recent supply disruptions and a strengthening global economy have continued to fuel buying. The International Monetary Fund in April projected global gross-domestic-product growth at 3.5% for 2017, up from its previous projection of 3.4%. The IMF raised 2017 and 2018 growth estimates for China, the world's top metals consumer, citing strong credit growth and fis-

cal support. It also increased euro-area growth projections, highlighting diminished political risks.

UBS Wealth Management advised clients to take a position in aluminum earlier this month, saying the metal will benefit from tighter supplies and stronger global growth.

That backdrop has buoyed metals prices, which have in turn supported stocks of miners such as **Freeport-McMoRan** Inc. and **Glencore** PLC. Shares of Glencore, one of the world's largest coal, copper and zinc producers, surged more than 20% from the start of June through Friday, though they are still well below a high reached in 2011. Freeport's shares climbed

roughly 23% during that time.

Lucas White, a member of global investment management firm GMO's focused equity team, last year urged investors to buy shares in natural-resource producers as a way to take advantage of beaten-down commodity prices. A year later, Mr. White still believes "there's good value in the mining companies" and said he is "overweight" the sector, meaning he holds a larger share of an asset than a benchmark portfolio would suggest.

"We believe these companies can generate earnings and cash flow," he said.

Expectations for future supply shortfalls are fueling gains as well, some analysts said. Aluminum prices rallied recently after China cut its refining capacity and cracked down on illegal producers of the metal as part of an effort to fight pollution. Falling global stockpiles and production cuts have helped boost zinc prices by more than 20% this year. Although the International Copper Study Group, an organization of copper-producing and -consuming countries, sees refined-copper usage and production almost equal, some analysts including Mr. LaFemina expect supply to taper off while demand growth stays steady.

A weaker dollar is also buoying prices, as metals are denominated in the U.S. currency and have become more affordable to foreign investors.

STREET

Continued from the prior page
their money from fundamental improvements. And "value" strategies driven by an assessment of fundamentals make their money from rising valuations.

A study in the latest Journal of Portfolio Management by Joseph Kushner, an associate at Goldman Sachs Asset Management, breaks down the past 30 years of returns for value and momentum into valuation changes and business improvement.

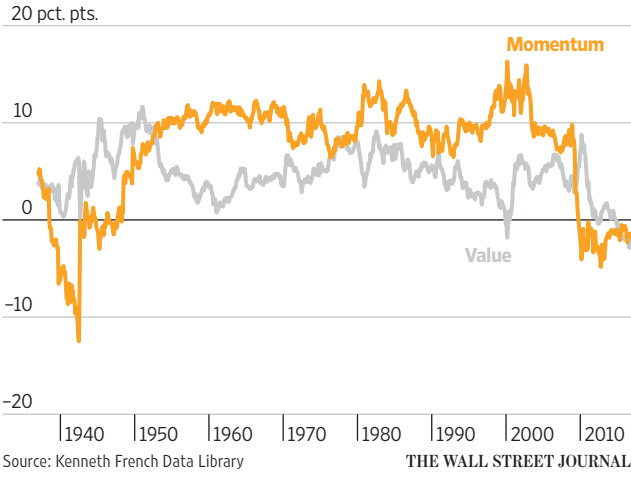
Value is perhaps most popular with investors who decry speculation, yet Mr. Kushner found that the approach of buying companies that are cheap as measured by price-to-book ratio made all its gains from a rise in valuations—before rebalancing back into cheap companies once a year. That is, the companies didn't actually get any better; other people were just willing to pay more for them.

By contrast the short-termist approach of momentum, holding stocks for just a month at a time, made money despite falling valuations over the month because, on average, improving fundamentals offset the lower multiple.

Money talks, but words

Factoring in a Lost Decade

10-year annualized performance of 'value' and 'momentum' portfolios relative to the U.S. stock market



matter more to politicians than to those seeking a return from stocks. Value and momentum should both be seen as valid ways to invest—with a plethora of ETFs for both—but also as bets on unchanging human nature.

Value is a bet that shareholders continue to overreact to bad news, so not-very-good companies are priced as though they were truly awful—the flip side being that really good companies are often priced as though they could never make a mistake. When shareholders wake up to it, the move from

being priced as awful to merely bad gives a handy valuation boost.

Momentum is a bet that rising stocks attract new buyers and thus rise further, while falling stocks scare people off and thus fall further. Like value, it has worked well over long periods, and plenty of mutual funds and exchange-traded funds have sprung up to take advantage of both.

Both strategies have been having a tough decade, with value having its second-worst period of underperformance in data back to 1926. The worst was the 10 years

up to a year ago, but value put on a brief spurt after the election.

Mr. Kushner's study throws some light on the recent weakness. Value underperformed mainly because it missed out on the recent sharp rise in valuations of the large growth companies, exemplified by the technology sector. Momentum held better companies than usual, but after being crushed by the speed of the recovery in 2009 it was repeatedly hit by sharp market reversals.

The real question for the future of these strategies is whether they are broken, not whether they are speculative. Human nature creates both value and momentum opportunities, but they aren't infinite, and they lose their edge when too much money chases them—probably part of the problem for momentum in recent years.

If we truly live in the winner-takes-all world exemplified by the biggest tech stocks, a value strategy that ends up buying the losers won't work. But there is little reason to think market psychology has truly changed, and investors and speculators alike are probably still overpaying for winners and irrationally underpricing the losers. Eventually reality will dawn and value start to perform again.

ADVERTISEMENT

Legal Notices

INTERNATIONAL NOTICES

MUMBAI DEBTS RECOVERY TRIBUNAL -1

(Govt. of India, Ministry of Finance)
5th Floor, Scindia House, Opp. L & T House, Narottam Morari Marg, Ballard Estate, Mumbai - 400 001. (India)

SUMMONS

TOA. 1912 of 2016

Exh No. 20

Punjab National Bank

...Applicants

M/s. Fine Facets India Pvt. Ltd. & Ors.

...Defendants

Whereas the applicant has instituted an applications U/S 19 of the Recovery of Debts Due to Banks and Financial Institutions Act 1993 against you for the Recovery of Sum mentioned therein together with current and future interest and other reliefs. You are hereby summoned to appear and file written statement before this tribunal at 12.00 P.M. or at such time immediately thereafter according to the convenience of tribunal on 19/09/2017 to answer the claim.

2. You are directed to collect the annexure on your appearance before the tribunal.
3. If you intend to file any documents, you may file the same with a list along with the written statement.

4. You should file your registered address and a memo of appearance when you enter appearance before the Tribunal either in person or by a Pleadar/ Advocate duly instructed.

5. Take notice that, in default of, your appearance on the day mentioned herein before, the proceeding will be heard and determined in your absence.

Given under my hand and the seal of this Tribunal on this 14/07/2017.

Sd/-

(A. Murali)

Registrar, I/C

To,

Def. 4. Shri. Mitul Mehta

Mumbai Debts Recovery Tribunal -1

At: Gabriellei, 19, 2930, Brasschaat, Belgium - 11008, Zipcode - 2930

BUSINESS NEWS

J&J Loses Trial Over Talc

Jury awards woman \$417 million in latest case tying ovarian cancer to baby powder

By Sara Randazzo

LOS ANGELES—A jury on Monday awarded a woman with ovarian cancer \$417 million in a case against **Johnson & Johnson**, the latest hit to the pharmaceutical company in widespread litigation over the alleged harms of its baby powder.

The verdict here comes in the sixth completed trial alleging the talcum powder in J&J's popular bath product causes ovarian cancer, and that the company failed to warn about the risks. The company won a trial in March but lost four others, leading to jury awards totaling more than \$300 million that are now on appeal.

A J&J spokeswoman said Monday that the company plans to appeal the latest verdict. Individual jury awards in mass tort litigation are idiosyncratic and are often reduced on appeal. At the same time, the outcome of early trials can give plaintiffs and defendants a better sense of how to value any eventual global settlement.

J&J said in a recent securities filing that as of July 2 it faced 4,800 pending claims in U.S. courts over its talc products.

J&J has repeatedly said talc is safe to use as an ingredient in cosmetic products and that its baby powder is labeled appropriately. The company spokeswoman said Monday that while they sympathize with those affected by ovarian cancer, “we are guided by the science, which supports the safety of Johnson’s Baby Powder.” She pointed to an April finding by a National Cancer Institute board that “the weight of evidence does not support an association between perineal talc exposure and an increased risk of ovarian cancer.”

J&J has latched on to a U.S. Supreme Court ruling in June limiting where cases can be filed in an effort by the com-



The company has repeatedly said that talc is safe to use as an ingredient in cosmetic products.

pany to shed other pending talc cases. A judge declared a mistrial in one such case in St. Louis days after the Supreme Court ruling, and J&J has asked for other verdicts and pending cases to be thrown out.

That ruling didn't come into play in the California state court trial, the first to take place outside of St. Louis. The plaintiff, Eva Echeverria, is a 63-year old Californian who was diagnosed with ovarian cancer in 2007. Jurors heard from Ms. Echeverria via video that she had used talc for feminine hygiene for more than 40 years and would have stopped using it had there been a warning label.

Mark Robinson, an attorney for Ms. Echeverria, said Monday, “These cases are about fighting for justice for women all over California who are suffering from ovarian cancer because of Johnson & Johnson’s covering up the truth for so many years.”

During closing arguments, a different attorney for Ms. Echeverria stressed that the jury didn't need to prove that talc

was the sole cause of his client's cancer, only that it was a “substantial factor,” according to video of the proceedings provided by Courtroom View Network.

The four-week trial hinged largely on a battle of the experts, with pathologists, oncologists and other specialists called in by both sides.

Lawyers have taken out thousands of ads warning of potential risks of talcum powder.

The American Cancer Society has said research linking women's use of talcum powder in the genital area to ovarian cancer has been “mixed, with some studies reporting a slight increased risk and some reporting no increase.”

One plaintiffs' expert showed that talc causes inflammation in human tissues, and that chronic inflammation can cause ovarian cancer. An-

other found 11 talc particles on Ms. Echeverria's tissue. Ms. Echeverria's own treating gynecologic oncologist testified that she believed talc was more likely than not the cause of her patient's cancer.

J&J tried to discredit the opposing side's witnesses by pointing out that the experts only began linking talc to ovarian cancer after they were hired to assist in the litigation.

Bart Williams, an attorney for J&J, explained to jurors during closing arguments that finding talc possibly causes the disease isn't the same as deciding that it probably does, which is the stricter standard required under California law for when a product needs a warning label. “It's about establishing causation,” he said.

Lawyers took out 16,000 advertisements warning television viewers of the potential risks of talcum powder in the first half of the year, according to an X Ante analysis of Kantar Media CMAG data. That makes it the fifth most-popular target of mass-tort TV ads focused on drugs and medical devices, X Ante said.

McDonald's Cuts Off India Partner

By Corinne ABRAMS

MUMBAI—**McDonald's** Corp. has severed ties with its second-largest franchisee in India, a move that could lead to the loss of nearly 170 outlets and force the fast-food behemoth to start over in a big chunk of this South Asia market.

After years of court disputes over management of the company that controls the McDonald's restaurants in northern and eastern India, McDonald's said Monday it terminated franchise agreements with Connaught Plaza Restaurants Pvt. Ltd., bringing to an end a 22-year-old arrangement.

The only other franchisee in India, Hardcastle Restaurants Pvt. Ltd, runs 242 restaurants in west and south India, which won't be affected.

“We have been compelled to take this step because CPRL has materially breached the terms of the respective franchise agreements,” said Barry Sum, a McDonald's spokesman in Hong Kong.

In June, 43 of the 169 restaurants run by CPRL—in which McDonald's India Pvt Ltd. has a 50% stake—were shuttered because they didn't have the necessary business licenses. Previously, McDonald's tried to oust the company's managing director, Vikram Bakshi, but he fought the decision in court and was reinstated in July.

Mr. Bakshi said the burger chain's latest decision was an “oppressive act” and he is considering his legal options. “This

desperate action taken by the McDonald's Corporation is a direct affront on the Indian legal system,” he said in a written statement Monday.

The McDonald's spokesman said CPRL—which opened the first McDonald's restaurant in India—hadn't been paying royalties and had violated other “essential obligations” that it failed to remedy over the past two years.

McDonald's said that CPRL was required to stop using the “McDonald's System,” its name, branding and trademarks within 15 days of the termination of its license.

“We understand that this action brings uncertainty for many,” McDonald's said. The company said it is working to mitigate the impact on employees, suppliers and landlords and is taking steps to find a new partner for the affected regions.

The breakup marks a painful pause for the Oakbrook, Ill.-based company, as it has been looking to emerging markets like India to offset slowdowns at home and in other more-developed markets like China.

One of the first global restaurant chains to bet on the India opportunity back in the 1990s, McDonald's was initially a huge success, with people in cities like Mumbai and Bangalore lining up for its fare, which had been modified to be beef-free.

—Debiprasad Nayak and Eric Bellman contributed to this article.

ADVERTISEMENT

The Mart

BUSINESS OPPORTUNITY

GOVERNMENT OF MAHARASHTRA PUBLIC WORKS DEPARTMENT P.W.DIVISION, PUSAD

E-Tender Notice No.3 For 2017-2018 Notice Inviting Bid

Package No - AM-17 Dated - 02.08.2017

Subject:- RFP for Improvement of Roads in the Yavatmal District In Maharashtra state for Two Lanning road/Two Lanning road with paved shoulders under MRIP Package AM-17 on Hybrid Annuity Mode.

The Government of Maharashtra had entrusted to the Authority the development, maintenance and management of State highways and Major Districts of State of Maharashtra. The authority had resolved to augment the existing road for **Improvement to Yavatmal Dist Border Shembal Pimpri Pusad Gunj Dhanoda Mahur Road in Yavatmal Dist joining Aundha Nagnath & Mahur (SH 257,51 & 265) & Improvement to Digras to Pusad & Darvha to Ner road in Yavatmal Dist. joining Digras & Pusad taluka HQ to Dist HQ (SH 257)** 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 Road	Length (in Km)	Estimated Project Cost (In Rs.Cr)
A) Improvement to Yavatmal Dist Border to Shembal pimpri Pusad Gunj Dhanoda Mahur Road in Yavatmal Dist joining Aundha Nagnath & Mahur (SH 257 ,51 & 265)	111.563 Km	₹ 269.31
B) Improvement to Digras to Pusad & Darvha Ner road in Yavatmal Dist joining Digras & Pusad taluka HQ to Dist HQ (SH 257)		

The complete BID document can be viewed/downloaded from e-procurement portal of (<https://maharashtra.etenders.in>) Dt 10.08.2017 to 09.10.2017 (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 09.10.2017 (upto 23.00 Hours IST). Technical submissions of the Bids received online shall be opened on 16.10.2017 to 23.10.2017 (at 18.00 hours 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 16.10.2017 (at 11.00 hours IST). Please note that the Authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever.

Thanking You,

Yours faithfully
(S.D.Dhotre)
Executive Engineer, Public Works Division
Pusad

DGIPR/2017-2018/2249

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 \$4K+ per patient, all cash, no insur. Exclusive areas. \$99,700 inv. (0202) 570-7557

AUCTION

**General G.A. Custer
The Trevelian Collection:**
His wedding uniform and General's sword now on display at Cisco's Gallery in Coeur d'Alene, ID.
For sale at private treaty.
www.ciscogallery.com
(208) 769-7575

BUSINESS OPPORTUNITY

BUSINESS OPPORTUNITY
Become a dealer for a new technology that saves home and business owners 75% on their monthly power bill.
616-430-7987
mondialinvestments@gmail.com

BUSINESS OPPORTUNITY

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

CAPITAL WANTED

Capital Needed

Bridge loan of \$3 mil.
Real estate for collateral.
Principals only, no brokers.
918-804-8030

TRAVEL

Save Up To 60% First & Business

INTERNATIONAL
Major Airlines, Corporate Travel
Never Fly Coach Again!
www.cooktravel.net
(800) 435-8776

Herbalife Move Deals a Blow to Ackman

By David Benoit
And Imani Moise

Herbalife Ltd. raised the specter of going private Monday, sending its stock soaring and dealing a blow to William Ackman, the nutritional-supplements company's chief antagonist.

In announcing it would buy back as much as \$600 million of its stock from shareholders, Herbalife added an unusual sweetener: The company said it would give any sellers an effective insurance policy so they don't miss out if it is sold in the next two years.

The company said it had ended deal discussions with an unnamed party last week, but its offer left open the possibility such a sale could still be on the table.

Herbalife shares jumped 9.8% to \$68.04 in afternoon trading Monday, giving the company a market value of \$6.4 billion, as investors also took the news as a signal of



Herbalife sells weight-management and other products.

confidence in its future.

It isn't clear who Herbalife held buyout talks with or how serious the discussions were.

The move will likely continue to pressure the \$1 billion bet Mr. Ackman's Pershing Square Capital Management LP made against the company five years ago based on his allegation that it's a pyramid scheme. The company denies the allegation.

Mr. Ackman first shorted the stock at around \$47; factoring in the cost of the bet, he needs it to fall closer to the \$30 range to make a profit. Mr. Ackman has said Pershing Square would sell out if the wager gets too risky, but personally pledged to take his crusade “to the end of the earth.” Pershing Square declined to comment Monday.

Carl Icahn, Mr. Ackman's

nemesis and a big Herbalife shareholder, explored selling his stake a year ago but then reversed course and increased it to a level that now stands at about 24%. Mr. Icahn said he wouldn't sell stock into the tender offer. Mr. Icahn and Herbalife agreed he won't acquire more than 50% of the stock unless he plans to buy the entire company. The investor still hasn't hit an earlier ceiling of 35%.

The company will repurchase its stock for between \$60 to \$68 a share, which, at the high end, represents a 10% premium from Friday's closing price. Herbalife said it has purchased about \$299 million of its shares on the open market this year.

Mr. Icahn suggested the insurance policy, known as a contingent-value right, people familiar with the matter said. A common deal sweetener but unusual in a stock buyback, Mr. Icahn has used them previously in takeover offers.

Hamilton Beach Owner Plans Spinoff

By Cara Lombardo

The company that makes Hamilton Beach appliances plans to spin off the brand and a kitchen-accessory store chain, in an effort to focus on its coal and mining businesses.

Nacco Industries Inc. said Monday that spinning off Hamilton Beach Brands Holding Co. as an independent public company will give the housewares business and related retail-store, Kitchen Collection, better access to capital and more opportunities to grow through acquisitions and joint ventures.

Nacco Chief Executive Alfred Rankin Jr. said on a conference call that by structuring Hamilton Beach and Kitchen Collection as a single-industry entity, it would receive broader investor interest and analyst coverage.

Hamilton Beach has applied for listing on the New York Stock Exchange under the symbol “HBB,” according to a securities filing.

Nacco will continue to own its other subsidiary, North American Coal Corp., which mines coal primarily for use in power generation and provides services for natural-resource companies.

Hamilton Beach brought in more than \$605 million of revenue last year, while the Kitchen Collection chain reported revenue of \$144 million. Overall, Nacco generated about \$856.4 million in revenue in 2016.

Hamilton Beach produces appliances such as blenders, coffee makers and bag sealers under the Hamilton Beach, Proctor-Silex and Weston brands. Kitchen Collection, which has more than 200 loca-

tions, sells cooking gadgets including Hamilton Beach products and other brands.

Hamilton Beach has struggled to lift sales as brick-and-mortar retailers use shelf space for their own private-label appliances and consumers increasingly purchase specialty housewares online.

Wal-Mart Stores Inc. accounted for 32% of Hamilton Beach revenue last year, while **Amazon.com** Inc. accounted for 10% of its sales, according to the company.

In the first six months of this year, revenue for Hamilton Beach brands, which includes Kitchen Collection, fell 1.6% to \$293.3 million. The brands had a net loss of \$119,000, driven by a decline in business at Kitchen Collection.

In conjunction with the spinoff, Mr. Rankin will retire

and become executive chairman of the Hamilton Beach company, while North American Coal Chief Executive J.C. Butler Jr. will retain his current role and become chief executive of Cleveland-based Nacco.

Gregory Trepp, who has been chief executive of Hamilton Beach brands and Kitchen Collection since 2010, will lead the new company.

Existing Nacco shareholders will receive shares in Hamilton Beach, which will be based in Glen Allen, Va.

Nacco expects the tax-free distribution to be completed in the third quarter. Nacco's extended founding family is expected to own about 49% of Hamilton Beach after the spinoff.

Nacco shares, down 18% this year, rose 6.6% in afternoon trading Monday.

EA, NFL Ready Videogame Tourney

By SARAH E. NEEDLEMAN

Electronic Arts Inc. and the National Football League are teaming up to create an annual videogame tournament aimed at a different kind of esports competitor: the player sitting at home on the couch.

The tournament, called Madden NFL Club Championship, is tied to Tuesday's launch of "Madden NFL 18," the latest installment of an annual football franchise EA says has sold more than 100 million units world-wide since the 1980s.

Unlike many esports tournaments—public spectacles filled with paid professionals who belong to investor-backed teams with corporate sponsors—the Madden tournament is open to players at any skill level aged 16 and older. Residents of North America, the U.K. and Germany are eligible.

In both approaches, game companies are looking to move competitions from the living room to the arena and reap the moneymaking hallmarks of traditional sports: sponsorships, ticket sales, merchandising and broadcast rights. Global revenue for esports is projected to more than double to \$1.5 billion by 2020, according to the research firm Newzoo BV.

Esports revenue is tiny compared with the NFL, a \$13 billion business annually. But the industry is attractive because esports fans mostly watch contests online, said Chris Halpin, chief strategy officer at the NFL.

As the media market continues to fragment, the NFL needs to be in more places to reach fans, he said.

The bulk of the Madden tournament takes place online during the regular football



The tournament will be tied to Tuesday's launch of 'Madden NFL 18,' the latest installment of EA's long-running football franchise.

season, where contestants craft fantasy teams and play from their consoles. Top players will earn the right to compete in matches at NFL stadiums in front of live audiences.

Ultimately, finalists will represent each of the NFL's 32 teams in playoffs that culminate in a championship held around the same time and near the same venue as the NFL's Super Bowl title game, EA and the NFL said. Super Bowl LII is set to be played Feb. 4 in Minneapolis.

"The beauty of this is it is completely inclusionary," said Andrew Wilson, EA's chief executive. By making participation in esports open to anyone, the company is hoping to build player engagement, which "drives the profitability of the business" overall, he said.

EA also sidesteps some

costlier parts of setting up a full-fledged pro league. High-profile leagues announced by Activision Blizzard Inc. and Take-Two Interactive Software Inc. require team owners to pay their players salaries and provide health-insurance benefits. Since the Madden tournament is open to anyone, EA expects pro gamers will participate. The company said it could still create a pro league down the road.

The NFL and EA announced the initiative Monday. The agreement calls for some revenue sharing, though neither would go into detail.

EA plans to announce sponsors and advertisers for the new tournament, as well as where matches will be broadcast and on which outlets, at a later date.

For the company's past es-

ports events, sponsors have included McDonald's Corp. and Progressive Corp.

It is the first esports event in which all 32 NFL teams are committed to being involved. The teams will provide marketing support and are ironing out ways to interact with finalists, including possible locker-room visits and merchandising deals.

The new tournament expands on a pilot program last spring involving fewer NFL teams and contests between players and other Madden competitions timed around the Super Bowl. The prize pool this year was bumped up to \$403,000 from \$50,000 during the pilot.

Traditional and digital sports are growing closer. Several pro teams and athletes, including the National Basket-

ball Association's Philadelphia 76ers and baseball star Alex Rodriguez, have acquired or invested in esports teams.

Take-Two is developing a professional esports league in partnership with the National Basketball Association. Of the NBA's 30 teams, 17 will field esports squads that will compete at Take-Two's "NBA 2K" videogame series beginning next year.

Activision Blizzard sold the rights to teams for its Overwatch League, based on a cartoonish shooter game, to groups with ties to the NFL and Major League Baseball.

Besides the Madden tournament, EA is building a similar program with the soccer organization FIFA. Players of any skill level will be able to participate when it is launched, at a date to be determined.

HTC Slashes Price of Its VR Headset

By SARAH E. NEEDLEMAN

HTC Corp. is dropping the price of its Vive virtual-reality headset by \$200, weeks after **Facebook Inc.** made a similar price cut for its Oculus Rift goggles.

The Vive now costs \$599, still \$200 more than the Rift, which had its price slashed in July on what Facebook said was a temporary basis. Both devices come bundled with advanced controllers and require a connection to a powerful computer sold separately.

Sales of high-end VR systems have been sluggish, according to estimates from research firms. Despite more games and apps, there is no blockbuster to send hardware flying off the shelves, analysts say.

With the price cuts, HTC and Facebook are looking to better compete with **Sony Corp.**'s \$399 PlayStation VR. In June, Sony said it had sold more than a million units since the headset came out in October, roughly six months after the Vive and Rift.

Neither HTC nor Facebook have disclosed sales.

Facebook last month lowered the price of a bundle including the Rift and its Touch controllers by \$200. The sale originally was set to last six weeks but Facebook said Friday that it plans to extend it for a few more weeks, without specifying an end date.

Like Facebook, HTC said that it is looking to boost its user base beyond early adopters willing to spend significantly upfront.

The timing is right because "we're going into the second holiday season," said Dan O'Brien, general manager of HTC Vive for the Americas, referring to the end-of-year shopping season.

HTC is working on a wireless successor to the Vive, but it isn't close to being launched, Mr. O'Brien said. The company is still supporting the headset with new accessories coming next month and expects sales to continue well into 2018.



The price of HTC's Vive virtual-reality headset will drop \$200.

Baidu to Sell Off Its Food-Delivery Business

By ALYSSA ABKOWITZ
AND JULIE STEINBERG

Baidu Inc. is selling its takeout delivery business to **Ele.me**, a rival backed by **Alibaba Group Holding Ltd.**, according to people familiar with the situation.

The cash-and-stock deal, expected to be announced later this week, will allow the Chinese search-engine giant to stop sinking money into a costly business that hasn't paid off, according to people familiar with the sale.

Ele.me is valued at \$5.5 billion to \$6 billion after its latest investment round led by Alibaba and its financial affiliate, Ant Financial. As of last year, Baidu's takeout business, called Waimai, was valued at \$2.5 billion.

The people familiar with the sale didn't give details on a purchase amount. Alibaba and Ant are helping fund the acquisition, one of the people said.

Waimai shareholders will hold a minority stake in the combined entity as a result of the deal, one of the people said.

The sale is part of a larger refocus for Baidu, which is prioritizing artificial intelligence



The acquirer of the takeout company is said to be Ele.me, a competitor that is backed by Alibaba.

as its growth driver. In recent months, the search firm has consolidated business units and focused on two AI products, a voice-interaction system called DuerOS and an autonomous-driving open source platform called Apollo.

The deal also signals a defeat in Baidu's attempt to

compete in China's fierce online-to-offline, or O2O, market. In 2015, the company announced it would spend \$3.2 billion over the next three years on certain on-demand services such as takeout delivery and group buying. At the time, Chief Executive Robin Li said the company thought, "in

the age of mobile, search can function as a tool for connecting people with services."

But such services proved to be much more competitive and expensive than Baidu had expected, as Alibaba and Tencent Holdings Ltd. also jockeyed for positions as market leaders in O2O services. To

drum up market share, Baidu and its food-delivery competitors have paid subsidies and offered promotions, causing them to burn through cash.

Food delivery is one of the biggest battlegrounds between Alibaba and Tencent, which has backed Meituan-Dianping, an on-demand delivery site. The tech companies are relying on the online-to-offline service to help them gain new users of their lucrative online payment systems.

Last week, Tencent President Martin Lau said on a conference call with analysts that Meituan-Dianping helps Tencent generate a multitude of transactions. "We are able to have direct coverage...of most of the restaurants in China," Mr. Lau said of the partnership. Baidu was still touting its delivery business this spring, saying it was improving its operational efficiency and on a "visible path to sustainability and profitability," according to Chief Financial Officer Jennifer Li.

More recently, though, Mr. Li and others have played down Baidu's O2O services, and there was no discussion of the business during the company's earnings call last month.

BUSINESS WATCH

ANGLOGOLD

Mining Company Swings to a Loss

AngloGold Ashanti Ltd., the world's No. 3 gold producer, reported a first-half loss on Monday as the miner restructures some of its South African units.

Net loss for the six months to June 30 came to \$176 million, compared with a year-earlier profit of \$52 million. Earnings were hit by an \$86 million post-tax impairment related to certain South African mines, \$47 million posttax set aside for potential staff layoff costs there and \$46 million posttax for the estimated cost of settling a class-action lawsuit brought against a group of South African miners.

The company said its headline loss, which strips out certain exceptional and one-off items, came in at 22 cents a share, from a profit of 23 cents a share a year earlier. AngloGold added that higher operating costs, due to stronger local currencies in South Africa and Brazil, as well as lower income from joint ventures also hit its bottom line.



Sasol's synthetic-fuel plant in Secunda, South Africa, in 2016.

Net debt has risen by 12% since Dec. 31 to \$2.15 billion at June 30.

Gold production rose 0.2% from the same six months in 2016, to 1,748,000 ounces in the January to June period. The company received an average gold price of \$1,236 an ounce in the first half of 2017, up 1.1% from \$1,222 from the first half of 2016.

Revenue for the first six months of the year rose 4.3% to \$2.13 billion.

—Alexandra Wexler

SHIRE

Finance Chief Plans To Join U.S. Startup

Shire PLC said Chief Financial Officer Jeff Poulton has decided to leave the company at the end of the year to join a startup in the U.S. Mr. Poulton plans to join Boston-based agricultural technology company Indigo Ag Inc. as its new finance chief, Shire said. It added it will initiate a formal search for a replacement.

—Tapan Panchal

SASOL

Profit Soars 54% on Reduction in Costs

South African petrochemical and energy company **Sasol Ltd.** on Monday reported a 54% increase in its 2017 profit, citing a reduction of costs and conservation of cash as oil prices recovered.

Sasol posted a net profit of 20.37 billion South African rand (\$1.55 billion) for the 12-month period ended June 30, compared with 13.23 billion rand a year earlier. The company said that in the previous financial year, earnings had been hurt by a 9.9-billion-rand partial impairment of Sasol's Canadian shale-gas assets.

Headline earnings per share, the company's preferred profit measure that strips out certain items, fell 15% to 35.15 rand a share. In its financial year, Sasol was aided by a 15% rise in the average Brent crude oil price to \$49.77 a barrel.

Revenue for the year slipped 0.3% at 172.4 billion rand.

—Alexandra Wexler

Cisco to Buy Partner In Tilt Toward Software

By MARIA ARMENTAL
AND RACHAEL KING

Cisco Systems Inc. said it plans to buy **Springpath Inc.**, an early partner in the so-called hyperconverged-systems market, as part of a strategy to revive its fortunes by shifting to selling software and services.

Hyperconverged systems, a fast-growing segment within the otherwise struggling server market, combine data storage and computing in a single box, allowing companies to reduce costs in operating data centers.

The Springpath deal, which will cost Cisco \$320 million in cash and assumed equity awards, is expected to close later this year. The move follows **Hewlett Packard Enterprise Co.**'s announcement in January it would spend \$650 million to buy data-storage startup **SimpliVity Corp.**

Nutanix Inc., another Springpath competitor, went public last September, the same month that **Dell Technologies**

Inc. acquired EMC Corp., whose products include hyperconverged technologies.

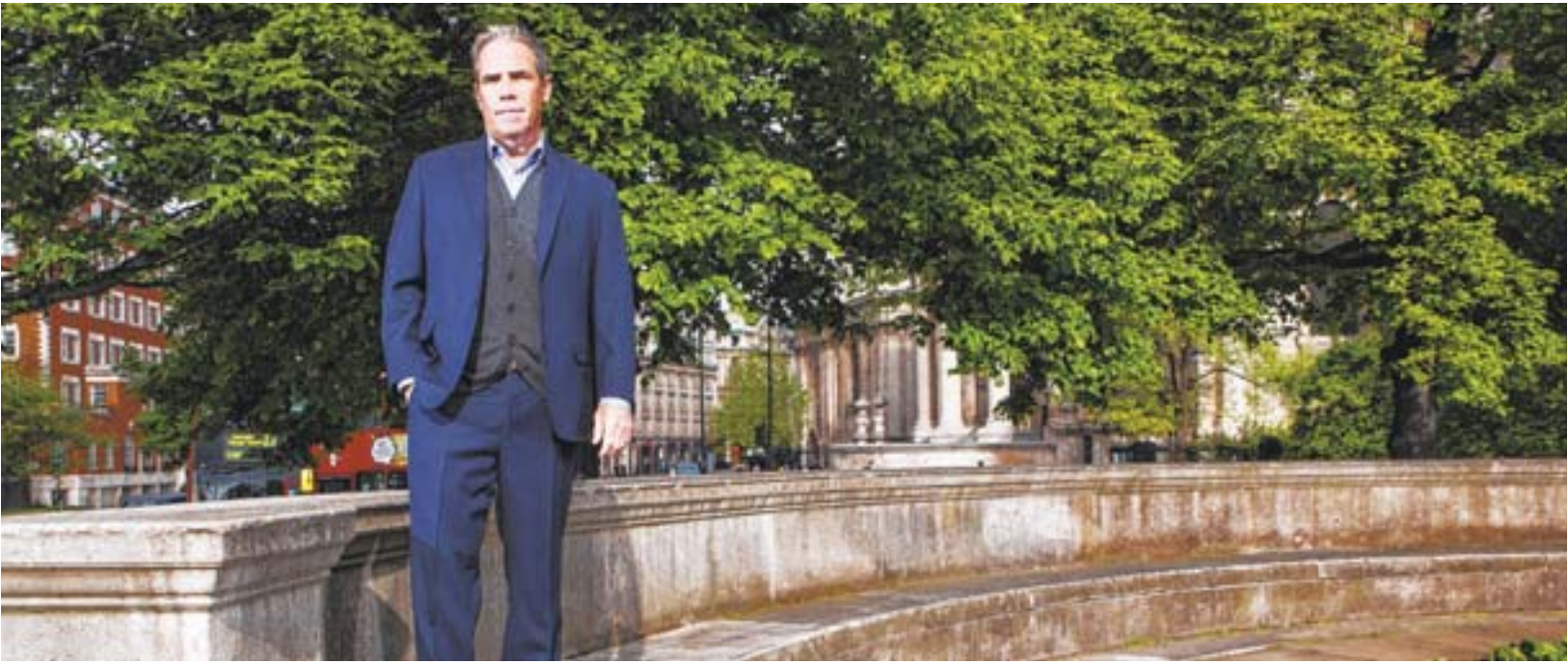
Springpath, founded in 2012 by VMware Inc. veterans and formerly known as Storviso, has been working with Cisco for several years on its data-center technologies.

Springpath's software allows standard servers to combine computing and storage capabilities, eliminating the need for hardware dedicated to each purpose.

In collaboration with Springpath, Cisco last year launched its HyperFlex platform for data-center customers. "As one team, I am excited for the synergistic possibilities ahead," wrote Liz Centony in a Cisco blog post. Ms. Centony leads the computing systems product group that would feature Springpath.

Springpath founders Mallik Mahalingam and Krishna Yadappanavar are expected to remain with Cisco after the deal closes.

FINANCE & MARKETS



Michael Conelius is one of the last emerging-market bond investors from the 1990s still around. 'To my mind, it's by far the most exciting asset class,' he says.

Veteran Investor Embraces Crisis

Emerging-markets pioneer Michael Conelius is betting big on Venezuela

By Carolyn Cui

A growing number of bond investors have eliminated their exposure to Venezuela, which they worry is increasingly likely to default or erupt into further chaos.

Then there is Michael Conelius.

A pioneer in emerging-markets investing, Mr. Conelius agrees that a default looks likely. But his T. Rowe Price Emerging Markets Bond fund has taken a bullish position: He has accumulated so much debt issued by Venezuela's government and state-owned oil company that he has become one of the country's largest foreign creditors, according to Morningstar Inc.

"People tend to get fixated on a situation that is deteriorating," he said of Venezuela, and about emerging-markets investing more broadly. "But if you can identify a crisis that is actually going to be the catalyst for some political change or economic reform...then the good news is more obvious."

When Mr. Conelius began investing in emerging-market bonds, his fund was immediately slammed by the 1994 Mexican peso crisis. Not long after that, emerging markets got flattened by the Asian currency cri-

sis and then hammered by the Russian default.

But after more than 22 years of analyzing risk and studying how cash-strapped governments respond to crisis, Mr. Conelius is one of the last emerging-market bond investors from the 1990s still around, according to Morningstar. Some observers say his crisis experiences are a big reason he has become one of the top-performing bond managers. "He hasn't simply studied stress periods," said Emory Zink, a fund analyst at Morningstar, "he managed through stress periods."

His \$6.6 billion bond fund has returned 5.6% annually during the past three years, beating 95% of his peers, according to Morningstar. Over a 15-year period, he has outperformed three-quarters of the group.

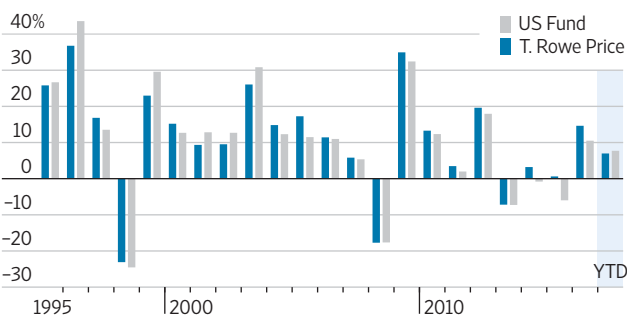
Mr. Conelius ramped up his Venezuelan holdings a few years ago when the bond prices began to fall alongside the price of oil, the country's main export. His wager on Venezuela helped his recent performance, as the country defied expectations of default and kept servicing its debt while offering double-digit yields. Venezuela accounted for 5% of his fund's assets at the end of July, roughly double the country's weighting in the industry benchmark index.

He figures if there is a regime change, the situation is more likely to improve than deteriorate. The new administration could adopt more market-friendly policies—such as floating exchange rates and

Leading the Pack

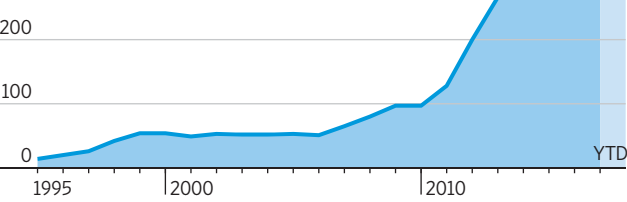
The T. Rowe Price Emerging Markets Bond fund has outperformed most of its peers over the past two decades.

Emerging-markets bonds, annual returns



The market for debt issued by developing countries has grown rapidly in recent years

Emerging-market bond funds



Note: Year-to-date data through June 30, 2017. Source: Morningstar

THE WALL STREET JOURNAL.

opening up its oil sector—to raise money from the capital markets.

The 53-year-old bond manager is known for his stoic demeanor. Peers and rivals can't recall him ever losing his temper or raising his voice, not even when emerging-market bond prices plunged after Russia's 1998 default or were rocked by China's surprise devaluation two years ago.

Mr. Conelius got his start managing bonds in a roundabout way. After he earned a degree in economics at Towson University of Maryland, he struggled to land a job in high finance. The closest he could get was as a budget analyst for the U.S. Navy.

He took a similar position at T. Rowe Price in 1988, a few months after the Black Monday stock-market crash when Wall

Street was shedding jobs.

His big break came a few years later when his boss moved over to analyze credit risk of the firm's investments and took Mr. Conelius with him. The former Navy budget man became the group's first analyst of emerging-market debt, a job Mr. Conelius recalls few if anyone else at the firm seemingly wanted.

In those days, emerging-market debt was considered an exotic but highly risky way to try to make money. Aside from GMO LLC, T. Rowe Price and Fidelity Investments, most mutual-fund firms stayed away.

Mr. Conelius is a believer in firsthand research. His team, which consists of about 30 analysts and portfolio managers, makes around 150 overseas trips each year. "To my mind, it's by far the most exciting asset class. You get to watch economic development, follow politics and watch societal changes," Mr. Conelius said.

He has taken some hits along the way. He bought too early during Ukraine's 2015 debt crisis, suffering losses before the government's debt restructuring began to pay off.

As for Venezuela, bond prices have tumbled recently, after the U.S. imposed new sanctions on President Nicolás Maduro. Mr. Conelius said he was "torn" about adding to his position given all the volatility, but responded by buying more Venezuelan debt anyway. "I have never seen a country that has such potential wealth with such bad policies," he said.

Trader Is Making A Bet on London

By Laurence Fletcher

Billionaire hedge-fund trader Alan Howard is quitting Geneva and moving back to London.

Mr. Howard, co-founder of Brevan Howard Asset Management LLP and one of the industry's richest operators, plans to move to London imminently for family reasons, a person familiar with his plans said. The news, which hasn't previously been reported, may be seen as a vote of confidence in Britain's business credentials as it negotiates its exit from the European Union.

While the future of London's huge banking industry is uncertain because of questions over passporting rights and efforts by other European cities to attract bankers, some industry insiders believe fund management will thrive and still be able to sell to European investors post-Brexit.

Mr. Howard moved to low-tax Switzerland in 2010, when several London hedge-fund managers were looking for lower-tax jurisdictions. Some Swiss cantons were actively trying to lure executives.

At the time, Brevan said the Switzerland office was for staff who wanted to move for personal reasons and was unrelated to planned tax increases in the U.K.

Mr. Howard's personal wealth is estimated at £1.04 billion (\$1.34 billion) by the Sunday Times Rich List. He runs a large chunk of Brevan's flagship fund and is the most influential money manager at the firm.



Alan Howard, of Brevan Howard Asset Management

ADP Rejects Activist's Board Nominees

By Cara Lombardo

Automatic Data Processing Inc. board members have rejected activist investor William Ackman's bid for a board seat and those of two other people nominated by his firm, **Pershing Square Capital Management LP**.

Pershing Square, which owns an 8% stake in ADP, earlier this month tapped its founder, Mr. Ackman; Veronica Hagen, the former chief executive of materials company Polymer Group Inc., and V. Paul Unruh, a former Bechtel Group executive, for seats on ADP's board.

But ADP board members voted unanimously to reject all

of them, announcing Monday morning that its nominating committee "determined that none of the Pershing Square nominees bring additive skills or experience."

Pershing Square's William Ackman has repeatedly clashed with ADP's CEO.

The board instead plans to nominate its 10 existing directors for re-election.

Mr. Ackman and Pershing Square didn't immediately re-

spond to a request for comment.

"Adding Mr. Ackman's nominees would not be an improvement," said John Jones, chairman of the board of ADP. "Unlike Mr. Ackman's nominees, ADP's directors have a deep understanding and appreciation of the current state of ADP's business and its clients."

Mr. Ackman has repeatedly clashed with ADP Chief Executive Carlos Rodriguez, whom he would like to see replaced. Mr. Rodriguez earlier this month called Mr. Ackman a "spoiled brat" during an appearance on CNBC.

Mr. Ackman, who is known for aggressive tactics but typi-

cally gains board seats through negotiations rather than proxy fights, said last week that ADP's stock value could more than double by 2022.

He thinks the company needs to build its own capabilities rather than buying them to prevent startups from further encroaching on its market share.

The board's rejection of Mr. Ackman's bid doesn't come as a surprise. Shortly after the nominations were announced, ADP took the unusual step of disclosing demands Mr. Ackman had made privately and said in a statement it believes it already has a "strong and independent board."

Sempra Outmaneuvers Berkshire for Oncor

By Dana Mattioli and David Benoit

Sempra Energy has reached a deal to buy **Oncor** for \$9.45 billion after swooping in to snatch the power-transmission company away from Warren Buffett's **Berkshire Hathaway Inc.**

Sempra clinched the deal Sunday after raising an earlier offer of \$9.3 billion. The Wall Street Journal reported Sunday that a deal with Sempra had been reached. Berkshire, which last month sealed a deal to buy Oncor for \$9 billion, had earlier indicated it wouldn't raise its offer amid opposition to its proposal.

The new deal also won the support of **Elliott Management Corp.**, a key investor that was seeking to block the Berkshire deal, the hedge fund said Monday. It makes Sempra the fourth party to reach an agreement with Oncor's bankrupt parent, **Energy Future Holdings Inc.**, as two earlier deals were blocked by Texas regulators.

Berkshire Hathaway Energy, the subsidiary that would have acquired Oncor, confirmed Monday that Energy Future had ended Berkshire's bid. "We are disappointed," said Greg Abel, chief executive of Berk-

shire Hathaway Energy.

A bankruptcy judge would need to sign off on the Sempra takeover, as would Texas regulators. Berkshire's deal was scheduled to go before the judge in Delaware Monday.

The Journal reported Friday that there was a new bidder for Oncor; Bloomberg later reported it was Sempra.

The new agreement would be the latest twist in the long-running saga of Energy Future, formerly TXU, which was the biggest buyout in history but ran into trouble with a heavy debt burden. The company has been trying to sell its 80% stake in Oncor, its crown jewel, to pay back creditors.

Sempra owns San Diego Gas & Electric and Southern California Gas and has a market value of about \$30 billion, much smaller than cash-rich Berkshire. Mr. Buffett is known for refusing to engage in bidding wars.

Elliott had amassed the biggest position in Energy Future debt and last week bought a small set of bonds from Fidelity Investments that gave it a blocking position for any deal. The activist firm had objected to Berkshire's deal from the day it was announced.

—Nicole Friedman contributed to this article.

FINANCE WATCH

CRUDE OIL

Jobs Dispute Closes Libya's Biggest Field

Libya's largest oil field was shut down over the weekend after a local tribe closed a pipeline in a dispute over jobs, Libyan oil officials said.

The shutdown could slow the recovery of Libya's oil industry, which had been making a comeback after years of civil strife. Libya's increasing production this year led to concerns that it could offset efforts to rebalance crude markets led by the Organization of the Petroleum Exporting Countries, of which Libya is a member.

Libyan oil officials said the Sharara oil field, which is located in the country's southern desert and normally produces 270,000 barrels a day, stopped pumping after a key valve was closed by a local tribe. The tribe, which has frequently blocked oil flows,

is demanding more jobs for its members, they said.

The country's oil production reached 1 million barrels a day—three times its level one year ago—after Libya's National Oil Co. was able to convince militias throughout the country to reopen blocked oil fields and ports.

Sharara, in which Spain's **Repsol** is a key foreign partner, reopened late last year after the National Oil Co. struck a deal with the same tribe. But production at the field has been frequently shut because of local disputes.

Two weeks ago, gunmen seeking the release of relatives in Saudi Arabia attacked the field's control room, forcing the facility to shut down for a few hours.

A Libyan oil official said NOC was trying to reopen the shut valve. Repsol didn't respond to a request for comment.

—Benoit Faucon

J.P. MORGAN CHASE

Bank Plans Donations To Rights Groups

J.P. Morgan Chase & Co. is planning up to \$2 million in donations to human and civil rights organizations following the recent clashes in Charlottesville.

The bank will donate \$1 million, split between the Southern Poverty Law Center and Anti-Defamation League "to further their work in tracking, exposing and fighting hate groups and other extremist organizations," according to an internal bank memo sent Monday and reviewed by The Wall Street Journal.

This follows bank chief James Dimon saying in an employee memo last week that he "strongly" disagreed with President Donald Trump's reaction to Charlottesville.

"It is a leader's role, in business or government, to bring

people together, not tear them apart," Mr. Dimon wrote in an internal memo sent Aug. 16.

J.P. Morgan said in Monday's memo that in September, it will begin to match employees' donations to a range of human and civil rights organizations two-for-one. The bank will donate up to an additional \$1 million, according to the memo, sent by Peter Scher, the bank's head of corporate responsibility.

—Emily Glazer

Advertisement

INTERNATIONAL INVESTMENT FUNDS

[Search by company, category or country at europe.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.

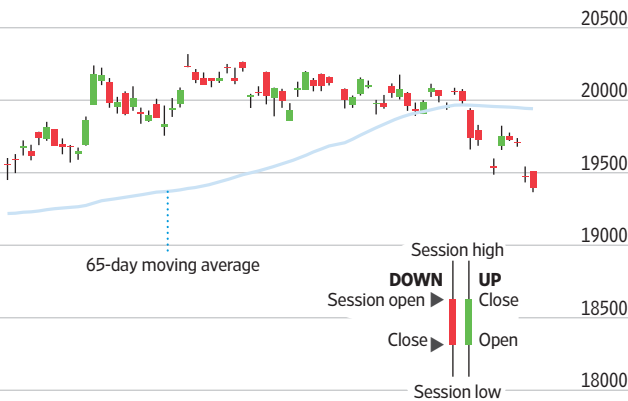
FUND NAME	NAV				—%RETURN—				
	GF	AT	LB	DATE	CR	NAV	YTD	12-MO	2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866									
Fax No: 65-6835-8865, Website: www.cam.com.sg , Email: cam@cam.com.sg									
CAM-GTF Limited									
01 01 MU5 08/11 USD 30729.95 1.7 0.9 2.6									

For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com

MARKETS DIGEST

Nikkei 225 Index

19393.13 ▼77.28, or 0.40%
High, low, open and close for each trading day of the past three months.



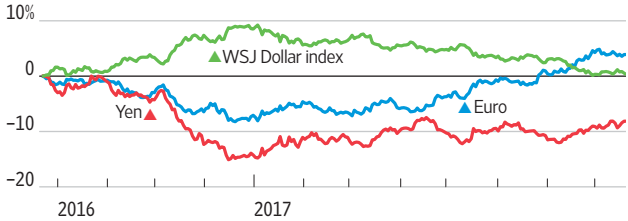
International Stock Indexes

Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range Close	High	YTD % chg
World	The Global Dow		2809.45	-0.79	-0.03	2386.93		2881.15	11.1
	MSCI EAFE		1916.24	-0.44	-0.02	1614.17		1955.39	11.7
	MSCI EM USD		1063.08	3.54	0.33	838.96		1078.53	33.9
Americas	DJ Americas		584.18	0.73	0.13	503.44		599.20	8.1
	Brazil Sao Paulo Bovespa		68675.35	-39.30	-0.06	56459.11		69487.58	14.0
	Canada S&P/TSX Comp		14955.63	3.30	0.02	14319.11		15943.09	-2.2
	Mexico IPC All-Share		51234.70	159.24	0.31	43998.98		51772.37	12.3
	Chile Santiago IPSA		3876.11	-11.05	-0.28	3120.87		3908.55	20.3
U.S.	DJIA		21703.75	29.24	0.13	17883.56		22179.11	9.8
	Nasdaq Composite		6213.13	-3.40	-0.05	5034.41		6460.84	15.4
	S&P 500		2428.37	2.82	0.12	2083.79		2490.87	8.5
	CBOE Volatility		13.09	-1.17	-8.20	8.84		23.01	-6.8
EMEA	Stoxx Europe 600		372.72	-1.48	-0.40	328.80		396.45	3.1
	Stoxx Europe 50		3029.07	-12.71	-0.42	2720.66		3279.71	0.6
	Austria ATX		3153.31	-24.82	-0.78	2250.46		3285.00	20.4
	Belgium Bel-20		3902.17	-22.61	-0.58	3384.68		4055.96	8.2
	France CAC 40		5087.59	-26.56	-0.52	4310.88		5442.10	4.6
	Germany DAX		12065.99	-99.20	-0.82	10174.92		12951.54	5.1
	Greece ATG		826.46	1.61	0.20	548.72		859.78	28.4
	Hungary BUX		37097.85	128.70	0.35	27466.59		37447.06	15.9
	Israel Tel Aviv		1394.77	5.49	0.40	1346.71		1490.23	-5.2
	Italy FTSE MIB		21752.80	-62.16	-0.28	15923.11		22065.42	13.1
	Netherlands AEX		516.71	-2.93	-0.56	436.28		537.84	6.9
	Poland WIG		62423.94	370.63	0.60	46321.24		63351.24	20.6
	Russia RTS Index		1034.29	6.44	0.63	944.88		1196.99	-10.2
	Spain IBEX 35		10360.20	-25.50	-0.25	8407.60		11184.40	10.8
	Sweden SX All Share		549.24	-2.47	-0.45	489.12		598.42	2.7
	Switzerland Swiss Market		8883.78	9.43	0.11	7585.56		9198.45	8.1
Asia-Pacific	South Africa Johannesburg All Share		55450.53	146.30	0.26	48935.90		56396.24	9.5
	Turkey BIST 100		108614.87	1412.44	1.32	71792.96		110321.81	39.0
	U.K. FTSE 100		7318.88	-5.10	-0.07	6654.48		7598.99	2.5
Asia-Pacific	Australia S&P/ASX 200		5725.90	-21.20	-0.37	5156.60		5956.50	1.1
	China Shanghai Composite		3286.91	18.18	0.56	2980.43		3292.64	5.9
	Hong Kong Hang Seng		27154.68	107.11	0.40	21574.76		27854.91	23.4
	India S&P BSE Sensex		31258.85	-265.83	-0.84	25765.14		32575.17	17.4
	Japan Nikkei Stock Avg		19393.13	-77.28	-0.40	16251.54		20230.41	1.5
	Singapore Straits Times		3246.99	-5.00	-0.15	2787.27		3354.71	12.7
	South Korea Kospi		2355.00	-3.37	-0.14	1958.38		2451.53	16.2
	Taiwan Weighted		10326.39	5.06	0.05	8902.30		10579.38	11.6

Source: SIX Financial Information;WSJ Market Data Group

Currencies

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



	US\$ vs.				US\$ vs.		
	YTD chg				YTD chg		
Country/currency	Mon in US\$	per US\$	(%)	Country/currency	Mon in US\$	per US\$	(%)
Americas							
Argentina peso-a	0.0577	17.3320	9.2	Hong Kong dollar	0.1278	7.8253	0.9
Brazil real	0.3180	3.1451	-6.4	India rupee	0.0156	64.1100	-5.7
Canada dollar	0.7946	1.2585	-3.4	Indonesia rupiah	0.000749	13344	-1.3
Chile peso	0.001557	642.30	-4.1	Japan yen	0.009182	108.91	-6.9
Colombia peso	0.0003347	2987.67	-0.5	Kazakhstan tenge	0.003000	333.34	-0.1
Ecuador US dollar-f	1	1	unch	Macau pataca	0.1242	8.0539	1.7
Mexico peso-a	0.0566	17.6570	-14.8	Malaysia ringgit-c	0.2333	4.2870	-5.4
Peru sol	0.3088	3.2383	-3.4	New Zealand dollar	0.7321	1.3659	-4.4
Uruguay peso-e	0.0349	28.680	-2.3	Pakistan rupee	0.0095	105.36	0.9
Venezuela bolivar	0.096971	10.31	3.2	Philippines peso	0.0195	51.357	3.5
Asia-Pacific							
Australia dollar	0.7936	1.2601	-9.2	Singapore dollar	0.7348	1.3610	-6.0
China yuan	0.1500	6.6656	-4.0	South Korea won	0.0008784	1138.37	-5.8
Europe							
Hong Kong dollar	0.1278	7.8253	0.9	Sri Lanka rupee	0.0065295	153.15	3.2
India rupee	0.0156	64.1100	-5.7	Taiwan dollar	0.03298	30.324	-6.6
Indonesia rupiah	0.000749	13344	-1.3	Thailand baht	0.03008	33.250	-7.1
Japan yen	0.009182	108.91	-6.9	Middle East/Africa			
Kazakhstan tenge	0.003000	333.34	-0.1	Bahrain dinar	2.6521	0.3771	-0.03
Macau pataca	0.1242	8.0539	1.7	Egypt pound-a	0.0564	17.7330	-2.2
Malaysia ringgit-c	0.2333	4.2870	-5.4	Israel shekel	0.2766	3.6156	-6.0
New Zealand dollar	0.7321	1.3659	-4.4	Kuwait dinar	3.3122	0.3019	-1.2
Pakistan rupee	0.0095	105.36	0.9	Oman sul rial	2.5976	0.3850	unch
Philippines peso	0.0195	51.357	3.5	Qatar rial	0.2761	3.622	-0.5
Singapore dollar	0.7348	1.3610	-6.0	Saudi Arabia riyal	0.2666	3.7503	-0.01
South Korea won	0.0008784	1138.37	-5.8	South Africa rand	0.0759	13.1705	-3.8
Sri Lanka rupee	0.0065295	153.15	3.2	WSJ Dollar Index			
Taiwan dollar	0.03298	30.324	-6.6		85.90	-0.22	-0.26
Thailand baht	0.03008	33.250	-7.1				-7.57

STOXX 600 Index

372.72 ▼1.48, or 0.40%
High, low, open and close for each trading day of the past three months.






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 3 p.m. ET

			Country/		Spread Over Treasuries, in basis points					Yield		
			Coupon	Maturity, in years	Yield	Latest	Previous	Month Ago	Year ago	Previous	Month ago	Year ago
2881.15	11.1		2.750	Australia 2	1.826	52.5	49.3	50.7	67.3	1.807	1.847	1.427
1955.39	11.7		2.750	10	2.648	46.7	43.0	46.8	28.7	2.627	2.707	1.868
1078.53	33.9		3.000	Belgium 2	-0.556	-185.7	-186.6	-183.7	-132.0	-0.552	-0.497	-0.566
599.20	8.1		0.800	10	0.714	-146.7	-147.6	-146.0	-140.6	0.722	0.779	0.174
69487.58	14.0		0.000	France 2	-0.480	-178.1	-178.7	-173.5	-131.9	-0.473	-0.395	-0.565
15943.09	-2.2		1.000	10	0.702	-147.9	-148.4	-149.2	-139.2	0.714	0.747	0.189
51772.37	12.3		0.000	Germany 2	-0.710	-201.2	-201.4	-197.8	-136.4	-0.700	-0.638	-0.610
3908.55	20.3		0.500	10	0.402	-177.9	-178.1	-173.3	-161.2	0.417	0.506	-0.031
22179.11	9.8		0.050	Italy 2	-0.060	-136.1	-137.3	-134.8	-83.9	-0.059	-0.007	-0.085
6460.84	15.4		2.200	10	2.032	-14.9	-16.9	-16.2	-44.3	2.029	2.077	1.138
2490.87	8.5		0.100	Japan 2	-0.130	-143.1	-144.7	-145.5	-95.8	-0.134	-0.115	-0.204
23.01	-6.8		0.100	10	0.036	-214.5	-215.6	-216.8	-166.7	0.042	0.071	-0.086
396.45	3.1		4.000	Netherlands 2	-0.654	-195.5	-196.0	-197.7	-133.5	-0.646	-0.637	-0.581
3279.71	0.6		0.750	10	0.532	-164.9	-165.3	-161.4	-151.5	0.545	0.624	0.065
3285.00	20.4		4.750	Portugal 2	-0.021	-132.2	-132.3	-127.5	-15.3	-0.009	0.065	0.602
4055.96	8.2		4.125	10	2.717	53.6	54.6	66.2	141.6	2.743	2.901	2.997
5442.10	4.6		2.750	Spain 2	-0.377	-167.8	-168.7	-164.5	-93.4	-0.373	-0.305	-0.180
12951.54	5.1		1.500	10	1.427	-75.4	-77.3	-78.3	-62.9	1.424	1.456	0.952
859.78	28.4		4.250	Sweden 2	-0.675	-197.6	-197.2	-205.4	-139.2	-0.658	-0.714	-0.638
37447.06	15.9		1.000	10	0.596	-158.5	-156.9	-161.9	-144.9	0.628	0.620	0.132
1490.23	-5.2		1.750	U.K. 2	0.230	-107.1	-107.5	-107.9	-59.4	0.239	0.262	0.161
22065.42	13.1		4.250	10	1.075	-110.6	-110.5	-106.3	-96.1	1.092	1.176	0.620
537.84	6.9		1.375	U.S. 2	1.301	...	...	...	...	1.314	1.340	0.754
63351.24	20.6		2.250	10	2.181	...	...	...	...	2.197	2.239	1.581
1196.99	-10.2											

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time
EXCHANGE LEGEND: CBOT: Chicago Board of Trade; CME: Chicago Mercantile Exchange; ICE-US: ICE Futures U.S.; MDEX: Bursa Malaysia
Derivatives Berhad; TCE: Tokyo Commodity Exchange; COMEX: Commodity Exchange; LME: London Metal Exchange;
NYMEX: New York Mercantile Exchange; ICE-EU: ICE Futures Europe. *Data as of 8/18/2017

Commodity	Exchange	Last price	Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	361.75	-4.00	-1.09% 	417.25	360.75
Soybeans (cents/bu.)	CBOT	935.25	-2.50	-0.27 	1,047.00	907.00
Wheat (cents/bu.)	CBOT	436.75	-5.75	-1.30 	592.25	435.50
Live cattle (cents/lb.)	CME	105.750	-0.150	-0.14 	122.850	99.125
Cocoa (\$/ton)	ICE-US	1,889	11	 0.59%	2,301	1,794
Coffee (cents/lb.)	ICE-US	130.05	-1.65	-1.25 	166.75	119.10
Sugar (cents/lb.)	ICE-US	13.49	0.08	 0.60	20.50	12.74
Cotton (cents/lb.)	ICE-US	67.43	0.15	 0.22	75.72	66.15
Robusta coffee (\$/ton)	ICE-EU	2116.00	15.00	 0.71	2,272.00	1,892.00
Copper (\$/lb.)	COMEX	2.9990	0.0375	 1.27	3.0230	2.5025
Gold (\$/troy oz.)	COMEX	1297.20	5.60	 0.43	1,307.00	1,160.80
Silver (\$/troy oz.)	COMEX	17.010	0.010	 0.06	18.780	14.340
Aluminum (\$/mt)*	LME	2,089.00	3.00	 0.14	2,089.00	1,688.50
Tin (\$/mt)*	LME	20,300.00	150.00	 0.74	21,225.00	18,760.00
Copper (\$/mt)*	LME	6,490.00	-6.00	-0.09 	6,496.00	5,491.00
Lead (\$/mt)*	LME	2,412.00	-69.00	-2.78 	2,481.00	2,022.00
Zinc (\$/mt)*	LME	3,121.00	25.00	 0.81	3,121.00	2,450.50
Nickel (\$/mt)*	LME	10,790.00	15.00	 0.14	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	216.80	0.60	 0.28	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2711.00	30.00	 1.12	2950.00	2380.00
Crude oil (\$/bbl.)	NYMEX	47.55	-1.11	-2.28 	58.34	42.52
NY Harbor ULSD (\$/gal)	NYMEX	1.5789	-0.0467	-2.87 	1.8138	1.3814
RBOB gasoline (\$/gal)	NYMEX	1.4963	-0.0368	-2.40 	1.6860	1.2902
Natural gas (\$/mmbtu)	NYMEX	2.991	0.061	 2.08	3.5660	2.7990
Brent crude (\$/bbl.)	ICE-EU	51.29	-1.12	-2.14 	60.08	45.19
Gas oil (\$/ton)	ICE-EU	469.00	-4.00	-0.85 	534.00	408.25

FINANCE & MARKETS

Fans of Gold Say Metal Looks Set To Keep Rising

Bullish case rests on geopolitical unease, gridlock in Washington and economic worries

By Chris Dieterich

Some investors say gold appears poised to keep climbing. The precious metal has risen over the past month, and a number of bullish investors say any late-summer market ructions give a boost to gold, which was smacked in the wake of the U.S. presidential election. Front-month gold for August delivery settled Monday at \$1,290.80 a troy ounce, up 0.4% on the day. The metal has come close to breaking above \$1,300 two other times this year—in April and June—but couldn’t do so. Analysts say that topping \$1,300 could spark the momentum-based buying that has recently eluded the metal. Gold is up 12% in 2017.

As is often the case, gold has benefited from geopolitical turmoil this year, most recently

saber-rattling between the U.S. and North Korea. Investors typically see gold as a haven during times of unease. And it has been propped up by a lackluster U.S. economy relative to the rest of the world. Stronger overseas growth will prompt European central bankers to unwind extraordinary stimulus efforts, likely lifting the euro versus the dollar. Gold is priced in dollars, and a weaker buck means the metal is cheaper for overseas buyers. Persistently low inflation readings in the U.S. have left the timing of the next interest-rate increase by the Federal Reserve in doubt. That is another plus for gold, because investors sacrifice less yield by owning the metal in lieu of government bonds. Also, with both stocks and bonds looking richly priced, gold offers an alternative. Finally, recent failures by U.S. lawmakers to pass much of anything raises the specter of market turmoil next month, when Congress must raise the debt ceiling and pass a budget to keep the federal government

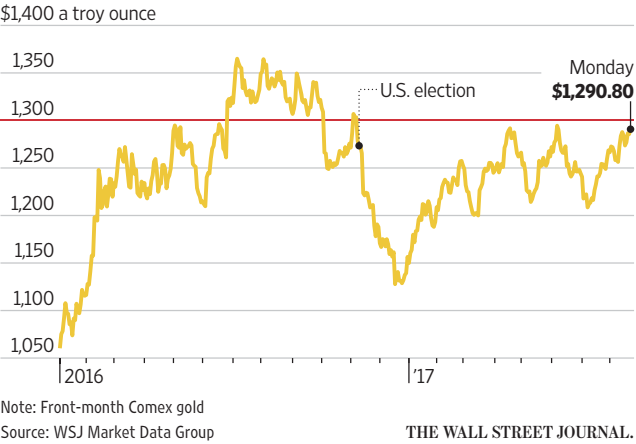


Gold is up 12% this year. Richly valued stocks and bonds could give the metal a further boost.

operating. Hedge-fund manager Ray Dalio this month cited Congress’s need to raise the federal borrowing limit as a reason for holding a gold position of between 5% and 10% of assets, although on Monday Senate Majority Leader Mitch McConnell (R., Ky.) said there was “zero chance” that the U.S. would fail to raise the federal debt ceiling. Meanwhile, Jan Hatzius, an economist at Goldman Sachs Group Inc., on Friday forecast a 50% chance of a brief government shutdown as President Donald Trump “seeks to solidify support among his base by embracing more controversial positions.”

Chasing \$1,300

Gold is making its third run at the round number this year.



Eclipse Plays Muse to Market Analysts

By Ira Iosebashvili

The solar eclipse has captured the fascination of sky-gazers across America. Count market analysts among them. The number of references to the celestial event in Monday’s analyst notes were, ahem, astronomical. “Will geopolitics eclipse the focus on Jackson Hole?,” asked the foreign-exchange team at BMO Capital Markets, referring to a much-anticipated central-bank symposium

at the end of the week. “It seems too much like astrology to try to predict the U.S.’s next political firestorm, which will almost certainly eclipse economic data in terms of market impact,” the analysts added. Earlier, interest-rate strategists at Nomura wrote that U.S. markets “have been dealing with an eclipse of another kind. Political uncertainty has finally cast a long enough shadow that even stocks are getting nervous around the vi-

abilities of business-friendly policies.” Karl Schamotta of Cambridge Global Payments used the event in arguing that a currency theory called the “dollar smile” is on the wane. He titled his morning commentary “Total Eclipse of the Smile.” Analysts at LPL Financial noted that while they would “never invest based on the solar system’s alignment,” equities have risen an average of 17.2% a year after a solar

eclipse, citing data going back to 1900. Demand for natural gas may get a bump, as the eclipse will briefly affect solar-power generation capacity in the U.S., a Raymond James report said. “Muted light like this only occurs once every 100 years. The other muted affect we are experiencing in 2017 is volatility,” a separate BMO report said, lamenting the becalmed trading conditions markets have experienced this year.

And analysts at Tudor, Pickering & Holt saw the eclipse as a metaphor for the dim performance of energy stocks. “Eclipse Day warnings of ‘don’t look at the sun’ could have been borrowed from the energy-investor mantra of late—‘don’t look at the screen,’” they lamented. “Unfortunately, the energy-stock eclipse has endured considerably longer than today’s lunar shadow will.” —Alison Sider contributed to this article.

WSJ TALK / EXPERIENCE / OFFER / GETAWAY

Unwind at
Constance
Hotels &
Resorts

Plan your next escape with Constance Hotels & Resorts. From Seychelles to Madagascar, pick from a collection of luxury hotels across the Indian Ocean. Enjoy member-only benefits with the best available room rate, upgrades, late check-out, complimentary drinks and more.

EXCLUSIVE TO WSJ MEMBERS
REDEEM NOW AT WSJPLUS.COM/CONSTANCEHOTELS

WSJ+

INVITES + OFFERS + INSPIRATION

© 2017 Dow Jones & Co., Inc. All rights reserved. 6DJ5832

MARKETS

Tide Turns: Cash Exits Emerging Markets

Long streak of inflows for stock and bond funds is halted amid North Korea tensions

By STEVEN RUSSOLILLO
AND SAUMYA VAISHAMPAYAN

Investors poured money into emerging-market stocks for 21 straight weeks. Emerging-market debt funds had attracted fresh cash for 28 straight weeks.

Both streaks came to a halt last week.

Money poured out of emerging-market funds in the week ended Aug. 16, the latest sign of trouble in what had been a sturdy corner of the market for much of the year. The outflows came as threats of nuclear warfare ramped up between the U.S. and North Korea.

Concerns over more political instability in the U.S. following President Donald Trump's response to violence

at a white-nationalist rally in Charlottesville, Va., further fueled investor trepidation.

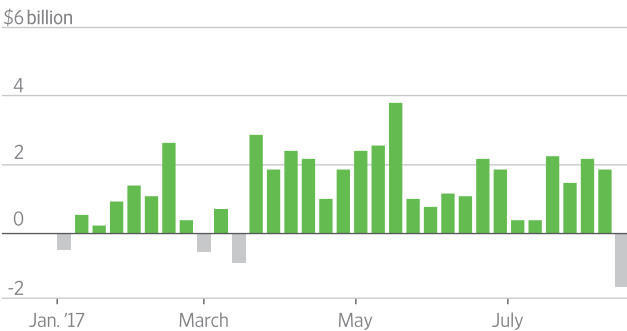
While investors acknowledge the recent bumps, many say it isn't time to call an end to the rally in emerging-market stocks and bonds. Instead, they say, the outflows are indicative of the typical volatility in emerging markets. Rising global tensions and political turmoil in the U.S. also sparked a pullback in U.S. markets, with the Dow Jones Industrial Average on Thursday notching its biggest decline in three months.

A net \$1.6 billion fled emerging-market equities in the week ended last Wednesday, the largest outflow of the year, according to Bank of America Merrill Lynch, which cited fund-data tracker EPFR Global. It marked the first time investors pulled money from those funds since mid-March.

Investors also yanked cash out of emerging-market debt funds, snapping the longest streak of consecutive weekly

Emerging Outflows

Weekly flows of money into and out of emerging-market equity funds



Note: Latest data for the week ended Aug. 16
Source: EPFR Global via Bank of America Merrill Lynch

THE WALL STREET JOURNAL

inflows since 2013. And \$2.3 billion poured out of high-yield-bond funds, the most in almost six months.

Cracks were forming last month in emerging markets as major central banks started to discuss winding down years of stimulus. The latest political turmoil added to the concerns.

One worry, according to JC Sambor, deputy head of

emerging-market fixed income at BNP Paribas Asset Management, is that if Treasury yields rise, U.S. government bonds would become more attractive. That could trigger outflows from U.S. dollar-denominated emerging-market debt.

"The market on the hard-currency side is very complacent about Treasury risk," Mr. Sambor said.

Tokyo, European Stocks Fall Again

By AKANE OTANI AND RIVA GOLD

Japanese and European stocks extended a recent losing streak, but the Dow Jones Industrial Average recovered from early losses to trade slightly higher Monday despite declines in energy shares.

MONDAY'S MARKETS
J a p a n ' s
Nikkei Stock
Average fell
0.4%, weighed
down by
losses in banking shares,
marking a fourth consecutive
session of declines. Australia's
S&P/ASX 200 index also ended
the day down 0.4%.

The Stoxx Europe 600 slipped 0.4% to 372.72, its third consecutive daily loss, but the Dow industrials were up 29.24 points, or 0.1%, at

21703.75. The S&P 500 rose 0.1%, while the Nasdaq Composite fell by less than 0.1%.

Stocks have pulled back in the U.S. after climbing with few interruptions to records this year, a shift investors and analysts have attributed to nervousness about the long rally, as well as questions regarding how effective the White House will be in pushing through policy changes like tax cuts and infrastructure spending.

Still, the U.S. economy appears to be in a "Goldilocks" scenario, analysts say, where growth is fast enough to support corporate earnings but slow enough to keep the Federal Reserve from raising interest rates quickly. That should help stocks keep chug-

ging higher, even with the length of the rally raising doubts, said Jeremy Zirin, head of investment strategy for the Americas at UBS's Chief Investment Office.

"Equity markets don't just decline unless you have concerns that growth is going to decelerate—and there's very little to suggest that at this point," Mr. Zirin said.

Central bankers including Federal Reserve Chairwoman Janet Yellen and European Central Bank President Mario Draghi will gather at the Jackson Hole economic symposium Thursday through Saturday, where they may offer clues on plans about scaling back their large-scale stimulus programs.

"I think the ECB, the Bank of England and the Fed are all

moving in the same direction, which is to less accommodative policy, and I'm not sure the market is really prepared for that," said Gene Tannuzzo, portfolio manager at Columbia Threadneedle Investments. "With elevated valuations still across markets, they're all very vulnerable to a change in policy."

Energy stocks in the S&P 500 fell 0.6% by late Monday, deepening their decline for the year, as oil prices pulled back. U.S. crude was down 2.4% to \$47.37 a barrel.

Deals news lent support to markets. Hong Kong's Hang Seng Index finished up 0.4% after China said late Sunday it had cleared plans for state-owned telecommunications giant China Unicom to bring in



A China Unicom store in Shanghai. Beijing cleared a plan for China Unicom, a state-owned firm, to bring in new investors.

new investors under an \$11.7 billion plan that was unveiled on Wednesday.

Unicom's Shanghai-listed stock, which hadn't traded since March 31, rose by the 10% daily limit.

In Europe, shares of A.P. Moeller-Maersk were up 3.5% after French oil giant Total SA agreed to acquire its oil unit for \$4.95 billion.

—Ese Erheriene
contributed to this article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Email: heard@wsj.com

WSJ.com/Heard

Monetary Policy Loses Its Edge

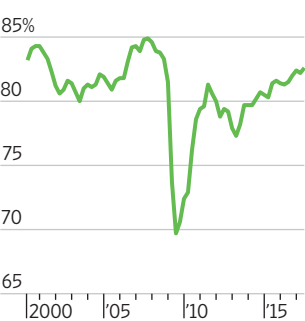
The Jackson Hole gathering of central bankers of recent years has been an opportunity for policy makers to pledge extraordinary support for economies, in particular via quantitative easing. But this year looks different. As Janet Yellen and Mario Draghi prepare for this week's event in Wyoming, persistence looks like it is paying off.

The big question is whether economies that are gaining resilience still need such large amounts of central-bank support and whether monetary stimulus is pushing risky markets up too far. That is balanced against inflation, which is still proving softer than policy makers would like in both the U.S. and the eurozone, but may be providing false comfort to markets.

Recent communications from both the Federal Reserve and the European Central Bank hint at this. In the U.S., the Fed minutes last week noted continued easy financial conditions despite the gradual rise in rates that

Business Building

Capacity utilization in the eurozone



Sources: FactSet; Bloomberg News (photo)
THE WALL STREET JOURNAL.

the Federal Open Market Committee has put in train. One argument is that if other factors in markets are offsetting the Fed's actions, then tighter monetary policy might be warranted: The central bank has more room to maneuver.

In Europe, meanwhile, the account of the ECB's July meeting included a reference to the idea that a broader and more self-sustaining recovery is less dependent on



ECB President Mario Draghi

monetary policy, a new strand of thought in Frankfurt this year.

These issues run through both financial markets and the economy. In effect, a stronger growth and inflation picture compared with previous years means that still-loose monetary policy may be providing more stimulus and getting more traction, and that central bankers are getting a bigger bang for their buck.

Europe is the test case. The ECB's policy settings are still at emergency levels, with a negative deposit rate and bond purchases running at €60 billion (\$70.5 billion) a month. But slack is being used up, with unemployment falling. Eurozone capacity utilization has picked up to a level not seen since before the global financial crisis, and the European Commission's business survey has shown an uptick in companies citing equipment and labor as factors limiting production.

Meanwhile, negative rates may be more effective in spurring risk-taking. That is because for as long as interest rates were falling, investors could generate strong returns from risk-free assets such as government bonds. But that process likely came to an end last year.

This year's Jackson Hole event comes against a backdrop of continued central-bank largesse, but markets need to think about policy makers doing less, and soon.

—Richard Barley

OVERHEARD

Would you buy a smartphone running on ontbijtkoek?

It is a fair question as Google readies the next version of its Android mobile system.

This year's beta test version has been dubbed Android O, but Google typically has christened the formal launch with a dessert name. Aside from the Oreos, there are few well-known treats beginning with "O." That hasn't curbed some amusing speculation among the gadget press. A popular one is ontbijtkoek, a spiced cake from in the Netherlands.

There is also oliebol—a donut-like treat from the same country—and the Indian flatbread obattu.

Or Google could keep it simple and go with Oreos by securing a deal from brand owner Nabisco.

The company made an arrangement with Nestlé in 2013 for the KitKat version of Android. Plus, Android Oh Henry! doesn't exactly roll off the tongue.

VR Price Cut Won't Fix Everything

Virtual reality's high price has been a hindrance, but a lower one will only go so far.

High-end VR headsets from Facebook's Oculus division and HTC have been on the market for a little over a year now, yet neither has come close to cracking the mass market. Cost is a big reason why, as both required users to spend several hundred dollars for the headsets and associated gear.

Both manufacturers are trying to ease the sticker shock. Oculus cut the price of its Rift headset plus controller by 33% to \$399 in mid-July. On Monday, HTC took down the combined price of its Vive headset, controllers and room base stations by about 25% to \$599. It should be noted that Oculus billed the Rift's price cut as "temporary," even though it has been in place for six weeks.

Lower prices will likely help move some additional hardware, especially heading into the holidays. Market research firm SuperData estimates Oculus Rift has sold about 460,000 units to date—which is up 56% from the firm's tally prior to its July price cut. HTC is estimated to have sold a little over 700,000 units of the Vive headset to date. Sony's PlayStationVR, which costs less and plugs into existing PlayStation 4 consoles, has sold nearly 1.2 million units since launching last October, SuperData estimates.

But lower prices alone won't get VR to the next level. Must-have games haven't arrived, and major game publishers remain cautious about their potential. Future releases could alter that dynamic. Until then, VR is likely to be a slightly less expensive niche.

—Dan Gallagher

Smaller Boutiques Winning Merger-and-Acquisition Fees

Merger-and-acquisition activity is retreating, but some boutique investment banks are still raking in fees.

Global M&A volume peaked in 2015, followed by a 12% decline in total deal value last year, according to Dealogic. So far this year, world-wide M&A volume is down 3% from the same period a year earlier, but deals targeting U.S. companies have fared worse, falling 15%.

Uncertainty over any U.S. policy changes for taxes, health care and trade is playing a role. Executives from M&A advisory firms have cited a lack of clarity on tax changes, in particular.

Despite this lackluster en-

vironment, the boutique investment banks that specialize in M&A are doing well, including Moelis & Co., Evercore Partners and Houlihan Lokey. They all posted solid second-quarter earnings and have seen respectable share-price appreciation this year, in comparison with the mixed M&A performance by the U.S.'s biggest banks.

These revenue figures are based on previous deals, but there are reasons to believe that most smaller banks should keep outperforming.

Blockbuster deals that favor global bulge-bracket firms are becoming less common, says Nomura Instinet analyst Steven Chubak. So

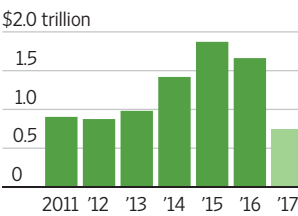
far this year, the value of U.S.-targeted deals worth more than \$5 billion has fallen by one-third from a year earlier, while smaller deals have been basically flat, according to Dealogic.

Current uncertainty over policy could be particularly problematic for big cross-border deals, especially when executives are unsure how overseas profits and cash repatriation will be treated by the U.S. government.

Boutiques have been gaining on their bigger rivals for years. Their share of M&A revenue from U.S. clients rose to 22% in 2016 from just 8% in 2008, according to Dealogic. This share has held

Off the Boil

U.S. merger-and-acquisition volumes



*Through Aug. 18

Source: Dealogic

THE WALL STREET JOURNAL.

steady at 22% this year.

One bank that could keep doing well is Lazard. On a conference call, Chief Executive Kenneth Jacobs pointed to strong deal activity in Eu-

rope, which is enjoying an economic recovery. Lazard was ranked second by Dealogic in M&A revenue in Europe, the Middle East and Africa in the first half of the year. Lazard looks reasonably valued at 11.6 times forward earnings, compared with its five-year average of 14.6 times, and well below an average 16 times for four listed rivals.

If the legislative logjam in Washington clears and policy uncertainty fades, overall M&A activity could snap back. Barring that, investors should look for niche advisers that specialize in still-growing segments.

—Aaron Back