

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

TUESDAY, AUGUST 21, 2018 ~ VOL. CCLXXII NO. 43

WSJ.com

★★★★ \$4.00

DJIA 25758.69 ▲ 89.37 0.3%

NASDAQ 7821.01 ▲ 0.1%

STOXX 600 383.23 ▲ 0.6%

10-YR. TREAS. ▲ 14/32, yield 2.823%

OIL \$66.43 ▲ \$0.52

GOLD \$1,186.80 ▲ \$10.30

EURO \$1.1484

YEN 110.07

## What's News

### Business & Finance

Tesla's tumultuous year has fueled concern among some suppliers about the electric-car maker's financial strength, after production of the Model 3 drained some of its cash. **A1**

◆ PepsiCo agreed to buy seltzer-machine maker SodaStream for \$3.2 billion, the company's latest move to broaden its offerings. **A1**

◆ Tyson Foods struck a deal to acquire Keystone Foods, a top meat supplier to McDonald's and other chains, for \$2.16 billion. **B1**

◆ France's Total is having difficulty unloading its stake in a \$5 billion natural-gas project in Iran to a Chinese partner. **B1**

◆ ConocoPhillips and Venezuela's PdVSA agreed on a payment plan over a \$2 billion arbitration award for the U.S. company. **B3**

◆ The Dow rose 89.37 points to 25758.69, its highest level since early February. The S&P 500 and the Nasdaq also notched gains. **B11**

◆ Some CPAs are opposing a move to allow people from outside their ranks to be credentialed to help firms value complex assets. **B1**

◆ Farfetch filed plans for an IPO, looking to seize on optimism about the surge in luxury online retailing. **B4**

◆ Lannett shares plunged 60% after it said a distribution pact with a supplier won't be renewed. **B3**

◆ Merrill Lynch will pay \$8.9 million to settle charges it failed to disclose a conflict of interest, the SEC said. **B10**

### World-Wide

◆ The Trump administration is moving closer to levying tariffs on nearly half of Chinese imports despite broad opposition from U.S. business and the start of a fresh round of talks between the U.S. and China. **A1**

◆ The administration moved to overturn Obama-era environmental rules on power-plant emissions, an action designed to help coal-burning plants compete. **A3**

◆ Russian hackers are widening their targeting for the midterm elections to include the Senate and conservative groups, Microsoft says. **A4**

◆ Trump told donors he is unhappy with the Federal Reserve's recent interest-rate increases and raised doubts about Powell. **A2**

◆ Kavanaugh's stance on executive power is expected to be a focus of the high court nominee's meetings with Democratic senators. **A3**

◆ Pope Francis, in a letter to Catholics world-wide, expressed shame and repentance over the sexual abuse of children by priests. **A7**

◆ Much of Greek society remains beset by pessimism and anger despite the country's exit from an international financial bailout. **A6**

◆ Korean families separated for decades were reunited as Seoul and Pyongyang pushed ahead with humanitarian engagement. **A16**

◆ The Taliban accepted a Russian invitation to join regional talks on Afghanistan's future that are likely to exclude the U.S. **A7**

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TUESDAY, AUGUST 21, 2018 ~ VOL. CCLXXII NO. 43

## Long Wait Ends With an Embrace for Separated Korean Families



LEE JAE-JUN/YONHAP/ASSOCIATED PRESS  
DECADES APART: 92-year-old Lee Keum-seom embraced her son, Ri Sang Chol, 71, of North Korea at a reunion Monday. Dozens of elderly South Koreans crossed the border for the gathering in the north to see relatives for the first time since the Korean War. **A16**

## Some Suppliers Worry About Tesla

Vendors are asked to offer rebates or give the company more time to make payments

By Tim Higgins,  
Marc Vartabedian  
and Christina Rogers

22 respondents believe that Tesla is now a financial risk to their companies, according to the document reviewed by The Wall Street Journal.

Separately, several suppliers in interviews said Tesla has tried to stretch out payments or asked for significant cash back. And in some cases, public records show, small suppliers over the past several months have claimed they failed to get paid for services

supplied to Tesla.

Tesla has improved its on-time payments to production-related suppliers to about 95% from 90% last year, according to people familiar with the matter. For nonproduction suppliers, Tesla is paying on time about 80% of the time, the people said.

"We're not behind because we can't pay them," Tesla Chief Executive Elon Musk said in an interview Friday. "It is just because we're arguing whether the parts are right."

The suppliers collectively represent a sliver of the hundreds of vendors that provide

Tesla with components, tooling of manufacturing parts and services such as building construction. Taken together, the survey, interviews and documents show some suppliers are anxious about Tesla's ability to pay them back.

"Regarding Tesla, any time there is uncertainty in the marketplace, it causes concerns for suppliers," said Julie Frey, the chief executive of the Original Equipment Suppliers Association, which sent the survey in the past few weeks—a period that encompassed Tesla's second-quarter earnings.

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## Putin's Secret Weapon: His Central Banker

Elvira Nabiullina has unusual independence over economic policy

By ANATOLY KURMANAEV

ST. PETERSBURG—After Russia's central bank chief, Elvira Nabiullina, moved to shut down a large lender last year for allegedly falsifying accounts, the nation's top prosecutor's office issued an order to leave the bank alone.

She closed it anyway.

In her five years in office, Ms. Nabiullina has closed hundreds of weak banks, stymied the exodus of Russian wealth abroad and transformed monetary policy to bring inflation to record lows. That has earned her an unusual amount of freedom to make tough decisions, even if that means treading on powerful interests.

Thinking of Ms. Nabiullina merely as a central banker understates the significance of her role. As President Vladimir Putin bids to return Russia to great-power status, challenging the

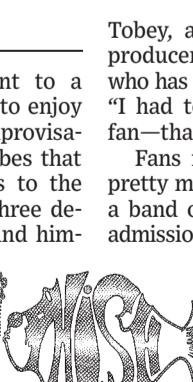
U.S. and Europe from Syria to Ukraine, it's her job to shore up the economy against volatile oil markets and sanctions. Russia's ability to continue its quest rests in large part on whether Ms. Nabiullina can keep the financial system stable.

Given Russia's messy, corruption-filled banking system, that is a challenge. She has struggled to regulate some state banks, analysts said, and her job has grown more difficult with looming new U.S. sanctions against Moscow for a nerve-agent attack against a former Russian spy in the U.K. Moscow has repeatedly denied involvement.

Ms. Nabiullina has earned public praise from Mr. Putin, who rarely commends subordinates, as well as from abroad. Last year at the Kremlin, Mr. Putin told her that "under your leadership, the central bank has done a great deal to

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Phish Fans Are Usually Peaceable  
—Until the Tarps Come Out



\* \* \*

Tempers flare when concert-goers grab choice space; 'What have we become?'

By IRA IOSEBASHVILI

Nathan Tobey went to a Phish concert hoping to enjoy the medley of song improvisations and laid-back vibes that have drawn followers to the band for more than three decades. Instead, he found himself in the middle of a vicious battle for real estate.

When the gates at Virginia's Hampton Coliseum finally opened after an hourslong wait,

Mr. Tobey rushed

to stake out a choice seat on the first row of the balcony. Seconds before he got there, another fan swooped in and covered the entire row with a giant tarp, grabbing all eight seats.

"I'm a very mellow guy, but we had some words," said Mr.

Tobey, a 37-year-old podcast producer from Minneapolis who has been to 70-odd shows. "I had to assert—as a fellow fan—that this is not fair."

Fans fight about "tarping" pretty much anywhere there is a band on stage and general-admission seating up for grabs.

But easygoing Phish fans—or Phans, as the tie-dyed die-hards are known—fighting? That's a bummer, man.

Phish, currently on a normally cheery summer tour, has sold more than eight million albums and DVDs in the U.S. since emerging from the Vermont college-rock scene in the 1980s, drawing a flock with a chilled-out, neo-hippie ethos. As the band's security procedures

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## INSIDE



## OUT OF 'AFRICA,' A HIT REBOOTS

LIFE & ARTS, A9



## COLLEGE FOOTBALL'S BEST BATTER

SPORTS, A12

## U.S. Toughens Stance On China Tariffs

BY BOB DAVIS  
AND ANDREW DUEHREN

WASHINGTON—The Trump administration is moving closer this week to levying tariffs on nearly half of Chinese imports despite broad opposition from U.S. business and the start of a fresh round of talks between the U.S. and China aimed at settling the trade dispute.

The twin administration initiatives—pursuing tariffs on \$200 billion of Chinese goods while relaunching talks to scrap tariffs—reflect a split within the U.S. administration. Negotiators in the U.S. Treasury Department are offering a carrot, while the office of the U.S. trade representative threatens with a stick, both with the approval of President Trump, according to people familiar with the administration's internal deliberations.

"Trump is a deal guy," said one person closely following the talks. Until the Chinese make a concrete offer, the person said, Mr. Trump will encourage both camps to maintain their current efforts.

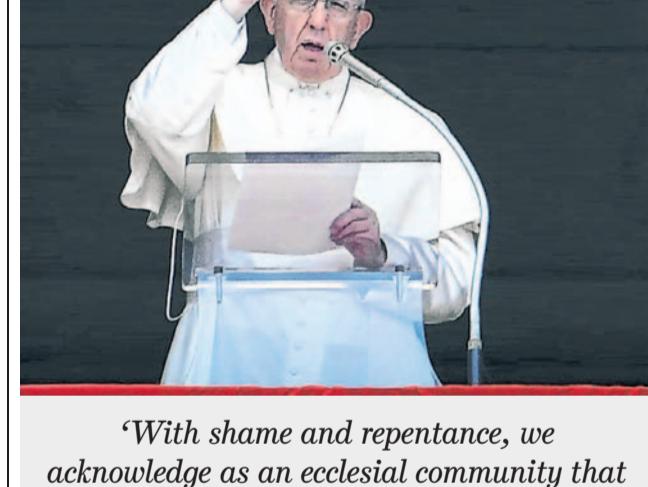
Mr. Trump, a Republican, continues to take a skeptical, hawkish view toward Beijing, said U.S. officials. At a fundraiser on Friday in the tony Hamptons section of New York's Long Island, he focused

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◆ Trump points to Fed chief in new complaint on rates..... A2

◆ Gerald F. Seib: President steps on his own good news..... A4

## Pope Francis Speaks Out on Abuse



'With shame and repentance, we acknowledge as an ecclesial community that we were not where we should have been.'

In a letter, the pope calls for improved efforts to protect children. **A7**

## PepsiCo Buys Seltzer Rival That Vilified It

BY JENNIFER MALONEY  
AND SAABIRA CHAUDHURI

PepsiCo Inc. has agreed to buy one of its fiercest critics, seltzer-machine maker SodaStream International Ltd., for \$3.2 billion, the latest move by the beverage-and-food giant to broaden its offerings beyond sugary sodas and salty snacks.

Israel-based SodaStream makes countertop machines that allow consumers to carbonate tap water at home by filling a reusable bottle and adding flavors if desired. As consumers have shifted from sugary soft drinks to bottled water, the Nasdaq-listed company has pivoted to promote itself as a maker of homemade seltzer rather than a maker of homemade soda.

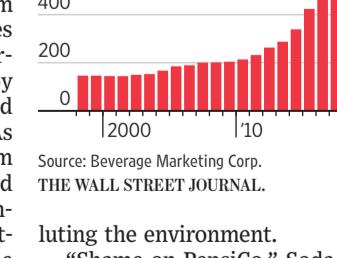
The deal creates somewhat of an awkward pairing. SodaStream has singled out PepsiCo and other beverage companies in public statements and advertising campaigns criticizing bottled-water makers for pol-

## Bubbling Up

U.S. sparkling-water consumption has grown sharply in recent years.

Domestic sparkling water, volume sold

800 million gallons



Source: Beverage Marketing Corp. THE WALL STREET JOURNAL.

luting the environment.

"Shame on PepsiCo," SodaStream Chief Executive Daniel Birnbaum said last year when the soda giant launched its premium bottled-water brand LIFEWTR. "I'll say it till I'm

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◆ Heard on the Street: Pepsi is right to splurge on deal.... B12

## U.S. NEWS

## Trump Points to Fed Chief in New Complaint on Rates

By PETER NICHOLAS  
AND NICK TIMIRAO

President Trump told donors he is unhappy with the Federal Reserve's recent moves to increase interest rates and raised doubts about the man he placed in charge of the institution, Jerome Powell, people in attendance at a fundraising event said.

Mr. Trump said his advisers told him last year that Mr. Powell would support "cheap money" as the Fed's chairman, and then Mr. Powell surprised him by embracing rate increases, which the president fears will cool off the fast-growing economy.

"That can only happen to Trump," the president said ruefully at the event Friday in New York's Long Island, according to one person familiar with the matter.

Mr. Trump, who supported easy-money policies during the 2016 campaign, has voiced his concerns privately to advisers

## Head Economist Will Step Down

The Federal Reserve Board said its head economist will retire at the end of 2018, in what would be the most significant change in a senior staff position since Chairman Jerome Powell took office in February.

David Wilcox plans to step down after a seven-year stint as director of research and statistics at the Fed board and 30 years of total service at the central bank, the board said.

As research director, Mr. Wilcox has fulfilled one of the most important roles at the central

with increasing frequency in recent weeks. He has also grown more vocal publicly, expressing his misgivings over the Fed's policies to chief executives meeting at his golf club in Bedminster, N.J., earlier this



David Wilcox

bank outside the committee that votes to set interest rates. The Fed's research director is responsible for briefing the committee on the outlook for the U.S. economy, overseeing 350 employees who produce analysis

month, according to a person who attended, and before that once on Twitter and in a television interview.

The president's growing discontent could become a precursor to clashes between the

and forecasting of the domestic economy and financial markets.

Staff economists at the Fed produced overly optimistic forecasts for U.S. economic growth during the earlier years of Mr. Wilcox's tenure. Last year, however, they correctly predicted that an inflation slowdown would prove temporary, a key projection that encouraged officials to continue raising rates even though inflation was below the 2% target.

"David's depth of expertise and wise counsel have helped guide the Federal Reserve through a time of unprecedented challenges," Mr. Powell said in a statement.

—Paul Kiernan

White House and the central bank as the Fed proceeds with long-planned increases in short-term rates.

The Fed has raised rates twice this year, most recently in June to a range between

1.75% and 2%. Officials are expected to raise them in quarter-percentage-point increments at meetings in September and December, and have projected increases to around 3.4% by 2020.

Mr. Trump last year chose Mr. Powell to succeed Fed Chairwoman Janet Yellen. In an interview with Reuters on Monday afternoon, Mr. Trump said he hadn't decided whether he made the right call to promote Mr. Powell.

"Am I happy with my choice?" he said. "I'll let you know in seven years."

Mr. Powell has a four-year term and can't easily be replaced by a dissatisfied president.

Higher rates are meant to prevent the economy from overheating and causing inflation or a financial bubble. They also have the effect of slowing economic growth when pushed high enough. Some past Fed rate-increase campaigns have even led to recession.

Mr. Powell has been following through on gradual rate increases started by Ms. Yellen in December 2015.

Some of Mr. Trump's political advisers worry that if the Fed continues to raise rates, economic growth and job creation might slow just as his re-election campaign kicks in.

"It's very difficult for re-election in 2020," one person close to the White House said.

A spokeswoman for the Federal Reserve declined to comment. A spokeswoman for the White House didn't respond to a request to comment.

In making known his concerns about the Fed's rate increases, Mr. Trump is also laying out a defense in the event that the economy stumbles, one person close to the White House said.

"He wants to get it out that the Fed is to blame, rather than some deficiency with him or his policies or anything you can rightly hold the president responsible for," this person said.

## U.S. WATCH

NORTH CAROLINA  
Confederate Statue  
Toppled at Campus

A Confederate statue in the heart of North Carolina's flagship university was toppled Monday night during a rally by hundreds of protesters who decried the memorial known as "Silent Sam" as a symbol of racist heritage.

The crowd gathered across the street from the University of North Carolina Chapel Hill plaza for a series of speakers before heading over to the quadrangle. Then, about two hours into the protest, a group surrounded the statue and pulled it down, according to television footage.

Gov. Roy Cooper had called for removing Silent Sam and other rebel symbols on public land. Still, the Democratic governor issued a statement on Twitter arguing the protesters took the wrong approach to removing the statue. The university echoed the sentiment. "Tonight's actions were dangerous, and we are very fortunate that no one was injured."

—Associated Press

## HORIZON AIR CRASH

Investigators Believe  
Pilot Was Suicidal

Federal investigators have tentatively determined the ground-services worker who stole an empty Horizon Air turboprop this month ended up crashing the airliner in a suicidal dive, according to people familiar with the probe.

Horizon Air employee Richard Russell was at the controls when the twin-engine aircraft's

nose was pointed downward, these people said, smashing into a sparsely inhabited island near Seattle on the evening of Aug. 10. Mr. Russell, 28 years old, died in the fiery crash, which has prompted government, airline and airport officials to reassess employee screening and aircraft security issues nationwide. Information downloaded from the Bombardier Inc. Q400's flight-data recorder shows both of its engines were putting out power and the plane hadn't exhausted its fuel supply.

The Federal Bureau of Investigation, which is heading the probe, declined to comment pending further analysis of evidence.

—Andy Pasztor  
and Andrew Tangel

## TEXAS

Shooter, Manager Die  
in Warehouse Attack

An employee opened fire at a Houston-area food distribution center early Monday, killing a company manager and wounding another worker, police said.

The shooter, identified by police as Kristine Perez, 38 years old, was also killed in the attack, which happened around 2:30 a.m. at the Ben E. Keith facility in Missouri City, about 15 miles southwest of Houston.

"We actually had an officer that engaged the shooter," Police Chief Mike Berezin said.

"Whether or not the shooter actually was hit by one of our officer's bullets or if it was self-inflicted, we're not totally sure at this point."

—Associated Press

## Funeral Held for Firefighter Killed in Northern California Wildfire



HUGE LOSS: The life of Battalion Chief Matthew Burchett was honored Monday in West Valley City, Utah. He was struck by falling debris.

## Some Tesla Suppliers Are Worried

*Continued from Page One*  
ings and Mr. Musk's announcement on Twitter that Tesla had secured funding for a plan to go private.

The survey was sent to members of the Original Equipment Suppliers Association's council, which is made up of lead North American sales executives representing about 100 suppliers. It isn't known how many exactly were surveyed. Of the 35 that responded, 23 were current or past Tesla suppliers. Some respondents didn't answer all questions.

In the interview, Mr. Musk and financial chief Deepak Ahuja said Tesla's financial strength is improving and it remains on track to be cash-flow positive and profitable in the current quarter. They said relations with its suppliers are good.

"If there was any doubt in our suppliers in the first place that should definitely be strongly extinguished, with our commentary and our results and the ramp-up of our production," Mr. Ahuja said.

All of the respondents to the survey said they wanted to sustain or grow their business with the auto maker, and none wanted to exit.

Delays in the production of the Model 3 drained Tesla's cash, which fell by \$1.13 billion in the first six months of the year to \$2.24 billion.

Tesla's current cash picture looks similar, according to company records reviewed by the Journal and to people familiar with the situation.

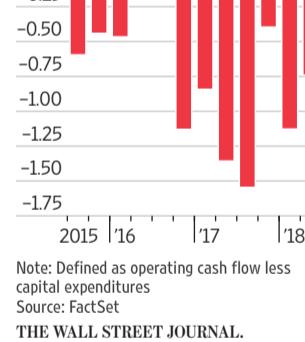
Tesla's cash and cash equivalents fell to \$1.69 billion as of Aug. 12, according to the records.

That was largely because it repaid \$500 million of a revolving credit line in July. Tesla plans to tap that same amount again later this quarter, according to the records.

That, plus additional cash flow that Tesla anticipates from an increase in vehicle deliveries in

## Leaky Vehicle

Tesla's free cash flow



Note: Defined as operating cash flow less capital expenditures

Source: FactSet

THE WALL STREET JOURNAL.

from 9% to 20% of what the company paid dating back to 2016, according to people familiar with the requests. In one email to a supplier reviewed by the Journal, Tesla asked for help to make "an immediate impact" by providing a rebate on products already purchased.

Tesla has said the rebates applied to less than 10 capital-equipment suppliers. Mr. Ahuja stressed that production-related suppliers—those it depends on to keep cars coming off the assembly line—weren't asked for rebates, but instead Tesla is seeking to get costs reduced on future work.

Eleven of 23 responding suppliers in the survey said Tesla had asked them to extend payment terms.

Mr. Ahuja said it is normal for auto makers to ask for better terms as the business improves.

Public records show 16 companies since October have taken the unusual step of filing mechanic's liens—or legal claims seeking unpaid compensation—against Tesla claiming bills haven't been paid for supplies and services. Previously, only four liens had been filed against Tesla in all of 2015 and 2016 combined.

The liens were mostly filed this year in Alameda County, Calif., by small subcontractors against Tesla and contractors of the auto maker, primarily for providing work at the company's Fremont factory. Some of the suppliers have since been paid, and the total outstanding dollar amount of claims is relatively small, totaling nearly \$8 million, according to the documents.

Liens filed by suppliers against auto makers are rare, say industry specialists.

Mr. Ahuja, Tesla's CFO, said it would be wrong to see the liens by subcontractors as a sign of financial distress. "It is an issue between the subcontractor and contractor," he said, adding that it is common practice for subcontractors to name the manufacturer in a lien to create pressure on it.

In an email on Friday to the Journal, Mr. Musk said, "We are definitely not going bankrupt."

—Mike Colias  
contributed to this article.



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## THE WALL STREET JOURNAL

(USPS 664-880)  
(Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935)

(Western Edition ISSN 0193-2241)

Editorial and publication headquarters:

1211 Avenue of the Americas,

New York, NY 10036

Published daily except Sundays and general

legal holidays. Periodicals postage paid at

New York, NY, and other mailing offices.

Postmaster:

Send address changes to The Wall Street

Journal, 200 Burnett Rd., Chicopee, MA 01020.

All advertising published in The Wall Street

Journal is subject to the applicable rate card,

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## CORRECTIONS &amp; AMPLIFICATIONS

Thomas Cooke is a demographer at the University of Connecticut who studies U.S. mobility patterns. A Page One article Monday about fewer Americans relocating for new jobs incorrectly said he is a sociologist.

Afghanistan's president proposed a conditional three-month cease-fire in the government's U.S.-backed war against the Taliban. In some editions Monday, a World-Wide item incorrectly said about 4,375 U.S. stores have shut since the beginning of 2017.

A slogan on one of the main buildings in the political re-education camp in Turpan, China, reads: "Sense the party's kindness, obey the party's words, follow the party's lead." A World News article Saturday about China's detention of Muslims incorrectly said the slogan began with the words "sense the party's thought" owing to a similarity in the Chinese charac-

ters for kindness and thought.

Robert Salmon's last name was misspelled as Sammon in an Off Duty article Saturday about cologne.

Roughly 4,379 retail stores have shut in the U.S. this year through Aug. 10, according to Coresight Research. A Page One article Friday about the performance of retailers incorrectly said about 4,375 U.S. stores have shut since the beginning of 2017.

## U.S. NEWS

# Power-Plant Rules Set Up Legal Fight

By TIMOTHY PUZO

The Trump administration moved to overturn Obama-era environmental rules on power-plant emissions, a long-telegraphed action designed to help coal-burning plants compete with natural gas and other cleaner alternatives as a national energy source.

Andrew Wheeler, President Trump's acting administrator of the Environmental Protection Agency, on Monday signed a proposal to scrap environmental restrictions on power plants and leave much of the regulation of the industry to states. The move is the agency's first under Mr. Trump to detail how it will regulate the power-sector carbon emissions that contribute to climate change, and it sets up months of public and legal reviews, and potentially a yearslong court battle.

Environmental groups are plotting a challenge, saying the proposal at best provides minimal legal cover for a 2007 Supreme Court decision requiring the agency to regulate carbon emissions as a pollutant. They will likely seek to reinstate the

mandate costly technological overhauls at coal plants. While the Clean Power Plan was designed to reduce greenhouse gases and fight the cause of climate change, the Trump administration cast the regulation as setting unfair rules that coal plants wouldn't be able to meet.

"The entire Obama administration plan was centered around doing away with coal," Mr. Wheeler said in an interview.

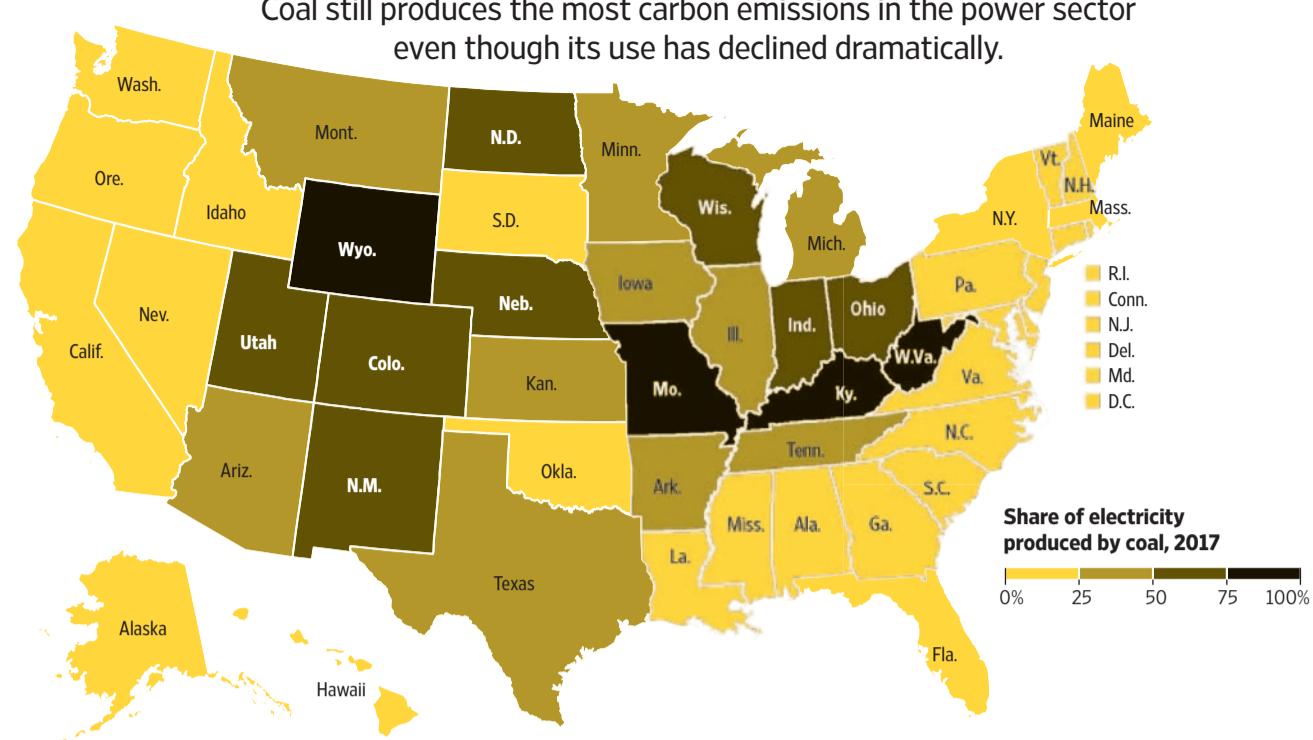
Coal has long been a primary source of power in the U.S., but in recent years it has faced stiff competition from cheaper and cleaner alternatives. As a result, the ultimate effect of the Trump EPA move could be limited. The agency's own

forecast the power sector's coal consumption to keep shrinking under this proposal, though at a slower rate. Coal-industry leaders say they need major changes to how wholesale markets operate to make coal more competitive.

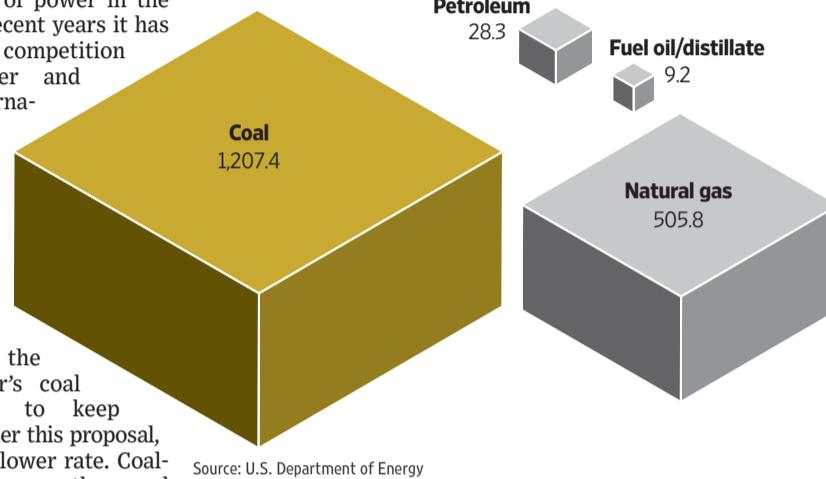
Power companies have already said they expect to keep up a large-scale shift to cleaner fuels. Natural gas is cheaper today than coal, and its supply is still growing rapidly, while prices for wind and solar keep dropping, too.

Roughly 40% of the nation's coal-fired power plants have shut or announced plans to close, according to the American Coalition for Clean Coal Electricity, a trade group.

The worst of that fall is past, but the proposal is most likely just enough to help support the industry's stabiliza-



Power-sector emissions in 2017, millions of metric tons of carbon dioxide



Source: U.S. Department of Energy

Erik Brynildsen and Dylan Moriarty/THE WALL STREET JOURNAL.

tion, said Hal Quinn, president and chief executive of the National Mining Association.

The Clean Power Plan "was a major impediment for our industry going forward in terms of what our markets look like," Mr. Quinn said. "This removes that pressure."

Mr. Trump's energy team has argued that coal is a crucial fuel source and that its decline is a threat to the ability of electricity distributors to supply businesses and consumers. The Energy Department has made similar arguments in separate proposals to help struggling coal and nuclear-plant operators.

Environmentalists have criticized the administration's conclusions. Coal emissions from the power sector are one of the nation's biggest sources of the greenhouse gases that cause climate change, and the proposal could increase carbon emissions by helping coal-burning plants to run harder and stay open longer. Coal is also a leading contributor to human health problems.

Obama-era EPA leadership said Monday that their moves were a careful effort to follow a legal requirement to regulate carbon emissions. Gina McCarthy, the administrator who approved the Clean

Power Plan, noted the influence of climate change is becoming tangible—deadly heat waves and rising sea levels—and said the new proposal's scaled-back mandates do little to address it.

"That is essentially a huge gimme to coal-power plants by giving them a free pass," she said.

While the proposal meets many of the headline demands the coal industry has made for years, Mr. Wheeler, himself a former coal industry lobbyist, denied it is designed to save coal. Instead, he stressed the effort gives the states authority to make determinations on

which fuels should be part of their electricity system.

Mr. Trump has made support of the coal industry a central part of his platform, embracing donors from the industry and hosting coal miners at the White House.

"Obviously the president thinks he appeals to his base by talking about bringing back coal," said David Doniger, senior strategic director of climate and clean energy at the Natural Resources Defense Council and former director of climate change policy at the Clinton-era EPA. "But the policies are not going to bring back coal."

## Kavanaugh to Face Questions on Probes of Presidents

By NATALIE ANDREWS

WASHINGTON—Supreme Court nominee Brett Kavanaugh plans to continue to meet with Democratic senators this week, with his stance on executive power expected to be a central focus.

On Monday, Judge Kavanaugh met with California Sen. Dianne Feinstein, the top Democrat on the Judiciary Committee. On Tuesday, he plans to meet with five Demo-

crats, including Senate Minority Leader Chuck Schumer of New York and Sen. Claire McCaskill of Missouri. He also plans to meet with Republican Sen. Susan Collins of Maine.

Democrats are looking at how Judge Kavanaugh might rule in any legal case emerging from the special counsel's probe into any possible collusion between the Trump presidential campaign and Russia, as well as any obstruction of justice by President Trump.

Mr. Trump has denied any wrongdoing and the Kremlin has denied interference.

On Monday, the National Archives released a memo in which Judge Kavanaugh said he was opposed to giving then-President Clinton any "break" in questions regarding his affair with Monica Lewinsky. At the time, Judge Kavanaugh worked as an associate counsel for independent counsel Ken Starr, who was investigating whether Mr. Clin-

ton had committed perjury.

A 1998 memo lists sexually explicit questions he wanted Mr. Starr to ask, saying Mr. Clinton "should be forced to account for all of that and to defend his actions."

Judge Kavanaugh wrote that if the questions weren't asked, Mr. Starr would be "failing to fulfill our duty to the American people if we willingly 'conspire' with the President in an effort to conceal the true nature of his acts."

Later, Judge Kavanaugh wrote a law review article in 2009 that argued Congress should pass a law that would temporarily defer civil suits and criminal probes involving a president while in office.

Democrats say the memo highlights how he has shifted on his position on executive power. The nominee's hearing is slated for Sept. 4.

"I think he's definitely changed his mind" on executive power, said Sen. Mazie Hirono (D., Hawaii), saying it is striking to her how "gung ho" he was to go after Mr. Clinton.

The National Archives also posted more than 10,000 pages of material from Judge Kavanaugh's time with Mr. Starr.

While excerpts of the explicit memo have been published, the full memo was posted by the National Archives in its response to a Freedom of Information Act lawsuit by Fix the Court and requests by media organizations.

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## U.S. NEWS

# The President Steps on His Own Good News

**CAPITAL JOURNAL**

By Gerald F. Seib

Let's imagine for a moment a parallel universe in which President Trump last week didn't call a one-time top female aide a "dog," revoke the security clearance of a former director of the Central Intelligence Agency, author 10 tweets attacking Federal Bureau of Investigation officials, or unleash 11 others criticizing aspects of the investigation of special counsel

Robert Mueller.

In that parallel universe, which of these other stories might have gotten more attention?

◆ A Commerce Department report on booming sales in grocery stores, restaurants and department stores.

◆ The largest one-day rise in the stock market in four months.

◆ The approval by Mr.

Trump's own Food and Drug Administration of a lifesaving generic version of the EpiPen injector device for allergic reactions.

◆ The resumption of trade talks with Chinese officials who increasingly appear shaken by the Trump administration's tough actions.

Probably, all of them would have gotten more attention. Which simply points to one of the most baffling aspects of



ANDREW HARNIK/ASSOCIATED PRESS

President Trump's addiction to controversy draws attention away from positive developments, such as the economy.

the Trump presidency: the way the president's addiction to controversy and his attraction to fights get in the way of his own best interests.

**I**n a conventional presidency, the president would be far more inclined to ignore critics and stay away from feuds, particularly when there are good things to talk about instead. The White House is the ultimate bully pulpit, after all, with the ability to help set the national conversation.

And there actually are good things to talk about in Trump world. The economic

picture is one any president would envy. Economic growth is steady, employment is growing, retail sales are soaring and the stock market is way up. A new report last week found that worker productivity, oddly stagnant in recent years, is rising, another development that got virtually no attention.

Of course, this economic surge may be a temporary sugar high, driven by a tax cut that is driving up the deficit—and by extension interest rates—to unsustainable levels. What now appear to be Chinese efforts to calm fears of a crippling trade war

could turn around any day.

For now, though, that's not the picture. And the point is that the president often deflects attention to the negative. He seems incapable of moving away from his long-standing practice in the private sector of punching back at all who challenge him.

That may make sense in a real-estate battle, but in a presidency the practice of constantly counterpunching actually turns the initiative over to the punchers. One of the powers a president has is to ignore critics and deprive them of oxygen.

When Presidents Reagan

and Clinton faced their own independent counsel investigations, they set up systems to keep the investigations, and the stories about them, out of the Oval Office. Mr. Reagan, in particular, agreed under urging by aides to refuse to even answer questions about the Iran-Contra inquiry until it was completed. Mr. Trump, by contrast, brings the Mueller investigation into the White House on an almost daily basis.

The president and his aides doubtless blame the media—otherwise known as the fake-news, enemy-of-the-people media—for focusing only on

the bad and controversial. That would make Mr. Trump the 45th president (out of 45) who has made that complaint. It goes with the territory.

In fact, Mr. Trump almost compels the press to cover stories that infuriate him by refusing to ignore them himself. His almost daily attacks on Mr. Mueller are actually keeping a spotlight on his inquiry. When the president is publicly attacking a special counsel, or FBI agents, or a former CIA chief, by name, that is not a story that can or should be ignored.

**A** reasonable gauge of this president's public messaging is his Twitter feed, and there the count over the past week is as follows: Tweets on the disputes regarding the Mueller investigation, the security clearance of former CIA head John Brennan and the feud with former aide Omarosa Manigault Newman: 43. Tweets on the economy: seven.

One price of that practice is its distraction from positive developments elsewhere. A prime example lies in the work being done by Dr. Scott Gottlieb, the Trump-appointed commissioner of the FDA. One of his top priorities is to find ways to go beyond talking about lowering drug prices and to actually do it—in particular, by speeding approvals of generic alternatives to expensive brand-name drugs.

That initiative helped produce last week's EpiPen decision, a move that figures to lower the cost of a lifesaving drug for Americans across the land. For them, that's a lot more important than the president's tweets about Omarosa.

# Russia Widens Election Cyberattacks, Microsoft Says

BY DUSTIN VOLZ  
AND ROBERT McMILLAN

Russian hackers linked to the 2016 election cyberattacks on the Democratic Party are widening their targeting for the coming midterm elections to include the Senate and well-connected conservative groups, according to research from Microsoft Corp.

Microsoft last week took down six internet domains registered by a Russian hacking group that sought to mimic legitimate websites. The domains appeared to mark the early stages of spear-phishing attacks intended to compromise political operatives working for or around the targeted organizations.

One of the domains mimicked the International Republican Institute, Microsoft said.

The IRI is a Republican-leaning think tank that has counted Sens. Lindsey Graham, John McCain and Marco Rubio—all of whom advocate tough policies against Russia—among its board members. Another target is the Hudson Institute, which is a Washington-based conservative think tank, Microsoft said.

Microsoft said it had no evidence any of the spoofed internet domains were used in any successful cyberattacks before the company seized control of them.

The domains were registered by a hacking group associated with Moscow's military intelligence agency, the GRU. In the past, the hackers, commonly referred to as Fancy Bear or Strontium, have used phishing emails to direct targets to fake websites designed

to resemble legitimate ones where they steal login credentials, according to security researchers.

After slowing efforts last year targeting the American

political system, the Russian hacking group launched attempted digital intrusions in recent months, Microsoft said. Sen. Claire McCaskill (D., Mo.) last month disclosed that her office had been a target of a phishing scam.

U.S. intelligence officials

have said the 2016 break-ins were carried out by Russian intelligence. Last month, special counsel Robert Mueller charged a dozen Russian intelligence officers in the hacks. Russia has denied involvement in the hacking and said the indictment was designed to "spoil the atmosphere" of the July meeting between President Trump and Russian President Vladimir Putin.

"We are not surprised by this," said David Tell, a spokesman for the Hudson Institute, in response to the new Microsoft findings. "There can't be an even peripherally involved office in politics in Washington that does not routinely get emails ending in .ru with weird attachments in them," referring to the internet domain for Russia.

Mr. Tell said the institute's

work on promoting American global leadership and tracking kleptocratic regimes would make it an especially appealing target for Moscow.

The attack was "consistent with the campaign of meddling that the Kremlin has waged against organizations that support democracy and human rights," said IRI President Daniel Twining in a statement. A spokeswoman for the Senate's sergeant at arms, which handles the chamber's computer protection, declined to comment on the alleged phishing attempts.

"There is a breadth that is starting to match what we saw in 2016," said Brad Smith, president and chief legal officer of Microsoft, in an interview. Mr. Smith said the efforts appeared to be targeting both political parties, in an ap-

parent shift in tactics.

Disclosure of the hacking attempts also comes as senior officials in the Trump administration, including Vice President Mike Pence, have issued warnings about Russia's intent to interfere in future elections and vowed to halt such attacks. Mr. Trump, who has been criticized for not sending clear signals to Moscow that cyberattacks targeting American elections won't be tolerated, signed an order last week rescinding classified Obama-era rules that limited the offensive use of cyber-weapons.

Microsoft has historically been able to gain control of phishing domains such as these by claiming trademark violations when the domains masquerade as the firm's websites.

## Pepsi Buys Home Soda Company

Continued from Page One

blue in the face: The bottled-water industry is the biggest marketing scam of all time."

A SodaStream spokeswoman on Monday referred questions to PepsiCo.

In an interview, PepsiCo finance chief Hugh Johnston said: "SodaStream's point of view is that they want a healthier, more sustainable planet," a goal the soda giant shares. He added, "There was a good cultural match here in terms of the values."

In discussions between the two companies over the past several years, "we got more comfortable that, in fact, we think about things in the same way," Mr. Johnston said.

PepsiCo has been under pressure this year to restructure its North America beverage business amid weak sales of its core brands Pepsi-Cola, Mountain Dew and Gatorade.

The sales slump came after the company last year shifted too much shelf space and advertising money to new, healthier products including LIFEWTR.

Shares in PepsiCo rose after the announcement but later fell, closing 12 cents down at \$114.84. SodaStream's shares rose 9.4% to \$142.11 in New York.

Wells Fargo analyst Bonnie Herzog offered a skeptical view of the deal, saying it was questionable whether buying SodaStream would do much to help PepsiCo's efforts to improve volumes in its North American drinks business.

Mr. Johnston said the deal isn't a response to the company's flagging North America beverage sales, but rather an opportunity to expand SodaStream's sales around the world and to give PepsiCo better reach into markets such as Germany and Japan, where SodaStream is strong. It also gives PepsiCo entry into what Mr. Johnston called "in-home beverage creation."

Under departing CEO Indra Nooyi, PepsiCo has expanded from its cola roots into hummus, kombucha and other healthier products, although results have been mixed. The company has set a target for sales growth of nutritious products to outpace the rest of the portfolio by 2025.

Incoming PepsiCo CEO Ramon Laguarta played a key role

## Health Kick

PepsiCo is adding nutritious products to its sales lineup.

### Recent PepsiCo acquisitions, with purchase price

2018 SodaStream\* Seltzer-machine maker \$3.4 billion

2010 Wimm-Bill-Dann Foods Russian dairy, juice company 4.5

2008 Lebedyansky\* (91.43%) Russian maker of fruit and vegetable juices and baby food 1.7

2007 Sandora\* Ukrainian juice company 0.7

Note: Purchase price may vary because it is based on fully diluted share count

Source: Dealogic \*Pending †In two deals

THE WALL STREET JOURNAL.

soda giant pivot to the healthier and more environmentally friendly offerings she envisioned.

In addition to LIFEWTR, PepsiCo sells the Aquafina water brand in the U.S. and earlier this year launched a new brand of flavored seltzer called Bubly.

Sparkling water has grown more quickly than the overall bottled water category in the U.S., clocking volume growth of 38% last year, according to industry tracker Beverage Marketing Corp. That compares with 7% growth for the overall packaged-water industry.

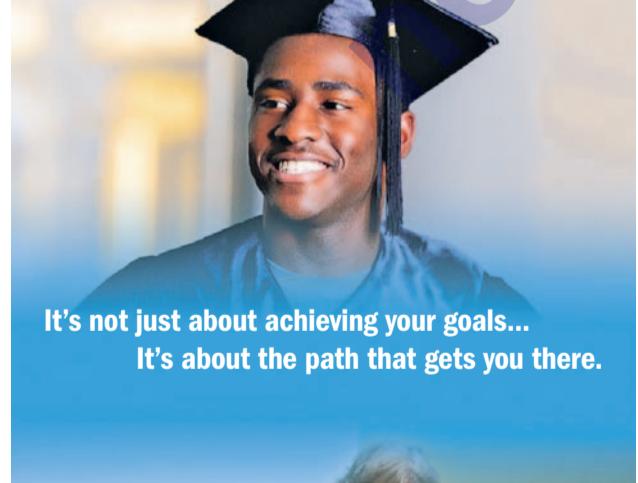
Meanwhile, sales of bottled water—a much bigger category—have slowed amid competition from sparkling water, tea, coffee and other beverages.

A backlash against single-use plastic has taken hold in some countries in Western Europe, where SodaStream makes most of its sales.

One SodaStream ad featuring "Game of Thrones" actors Hannah Waddingham and Thor Bjornsson has captured 2.7 million views on YouTube. It parodies a scene from the television series, with a woman crying "Shame!" as she follows a man carrying bottled sparkling water out of a grocery store.

As recently as this month, SodaStream had been planning a fall campaign "against single-use plastic bottles and big beverage," a company spokeswoman said in early August.

PepsiCo said Monday that buying SodaStream is one of several ways in which the soda giant is reducing the use of plastic bottles.



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## WORLD NEWS

# Many Left Adrift as Greek Bailout Ends

Pessimism and anger prevail while the EU celebrates symbolic end to the debt crisis

By NEKTARIA STAMOULI

**ATHENS**—Giorgos Fasois may never hold a full-time job again. He has come to terms with that, he said. He will just do whatever it takes to feed his three children.

Charis Karakosta Papachristou works as a doctor in Sweden. She doesn't intend to return.

Evelyn Karyofylli kept her swimsuit-making business going, but isn't sure it was worth it.

"I had to let go of the whole personnel gradually: 25 people in total," she said. "I'm now alone; I'm sewing the swimsuits in the winter, selling them in the summer."

These three Greeks, and millions of their compatriots, aren't celebrating Monday's end of Greece's international financial bailout. The moment marks the symbolic end of the eurozone's long debt crisis, which put the survival of the single currency in doubt.

The Athens government hails the end of the bailout as a historic day when Greece recovers its national freedom and independence. European Union officials hold up Greece's graduation from its bailout as proof that the bloc's much-criticized crisis management succeeded.

But many Greeks find it hard to believe that this truly is the end of an era. Pessimism and anger prevail in much of Greek society, after a decade of economic depression that has left people exhausted and disillusioned. Austerity—in the form of deep cuts to public services and suffocatingly high taxes—is set to continue for a generation, under a deal between the Athens government and its lenders.

Greece's bailout programs since 2010, totaling around



his life to change after this summer. He has little hope for the country's future.

"These children are born indebted," he said, pointing to his three children, who are aged 5, 7 and 9. "And I'm not talking about my own, but the country's debt."

Young Greeks are absorbing the reality that many will never achieve their parents' former income level, nor even sufficient livelihood to start a family of their own. It is little wonder that the country has lost a generation of college graduates to emigration.

Dr. Karakosta Papachristou described how, during a recent inauguration she attended, the dean of Athens Medical School told new students that their degrees would make it easy for them to find a job abroad.

The battered economy has a long way to heal from a traumatic past decade. But business activity is flickering back to life. GDP grew 1.4% last year, the first substantial rise since 2007, and is expected to grow 2% this year. After waves of insolvencies, fewer shops and businesses are closing. Business surveys show new orders and hiring intentions at levels not seen for years.

Ms. Karyofylli is one of the survivors. Her sales are rising again at last, as Greek consumers regain some confidence.

"It is funny that I was calling myself a business person all these years, when I was making an income equal to the minimum wage," she said.

She still isn't ready to hire back workers. Her main problem now is painfully high taxation.

Panagiotis Makaronis, a 41-year-old taxi driver on the island of Lesbos, dismisses the end of the bailout era as "a joke."

"If you pay all the taxes you have to, you might as well put a stone around your neck and drown yourself," he said. "We are stuck on this island, like the migrants, working all day."

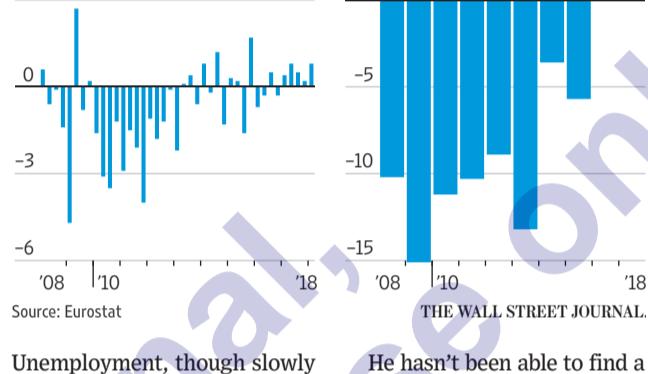
**Giorgos Fasois, above, and his family live on the equivalent of about \$290 of monthly benefits meant for his three children, plus part of his parents' pensions. Evelyn Karyofylli hasn't been able to hire back any of the 25 workers she once employed at her business.**



## Long Road Back

Greece's economy has slowly emerged from the financial crisis.

**Quarterly change in GDP**



Source: Eurostat

Unemployment, though slowly falling, remains nearly 20%.

"I'm 49 years old and that's a huge problem. All employers prefer 20-year-olds, who are paid less and can work more," said Mr. Fasois, who worked as a cabin steward on cruise ships until 2010, earning €1,500 to €2,000 a month.

He hasn't been able to find a full-time job since then. The five-member family lives on €250 of monthly benefits meant for the children, plus part of Mr. Fasois's parents' pensions. But pensions have been cut 13 times during the bailout era. "I live like a zombie," Mr. Fasois said.

Mr. Fasois doesn't expect

€290 billion (\$331 billion) of emergency loans from the eurozone and the International Monetary Fund, are the biggest financial rescue of a stricken sovereign in history. In return for loans, creditors made Greece shut a budget deficit that had ballooned to more than 15% of gross domestic product in 2009, leading to the collapse of Greece's bond market. The state now has a small budget surplus. But the austerity measures to achieve it—totaling €72 billion, or around 40% of GDP—accelerated the country's slump.

The Greek economy has shrunk by a quarter since the global financial crisis began.



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## WORLD WATCH

## AFGHANISTAN

**Taliban to Attend Talks in Moscow**

The Taliban have accepted a Russian invitation to travel to Moscow to join regional talks on Afghanistan's future that are likely to exclude the U.S., people familiar with the decision said.

Moscow has taken an increasingly active role in efforts to end the 17-year war in Afghanistan, citing concerns about the emergence of Islamic State and the U.S. failure to negotiate a political solution. The Taliban's decision to accept the invitation comes as the group is extending its political engagement with the U.S., in what appears to be a continuing effort to hedge between rival powers.

Zamir Kabulov, Russia's presidential representative to Afghanistan, said in an interview with *Interfax* that the Taliban had been invited to the Sept. 4 talks.

The State Department didn't respond to a request to comment. The Taliban's top political envoy, Sher Mohammad Abbas Stanekzai, was expected to attend. His office declined to comment.

—*Jessica Donati*

## AUSTRALIA

**Prime Minister Beats Leadership Challenge**

Australia's Prime Minister Malcolm Turnbull survived a leadership challenge as he struggled to pass key pieces of his legislative agenda and keep members of his party in line.

The challenge from Peter Dutton, which Mr. Turnbull survived by a vote of 48 to 35, is a reminder of the nagging political instability in Australia, which has changed prime ministers five times in the past 10 years.

Mr. Dutton's base of support is rooted in the conservative wing of the Liberal Party and reflects the 47-year-old's hawkish views on issues like immigration.

Mr. Turnbull, 63, came to power in 2016 and his ruling coalition has a thin majority. His relatively narrow margin of victory on Tuesday highlights discontent about his performance ahead of national elections due next year.

—*Rachel Pannett*

**China Faces New Tariffs This Week**

*Continued from Page One*

on China, said two participants. The message was: "They better pay attention, because we're not done with those guys yet," said one of the participants.

Monday was the first of six full days of public hearings on the next round of tariffs, where about 360 company and trade association officials are expected to testify on the impact of the tariffs on their industries. As in past hearings on the China trade dispute, which involves U.S. claims that Chinese firms obtain U.S. intellectual property by theft or coercion, the participants generally requested exemptions from the tariffs because they felt the levies would hurt business prospects.

The U.S. is considering tariffs of either 10% or 25% on thousands of categories of products, including for the first time a substantial number of consumer goods, including furniture, computer parts and luggage.

Should tariffs be imposed on handbags, as proposed, "we would not hit profitability for many more years, we would not be able to hire the 10 additional people we had planned," said Melissa Mash, the founder of Dagne Dover, an online handbag company.

Jim Day, the vice president of global supply chain at 47 Brand LLC in Brockton, Mass., which makes baseball hats and other sports apparel, said the company would likely have to lay off workers if their products are subject to tariffs.

Witnesses stressed the difficulty of trying to find suppliers outside China for their products. In some cases, executives and industry representatives said that the components or products are only available in China or cautioned against the time and resources necessary for establishing a supply line in a different country, including the U.S.

"There is no leather upholstery business in the U.S. anymore, none," said David Mathison, a co-founder of Leather Miracles, which is based in Hickory, N.C.

## WORLD NEWS

**Pope Expresses Shame Over Abuses**

By FRANCIS X. ROCCA

ROME—Pope Francis in a letter to Catholics worldwide expressed shame and repentance over the sexual abuse of children by priests, following months in which the escalating scandal in several countries has raised pressure on the Vatican.

The pope in Monday's letter, his first to all the world's Catholic faithful about the scandal, vowed to improve efforts to protect children and punish those in the church who commit sex abuse or cover it up.

The letter offered no specific plans, but the pope said all lay members of the church should take part in those efforts. He laid much of the blame for the sex-abuse crisis on excessive deference to the church's hierarchy.

The missive came in response to a report last week documenting abuse by more than 300 priests in Pennsylvania of more than 1,000 victims over a period of 70 years. The pope was also writing a few days before he was scheduled to visit Ireland, where anger over abuse is running high, and amid scandals in other countries.

In recent months, prosecutors in Chile have raided church offices looking for evidence of sex abuse and cover-ups. The pope's finance chief, Cardinal George Pell, faces trial in Australia on sex-abuse charges, which he has denied. If convicted, Cardinal Pell would be the highest-ranking Catholic prelate to be found guilty of abuse.

Pope Francis addressed his letter to all members of the church, to "acknowledge and condemn, with sorrow and shame, the atrocities" committed by priests and covered up by bishops.

The Pennsylvania report has elicited outrage in the U.S., much of it focused on local bishops, especially Cardinal Donald Wuerl of Washington, who formerly served as bishop of Pittsburgh and is accused of having allowed abusers to remain in active ministry as priests.



Pope Francis, seen at the Vatican on Sunday, said all church members should help protect children.

Cardinal Wuerl, 77 years old, has defended his record and has resisted calls to step down. He offered his retirement on grounds of age to the pope in 2015, but the pope hasn't acted on it.

The pontiff has addressed the abuse crisis several times during his pontificate, sometimes in even stronger language, as in 2014, when he likened the sexual abuse of children by priests to a Black Mass. But Monday's letter appears to be the first document by a pope directly addressed to the world-wide faithful on the topic of sex abuse.

The pope travels to Ireland on Saturday, where he is ex-

pected to meet with abuse victims and address scandals over decades of sexual and physical abuse in Catholic institutions there.

"The pope cannot come to Ireland and not say something about what's happened here," said Marie Collins, an Irish sex-abuse victim and former member of the pope's child-protection commission, who resigned last year to protest Vatican inaction. "I hope it's not the usual apology but a statement taking responsibility for systematic abuse. It needs to be admitted that the church covered up and protected people who were doing this."

Colm O'Gorman, a sex-

abuse victim and executive director of Amnesty Ireland, who has organized a demonstration to protest the papal visit, told an Irish radio station about the letter: "There's no acknowledgment of responsibility by the Vatican for what's been perpetrated across the Catholic world. Yes, the pope talks about cover-up, but he doesn't say who's responsible for the cover-up. Yes, he talks about accountability, but he doesn't say who's going to be held to account and why."

Pope Francis has faced criticism from Catholics in many countries for his response to the sex-abuse scandals. He provoked

outrage in January when he said victims accusing a Chilean bishop of covering up sex abuse were guilty of slander. The pope later said he had committed grave mistakes in the matter because he had been misled.

In an effort to resolve the crisis in Chile, all of the country's bishops offered their resignations in May. So far, the pope has accepted five. But critics, including Ms. Collins, objected that the bishops were allowed to resign rather than go through the process Pope Francis established in 2016 to discipline bishops who cover up sex abuse.

The pope's letter on Monday didn't address last week's request from the U.S. Conference of Catholic Bishops for a Vatican investigation of the case of Archbishop Theodore McCarrick, a former archbishop of Washington. In July, Archbishop McCarrick, 88, became the first man to resign from the College of Cardinals in nearly a century, after charges that he had sexually abused children and harassed seminarians and priests.

The pope's letter didn't address specific cases.

"We acknowledge as an ecclesial community that we were not where we should have been, that we did not act in a timely manner, realizing the magnitude and the gravity of the damage done to so many lives," he wrote.

He called on the entire church to practice "penitential prayer and fasting," which he said could "awaken our conscience and arouse our solidarity and commitment to a culture of care that says 'never again' to every form of abuse."

"No effort must be spared to create a culture able to prevent such situations from happening, but also to prevent the possibility of their being covered and perpetuated," the pope wrote, adding that the church would support "all the judicial measures that may be necessary."

Commentators across the ideological spectrum praised the letter's sentiments but lamented its lack of specific plans.

## FROM PAGE ONE

# Tempers Flare Over Phish Tarp

*Continued from Page One*  
manual once said, its fans are a "peaceful, intelligent group" who will "dance and twirl in any open area made available to them."

Or not made available to them.

"I could not stop thinking—who are 'we'?" what have "we" become? Is this the new idea of family?" wrote blogger Grateful Momma Bear after she was chased off a tarp at a show in Dayton, Ohio, last year.

Tarpers don't always use tarps. At a show at Dick's Sporting Goods Park in Commerce City, Colo., last year, Devin Yohe, a 31-year-old mechanical engineer from Atlanta, saw a group of fans blocking off rows of seats by putting T-shirts on the backs

of chairs, claiming about sixty places for friends he suspects were still partying in the parking lot.

"I could have gone and sat in the middle of them, but then I would just be surrounded by a bunch of people that didn't like me," said Mr. Yohe. "It's a Phish show. Nobody's looking to get into an argument."

Tarpers are usually among the most enthusiastic Phans. Many are happy to endure day-long waits for a chance to spend their concert near the stage, where they can interact with the band and enjoy better sound quality.

Others are less cool with the aggressive acquisition of territory. Plus, some fans say, tarpers tend to defend their hard-won space, which totally kills the buzz. Phish fans complain in forums of a superfan dubbed Antelope Greg, who is said to mark out a primo square for himself on the ground with duct tape and shout at interlopers who wander in. A person identified as Antelope Greg on a Facebook account did not



Jian Blau holding his 'Peace Blanket.'

before anyone arrives?" ("No.") Also, tarps are forbidden on the concert field. Curveball was canceled because of flooding.

Many tarp users are unapologetic, saying they earned their concert real estate through persistence and diligent planning.

Tony Campagna usually arrives at shows early with a tarp folded up in his backpack, hoping to grab a choice spot in front of the soundboard, where many fans say the music is clearest.

"I don't feel any guilt," the 35-year-old public-school teacher from central New York says. "My friends and I never took advantage of anything we didn't have coming to us."

Mr. Campagna is sanguine about people straying onto his six-by-eight-foot tarp, which he believes is a reasonable size for a crew of about 10 friends that gathers from around the U.S. to attend Phish concerts together. His tarping practices have never drawn the ire of fellow fans, he says.

"It's the people that come

late, step on your feet and are really sorry for cutting in front of you that are the pain," says Mr. Campagna. They "failed to plan."

The schism over tarping during Phish concerts is a microcosm of larger social problems, says Stephanie Jenkins, a 37-year-old assistant professor of philosophy at Oregon State University who teaches a course titled "Philosophy School of Phish."

"If Phish fans...can't solve this problem, what hope do we have of addressing larger, more pressing problems in society?" she asks.

One Phish fan may have arrived at a happy medium. Jian Blau totes a woven tapestry decorated with peace signs that he calls the "Peace Blanket." The 46-year-old, a professor of communications studies at California Polytechnic State University and a fan for more than two decades, allows people to sit on the blanket's edges if they need a rest.

Those that do so "are centered around peace," he says.

over Yugra following repeated warnings, it said it found a \$600 million deficit in its balance sheet masked with bad loans. Just hours before the bankrupt bank's license was due to expire, the prosecutor's office ordered a halt to the closure, calling the bank "a financially stable credit organization." Ms. Nabiullina rejected the order.

Mr. Khotin's representatives and the prosecutor's office didn't respond to a list of questions on Yugra's closure, which the bank is contesting in court.

"It was a test of will, and she won," said banking analyst Mr. Lukashuk.

Ms. Nabiullina's freedom stands out from her peers in developing economies from Turkey to Argentina, where central bankers are under pressure from the government to keep interest rates low to keep credit flowing to voters and businesses.

In January, inflation hit a record low for the post-Soviet period of 2.2%, a result of Ms. Nabiullina's decision to keep interest rates high after the Crimea sanctions. Some tycoons have urged a faster reduction.

Ms. Nabiullina's confidence in Mr. Putin's backing was on display at the central bank's congress in St. Petersburg in June.

She publicly traded barbs with the chief executive of Russia's banking behemoth, Sberbank, and criticized the head of a major state oil company for raising gasoline prices. She chastised the police and courts for not doing enough to punish errant bankers.

Still, she has struggled to regulate Russia's lesser, underperforming state-owned banks, whose executives often treat them as fiefs, analysts said. These banks are kept afloat by constant injections of state funds.

Almost a trillion rubles of public capital, about \$16 billion at today's rate, went to just three state-owned banks—VTB, Gazprombank and Rosselkhozbank—in the first four years of Ms. Nabiullina's central-bank term, according to Fitch Ratings. All are still saddled with bad debts or illiquid assets.

Ms. Nabiullina said the same regulatory rules apply to all banks, adding that she has shut down several regional state-owned lenders.

The central bank has also come under criticism for bailing out three large private banks last year, including the country's seventh-largest lender, Bank Otkritie. The move has cost the government about \$44 billion.

Private bankers said Otkritie should have been sold off in pieces instead of becoming yet another state bank. Government-owned lenders now account for two-thirds of all lending and private deposits.

Ms. Nabiullina said Otkritie was "too big to fail" and required a quick takeover to avert a financial crisis.

While the cleanup of the financial sector is nearly finished, she said, she sees bigger problems for Russia's economy as a whole. "The previous model of [consumer-led] economic growth has been drained," she said. Her modest economic forecasts have consistently lagged behind Mr. Putin's goals, which she said can be achieved only through deep, unpopular changes to the system.

Even if the price of oil rose to \$100, from around \$65 today, she said, "it's very unlikely that our economy can grow above 1.5% to 2%" a year.

—Anna Mikheeva and Mike Bird contributed to this article.

# Putin's Secret Weapon

*Continued from Page One*

stabilize the economic situation." Managers at big investment funds, from Pacific Investment Management Co. to Pictet Asset Management, call Ms. Nabiullina one of the world's most skilled central bankers. Christine Lagarde, managing director of the International Monetary Fund, lauded her in May for setting "standards of quality for macroeconomic policy."

International investors have piled into Russian government bonds, despite the country's weak economic growth, weakening currency and deepening U.S. sanctions.

"Nabiullina was clearly given a mandate from the highest level of the government to bring stability," said Kirill Lukashuk, head of the financial sector at ratings agency ACRA. "The government realized they can't be stable without a healthy banking sector, strong reserves and low inflation."

In an interview, Ms. Nabiullina said her focus has been on improving the health of Russia's banking sector. "It became obvious to everyone that something had to be done," she said. "In the circumstances when we started facing external challenges and geopolitical risks, the financial system had to become very strong and very stable."

Mr. Putin has expressed his "very, very high appreciation" of Ms. Nabiullina's work "given the very complicated macroeco-



'For me it was easy to make that rate decision, because I was sure there was no alternative,' said Ms. Nabiullina, shown on June 8.

country's banks.

In 2006, the central-bank official responsible for revamping the system, Andrey Kozlov, was shot dead in his car. Russian financier Alexey Frankel, whose banking license Mr. Kozlov had revoked earlier that year, was later convicted of organizing the killing.

Today, bodyguards accompany Ms. Nabiullina even inside her headquarters.

Detractors include presidential advisers and industrialists who say her focus on low inflation and iron regulation is stifling the economy.

"From stability to stagnation is just a short step," said Andrey Sokolov, chairman of Russia's largest private lender, Alfa Bank.

There are about 480 active banks in Russia, triple the number in Brazil, which has a similar-sized economy. Russia's top 20 lenders, however, account for 70% of the banking assets. Almost a third of the banking system is in the hands of state-owned Sberbank, the successor of the Soviet Union's banking monopoly.

Ms. Nabiullina, 54 years old, was born into a working-class Tatar family in the Ural Mountains. She earned an economics degree from Moscow's top university during the final years of the Soviet Union and immediately began working on policies for Russia's burgeoning market economy.

She spent the 1990s working

at the country's largest business trade group and in the economy ministry. She has earned a reputation for bookishness, personal honesty and fixation on detail, according to government advisers. Those qualities drew the attention of Mr. Putin, who brought her into his think tank to help draft an economic manifesto shortly before he assumed the presidency in 2000.

As president, Mr. Putin consolidated power curbing the political clout of tycoons and regional强men. At the time they also controlled a large part of the banking system, using weak regulation to finance political campaigns and personal ventures and to transfer wealth out of the country.

When banks collapsed under the weight of bad lending decisions and unsustainable deposit rates, owners often moved abroad, usually to London, where they bought mansions at record prices. The U.K.'s government has denied extradition requests from Russia, citing lack of trust in the country's judicial system.

Industry veterans said that before Ms. Nabiullina took over, banking licenses were mostly used as mechanisms to funnel money abroad and process insider deals.

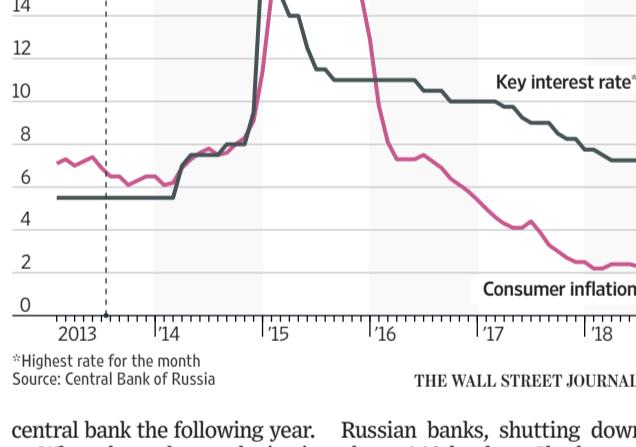
"We used to open a newspaper in the morning and look at the banking deals and said—that's capital flight, and that's asset stripping," said Sergey Khotimskiy, co-founder of one of Russia's largest private banks, Sovcombank. "The dodgy enrichment schemes were obvious to everyone."

The 2008 global financial crisis exposed the weakness of the system. Indiscriminate lending saddled banks with mountains of bad debts, which they camouflaged with increasingly elaborate balance-sheet exercises, said Mikhail Zadornov, a veteran state banker. Bank failures snowballed, leaving the state to pick up the tab for insured deposits.

Banking woes slowed Russia's economic recovery, which convinced Mr. Putin to act. In Ms. Nabiullina he saw a loyalist who had the expertise and the stomach to clean up the financial system, according to two people who were government advisers at the time. Mr. Putin appointed her as his economic adviser in 2012, and head of the

## Taking Interest

Elvira Nabiullina has left Russian interest rates high to keep inflation low.



\*Highest rate for the month  
Source: Central Bank of Russia

central bank the following year.

When she took over the institution, banks and companies were moving \$5 billion out of the country every month, and inflation topped 7%. She shut down 70 banks in her first year.

In 2014, the West met Russia's military interventions in Ukraine with sanctions. The impact, combined with a precipitous fall in the oil price, caused the value of the ruble to fall by half against the dollar that year.

Ms. Nabiullina stopped a longstanding policy of spending billions of dollars from the country's reserves to try to prop up the ruble. In December 2014, with the ruble continuing to fall, the central bank nearly doubled its key lending rate to 17% at an emergency late-night meeting.

The rate increase restored calm to markets but strangled the country's consumer-fueled growth. The country's emerging middle class, which had become used to foreign vacations and European cars, is still feeling the effects of the ruble's collapse.

Some government advisers and lawmakers criticized Ms. Nabiullina for the rate increase. "Difficult decisions are difficult to explain [to the government]," she said. "For me it was easy to make that rate decision, because I was sure there was no alternative."

Ms. Nabiullina turned her attention next to homegrown problems. Since she took office, she has halved the number of

Russian banks, shutting down about 440 lenders. She has reduced capital outflows by about 50% to \$2.5 billion a month.

Many of the banks she closed had been considered untouchable, analysts said. Some, such as Promsvyazbank, counted lawmakers and state-company executives among its shareholders and held money for national oil companies and the Orthodox Church.

Others, like Bank Sovetskiy, had served political objectives, providing banking services in Crimea, the Ukrainian region the Kremlin annexed in 2014.

A dozen shut-down lenders have tried suing the central bank to get their licenses or assets back. None have succeeded.

"Nabiullina has freedom to operate as she chooses in the interests of stability, even when it hurts vested interests," said Alexander Danilov, a banking analyst at Fitch Ratings. "She has stepped on many toes."

Yugra, the bank she closed last year over the objections of the prosecutor's office, is owned by construction magnate Alexey Khotimskiy. The bank had used credit taken from other banks to subsidize market-beating deposit rates, and became the 12th-largest holder of retail deposits in the country last year, according to the central bank. It also sponsored an amateur hockey league founded by Mr. Khotimskiy, who occasionally plays in it.

When the central bank took

# GREATER NEW YORK

## Luxury Apartment Sales Are Plummeting

BY JOSH BARBANEL

Sales of the most expensive New York City apartments fell sharply in the first half of the year, but many sellers have adjusted by cutting asking prices to make deals, brokers said.

"This is simply a market that is adjusting itself to chronic overpricing relative to buyers' perception of value," said Kirk Henckels, a broker and vice chairman of Stribling & Associates, a New York-based brokerage.

Overall sales of apartments priced at \$5 million or more fell by 31% during the first half of the year, compared with the same period in 2017, according to a luxury market report by Stribling.

But the slide in sales was concentrated entirely in condominiums, including newer buildings, where the supply of expensive apartments has surged, the report found.

Sales of older luxury cooperatives going for \$5 million or more rose about 10% in the first half of 2018, compared

with a particularly sluggish first half in 2017, the slowest first half since 2013.

In co-ops, including many of the most expensive buildings near Central Park, buyers purchase shares in a corporation rather than buying a deed to an apartment.

Brokers said the modest rebound in sales reflected sellers' willingness to abandon their dreams of outsize profits in the face of buyer resistance.

"The contracts that are getting done in the luxury end of the market are the result of sellers capitulating to reality," said Donna Olshan, a broker who monitors contract activity for high-end apartments.

Luxury apartment prices rose sharply in 2014 and 2015, but have since stagnated at lower levels.

Examples of steep discounts abound in the rarefied luxury market.

A five-bedroom penthouse with a terrace and soaring ceiling sold this month in a new building at 11 North

Moore St. in Tribeca. It was first listed in January 2014 for \$40 million, but the price was cut three times since, for a final listing price of \$22.5 million.

A deed filed on Thursday listed a \$20 million sale price.

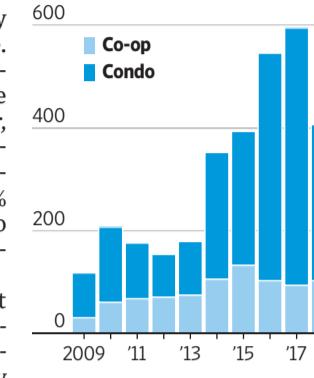
Median prices for both co-ops and condominiums were up in the first half of the year, compared with the same period in 2017. But many apartment prices were down 10% to 20% during the last two years, particularly among co-ops, Mr. Henckels said.

When the luxury market slowdown began in 2016, brokers blamed it on political uncertainty. More recently they said buyers are hesitating because of federal tax changes that may increase the cost of home ownership and reduce the deductibility of New York's relatively high tax burdens.

With many wealthy New Yorkers working in finance, the fortunes of the luxury housing market often have followed the ups and downs of the stock market—but not

### Downward Spiral

Sales of New York City apartments priced at \$5 million or more



Note: First half of each year  
Source: Stribling & Associates

THE WALL STREET JOURNAL.

recently.

It is generally rare to see falling home prices without a "relatively catastrophic triggering event" such as a stock market collapse, Mr. Henckels said. "It is very clear that this market is enduring what is the kindest, gentlest major price-correction in memory."



The price of a five-bedroom penthouse at 11 North Moore St. in Tribeca was cut three times before it sold this month.

STEVE REMICH FOR THE WALL STREET JOURNAL

## Wayward Goats Hoof It To Brooklyn Train Line

BY ZOLAN KANNO-YOUNGS

Twitter an image of the errant goats, noting: "Two very baaaaad boys."

Where the four-legged trespassers came from remained a mystery Monday evening. "They're not talking," the MTA spokesman said.

There are several slaughterhouses in the area around the 8th Avenue subway stop.

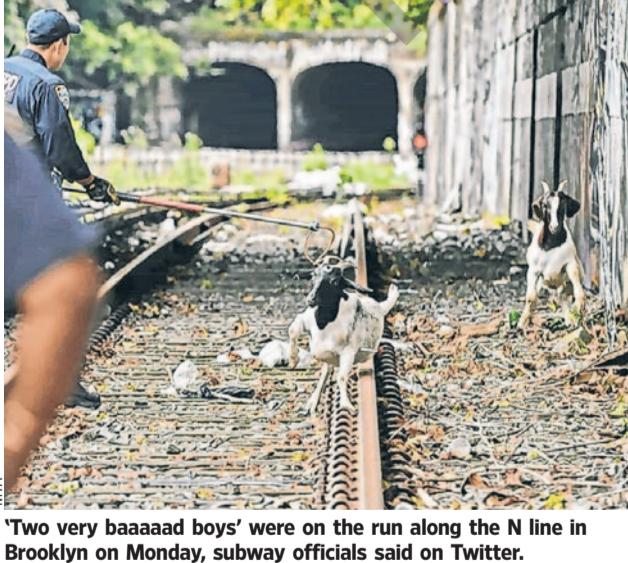
Katy Hansen, a spokeswoman from the Animal Care Centers of NYC, said the goats had been named Willy and Billy and were being taken to Farm Sanctuary, an animal refuge in Watkins Glen, N.Y.

Comedian Jon Stewart and his wife, Tracey Stewart, who is on the board of directors at Farm Sanctuary, went to pick up the goats personally, according to a sanctuary spokeswoman.

A runaway animal isn't unheard of in New York City. In October 2017, a bull calf dashed from a Brooklyn highway to Prospect Park, where it knocked a toddler out of a stroller before it was caught.

In February 2017, a bull escaped a Queens slaughterhouse and led police on a 2-mile chase. And in January 2016, a cow dashed through busy streets after escaping a halal slaughterhouse in Jamaica, Queens.

In April of that year, Mr. Stewart arranged for a bull that was captured after running down Liberty Avenue in Queens to be moved to the Watkins Glen animal shelter.



'Two very baaaaad boys' were on the run along the N line in Brooklyn on Monday, subway officials said on Twitter.



STEVE REMICH FOR THE WALL STREET JOURNAL

## Citi Bike Riders Get Electric Boost

BY PAUL BERGER

Huffing and puffing up hills and over bridges could soon be a thing of the past for some Citi Bike riders.

Motivate, the company that operates the system of 12,000 bikes across New York City, released dozens of pedal-assist bikes Monday.

A Motivate spokeswoman said that 200 of the bikes will be sprinkled across docking stations in Manhattan, Queens and Brooklyn by the end of the week as part of a pilot program.

Brooklyn Borough President Eric Adams rode one of the pedal-assist bikes across the Brooklyn Bridge on Monday morning, from City Hall in lower Manhattan to Borough Hall in Brooklyn.

"From the first few pedals I realized this was something not only different but futuristic," Mr. Adams said at a news

conference in front of Borough Hall following the ride. "I felt like it was riding itself at one point."

The pedal-assist technology works by giving an electric boost when the bike senses that a rider is exerting a certain amount of pressure. The motor helps riders up to speeds of 18 miles an hour, according to Motivate.

Riding the bike requires energy, but little effort. It makes riding up an incline as easy as riding on a flat surface.

A limited number of pedal-assist bikes operated by other companies, such as Jump and Lime, rolled out in the Bronx, Queens and Staten Island earlier this summer. But those bikes must be kept within small geographic areas as part of a pilot program run by the city's Transportation Department.

Pedal-assist Citi Bikes can be ridden anywhere as long as

they are returned to one of the system's 750 docking stations.

Proponents of pedal-assist bikes say they are ideal for commuters who don't want to arrive at work covered in sweat. They also could appeal to seniors or people who are out of shape, Mr. Adams

**Pedal-assist bikes provide an electric lift when they sense a cyclist is straining.**

said.

The pedal-assist bikes look different than traditional blue Citi Bikes.

The bikes are black and decorated with blue Citi Bike decals that sport a lightning bolt. In the Citi Bike app, the bolt symbol is used to identify

pedal-assist bikes at docking stations.

Pricing for the pedal-assist bikes is the same as for regular bikes. Citi Bike members ride the bikes at no additional charge. Nonmembers pay \$3 for a single, half-hour ride or \$12 for a day pass.

A bike's battery lasts for 30 hours of riding, Motivate officials say.

Jay Walder, Motivate's chief executive, said that workers will monitor the bikes' battery power remotely and switch out batteries when they run low.

Citi Bike intends to roll out an additional 1,000 pedal-assist bikes in time for the 15-month shutdown of a section of the L subway line, which is set to begin in April 2019.

Those bikes will be restricted to points between docking stations on either side of the Williamsburg Bridge, Mr. Walder said.

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## GREATER NEW YORK

## GREATER NEW YORK WATCH

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**Drug Czar Pick Visits After Mass Overdoses**

New Haven became what officials called "ground zero" Monday for efforts to shine a light on the dangers of drugs, as President Trump's nominee for drug czar visited a city reeling from more than 100 recent overdoses on synthetic marijuana.

Jim Carroll met with Gov. Dannel Malloy, U.S. Sen. Richard Blumenthal, New Haven Mayor Toni Harp and first responders. Connecticut officials are setting a national example for getting people into treatment for drug addiction, Mr. Carroll said. He praised local paramedics, police and firefighters for their response to the overdoses last week.

Authorities responded to more than 100 overdoses from synthetic marijuana on Wednesday and Thursday, mostly on the New Haven Green, a historic downtown park next to Yale University. No deaths were reported.

Police said Monday that 47 people overdosed, including some who were taken to hospitals several times after consuming the drug again even after being treated.

Officials blamed a potent batch of K2. Three people have been arrested.

—Associated Press

MANHATTAN

**Fatal Stabbing Occurs Near Times Square**

A man died Monday after being stabbed in the chest on a tree-lined street near Times Square, police said.

Officers found the man in front of a brownstone apartment building on West 46th Street in Manhattan at around 3 a.m. on Monday.

The man was unconscious and had trauma to his face, police said, adding that he was pronounced dead at a hospital.

Police haven't released the man's name and no arrests have been made.

—Associated Press

**Broadway Ticket Sales Sizzle**

By CHARLES PASSY

It is boom time on Broadway. Less than three full months into the new season, grosses for shows have climbed by about \$62 million, or 16%, compared with the 2017-18 season at this same point, according to the Broadway League, the trade group that tracks the industry. In all, productions have grossed \$451 million since early June.

Attendance has climbed as well, by around 100,000, or 3%, to 3.4 million. In general, gains in grosses have outpaced gains in attendance because of the increased emphasis on premium tickets, which were priced as high as \$849 in the past week.

In addition to several long-running hits, the season has been buoyed by a trio of shows that opened this spring: the musicals "Frozen" and "Mean Girls," and the two-part play "Harry Potter and the Cursed Child." All three have been at or near the full-capacity mark through the summer.

"Broadway has an embarrassment of riches recently," said Christopher McKittrick, a writer with Daily Actor, a website that covers theater.

There also is a strong newcomer in "Pretty Woman: The Musical." Although the show opened last week to mixed reviews, it has drawn capacity



'Frozen' is among the shows that have been at or near the full-capacity mark during the summer.

crowds since it started its preview run in July.

The factors behind the success go beyond the shows themselves, according to industry observers. In particular, they point to the solid overall economy and growing consumer confidence. "And that means Broadway, too, feels the love," said Adam Saniveri, a director at Bernstein

Private Wealth Management and an investor in shows.

Consumers are spending money even as ticket prices continue to rise. The average Broadway admission last week was \$134, according to the Broadway League; at this time last year, it was about \$116.38.

Another likely reason for the Broadway boom, observers

said, is continued growth in tourism. New York City is on track to set a record of 65.1 million visitors in 2018, according to NYC & Company, the city's official tourism-marketing organization. That can only boost Broadway's bottom line because tourists account for 61% of the audience, according to the Broadway

League's most recent survey.

Not that the news has been good for all shows. "Head Over Heels" and "Gettin' the Band Back Together," two other musicals that opened this summer, have struggled. This past week, the productions grossed \$261,546 and \$175,334, respectively, the lowest totals on Broadway.

—Source: The Broadway League

**New Jersey Moves to Curb Bear Hunting**

By KATE KING

New Jersey will ban bear hunting on state land starting with this fall's hunting season, under an executive order signed Monday by Gov. Phil Murphy.

Animal-rights activists have been trying to stop the state's black-bear hunt since 2010, when New Jersey environmental officials turned to hunting to help curb the swelling population. Hunters killed 409 black bears last year, according to the state Department of Environmental Protection.

"Before we authorize another hunt we should review all non-lethal options," Mr.

Murphy said in a statement.

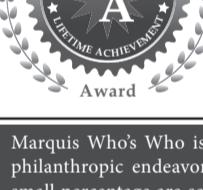
Sierra Club's New Jersey director, Jeff Tittel, said he supported the executive order but was worried that banning hunting on state lands would simply redistribute the hunt to county parkland, municipal open space and private land.

"At the end of the day it may not actually lower the amount of bears that get killed this year," Mr. Tittel said in an interview. "But this is the first real step to try to limit the hunt that we've had in the last eight years."

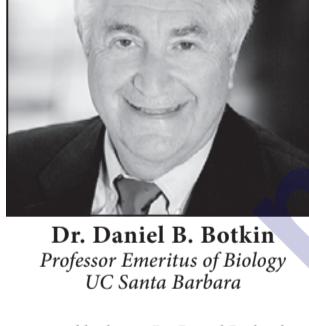


The state turned to hunting to help control the swelling population.

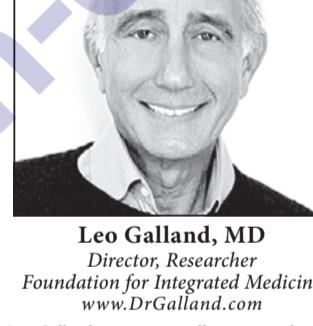
SETH WENIG/ASSOCIATED PRESS

**ALBERT NELSON MARQUIS LIFETIME ACHIEVEMENT AWARD 2017-2018 RECIPIENTS****ALBERT NELSON MARQUIS LIFETIME ACHIEVEMENT AWARD 2017-2018 RECIPIENTS**

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**Dr. Daniel B. Botkin**  
Professor Emeritus of Biology  
UC Santa Barbara



**Leo Galland, MD**  
Director, Researcher  
Foundation for Integrated Medicine  
[www.DrGalland.com](http://www.DrGalland.com)

**A**s an esteemed biologist, Dr. Daniel Botkin has served on the faculty of Yale University's School of Forestry and Environmental Studies, and on the faculty of the University of California, Santa Barbara for more than 20 years, where he was chairman of the Environmental Studies Program. Now Emeritus at UC Santa Barbara, he has shared his expertise as an adjunct professor with the Department of Biology at the University of Miami. A recognized fellow of the American Institute of Biological Sciences and the Textbook and Academic Authors Association, Dr. Botkin has authored numerous works in his areas of expertise, such as "Twenty-five Myths that are Destroying the Environment," "Environmental Science: Earth as a Living Planet," "Discordant Harmonies Reconsidered," "Powering the Future: A Scientist's Guide to Energy Independence," and "Essential Environmental Science."

Dr. Botkin has extensive experience in dealing with major environmental problems, including the conservation of African elephants, bowhead whales, salmon and forest ecosystems, in addition to extensive field research in a variety of wilderness areas. He takes great pride in studying global environmental issues from a planetary perspective, including satellite remote sensing and biodiversity, environmentally sound energy sources, and ecological and environmental computer modeling. Dr. Botkin has been credited with solving several environmental issues throughout the course of his career, in addition to being noted as one of the first ecologists to investigate the possible effects of climate change.

Dr. Botkin was previously selected to receive the John C. Pritzlaff Conservation Award in 2012 from the Santa Barbara Botanic Garden and the Texy Award for Best Biological Sciences Textbook from the Textbook and Academic Authors Association in 2004. To this end, he was named a Distinguished Visiting Scholar with Green Mountain College, Annual Distinguished Visiting Scientist with the Long Beach Aquarium and Astor Lecturer with Oxford University, among other prestigious positions. He is credited with developing the first successful computer ecosystem model entitled JABOWA.

A frequent public speaker, Dr. Botkin has discussed the roles of scientists, businessmen, stakeholders and government agencies in new approaches to environmental issues.

Prior to pursuing a scientific career, Dr. Botkin received a Bachelor of Arts from the University of Rochester in 1959. He completed a Master of Arts through the University of Wisconsin in 1962 and Doctor of Philosophy through Rutgers, The State University of New Jersey, in 1968. In recognition of his contributions to research and development, Dr. Botkin has been featured in multiple editions of Who's Who in Finance and Industry and Who's Who in America.

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# LIFE & ARTS

## MUSIC

## Out of 'Africa,' a Hit Reboots



'Weird Al' Yankovic, center, performs 'Africa' with Rivers Cuomo, right, and the rest of Weezer.

BY JOHN JURGENSEN

**THE SURPRISE HIT** of summer 2018 is a song from the 1980s resurrected by a band from the 1990s.

"Africa," a soft-rock number with lyrics that are earnest ("It's gonna take a lot to drag me away from you") and inscrutable ("I bless the rains down in Africa") was a relic from 1983, the year it hit No. 1 for Toto. Fast-forward to a fan's social-media campaign, urging the alternative-rock band Weezer to record a new version.

What started as an ironic exchange with fans has become a hit—and perhaps a sign of Hollywood's reboot fever influencing popular music.

Weezer released its take on "Africa" on May 29, and it quickly topped the iTunes digital sales chart. The song—which features burlier guitar chords but other-

wise hews to the original—picked up momentum over the summer on the radio, recently ascending to No. 1 in the Billboard rankings for alternative-rock airplay.

Now the song has caught on among adult Top 40 radio stations with a bigger audience. "Africa" has risen to No. 8 for that format, where it's been 13 years since Weezer scored a Top 10 tune (with the underdog anthem "Beverly Hills").

Along with hits of recent vintage by Taylor Swift and Maroon 5, Boston station WWBX-FM played Weezer's "Africa" 96 times in the past week, more than any other station in the U.S., according to Nielsen. "A hit's a hit. This one just took a different path," says Steve Salhany, who oversees the "hot adult contemporary" format for WWBX owner Entercom.

Weezer has released 11 albums since its multiplatinum debut in 1994, including last fall's "Pacific

Daydream." Rivers Cuomo, the group's lead singer and a songwriter who has penned hits for other bands, was flummoxed when "Africa" took off, says the group's co-manager, Jonathan Daniel.

"You do something as a lark on the internet," he says, "and it becomes the thing that you've been trying to do, which is to write songs that reach more people. What? This is what people want? It's a head-scratcher."

The "Africa" phenomenon starts to make sense in the context of a TV and movie landscape filled with new releases—"Lost in Space," "Ocean's 8," "One Day at a Time" and the coming "Magnum P.I.," to cite a few—that bring immediate name recognition. Like viewers, listeners are awash in content, so a new release that sounds familiar has an advantage.

Critics of Hollywood's dependence on reboots, revivals and sequels say that it reflects a lack of fresh ideas. Does "Africa" redux say something similar about the state of rock music?

Last year, hip-hop and R&B eclipsed rock as the most consumed genre. The combined genres represent 31% of sales and streams so far this year, compared with 23% for rock, according to Nielsen.

Hip-hop in particular dominates the streaming-music charts, the pop-cultural conversation and even the way cover songs are released.

When rappers like Drake and Cardi B release new tracks, they are almost immediately covered by other musicians trying to benefit from Google and YouTube searches by the original artists' fans. "Peo-

ple don't cover just one or two songs. They do it for every big single that comes out," says Ray Padgett, who runs a blog devoted to cover songs.

In contrast with this race for relevance, "Africa" seems to have popped out of a cultural wormhole. Pre-Weezer, the song had been featured in the Netflix sci-fi series "Stranger Things," set in the 1980s. Another icon of the era, "Weird Al" Yankovic, joined Weezer onstage in Los Angeles earlier this month and played the song's synthesizer solo on his accordion.

The return of "Africa" has raised the profile of the original group, Toto, as well. As a head-fake to fans clamoring for "Africa," Weezer first released another of Toto's signature tunes, "Rosanna."

Toto replied with a cover of a Weezer song, "Hash Pipe," and struck a deal with Universal to quickly release the song and promote radio airplay. Weezer's "Africa" release came during Toto's 40th anniversary tour and ahead of a Toto box set scheduled for release this fall. The band's booking offers have increased, says founding member, manager and guitarist Steve Lukather, who has been injecting Weezer-style power chords when he plays "Africa" in concert.

Thirty-five years after the original song hit No. 1—and weathering lineup changes, deaths in the band and jokes about being '80s has-beens—Toto has been gratified by the newfound respect.

"I never thought I'd live to see a resurgence in a positive way," Mr. Lukather says. "This has been the most surreal summer of my life."

### Run That by Me Again?

Covers that struck a chord:

**"No Brainer (feat. Justin Bieber) x Nonstop":** In the quick-draw, click-driven YouTube economy, cover specialists often pump out their videos right after the original songs drop, as with this recent mashup of two hot tracks, from Drake's "Nonstop" and DJ Khaled's "No Brainer," released a week earlier.

**"Let It Be":** The death of Aretha Franklin reminded us of her mastery as an interpreter of other people's compositions. Among them were multiple Beatles songs, including "Let It Be," which Paul McCartney offered to her. Her recording came out shortly before the Beatles version.

**"Zombie":** Dolores O'Riordan, singer for the '90s band the Cranberries, died in January, before she was set to record a new version of her band's biggest hit, "Zombie." Days later, her intended collaborators, heavy-metal band Bad Wolves, released its cover, which has since reached platinum status.

**"Work It":** More campsite karaoke than cover song, Rhode Island resident Mary Halsey's rendition of Missy Elliott's eccentric rap classic "Work It" made the rounds this month after Ms. Elliott herself tweeted the video along with her praise for the performance of her "funky white sister."



A 1980s photo of Toto, who released the original version of 'Africa.'

## YOUR HEALTH | By Sumathi Reddy

# THE EXERCISE THAT HELPS MENTAL HEALTH MOST

**WE ASSUME EXERCISE** improves our mental health. But what kind of exercise works best?

Researchers looking at the link between physical activity and mental health found that team sports fared best, followed by cycling, either on the road or a stationary bike.

The study, published in the journal *Lancet Psychiatry* this month, is among the first of its kind, and the largest, analyzing the effect of different types of exercise.

It found that physical activity typically performed in groups, such as team sports and gym classes, provided greater benefits than running or walking.

Researchers rated mental health based on a survey. It asked respondents how many days in the previous month their mental health was "not good" due to stress, depression or problems with emotions.

People who played team sports like soccer and basketball reported 22.3% fewer poor mental-health days than those who didn't exercise. Those who ran or jogged fared 19% better, while those who did household chores 11.8% better.

In a secondary analysis, the researchers found that yoga and tai chi—grouped into a category called recreational sports in the original analysis—had a 22.9% reduction in

poor mental-health days. (Recreational sports included everything from yoga to golf to horseback riding.)

Adam Chekroud, the senior author on the study, is a chief scientist and co-founder of Spring Health, a New York City-based mental-health startup, and an assistant professor of psychiatry at Yale University. He says team sports may have an extra benefit because of the social component, and yoga/tai chi promote mindfulness, which is often touted as beneficial for mental health.

He would like to explore with further research why some activities scored higher than others to see if exercise regimes can be personalized to choose the most relevant and helpful type.

The researchers also found that those who exercise between 30 and 60 minutes had the best mental health, with 45 minutes the optimal duration. Exercising three to five times a week correlated with fewer dark days.

More exercise wasn't always better. "Over 90 minutes of exercise and there isn't an extra benefit," Dr. Chekroud says.

The study analyzed the exercise habits and mental health of 1.2 million U.S. adults, based on self-reported answers to survey ques-

tions from the Centers for Disease Control and Prevention. It wasn't a randomized controlled study and therefore didn't prove causality, just an association between exercise and better mental health. It can't explain if poor mental health causes people to exercise less or exercise causes people to have better mental health.

Overall, people who exercised reported having two poor mental-health days in the previous month, compared with 3.4 days for those who didn't exercise. That translates into a 43% improvement in mental health for those who exercised, Dr. Chekroud says.

The effects were more pronounced for people who reported a previous diagnosis of depression. They had 3.75 fewer days of poor mental health.

Smaller studies have found that exercise improves depression, in-



Team sports like basketball were shown to have the largest positive impact on mental health in a new study.

cluding randomized controlled studies showing that exercise and antidepressants together work better than antidepressants alone.

Some studies have raised questions about the relationship, however, suggesting that perhaps people who are depressed exercise less because of their condition.

"This is very strong evidence that there is a relationship between exercise and mental health," Dr. Chekroud says. "It seems like there are some sweet spots, and the relation-

ship is probably complex. But even things like walking or household chores seem to have benefits."

His research team grouped 75 different types of exercise into eight categories. They controlled for factors like age, race and body mass index.

Commenting on the study in an accompanying editorial, Gary Cooney, a psychiatrist at Gartnavel Royal Hospital in Glasgow, Scotland, notes that the study's greatest strength is its size.

He has some criticisms, saying the study treats mental health as an umbrella term based on a broad, somewhat vague question from a survey. He also points out that the study is based on self-reports, rather than objective measurement of a person's exercise habits. Still, he calls this research "important and urgent work."

Madhukar H. Trivedi, founding director of the Center for Depression Research and Clinical Care at the University of Texas Southwestern Medical Center in Dallas, says a robust body of evidence shows exercise improves depression. He has done many studies examining this question. He says he prescribes exercise to depressed patients often. He recommends that they burn roughly 1,200 to 1,400 calories a week working out.



## LIFE &amp; ARTS



JENNIFER STEINKAMP/LEHMANN MAUPIN, NY/GREENGASSI, LONDON (2)

## ART REVIEW

## Exploring the Digital Landscape

BY KAREN WILKIN

*Williamstown, Mass.*  
**ABOUT A DOZEN** years ago, I unexpectedly encountered one of Jennifer Steinkamp's mysterious, mutable, computer-generated works, a cascade of swaying, frankly fake blossoms on delicate vines, newly installed by the entrance of an elegant restaurant near where I live. (Ever since, it has made waiting for a table a pleasure.) Titled "Rapunzel," the moving projected tangle was at once beautiful and vaguely discomfiting; alluring because of its constant, unpredictable movement and color shifts, but also puzzling. The title triggered associations with the tales of the Brothers Grimm, which terrified me as a child, adding to the ambiguity. I'd seen other Steinkamps before, mainly trees responding to the passing seasons, but "Rapunzel" seemed especially surprising and enigmatic.

I followed Ms. Steinkamp's work when I could. Then, in 2012, we met as participants in a College Art Association panel about modern color, where I was impressed by her lucid presentation. We said something about staying in touch, yet never did. So I was delighted to learn about "Jennifer Steinkamp: Blind Eye," now on view in the Tadao Ando designed Lunder Center at Stone Hill at the

An overview of the artist's dominant, wide-ranging concerns

Clark Art Institute. The exhibition includes five generously sized to downright enormous works made between 2005 and 2018, from an expanded version of "Rapunzel" to the brand new "Blind Eye, 1." Together, the five projections provide an informative overview of some of Ms. Steinkamp's dominant, wide-ranging concerns.

Nothing, however, is quite what it seems. As is often typical of Ms. Steinkamp, all the works at the Lunder Center derive from nature, but their imagery and colors, while seemingly photo-based, at first acquaintance, quickly announce that they are invented, computer-generated and manipulated; more important, these mesmerizing, mobile phenomena soon make it plain that they are not intended as naturalistic, digital-age equivalents of things seen, but rather as metaphors for everything from attitudes toward women to the migrant crisis.

"Rapunzel, 5" (2005), the earliest work on view, fills a 12-by-18-foot wall with shaggy pink and purple blossoms in various stages of development. Hanging downward on fragile stems, they describe slow arabesques against a curtain of vertical stalks punctuated with occasional leaves. The story of the princess imprisoned in the tower and the prince who climbed her golden tresses is familiar, so, prompted by the title, we equate the swaying tendrils

with dangling locks. But the excellent catalog of "Blind Eye" recounts the more lurid first edition of the tale, which connects the sinuously moving flowers with a plant that is craved by Rapunzel's pregnant mother with disastrous consequences. Somehow, Ms. Steinkamp encapsulates the disturbing undercurrents of the Brothers Grimm's tale of subservience and vengeance, transforming "Rapunzel, 5" from (admittedly magical) high-tech wallpaper into something compelling and scary.

Similarly, the two trees in "Fly to Mars, 6" (2006) and "Fly to Mars, 9" (2009) provoke thoughts about mortality, as well as seasons. It has something to do with the isolation of the images against infinite blackness and with the way Ms. Steinkamp slows time. The trees toggle from leafy green to sparse red and back again, abruptly, but at intervals so widely spaced that we often miss the transitions; fail to pay attention and everything changes. As with other works, such as "Rapunzel, 5" or "Premature, 6" (2010), the show's sole abstraction, we look for systems and repetitions, but usually fail to find them, which



makes us look harder.

"Diaspora, 2" (2014) confronts us with more than 21 feet of knotted branches, trapping random leaves and seeds. Here, the repetition is clear, suggesting an unbreakable cycle. The gatherings blow across the projection, bouncing against the edges, loosening and clenching. Leaves swirl, spread, coagulate, then spread again. The title suggests how airborne seeds and spores are disseminated, yet the windblown leaves and restless branches also become potent evoca-

Jennifer Steinkamp's 'Blind Eye, 1' (2018), above, and 'Premature, 6' (2010), left

tions of the perils of migration today, as thousands flee political unrest and natural disasters across hostile territory.

"Blind Eye, 1" (2018), commissioned by the Clark, spreads a 43-foot-wide row of life-size pale birch trunks against a dark ground, tops and bases cropped to confront and dislocate us. The varied trunk sizes imply deep space, but also read as a fence-like barrier. Leaves sprout from a welter of small branches, forming a dense screen, then turn yellow and drop. Tiny new leaves appear, like stars against the darkness. Seen against the woods visible through the gallery window, the accuracy of Ms. Steinkamp's perceptions is obvious, but so is the artifice of her seeming naturalism. The black markings on the trunks become stylized eyes and the once-benign forest becomes threatening. Despite the arresting beauty and provocative use of motion in her work, there's also a sense of the sinister. We're back with the Brothers Grimm, in uncanny territory where danger lurks. Once again, Ms. Steinkamp has proved herself one of the rare video artists particularly adept at finding poetry in the specifics of her medium. Nothing is what it seems.

**Jennifer Steinkamp: Blind Eye**  
The Clark Art Institute, through Oct. 8

**Ms. Wilkin is an independent curator and critic.**

## MUSIC REVIEW

## The Complex Made Accessible

BY LARRY BLUMENFELD

**ON A MUGGY** July night, noteworthy musicians packed the Village Vanguard, New York's oldest and best jazz club. They had assembled to honor Lorraine Gordon, the Vanguard's owner, who died in June at age 95. Near a framed photograph of John Coltrane, one of several legendary players whose Vanguard engagements have made for classic recordings, sat alto saxophonist Steve Coleman. This club's history helped form him. He plays an essential role in its continuing legacy.

In 1978, Mr. Coleman hitchhiked from his native Chicago to New York with specific intent to play in the Thad Jones/Mel Lewis Orchestra. Its regular Monday-night Vanguard engagements were, for two years, his first prominent New York gig. Yet Mr. Coleman didn't headline at the club until 2015. He's led a Vanguard week each year since.

If it took time for Mr. Coleman, who is 61 years old, to work his way into that lineup, his influence by now is foundational to any club-goer's idea of modern jazz. He refers to his work as "community music." The

community he nurtures has basic requirements—an understanding of Charlie Parker's language for improvisation, a fluency in multiple rhythmic traditions, and a blend of rigor and openness of mind.

Mr. Coleman's new two-CD release, "Live at the Village Vanguard, Vol. I (The Embedded Sets)" (Pi Recordings), documents his Five Elements band—

his primary vehicle—at the club in May 2017, drawing upon tracks recorded during three nights to reconstruct two distinct club sets. This music, like all of Mr. Coleman's, is structurally complex yet accessible for its rhythmic force, its emotional heft and its ingeniously interlaced parts. Layers of personal exploration lie beneath its surface, too. Mr. Coleman's research into writing systems of Kemet (ancient Egypt) informs his compositions and makes for unusual song titles.

"Nfr" bristles with energy and reveals traces of bebop grammar. "idHw" finds its

form mostly through Mr. Coleman's meditations on alto saxophone. The chromaticism of "Fight Time," composed by one of Mr. Coleman's early mentors, drummer Doug Hammond, inspires fiery improvisations at a furious pace. The melody of "Little Girl I'll Miss You," composed by another formative influence, alto saxophonist Bunk Green, invites the album's most tender moments. Throughout, Mr. Coleman crafts ribbons of theme that snake and slither, float and unfurl, in unexpected ways and often sound like chants.

This group's stunning co-

hesion owes to longevity: bassist Anthony Tidd and drummer Sean Rickman have played with Mr. Coleman for more than 20 years; guitarist Miles Okazaki, for nearly a decade; trumpeter Jonathan Finlayson, now 36, joined half his life ago. It grows also from extended residencies in various cities, a throwback to the two- and three-week engagements common in, say, Coltrane's day. Such familiarity has rewards, as when Mr. Finlayson stays in lockstep with Mr. Coleman through even the most challenging unison passages.

Mr. Coleman's concepts are so impressively sturdy, his band so in sync, that one might overlook the strongest connective thread here—his alto saxophone playing, which is, by turns, pent-up or reflective. His tone reflects commitment and implies direction. His band sounds as if on a well-informed mission, sharing journey more than destination. These qualities resonate best in places like the Village Vanguard, where jazz tradition has long been at home.

**Mr. Blumenfeld writes about jazz and Afro-Latin music for the Journal.**



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## SPORTS

NCAA

## College Football's Best Baseball Player

BY MATTHEW GUTIERREZ

That Oklahoma football star Kyler Murray decided to return to campus this fall means two things: He must really love football. And the Oakland Athletics must really love Murray.

The A's have entrusted their high-priced first-round draft selection to risk getting injured by the defensive linemen of the Big 12 this fall, before reporting to spring training to get his pro baseball career under way next year.

"Generational-type talent: that's how the Oakland A's view him," says A's scout Chris Reilly.

Murray is among a small group of athletes who attempt to play at elite levels of two sports at the same time. He plays both sports exceptionally well, going from patrolling center field to calling audibles under center on the gridiron.

Yet his decision to return to Oklahoma carries risks for both his baseball and football ambitions.

After backing up Heisman Trophy winner Baker Mayfield last year, he may not even start for the Sooners. Murray is in a battle with redshirt sophomore Austin Kendall for the starting quarterback spot. An OU spokesman said the decision won't be announced until about one week prior to the season opener, which is Sept. 1.

The A's, meanwhile, say they are not worried. In June, during Murray's introductory news conference, A's executive vice president Billy Beane came to the rescue when Murray was asked why he's playing football this fall, not baseball. "To make it easier, it was a deal breaker for us if he didn't go back and play [football]" Beane joked.

Going into 2018, Murray was best known in the sports world as the backup to Mayfield. In that role, he threw for 359 yards and three touchdowns for the 2017 Big 12 champs. "I think it was good for him to settle a bit behind Baker," Sooners head football coach Lincoln Riley said in an interview. "He learned a lot, and he's come a long way."

His ascension as a baseball talent was sudden. He went nearly three years without playing baseball every day, because he red-shirted in 2016 after transferring from Texas A&M. He didn't play baseball or football that year, and he had only 49 at-bats for Oklahoma in 2017 as redshirt freshman. Then he exploded this spring, batting .296 with 10 home runs, up from a .122 average and zero home runs in 2017.

The quick turnaround made him the No. 9 overall pick in June's MLB draft. He signed a deal that included a \$4.66 million signing bonus.

His combination of power and



Oklahoma quarterback Kyler Murray will play for the Sooners this season, before reporting to spring training to get his pro baseball career under way.



ALBERT PEÑA/CSM/ZUMA PRESS, JEFF CHIU/ASSOCIATED PRESS

speed is attractive in today's baseball. In June, Beane likened Murray to Rickey Henderson, who holds MLB records for career stolen bases and leadoff home runs. Murray stands 5-foot-10, 195 pounds and has run a sub-4.40 40-yard dash, which is less than four seconds home to first—on par with MLB's fastest players.

In February 2017, Reilly, the A's scout, saw Murray hit leadoff in a non-conference game against Villanova. He reached on an infield single and stole two bases, then scored on a groundout. "That was special, how he took over a game with his speed," Reilly said.

Before the 2017 baseball season with Oklahoma, he moved from the infield to outfield. Sooners head baseball coach Skip Johnson told him that tracking down a fly ball was no different from catching a punt. "Coach, I ain't ever caught a punt," Murray replied, according to Johnson. "I'm a QB."

Shortly after that 2017 season, he played with the Harwich Mariners of the Cape Cod Baseball League. Murray was not available for comment on this article, but Johnson says that summer changed his college baseball ca-

reer—and thus accelerated his path to MLB draft. Playing in 16 games in the premier summer league gave him confidence as a hitter and some needed at-bats.

"When he arrived, baseball was kind of secondary to him," said Elizabeth Layton, a Harwich Mariners team volunteer.

In 2017, he hit leadoff in limited action and played left field for

Murray is among a small group of athletes who attempt to play two sports at an elite level.

Oklahoma. In 2018, Johnson moved him to center so he could get better reads off the bat, and moved him to the cleanup spot. Murray also changed his swing, adding a leg kick to generate more power. "All of a sudden you could see his presence," Johnson recalled.

This spring, Johnson estimated that Murray attended only 10 baseball practices because of spring football conflicts. He'd show

up less than an hour before some night games. Yet he emerged as a force in the Sooners lineup.

Until Aug. 7, Murray wasn't legally allowed to buy himself a beer. His father, Kevin, played quarterback at Texas A&M in the 1980s. His uncle, Calvin, is a former pro baseball player and currently works for the Boras Corporation, a sports agency based in Newport Beach, Calif. (Scott Boras, one of the game's most powerful agents, represents Murray.)

Murray has been juggling baseball, football and school for a while. His high-school football team didn't lose a game in his three years as a starting QB. His junior year, he showed up late to a baseball playoff game because he was busy that morning—taking the SAT. He pulled up to the parking lot during the second inning, signed some autographs, barely stretched, then belted two doubles while batting ninth, according to his high school baseball coach, Paul Coe.

He became the first athlete ever to be selected for both the Under Armour All-America Baseball Game and Under Armour All-America Football Game.

The Allen, Texas, native kept busy last off-season. Seeking feedback that off-season, he would send Johnson video clips of him hitting at 1 a.m., shirtless. Before the 2018 baseball season opener, Johnson told Riley, Oklahoma's football coach: "Just a heads-up: He could be a first-rounder. The ball's going off his bat differently."

That was apparent one weekend in April, when Oklahoma had a trip south to Texas Christian. Riley moved up a football practice to earlier that week solely so Murray could attend the baseball trip starting that Friday. He belted two home runs against TCU's Nick Lodolo, a second-round draft pick out of high school.

Afterward, Murray flew back to campus on a charter with a school administrator in the athletic department. There was a football scrimmage the next morning. Then, later on Saturday, he returned to TCU for a game, which was postponed to Sunday due to rain. When it was finally played, Murray tallied two hits.

"This is one of the most dynamic athletes that I think we've ever selected here since I've been here," Beane said.

BY ANDREW BEATON

Football season is almost back, which means fantasy football drafts are already back. Your conversations with friends have shifted from how much beer you drank on the beach to where you place Kirk Cousins in your quarterback rankings now that he's in Minnesota.

It seems like a good way to craft a draft strategy. If you chop it up with other people who love the game, the consensus view on Cousins should be better than just your individual opinion on Cousins.

But a new study suggests something else about your friends' advice: It might be utterly useless.

The research has the potential to change what people think about the idea of the "wisdom of the crowd." That notion is simple: A collection of opinions on a subject is typically better than just one, even in circumstances where we're not exactly sure why. For example, if people at a carnival are tasked with guessing the weight of a moose, the average of those guesses is probably better than most of the individual guesses.

Ryan Rogers, an assistant professor at Butler, tested a version of this out—using sports knowledge.

At Butler—famous for its college basketball Cinderella runs—Rogers divided his subjects based on their backgrounds and expertise in the field. One group was made up of fans with an intense interest in college basketball. The other group was defined as experts; for instance, former players, coaches or others who might have insights that stretch beyond having a high level of engagement.

NFL

## IGNORE YOUR FRIENDS' FANTASY ADVICE



DUSTIN BRADFORD/GETTY IMAGES

Is Vikings quarterback Kirk Cousins an elite option in fantasy football? It might depend on whom you ask.

Then the groups filled out NCAA tournament brackets. The goal was to see what, if any type of effect, collective intelligence would have on the notoriously maddening exercise of trying to pick winners in the NCAA tournament.

The college basketball experts gained an advantage from

the wisdom of the crowd wasn't exactly surprising. But the other results were more curious and less intuitive: The college basketball fans didn't perform better in a group.

The experiment focuses on a subtle but important distinction:

There's a real difference between

experts and fans. And just because somebody is a big fan, it doesn't mean they're an expert—no matter how much they swear to you that they're such a big fan that they're an expert.

What was just as telling was where the experts gained their edge. While experts and fans per-

formed similarly in picking the early rounds of the tournament, the experts separated themselves picking the later games. Those are the ones that are frequently more difficult and complicated to predict.

The results may be easiest to understand in other fields where a deep knowledge can be extremely important and where the subject matters are slightly more complicated than guessing the weight of a moose at a carnival. If you ask a bunch of stargazers to solve a complicated astrophysics problem, collective intelligence won't help. No matter how much they love space, they likely just don't know enough math to exploit the wisdom of the crowd.

Rogers says this can be applied to fantasy football. People who take part in the popular game tend to have loud opinions. Your friends may swear it's ludicrous to spend an early-round pick on oft-injured Patriots tight end Rob Gronkowski. Or everyone may stop by the water cooler and come to the consensus that Vikings running back Dalvin Cook is being underpicked after last season's knee injury.

But then stop to think: No matter how many times everyone slaps each other on the back after coming to these conclusions, are they really worth anything? "There's a passion and there's an interest," said Rogers, whose paper has been accepted in the Journal of Creative Communications. "But it's not necessarily a competency that's being leveraged."

There's another way of saying that. Ignore your friends. Your guess is probably as good as all of theirs combined. Most of the wisdom of the crowd in fantasy football is worth bupkis.

## OPINION

## Treason, Trust—and Trump

MAIN STREET  
By William McGurn

So Rachel Maddow is now the voice of moderation on Donald Trump. Of course, it's only by comparison to John Brennan. In an interview Friday on MSNBC, Ms. Maddow gently intimated that the former Central Intelligence Agency director might have gone too far in calling the president "nothing short of treasonous" for his Helsinki press conference with Vladimir Putin. Mr. Brennan backed away—but just a little.

"I didn't mean that he committed treason," Mr. Brennan said. Ms. Maddow pressed him, noting that treason is a "serious allegation" and saying "if we diagram the sentence, 'nothing short of treasonous' means it's treason."

By Sunday's appearance on NBC's "Meet the Press," Mr. Brennan had shaken loose any qualifiers. When asked if he regretted his words, Mr. Brennan replied, "I called his behavior treasonous, which is to betray one's trust and to aid and abet the enemy. And I stand very much by that claim."

Mr. Trump's decision last week to revoke Mr. Brennan's security clearance drew predictable howls from the president's opponents—and equally predictable defenses from his supporters. But the most interesting response has been from Brennan allies warning him

that his intemperance may be backfiring.

Start with his colleague in the Obama administration's intelligence community, James Clapper. Though the former director of national intelligence excoriated the president for stripping Mr. Brennan of his clearance, he also admitted to CNN this Sunday that "John and his rhetoric have become an issue in and of itself." Message to Mr. Brennan: Shut your mouth, John, because you are doing more harm than good.

Mr. Clapper had plenty of company. Retired Adm. Mike Mullen, a former chairman of the Joint Chiefs of Staff, likened Mr. Trump's plan to strip critics of clearances to Nixon's enemies list. But he went on to say that Mr. Brennan's over-the-top charges have "put him in a political place which actually does more damage for the intelligence community."

Finally, there's Sen. Richard Burr, the Republican chairman of the Senate Intelligence Committee. Mr. Burr has defended the intelligence community's conclusion that Russia intervened in the 2016 election to help Mr. Trump win. Yet in a statement released last Thursday, he slammed Mr. Brennan for writing a New York Times op-ed that accused the president's campaign team, without evidence, of having colluded with the Russians.

"If Director Brennan's statement is based on intelligence he received while still leading the CIA," Mr. Burr wrote, "why didn't he include it in

the Intelligence Community Assessment released in 2017? If his statement is based on intelligence he has seen since leaving office, it constitutes an intelligence breach. If he has some other personal knowledge of or evidence of collusion, it should be disclosed to the Special Counsel, not The New York Times."

country's history, brings a lawsuit," he wrote. "It will then be very easy to get all of his records, texts, emails and documents to show not only the poor job he did, but how he was involved with the Mueller Rigged Witch Hunt."

Plainly Mr. Brennan's decision to put himself out in front of the Trump resistance is giving his more thoughtful allies heartburn. He doesn't seem to appreciate what Messrs. Clapper and Mullen surely do: that the unhinged and highly politicized attacks he's been directing at Donald Trump after stepping down as CIA director may inadvertently be helping to advance the case that he was equally politicized while on the job.

In the end, the heat and drama over revoking security clearances for former government officials is but a proxy for a larger battle. Thus far the best take has been offered by George W. Bush's former press secretary, Ari Fleischer. In a recent tweet Mr. Fleischer says that while he doesn't like the politics of retaliation, "it's worth pointing out that outgoing Obama officials retaliated against Trump because he won the election"—and that they did their dirty work in the dark.

"Someone leaked to CNN about the dossier briefing and someone unmasked [Mike] Flynn," tweets Mr. Fleischer. "Trump does his retaliating openly. Obama officials hid their retaliation, and the MSM fell for it."

*Write to mcgurn@wsj.com.*

## OPINION

## REVIEW &amp; OUTLOOK

**The GOP's Social Security Raid**

**A** reliable guide to a bad proposal in Washington is when both parties dispense with persuasion and substitute bromides about an idea whose time has come. This hope over experience is unfolding with paid family leave, and Republicans should consider the consequences before signing up for a major expansion of the entitlement state.

Senator Marco Rubio recently rolled out a bill that would allow Americans to collect Social Security benefits to take time off from work after having or adopting a child. The trade is that parents would delay receiving retirement benefits by three to six months. This is supposed to be a more reasonable plan than raising payroll taxes to finance universal leave.

Yet supporters of both proposals pitch deceptive numbers about how many Americans have paid leave for occasions like giving birth. Mr. Rubio said during his rollout that "just over one in 10 workers receives paid family leave from their employers," and the left also hawks the figure, which comes from the Bureau of Labor Statistics.

That statistic doesn't account for those who have other types of leave or build up paid time off. An analysis from Ben Gitis at the American Action Forum revealed that two-thirds of workers "who took family and medical leave were paid by their employers," the majority at full pay.

Let's evaluate Mr. Rubio's idea on its own merits, which he compiled in a tweet. He claims his benefit doesn't expand government or create a new entitlement. But what is expanding government if not taking a benefit financed by private industry and administering it through a government program? Paid leave by definition *entitles* Americans to a de novo benefit without even an imagined connection to old-age insurance.

Mr. Rubio says leave will pay for itself by delaying retirement benefits, and thus won't add to the deficit. This is less believable than a presentation about time shares in Miami. Does anyone believe those retirement benefits won't be restored eventually, at least for the non-affluent? Most Americans having children now won't retire for at least another 30 years. Social Security is projected to be insolvent in 16 years. Then who pays?

The Mercatus Center notes in a recent paper that Social Security is predicated on benefits earned by working over a lifetime. The Rubio plan would let workers draw on the fund even

**Rubio wants to use retirement benefits for family leave. Uh oh.**

if they don't meet the lifetime Social Security requirement of 40 quarters of employment. The Rubio plan says parents of either sex could get paid leave as long as they have some work history, but some of them won't return to the workforce once they have children.

Some on the right are fine with this because they claim young people aren't likely to see a dime of Social Security anyway. But eventually an entitlement crisis will arrive and paid leave will be one more benefit politicians have to finance through benefit cuts or—let's be realistic—higher taxes. So when Mr. Rubio says his plan includes no new taxes, he means no taxes while he's still around to be held accountable.

Another dubious claim is that this plan will not crowd out existing leave policies because it is optional. Do not be surprised if in the coming weeks corporations sing the virtue of federal paid leave. Businesses would be happy to offload some of the burden to government since they already pay half the payroll tax.

Note too that the GOP in 2017 passed a two-year tax credit for businesses that offer generous leave, which is money for companies that do what government likes. That tax subsidy, promoted by Nebraska Senator Deb Fischer, will also now be a permanent feature of the tax code on top of any paid leave proposal.

The Social Security gambit would also push parents into a single leave formula—stay out of the workforce for a certain number of weeks—instead of allowing more room to negotiate a slower return or a more flexible schedule. Women in surveys increasingly say they prefer these arrangements, which have allowed more parents to stay in the workforce.

The biggest illusion is that this proposal is a shrewd political move that will steal an issue from Democrats. In the real world they will see Mr. Rubio and raise. The National Partnership for Women & Families called the Rubio plan "reckless, irresponsible and ill-conceived" for making parents choose between kids and retirement. They want both. Once Social Security is open for family leave, Democrats will want to use it for college tuition, and why not a home downpayment?

This slippery slope is how entitlements always work, as economic historian John Cogan amply demonstrates in his recent book. Republicans have given up reforming entitlements for now as too politically difficult. The least they can do is not add another unaffordable burden on taxpayers.

**A Free Tuition Education**

**N**ew York University announced late last week that it will offer free tuition for every current and future student attending its medical school. That's pretty cool and will save students some \$55,000 a year and a lot of debt. But in the spirit of Milton Friedman's line that there is no such thing as a free lunch, allow us to suggest that every NYU student should have one obligation in return for accepting the gift—read and write an essay on Ken Langone's autobiography, "I Love Capitalism!"

The medical students should at least know where the money for their free tuition will come from. It doesn't flow from the good intentions of Alexandria Ocasio-Cortez, and it isn't a product of the Cuban health-care system. It will come from capitalists like Ken Langone and his wife Elaine, who donated about

**Ken Langone's book should be required reading at NYU.**

\$100 million of the \$600 million that NYU says it will need to fund the scholarships. The son of a plumber and a cafeteria worker, Mr. Langone went to Wall Street after Bucknell and NYU business school. He went on to found Home Depot, the national home-improvement chain that now provides a livelihood for some 400,000 people.

Mr. Langone has channeled much of his wealth into philanthropy, including the medical center at NYU that is named for him and his wife. As Mr. Langone explains in his book, this is how a free society creates wealth and then redistributes it. Socialism creates little wealth and redistributes poverty, as Venezuelans are discovering. The medical students could spend a semester in Caracas to learn these lessons, but they can save time and considerable pain by reading Mr. Langone.

**Another 'Belt and Road' Hostage**

**I**mran Khan's first task after being sworn in as Pakistan's Prime Minister on Saturday is averting a financial crisis. The cricketer-turned-politician must choose whether to dial back a Chinese-financed development program or increase the country's reliance on Beijing.

Pakistan's foreign exchange reserves dwindled to \$10.3 billion at the end of last month, the equivalent of two month's imports. The government needs to borrow about \$10 billion quickly to avoid default on foreign debt. That debt has ballooned as Islamabad borrowed from Chinese banks to finance the China-Pakistan Economic Corridor, a \$62 billion scheme to build transport and energy projects. The program is a showcase for China's Belt and Road Initiative, a push to build infrastructure in Asia, Europe and Africa.

Normally Pakistan would go to the International Monetary Fund for a loan, as it has more than a dozen times. But the Chinese debt is an obstacle. U.S. Secretary of State Mike Pompeo warned last month, "There's no rationale for IMF tax dollars" to "bail out Chinese bondholders or China itself."

The U.S. and IMF want Pakistan to reveal the secret terms of China's loans before deciding how to proceed. Once those terms are revealed, the IMF will likely ask Islamabad to renegotiate some China projects and put others on hold. The Journal reported that one energy project guarantees Chinese investors a 34% annual return in U.S. dollars for 30 years.

The U.S. and other IMF stakeholders fear a loan could help Pakistan get through the present cash crunch only to fall into a debt trap in

**Pakistan is the latest to learn the high price of money from China.**

which it is forced to turn over strategic assets such as the Gwadar port to Chinese creditors. That happened to Sri Lanka, which couldn't service \$6 billion in Chinese loans used to build the Hambantota port. Last year Sri Lanka leased the port to China Merchant Ports Holding for 99 years in a deal to write down debt.

Mr. Khan should want transparency. He criticized his predecessor's decision to embark on some China projects and accused officials of corruption. His pick for finance minister said he would place the deals before parliament.

But Mr. Khan also called the China corridor a pillar of his economic plan. Some in his party want to forgo an IMF bailout and double down on Pakistan's "all weather friendship" with China. After last month's election, Beijing promised a \$2 billion loan on top of the \$5 billion it has sent Islamabad in the past year.

Even if Mr. Khan borrows enough from China and other sources to forestall a crisis, investor confidence is unlikely to return without the IMF's imprimatur. And as the country takes on more Chinese debt, the chances of a future cash crunch will grow. The uncertainty will make it difficult for Mr. Khan to fulfill his campaign promises.

Mr. Khan may resent demands for transparency. But the evidence suggests that many of the China projects were poorly conceived and the debt to build them will damage Pakistan's finances for a generation. Malaysia recently suspended more than \$20 billion in Chinese-funded projects after a change in government. Mr. Khan would be wise to do the same.

**LETTERS TO THE EDITOR****Warren's Blast at Capitalism and Property**

Lest anyone question whether socialism continues its rise in the Democratic Party, they should look no further than Sen. Elizabeth Warren's "Companies Shouldn't Be Accountable Only to Shareholders" (op-ed, Aug. 15) in which she rhetorically asks, "What do Americans get in return for [corporate America]? Outside of automobiles, smartphones, lifesaving drugs, airlines, hospitals, philanthropy and the highest standard of living in the world, what have American corporations ever done for us?"

Sen. Warren's "Accountable Capitalism Act" represents one of the greatest expropriations of private property rights in our history, and arguably the most expansive command and control proposal ever presented by the Democratic Party.

She proposes to force owners of successful companies to cede "at least" 40% of their ownership rights to employees and require corporate directors to consider the interest of "all major corporate stakeholders." Does anyone doubt that 40% will soon become 51%? Or that government will both define and dictate acceptable corporate behavior to their favored stakeholders? Capital won't be risked when investors know they will lose control of that capital.

Sen. Warren claims this is necessary to combat income inequality, stagnant wages and the rich getting richer. But the majority of America is directly or indirectly invested in corporations through pension plans, 401(k)s and personal savings. Furthermore, we shouldn't be measured by how much we take from those at the top, but instead by how we lift those from the bottom. Thanks in large part to corporate America, the bottom 10% in America live better than roughly 70% of the rest of the world. Regarding stagnant wages, 90% of working Americans now receive greater take-home pay due to the Tax Cuts and Jobs Act, which she vigorously opposed. Throw in the deregulatory agenda, and wages are growing at their fastest pace in almost a decade.

If Sen. Warren's efforts are successful, she will certainly achieve her goal of ending income inequality. We will all become equally poor.

REP. JEB HENSARLING

Dallas

Rep. Hensarling is chairman of the House Financial Services Committee.

Sen. Warren's claim that shareholder rights became dominant in the early 1980s, to the detriment of employees and other constituents, is wrong and ignores decades of history. Beginning in 1933, professional shareholders, led by John and Lewis Gilbert, campaigned successfully to get corporate America to put shareholders first. As early as 1947, these "gadflies" won an important milestone, when federal judge John Biggs Jr. famously wrote in *SEC v. Transamerica*: "A corporation is run for the benefit of its stockholders and not for that of its managers."

It wasn't until the late 1960s that social activists began copying the methods of the gadflies for other ends, like asserting employee rights. The first example was in 1967, when Saul Alinsky successfully challenged Eastman Kodak's minority hiring practices.

PROF. LAWRENCE A. CUNNINGHAM

George Washington University

Washington

Who wins under this bill? The federal government gets even more power, plaintiff attorneys get more business and progressive politicians don't need to worry as much about conservative causes getting corporate money. Of course, labor unions and others will continue to pour money into progressive coffers.

One thing we learned from the Obama years is that you cannot beat up American business without harming economic growth. Regulation, litigation and Washington, D.C., power over corporations are far more likely to stifle growth than to benefit workers.

DANA R. HERMANSON

Marietta, Ga.

Ms. Warren uses a shotgun rather than a rifle. Hers is precisely the kind of "comprehensive" proposal that shelters undesirable components of legislation from proper review and scrutiny. She and other legislators should require themselves to disaggregate such proposals into digestible (or otherwise) morsels. In addition, Ms. Warren's proposal leverages the now-common legislative tactic of kicking the can over to the executive branch. She and other legislators should return to the work of writing laws to proscribe specific conduct rather than to create new bureaucracies to do their dirty work.

JEFFREY D. BAINES

Ponte Vedra Beach, Fla.

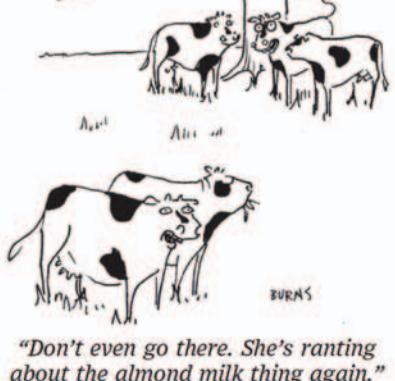
Venezuela 2.0.

BILL STEPHENSON

Nichols Hills, Okla.

**Pepper ... And Salt**

THE WALL STREET JOURNAL



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## OPINION

# Trump, McGahn and Iran-Contra's Lessons

By Peter J. Wallison

President Trump's detractors see White House counsel Don McGahn's cooperation with special counsel Robert Mueller as a breakthrough in Mr. Mueller's investigation. From personal experience, I see it as further evidence that the president and his advisers have concluded Mr. Trump has done nothing wrong and has nothing to hide.

I was White House counsel during the Iran-Contra affair, a case in which President Reagan was accused of the unauthorized use of government funds, illegally selling weapons to Iran, trading arms for hostages in

**I was White House counsel in 1986-87. I cooperated with investigators because Reagan was innocent.**

violation of longstanding U.S. policies, an illegal coverup, and misleading Congress and the American people. These charges were pressed eagerly by the media and committees of Congress, which was fully controlled by Democrats beginning in 1987. As today, the media—led by the New York Times, the Washington Post and CNN—and Democrats in Congress hoped to bring about the impeachment of a Republican president.

In writing my book about the Reagan presidency, I counted the number of articles about Iran-Contra in the Times and the Post between Nov. 6, 1986, when the scandal became public, and Jan. 31, 1987, when I got tired of counting. In that three-month period, there were 555

stories in the Post and 505 in the Times, an average of more than five a day in each paper. If you think the media frenzy of today is unprecedented, think again.

Under the law in 1986, an "independent counsel" could be appointed by a special panel of appellate-court judges. Lawrence Walsh, a former prosecutor, took the job. He did not issue his report until 1993, more than six years after his appointment. But Iran-Contra fizzled as a major public issue once it became clear that the president was not guilty of anything and was not going to be impeached.

From the outset, it was clear to me that Reagan was innocent of any wrongdoing. He certainly had approved the sale of arms to Iran—which he had publicly acknowledged as his policy. But he refused to admit that he had intended to trade arms for the American hostages that were then held in Lebanon by Hezbollah, the jihadist organization that is still an ally and dependency of Iran. Even if it was a trade, it was well within the president's powers and not illegal.

The responsible parties, it soon became clear, were Oliver North, then a Marine lieutenant colonel on the staff of the National Security Council, and John Poindexter, the president's national security adviser. Having received the president's authority to ship arms to Iran, they had used the proceeds to support the Contras, a rebel group fighting the communist government of Nicaragua.

The misuse of the proceeds of the arms sales—funds that belonged to the U.S.—probably would have been an impeachable offense. Yet it was clear from my discussions with



White House counsel Don McGahn and President Trump, June 21.

All this throws some light on Mr. McGahn's cooperation with Mr. Mueller's investigation. It seems to be part of a sensible White House strategy when the president is not guilty of wrongdoing. In politics, the coverup is often worse than the crime. If Mr. Trump's advisers have concluded that he is innocent, it makes a great deal of sense to be as open as possible with all investigations, even if the result is a media frenzy. It also supports the argument that Rudy Giuliani, Mr. Trump's private lawyer, is currently making: There is no need for the president himself to meet with Mr. Mueller.

The president has hurt himself by constantly attacking the Mueller investigation. He should be going about his presidential business and simply ignoring the media's fascination with the issue. Nevertheless, he apparently has authorized the release of millions of documents and permitted interviews with a large number of White House staff members.

It is in that context that the McGahn interviews occurred, and they are likely to have occurred long ago, since Mr. McGahn was clearly a key witness to the president's intentions and would have been among the first to be called for an interview.

None of this proves that the president is innocent, but it would be an incomprehensible strategy if he is not.

*Mr. Wallison is a senior fellow at the American Enterprise and author of "Ronald Reagan: The Power of Conviction and the Success of his Presidency" (2002) and "Judicial Fortitude: The Last Chance to Rein In the Administrative State," forthcoming in September.*

Reagan and his chief of staff, Donald Regan, that neither knew of what had come to be called the "diversion of funds to the Contras." Many months later, when Mr. Poindexter finally testified to Congress, he said that he had authorized the diversion and not told the president. Until that statement, there remained hope among Reagan's opponents that he would be found responsible and ultimately impeached.

Having concluded at the outset of the scandal that there was no legal jeopardy for the president, I authorized, in my capacity as White House counsel, cooperation with the congressional investigating committees and the independent counsel. I also met with and testified to the

independent counsel. The release of all relevant documents by the White House and the Defense and State departments was probably the reason for the enormous number of press articles. Any document that suggested a problem for the president was immediately leaked and set off more rumors and imputations from unnamed sources about his presumed guilt and impeachment jeopardy.

The price for this was a terrible year for the president and all of us in the White House. Yet Reagan left office at the end of eight years having accomplished what he intended when he took the job—and with positive approval ratings that improved over time.

## Two New Lawsuits Seek to Stop Discrimination Against Religion

By Tim Keller  
And Michael Bindas

Dave and Amy Carson live with their 15-year-old daughter, Olivia, in Glenburn, Maine. Like many small towns across the state, Glenburn, population 4,543, is too small to maintain its own public high school. Instead, the local government gives families the money it would otherwise spend on education and lets them choose a public or private school for their children.

There's a catch: Maine won't allow parents to spend taxpayer money on a religious school. Families like the Carsons, who believe a religious school is the best choice for Olivia, get nothing.

In *Trinity Lutheran Church v. Comer* (2017), the U.S. Supreme Court ruled that the First Amendment prohibits states from discriminating against religion in the operation of government programs. Two new federal suits, in Washington state and Maine, seek to build on that precedent to end government-mandated religious discrimination in programs that pay for work-study programs and high-school tuition. Although the plaintiffs in these cases live at opposite ends of

the country, they face similar discriminatory laws rooted in antireligious animus. A victory in their cases could clear the way for states to adopt programs that empower parents—rather than government—to direct the education of their children.

In Washington, the state government operates a work-study program that pays a portion of college students' wages for part-time jobs, often in fields related to their majors. The program allows students to earn money for school, reduce reliance on student loans, and gain valuable job experience. Students may work for almost any type of employer—public or private, for-profit or nonprofit.

Employers the state deems "sectarian," however, are excluded, no matter what job the student may perform. A student could be paid to feed the homeless at a shelter, provided it isn't run by a church. A student could tutor a child at a private elementary school, but not if that school is religious. Our organization, the Institute for Justice, filed a lawsuit last week to end that discriminatory practice.

Maine's tuition program dates to the 19th century, and for most of that time, parents were free to

select a religious school for their children. But in 1980 the state attorney general declared that allowing religious options in the program violated the First Amendment's Establishment Clause. In conjunction with the First Liberty Institute, we're filling a federal challenge to Maine's antireligious actions Tuesday.

**The cases seek to expand Supreme Court precedent and establish equality for sectarian education.**

Two Supreme Court decisions pave the way for eliminating the discrimination against religious options in Washington and Maine. First, in *Zelman v. Simmons-Harris* (2002), litigated by the Institute for Justice, the justices held that school-voucher programs that include religious options don't violate the Constitution. The decision established a simple test for determining whether such programs are permissible: The government must remain neutral with regard to religion—neither favoring nor disfavoring it—

and the participants must exercise a genuine choice between religious and nonreligious options.

The educational programs in Maine and Washington, like the one in *Zelman*, are programs of true private choice, but they are hardly neutral toward religion. Religion is the one choice that Maine and Washington prohibit.

The second decision is *Trinity Lutheran*, which established that religious neutrality isn't optional. A Missouri preschool, the court held, couldn't be excluded from a playground improvement program that was open to nonreligious private schools. Chief Justice John Roberts, in a decision joined by five other justices, explained that "the exclusion of Trinity Lutheran from a public benefit for which it is otherwise qualified, solely because it is a church, is odious to our Constitution . . . and cannot stand."

Missouri's exclusionary rule was based on the "Blaine amendment" in its state constitution. James G. Blaine, perhaps Maine's most accomplished politician, is sadly remembered for an explicitly anti-Catholic amendment he proposed to the U.S. Constitution. It would have prohibited government funding for so-called "sectarian" schools, while

preserving funding for the then-Protestant common schools most states operated. As the U.S. Supreme Court recognizes, at the time, "sectarian" was code for "Catholic."

Despite the failure to pass an amendment at the federal level, nativist politicians were able to get Blaine Amendments added to most state constitutions. Although Maine never incorporated such language into its constitution, the decision to ban religious schools from the education program accomplished a similar result. Washington's constitution does contain Blaine language, and it is the reason cited by the government for excluding sectarian employers from its work-study program.

The Supreme Court has made clear that Blaine Amendments and other discriminatory government regulations don't square with the First Amendment. It is time for federal courts to follow *Zelman* and *Trinity Lutheran* and give families across the country the full freedom of choice that is their right.

*Messrs. Keller and Bindas are attorneys with the Institute for Justice, which litigates educational choice programs nationwide.*

## The Fed Should Raise Rates, but Not the Ones You're Thinking

By Jason Furman

The Federal Reserve has kept rates too low for too long. I'm not referring to interest rates. It's high time for the Fed to raise countercyclical capital-buffer rates, which govern the amount of extra equity and cash banks are supposed to hold in good times. Increasing the capital buffer would reduce the risk of financial instability, set a precedent for sound macroeconomic management, and build up a bigger cushion for the next downturn.

Banking regulation naturally has a pro-cyclical bias. When times are

good, there's a de facto easing of standards, which exacerbates lending booms. Then when asset values crash and defaults proliferate, regulations become tougher to meet, which worsens credit crunches and recessions.

Optimal regulation from the perspective of a single bank, which ignores these economic spillover effects, therefore will be suboptimal for the system as a whole. Knowing this, smart regulators should work consciously to be countercyclical, increasing what is termed "macroprudential" regulation during booms and relaxing it during recessions.

This doesn't necessarily mean raising the average level of regulation or reversing the Trump administration's deregulatory efforts, which are separate debates.

Policy makers in the U.S. have a limited set of macroprudential tools compared with other advanced economies. The Fed can raise required capital-asset ratios when warranted (allowing 12 months for compliance) by up to 2.5 percentage points. The Dodd-Frank Act specified that capital requirements should increase in "times of economic expansion." The Fed has interpreted that phrase narrowly as "during periods of rising vulnerabilities in the financial system," defined as financial activity that is "not well supported by the underlying economic fundamentals."

The Fed's own standards, which focus on financial indicators, suggest that now is the time to increase countercyclical capital buffers. The Fed's latest monetary policy report to Congress, submitted last month, lists several risks, including elevated price/earnings ratios, stretched commercial-property valuations and rising delinquency rates for some consumer loans. The U.K., France and eight other European countries already have raised their capital-buffer requirements by up to 2 percentage points, reacting in many cases to less financial excess than is evident in the U.S.

The Fed should not, however, lean too heavily on financial indicators in making this decision. It has a poor track record of trying to

evaluate financial risks in real time. Eric Rosengren, president of the Boston Fed, has shown that in meetings of the Federal Open Market Committee from 1987 through 2008, mentions of financial instability have generally not increased until after the fact. Financial vulnerabilities often become apparent only when the

### Lift capital standards while the sun is shining, and then they can be cut once the rain arrives.

economy starts to struggle, by which point tightening regulations becomes counterproductive. Moreover, basing decisions on the Fed's risk assessment could turn any announcement of higher capital requirements into a distress signal.

An even stronger rationale for raising capital standards now is the macroeconomic situation. The unemployment rate is below 4%, and growth is well above 2%. Acting while the economy is robust would set a precedent, moving the Fed's decision making on capital standards toward a more predictable approach, like the one for setting interest rates.

Finally, raising capital buffers today would give the Fed the ability to lower them during a recession, which could soften the downturn by helping banks avoid cuts to lending. This could be an especially

important new tool because the conventional responses may be limited. When the next recession hits, the Fed probably won't be able to cut interest rates by its recent average of about 600 basis points. And although there is still substantial economic space for fiscal stimulus, politicians may not see it that way.

It's difficult to predict the precise macroeconomic and financial effects of a countercyclical policy, given the American economy's lack of experience here. Raising capital buffers would increase the cost of lending somewhat, though probably not as much as some banks claim. Such uncertainty is precisely the argument for learning to work this tool while the economy is strong. If it seems appropriate, the Fed could slow the path of rising interest rates and instead rely on the potentially more-direct tool of increased capital requirements to cut some of the financial froth.

Asking banks to lay more capital aside while the sun is still shining would strengthen their ability to withstand the next rainy day. It would lessen the risk of future bailouts. And by calming the markets it would reduce the chances of another crisis in the first place. For the Fed's initial foray into a strong countercyclical policy, that sounds like a pretty good start.

*Mr. Furman, a professor of practice at the Harvard Kennedy School, was chairman of the White House Council of Economic Advisers, 2013-17.*

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PUBLISHED SINCE 1889 BY DOW JONES &amp; COMPANY

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## WORLD NEWS

# China Revamps Museums to Boost Xi

President is extolled for his reforms, overshadowing Deng and other leaders

BY CHUN HAN WONG

SHENZHEN, China—When a museum paying tribute to China's economic reforms opened here in December, visitors were welcomed by a panoramic sculpture depicting a local visit by Deng Xiaoping, hailed in Communist Party history for launching the country's rise to prosperity.

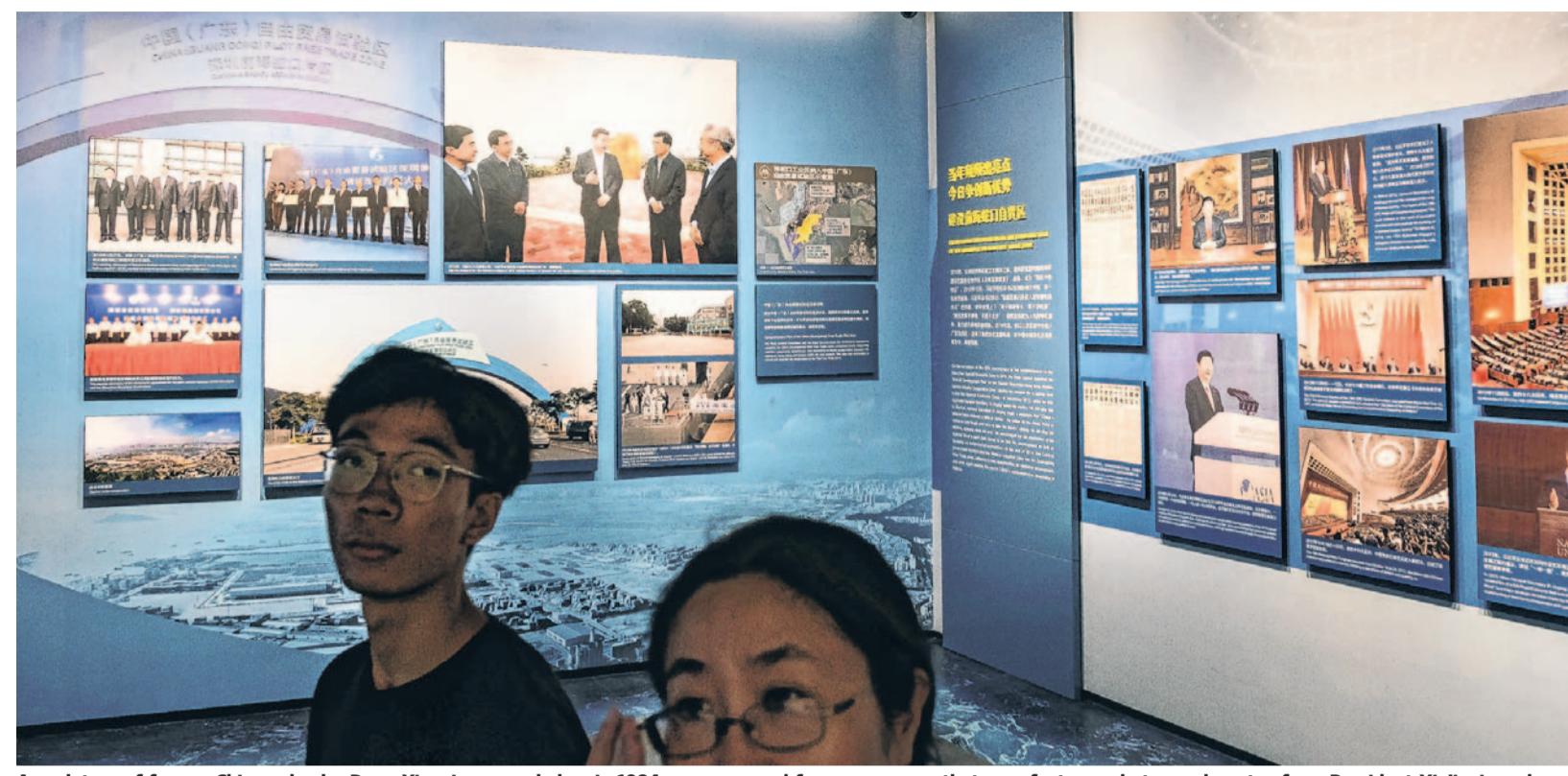
Then in early June, the museum was closed for what it called "upgrading." When it reopened in August, the sculpture was gone, replaced by video screens showing local development and a beige wall adorned with a quote from President Xi Jinping.

China's Communist Party is celebrating the 40th anniversary of policy overhauls, widely credited to Deng, that transformed an impoverished country into the world's second-largest economy. Yet much of the state-backed fanfare has focused instead on Mr. Xi, playing up his economic credentials while diluting Deng's prominence in party lore.

"This is mythmaking in action," said Julian Gewirtz, a historian at Harvard University who has studied Chinese economic reforms. In shaping narratives about China's future, Mr. Xi is "claiming greater authorship over China's past."

Since taking power in late 2012, Mr. Xi has sought to adapt Chinese history for his agenda, rewriting official accounts while flexing legal and media muscles to enforce his narratives. Officials have updated textbooks and museums to imprint the president's policies. A new law prescribes criminal and civil penalties for defaming party-approved "heroes and martyrs."

The goal, historians say, is



A sculpture of former Chinese leader Deng Xiaoping, seen below in 1984, was removed from a museum that now features photos and quotes from President Xi Jinping, above.

to bolster Mr. Xi's authority by cementing his own story for China: the Communist Party—led by a strong and astute leader—shepherding the Chinese people toward restored national glory.

This has unsettled some Chinese, who worry their leader is reviving a Mao-style dictatorship. Last month, a professor at the prestigious Tsinghua University stirred debate with a widely read essay condemning Mr. Xi for what he called the president's authoritarian turn and efforts to generate a personality cult.

The pushback hasn't slowed the pro-Xi publicity drive, which is tapping the reform anniversary to demonstrate the president's commitment to overhauling China's slowing economy and challenge foreign criticism of Beijing's industrial strategy.

Deng has been a towering figure in China, even after his death in 1997. He is revered for guiding the country's economic transformation and its transi-



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tion from Mao's one-man rule—with its lurches into radical politics—to an era of collective, stable and relatively predictable leadership. His policies set clearer divisions of duties between the party and government and allowed the party's dominance to slip. De-emphasizing Deng's role helps Mr. Xi unravel some of those policies.

Mr. Xi once eagerly invoked

Deng. Weeks after becoming Communist Party chief, he traveled through Guangdong province in China's south on a trip that echoed one Deng had taken two decades earlier, stopping at a Shenzhen park to lay flowers beneath a statue of the former leader.

Since then, Mr. Xi has dismantled parts of Deng's legacy. He has centralized deci-

sion-making powers and scrapped presidential term limits. He has insisted that "the party leads everything" and declared a new era for "socialism with Chinese characteristics"—a Deng-era slogan that provided ideological footing for market remedies.

Efforts to repackaging recent economic history around Mr. Xi gathered pace in June, when the party launched a publicity drive for the reform anniversary.

At the national art museum in Beijing, paintings of Mr. Xi and his late father—who helped steer reforms as a provincial chief—were displayed prominently at a reform-anniversary exhibition, overshadowing artwork depicting Deng and other past leaders.

Renovations at the Shenzhen museum dovetail with the pro-Xi drive. Located in the city's Shekou district, a test bed for many Deng-era reforms, it was commissioned in 2015 by state-owned China

Merchants Group, a Hong Kong-based conglomerate.

At its December opening, Shenzhen's propaganda chief said he hoped the museum would become a base for patriotic education.

At the entrance, visitors now see Mr. Xi's words instead of the sculpture featuring Deng, which the museum previously described as its centerpiece.

"During the 40 years of reform and opening-up, we have created a new road, a good road, by bravely daring to pioneer and boldly undertaking self-reform," read part of the quotation from a speech Mr. Xi gave in February.

The main exhibition concludes with a section on Mr. Xi's "Belt and Road" initiative to build global trade infrastructure.

"Comrade Xi Jinping has raised the banner of reform," reads the section's introductory text. "A new era of ideological liberation is sweeping through China."

## Families Split by Korean War Are Briefly Reunited

BY YUN-HWAN CHAE

SEOUL—Families separated for decades were reunited as Seoul and Pyongyang pushed ahead with humanitarian engagement, even as nuclear talks stall between the U.S. and North Korea.

Some 89 South Koreans—including a 101-year-old man—traveled by bus Monday to the Mount Kumgang resort, just north of the demilitarized zone, to meet family members they hadn't seen since the 1950-53 Korean War displaced millions of people.

Hugs and tears filled the meeting hall, according to pool reports and video footage from South Korean journalists accompanying the group.

Paek Seong-gyu, 101, beamed as he met his weeping daughter-in-law and granddaughter from the North. While another granddaughter who had accompanied him from the South snapped pictures, his daughter-in-law showed him photographs of his son, who died never having seen his father again.

The three-day reunion, to

be followed by another beginning Friday, was the first in three years and the 21st since relations between the Koreas thawed in 2000. In all, more than 4,000 separated families have been given a chance to reconnect—before being pulled apart again, almost certainly forever.

*The tearful reunions come amid concerns that denuclearization efforts have stalled.*

The two Koreas have continued to foster a conciliatory mood this year through the ups and downs of exchanges between the U.S. and North Korea over Pyongyang's nuclear program. North Korean leader Kim Jong Un is set to host South Korean President Moon Jae-in next month in Pyongyang for the year's third inter-Korean summit. The reunions were agreed upon at

their meeting in April, the first summit in more than a decade.

Mr. Moon has called on North Korea to allow reunions regularly on humanitarian grounds, setting politics aside.

"That we have let thousands die without knowing whether their loved ones are still alive is shameful for the governments of both North and South Korea," Mr. Moon said at a meeting with his advisers on Monday. "We must make family reunions the No. 1 priority of inter-Korean humanitarian projects."

Mr. Moon, whose parents hail from North Korea, has relatives living there, and attended a reunion in 2004.

Nearly seven decades after the war broke out, 21% of the 56,862 South Koreans registered for reunions are aged 90 or older, according to South Korea's Red Cross.

The last round of reunions came in 2015 during a warming of ties between Pyongyang and the then-conservative government in Seoul. But relations worsened again soon thereafter.

Monday's reunions took place under the watchful eyes of North Korean officials, though the 11 hours the families are allowed to be together over the three days include three hours in private.

Calling out his name, 92-year-old Lee Keum-seom embraced her North Korean son, Ri Sang Chol, 71. As he showed her pictures of her late husband, his mother gripped his hands and peppered him with questions about other family members north of the DMZ.

The humanitarian exchange is taking place against the backdrop of international sanctions against North Korea. South Koreans were urged to limit the value of any gifts they brought north to roughly 100,000 won (about \$89) and were barred from giving luxury items.

—Andrew Jeong contributed to this article.



Two relatives reunite at a gathering of South and North Koreans.

O JONG-CHAN/KOREA PRESS POOL



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\*Source as of 7/26/18: [www.fdic.gov/regulations/resources/rates/](http://www.fdic.gov/regulations/resources/rates/)

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, August 21, 2018 | B1

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## Tyson to Buy a Top Meat Supplier

**Keystone Foods** deal aims to bolster sales to restaurants amid surge in production

By JACOB BUNGE

**Tyson Foods** Inc. agreed to acquire a top meat supplier to **McDonald's** Corp. and other chains, in a bid to boost its sales to restaurants as rising supplies and tariffs squeeze U.S. meat companies.

Tyson said Monday it would pay \$2.16 billion in cash for

**Keystone Foods**, expanding the Springdale, Ark.-based company's business selling meat to fast-food chains and adding processing plants to its network in the U.S. and Asia.

The purchase aims to further shift Tyson's business toward higher-profit products, such as chicken nuggets and fish fillets, and away from slabs of nonbranded, commodity meat that tend to be less profitable and prone to market swings.

"Particularly internationally, we see this as a tremendous platform to continue to

grow," Tyson Chief Executive Tom Hayes said on a conference call. Tyson shares rose 1.6% to \$63.40 on Monday, and have fallen 22% year to date.

Tyson, the largest U.S. meat supplier by sales, and competitors such as Pilgrim's Pride Corp. and Sanderson Farms Inc. are struggling as new pork and chicken plants lift U.S. meat production to a record. Analysts expect poultry and red meat in storage to hit a record this year at the same time major importers such as Mexico and China have raised tariffs on U.S.-produced meat

products, driving down prices.

Over the past four years, Tyson has spent billions of dollars on deals for supermarket standbys such as Hillshire Farms lunch meat and Jimmy Dean sausages, as well as upstarts like the organic brand Smart Chicken. Those acquisitions were geared toward lifting the company's profit margins and insulating its sales from the type of commodity-market downdraft now vexing the U.S. meat sector. Still, Tyson last month lowered its profit forecast for the year, citing the effects of tariffs and

"an oversupply of protein."

Keystone's business is weighted toward the U.S., where about two-thirds of its overall sales are generated, primarily supplying products such as chicken nuggets and fish fillets to restaurants. In Asia, Keystone sells a wider range of meat products.

Supply deals with restaurant chains can be less profitable than distributing name-brand goods to grocery stores, but are generally very stable, according to analysts.

Mr. Hayes told investors

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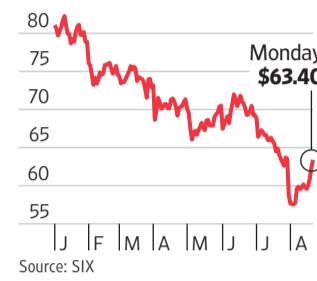
### Key Acquisition

Tyson's move to purchase restaurant supplier Keystone Foods for \$2.16 billion comes as meat companies grapple with rising supplies and tariffs.

#### Tyson's performance

Year-to-date

\$85 a share



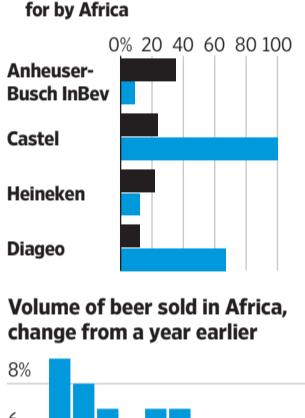
Source: SIX

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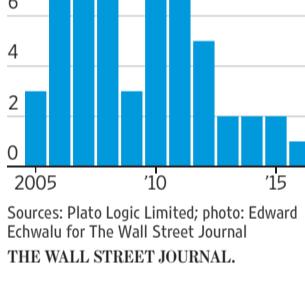
## Brewers Tap Into Africa's Huge Market as the Party Fades Elsewhere

Four major brewers are generating 98% of Africa's beer profits, but while beer is gaining popularity, economic conditions and social unrest dictate yearly swings in growth.

**Africa beer market share, 2017**



**Volume of beer sold in Africa, change from a year earlier**



Sources: Plato Logic Limited; photo: Edward Echwalu for The Wall Street Journal

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Customers drink Chibuku, a popular beer at a bar in Uganda's Mukono district. Africa's importance to brewers is growing. B5

## Total Struggles Over Its Iran Stake

By BOENIT FAUCON

**Total** SA is having difficulty unloading its stake in a \$5 billion natural-gas project in Iran to a Chinese partner, after stopping work on the project earlier this year due to U.S. sanctions.

Iranian Oil Minister Bijan Zanganeh confirmed Monday that the French oil giant had left the project in the South Pars natural-gas field. Total had flagged in May that it planned to do so, ahead of a Nov. 4 deadline to divest itself from its stake in the project to comply with sanctions.

The French company has concluded in recent weeks that it was unlikely to receive a U.S. exemption from sanctions, according to a Total staffer familiar with the matter.

"I think it's over," the person said. "Now, how do we exit?"

Total, according to people familiar with the matter, is holding talks to transfer its 50.1% stake to state-owned **China National Petroleum Corp.**, which holds 30% in the development. China has said it plans not to follow U.S. sanctions on Iran.

Total doesn't expect to sell its stake to CNPC, but wants to be compensated for about \$50 million it has spent on the project, according to people familiar with the matter.

Iranian contractor Petropars, which owns the remaining 19.9%, is receiving updates about the negotiations, these people said.

A Total spokeswoman declined to comment and CNPC didn't respond to a request for

Please turn to page B2

## CPAs Fight for Their Valuation Turf

By MICHAEL RAPOORT

Some CPAs are up in arms about a move by their industry's main trade group to allow people from outside their ranks to be credentialed to help companies value complex assets.

Caught in the crossfire: companies that more than ever need specialists to help assess hard-to-value assets, such as brand names and customer relationships. The demand for such services has grown dramatically in recent years into an industry that generates more than \$4 billion

in annual revenue, as those assets have grown more prominent on companies' balance sheets.

That growing demand is what kicked off the fight in the first place. The American Institute of CPAs, the body that represents certified public accountants, decided to meet that demand by expanding the eligibility for its Accredited in Business Valuation credential.

The AICPA said in May that it would offer this designation—an ABV—to those who aren't CPAs. The three-letter abbreviation is a denotation

that financial professionals tack after their names, just like "CPA" itself.

But a group of prominent CPAs has objected. They contend that making the ABV credential available more broadly will water down its significance and confuse businesses. They also say the AICPA acted behind closed doors, without consulting members who would be affected.

"It's going to reduce the

value of that brand in the marketplace," said Harold G. Martin Jr., a Virginia CPA and ABV holder and a former chairman of the AICPA's conference on

business valuation. He likens it to being allowed to become a medical specialist without first obtaining an M.D. degree.

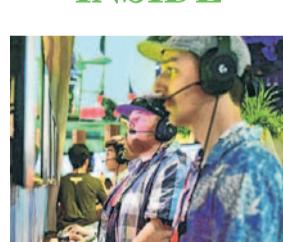
The AICPA disagrees. "We actually think this is going to enhance the value of the ABV credential," said Susan Coffey, the group's executive vice president of public practice.

"We're not going to offer it to anyone who's not qualified."

About 3,000 CPAs in the U.S. are ABVs as well, Ms. Coffey said. The AICPA governing council's vote in May deemed that "qualified finance professionals," and not just CPAs,

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#### DEALS LIFT THE DOW'S SPIRITS

##### MONDAY'S MARKETS, B11

### STREETWISE | By James Mackintosh

## Being a Contrarian Paid Off on Turkey

### Dead-Cat Bounce

The contrarian bet was to buy Turkish lira after the currency collapsed earlier this month.



Note: Scale inverted to show lira weakness. Through 5:29 p.m. ET Monday

Source: FactSet

THE WALL STREET JOURNAL.

market rally," says Mr. McNamara.

Of course, as a financial journalist writing about the topic I couldn't trade real lira. My bet was that the Turkish lira would rise; Mr. McNamara's, that it would fall. (For fun, we also tossed in a bet on Tesla shares.)

Our friendly stake was lunch. That is even less financially risky for me than a wager with other people's money is for most fund managers, but the "trade" was public—arranged on Twitter—so I did have some reputational risk.

I was lucky in timing both the start and end of the trade close to the weakest and strongest the lira has been in the past week (the very best possible gain would have been 27.4%, against 20.5% by the time Mr. McNamara conceded).

But I let my contrarian approach be my guide: When everyone else was extremely pessimistic, it was time to "buy."

It is hard to test how well Please turn to page B10

The answer is pure

contrarianism. It was

obvious both from the

accelerating moves in the

lira and from the comments

by other investors that

everyone had now

recognized that Turkey was,

if not broken, at least very

badly sprained.

Fund managers who knew

little or nothing about

Turkey were pontificating

about its macroeconomic

weakness, and money was

pouring out.

It was time to go against

the herd. The lira had moved

a lot, and a lot of really bad

news was needed to justify

it. Plus, if the news turned

out better than expected,

those late to the sell-Turkey

consensus would quickly

get out.

The strongest rally in the

world is always a bear-

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Tyson aims to shift to higher-profit products like chicken nuggets.

## Tyson to Buy a Top Meat Firm

Continued from the prior page  
that the deal would help reduce volatility in Tyson's chicken business, and that Tyson could improve Keystone's profit margin by cutting costs. Keystone also can provide Tyson a platform to make a fresh push into markets such as the Middle East, Africa and Europe, he said.

Tyson divested itself of many of its non-U.S. assets in recent years to focus on the U.S.

Some analysts have warned that another big deal could be risky for Tyson, depleting capital the company could spend buying back shares. Stewart Glendinning, Tyson's chief financial officer, said the company has recently succeeded at making big acquisitions and still repurchasing shares.

The deal to combine two major meat suppliers to restaurants will face regulatory reviews in the U.S., China and elsewhere. Mr. Hayes declined to say whether McDonald's or other Keystone clients blessed the deal, but said Tyson's customers have backed the company's overall strategy.

McDonald's declined to comment.

Tyson plans to finance Keystone's purchase from Marfrig Global Foods SA of Brazil with cash and new debt. For the year ended June 30, West Chester, Pa.-based Keystone generated annual sales of \$2.5 billion and earnings before interest, taxes, depreciation and amortization of \$211 million.

Marfrig, which reached a deal in 2010 to acquire Keystone, said earlier this year that it would sell the company. Marfrig this year became the world's second-largest beef processor—after JBS SA of Brazil—with its purchase of a majority stake in National Beef Packing Co.

—Kimberly Chin contributed to this article.

pared with 150 for CPAs. The move will make valuation services more available to clients who need them, Ms. Coffey said.

But the change triggered a backlash.

Thirty-two CPAs wrote the AICPA an open letter in June, saying that if the change stands, "the AICPA will have effectively diluted its original message to the public and lowered the standards for its valuation certification."

The group said its own survey of the AICPA's membership found overwhelming op-

position to the change.

The critics also contend the AICPA acted only through its committees, without asking the broader membership whether expanding ABV eligibility was a good idea.

"Frankly, it was a secretive process, not disclosed," said Michael Crain, who teaches accounting at Florida Atlantic University.

Ms. Coffey said, "I think communication with our members is always something we can do more of and do better."

Some critics, including Mr. Crain, think the AICPA acted

## BUSINESS & FINANCE

### Iran Stake Is Problem For Total

Continued from the prior page comment.

A spokeswoman for Iran's Oil Ministry said the project's shareholding structure hadn't changed and talks to replace Total were continuing.

Officials at CNPC and China Petroleum & Chemical Corp. have previously complained about challenges they face financing other projects in the Islamic Republic.

CNPC has been slow to reach an agreement on whether it will replace Total, according to people familiar with the discussions.

At issue is the question of how the Chinese company would pay for the project now that financial channels in the United Arab Emirates and Turkey have been cut off after pressure from Washington, the people said.



Iranian Oil Minister Bijan Zanganeh, left, and Total CEO Patrick Pouyanne before a signing ceremony in Tehran last year.

The Chinese company is reluctant to take an 80% stake, which would grant it full control of the project. As the operator, CNPC could attract attention from the U.S., that person said. "CNPC doesn't seem to want the operatorship," he said.

As a matter of last resort, Iran's state-run Petropars

could step in to take over Total's stake, Iranian oil officials have previously said. But a purely Iranian project would limit access to capital and technologies.

CNPC and Total had both been involved in the same project years ago but pulled out due to previous sanctions from 2010 onward.

CNPC says the Iranian government still owes the Chinese firm funds from that period, according to a person familiar with the talks. A spokeswoman for Iran's Oil Ministry didn't respond to an additional request for comment.

Total announced it had signed a preliminary deal to invest in the venture hours before Donald Trump was elected president in November 2016. Sanctions had been lifted by President Obama in January 2016.

The French company later agreed to invest \$1 billion and was awarded a 50.1% stake in the development—the biggest such commitment by a European company to invest in Iran in recent times.

But in May, the Trump administration withdrew from a nuclear agreement with Tehran and other world powers and said it would reinstate sanctions on Iran's oil. Total stopped all works in the Islamic Republic, saying it couldn't afford the risk to its North American investments and ties to the U.S. banking system.

### Too Many Bosses in Workplace

Continued from the prior page given us adequate information."

Bosses now manage, on average, nine direct reports, up from five in 2008, according to Gartner, which can spread leaders so thin that they don't have a close grasp of what their employees are doing. Only about 35% of employees surveyed in the Gartner poll last year say their manager understands their day-to-day work.

"Managers are less likely to provide good feedback and coaching when they don't understand what that employee's workflow is," says Brian Kropp, human-resources-practice leader at Gartner.

Some managers say they are trying to be better bosses. Meghan Knoll, a general manager at Bark, which operates a subscription service of monthly dog treats and dog toys, participates in a regular management-coaching group with some of her peers. Recently, Ms. Knoll brought in a long list of difficult topics she wanted to discuss with a direct report and asked for guidance.

As the group asked her pointed questions about the feedback she planned to give her report, she began crossing items off the list. Some, for example, were just style differences between her and the employee.

"There was really only one thing I needed to talk to the person about," Ms. Knoll says.

"Coming in with a big list



would have ultimately been a distraction."

Roxanne Allen, a former director of communications with American Express who runs her own strategy business in Minneapolis, said in today's "do more" office environment, managers' priorities are ever changing and their employees are expected to remain open to fast-changing roles and business needs. "To be perceived as anything else is a career killer," she said.

That is the root of a lot of frustration. "Managers should set clear goals, learn to clearly communicate their priorities, and know the work their employees are performing so that mindless 'never minds' are unnecessary and overloading never happens," Ms. Allen said. "Alignment starts at the top."

As greater workplace collaboration has swept across of-

fices, many people report they feel burdened by all the shared projects—and the myriad meetings, conference calls and emails they require.

People with deeply rooted identities as high-performing workers are especially susceptible to collaborative overload,

says Rob Cross, a professor of leadership at Babson College. But he sees glimmers of hope in the cubiclescape.

In 160 interviews with men and women across 20 organizations—including software firms, manufacturers and government contractors—many workers told him that they had successfully said "enough," putting up boundaries to reclaim control of their days.

"They did so with great trepidation, only to discover that the negative backlash they'd feared was nowhere to be found," he said.

One man told Babson researchers that when he started saying "no" more, the reaction shocked him. "People adapted around me immediately. To be honest, it made me wonder why I didn't do this a year ago," he said. "It has made a big impact on my happiness."

Can you really set boundaries with your boss? Dr. Cross says yes, but it can't be done in the heat of the moment. "You have to do it proactively," he said, adding that people who build a diverse network of colleagues across an organization tend to possess the confidence to draw the line, while siloed workers frequently feel helpless to stand up for themselves.

"When a person's whole identification gets built around one area, you get people who are less likely to believe that they can say no," he said.

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## BUSINESS NEWS

# Conoco Settles With Venezuela

**Lannett's Lament**  
Stock in the generic-pharmaceuticals maker plunged Monday

BY KIMBERLY CHIN  
AND KEJAL VYAS

**ConocoPhillips** will halt further legal actions against the troubled state-run energy giant **Petroleos de Venezuela SA** over an unpaid \$2 billion arbitration award after both sides agreed on a payment plan.

The Venezuelan company, known as PdVSA, agreed to make initial payments of about \$500 million within 90 days following the closing of the settlement, and make quarterly payments over the next 4½ years in compensation for two oil projects that Venezuela's leftist government nationalized in 2007, ConocoPhillips said Monday.

But analysts who track Venezuela said they still questioned its capacity to make the payments. Roiled by a punishing economic crisis, the South American country has already defaulted on some \$6 billion in debt, and its lifeblood oil industry is seeing production drop precipitously due to what critics say is underinvestment and rampant corruption.

"This buys Venezuela time," said Russ Dallen, managing partner at the investment bank Caracas Capital Markets. "But, of course, they just may default on it again."

There was no immediate response from PDVSA or the Information Ministry in Caracas, where government offices were closed Monday for a holiday.

A tribunal representing the Paris-based International Chamber of Commerce handed ConocoPhillips the \$2 billion arbitration award in April. A month later, a series of court orders permitted the Houston company to seize Venezuela's

Shares in **Lannett Co.** plunged 60% Monday after the generic-pharmaceuticals maker said a distribution pact with a supplier won't be renewed next year and that it would expand restructuring efforts to reduce costs.

Philadelphia-based Lannett said **Jerome Stevens Pharmaceuticals**, based in Bohemia, N.Y., won't renew an agreement, slated to expire March 23, to distribute butalbital, aspirin, caffeine with codeine phosphate capsules USP, digoxin tablets USP and levothyroxine sodium tablets USP.

"While we are disappointed, and intend to redouble our continuing efforts to explore options for addressing our capital structure, we have been preparing for this contingency, knowing that this outcome was a possibility," Chief Executive Tim Crew said in prepared remarks.

Jerome Stevens Pharmaceuticals was Lannett's primary supplier of finished goods. Purchases from JSP accounted for 36% of Lannett's finished goods inventory in fiscal 2017. However, the share had fallen from 52% in fiscal 2016 and 68% in fiscal 2015.

**The company said it has been working to add new products to its offerings.**

Shares in Lannett fell \$8.15 to close at \$5.35 as the company also said it expects a fourth-quarter per-share loss of 30 cents to 32 cents on \$171 million in revenue.

On an adjusted basis, the company expects to earn a profit of 62 cents to 64 cents a share.

Analysts polled by Thomson Reuters expected an adjusted per-share profit of 66 cents on revenue of \$173.1 million.

Lannett plans to release its full fourth-quarter report Aug. 28.

The company said it has been working to add new products to its offerings and streamline its operations.

Earlier this month, Lannett said it expected to record impairment charges in connection with restructuring some of its manufacturing operations.

"We successfully launched eight new products in the first seven months of calendar 2018, which we estimate will add net sales in excess of \$50 million in fiscal 2019, and in addition to our launches, we completed several transactions to add more than 25 market-ready or near-market-ready product lines to our pipeline," Mr. Crew said.

Separately, **Anneal Pharmaceuticals Inc.** said Monday it reached a 10-year deal with New York-based Jerome Stevens Pharmaceuticals to supply levothyroxine sodium tablets.

In prepared remarks Anneal Chief Executive Rob Stewart called levothyroxine, with more than 120 million prescriptions a year, the most prescribed drug in the U.S.

Anneal shares rose 13% to \$24.27 Monday.



The agreement with state-run Petroleos de Venezuela covers compensation for two oil projects that the government nationalized in 2007.

oil assets on Dutch Caribbean islands.

The orders resulted in severe operational hurdles for PdVSA, forcing its oil tankers to avoid its refining and storage facilities in the Caribbean, whose deep-sea ports it relies on to load large Asia-bound ships—especially those going to China, which receives Venezuelan crude as debt repayment.

But by settling with ConocoPhillips, Venezuela could regain access to those Caribbean facilities and clear up backlog that had hit its oil rigs. "As a result, we believe this settlement could potentially slow the decline rate of Venezuela's oil production," analysts at ClearView Energy Partners said in a statement.

The International Energy Agency reported that Venezuelan oil output was at 1.2 million barrels a day in July, a 22% decline from January.

ConocoPhillips, which also has a separate arbitration case pending against Venezuela at a World Bank tribunal, is only

one of several creditors to have won large judgments against Caracas.

The rulings have set off a scramble for the country's remaining foreign assets as its economy crumbles. President Nicolás Maduro and his aides, meanwhile, are facing toughening U.S. sanctions over alleged human-rights abuses and graft that has left the country too broke to pay for imports of food, medicines and other basics.

Last week, a Spokane, Wash.-based mining company called Gold Reserve Inc. said it received an estimated \$88.5 million in government bonds instead of cash as partial payment for the \$1 billion it is owed. The move has perplexed Venezuela watchers because U.S. sanctions last year barred similar transactions using bonds, whose value in debt markets has plummeted.

Others like Craylex International Corp. are looking at PDVSA's U.S.-based refining unit, Citgo. The defunct Cana-

dian gold-mining company won a U.S. court ruling earlier this month allowing it to seize Citgo, to satisfy its \$1.4 billion arbitration award for a nationalized mining project.

In addition to creditors' claims and Washington's sanctions, PdVSA faces other legal and regulatory troubles in the U.S.

Multiple PdVSA executives have pleaded guilty or are charged in a continuing U.S. criminal investigation into bribery allegations at the company. Separately, in late July, prosecutors filed charges in an alleged billion-dollar scheme to launder funds from PdVSA using, among other things, real estate in Miami.

Court documents in that case say that former PdVSA officials were among the alleged conspirators, and they joined money managers, brokerage firms, banks and real-estate-investment firms in the U.S. and elsewhere to operate "as a network of professional money launderers."

## Citgo Asks Judge To Delay Auction

**Citgo Petroleum Corp.** is asking a federal judge to wait out a higher court ruling before auctioning off its assets to satisfy Venezuela's creditors.

The request is the first time Citgo has commented on longstanding litigation from unpaid creditors seeking to seize the oil refiner in lieu of payment.

The company is asking for time to weigh in on the scramble to seize Citgo, Venezuela's largest U.S.-based asset. Venezuela's many unpaid creditors have grown concerned that there could soon be few assets owned by the cash-starved nation that could be seized in lieu of payment.

—Julie Wernau

# Estée Lauder Sales Take Off From Airports

BY SHARON TERLEP

Sales at **Estée Lauder Cos.** jumped in the latest quarter due to growing demand for high-end skin-care products and increased business at travel outlets in airports, providing a rare spot of robust growth in the stagnating consumer-products industry.

The New York-based cosmetics company reported a 12% sales increase on a constant-currency basis.

Chief Executive Fabrizio Freda said he is confident the company will maintain solid growth despite looming troubles at department stores throughout Europe. Estée Lauder has been hit by the decline of U.S. department stores, which have accounted for the bulk of sales historically.

"Even if there was the same worrying trend in bricks-and-mortar [in Europe] that we're seeing in the U.S., it would not have anywhere near the similar impact," as in the U.S., he said.

The company relies less on department-store sales in both Eastern and Western Europe than it does in the U.S., and there is more room in the region to expand online sales, he said.



The decline of U.S. department stores has hit a major source of sales for the skin-care company.

House of Fraser, a British department-store chain sold to **Sports Direct International PLC** earlier this month after entering a U.K. equivalent of bankruptcy protection, accounts for roughly

Ton Stores Inc. in the U.S.

"Some doors will close but not the whole business," he said.

In results for the fiscal fourth quarter ended June 30, the company said profit fell 19% as net income fell to \$186 million, or 49 cents a share, from \$229 million, or 61 cents a share, a year earlier.

Excluding certain items, Estée Lauder reported an adjusted profit of 61 cents a share, compared with 51 cents a year ago. Sales rose 14% to \$3.3 billion.

For the current quarter, Estée Lauder expects sales to rise between 5% and 6% from a year earlier, with adjusted earnings of \$1.18 to \$1.22 a share.

Full-year earnings for 2019 are seen at \$4.38 to \$4.51 a share with adjusted earnings of \$4.62 to \$4.71 a share. Sales are expected to increase 4% to 5%.

Shares of Estée Lauder rose 3.4% to \$140.56 Monday.

—Kimberly Chin contributed to this article.

## Hertz Picks Ex-Nielsen Official as Finance Chief

BY TATYANA SHUMSKY

Car-rental giant **Hertz Global Holdings Inc.** named Jamere Jackson, the former finance chief of **Nielsen Holdings PLC**, to lead its finance team.

Mr. Jackson will join the company on Sept. 10 to succeed Thomas Kennedy. Mr. Kennedy had served as chief financial officer of the Florida-based company since December 2013 and was previously finance chief of **Hilton Worldwide Holdings Inc.**

Hertz's chief accounting officer, Robin Kramer, will act as interim CFO from Monday to Sept. 10, the company said in a filing.

Mr. Jackson was most recently CFO of Nielsen, a role he held since March 2014. Before that, he was CFO of **General Electric Co.'s Oil & Gas Drilling & Surface** and had held several roles at the conglomerate since joining

GE in 2004. Nielsen, in a regulatory filing, said Mr. Jackson tendered his resignation on Aug. 15, and the company expects to name a successor soon.

Hertz didn't respond to a request for comment. A Nielsen spokeswoman declined to comment beyond the company's regulatory filing.

Mr. Jackson's exit comes less than month after Nielsen Chief Executive Mitch Barns announced his intention to retire at year-end and as the company faces pressure from activist investor **Elliott Management Corp.** to sell itself.

"We are delighted to have Jamere join our team," Hertz Chief Executive Kathryn Marinello said in prepared remarks. "He is a strategic, results-oriented financial leader with a proven track record of operational excellence."

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## TECHNOLOGY

WSJ.com/Tech

# Game Developers Are Making It Hard For Players to Stop

Availability on multiple devices adds to allure, long hours; 'gaming disorder' draws concern

BY SARAH E. NEEDLEMAN

Videogames have gotten harder to turn off, mental-health experts and parents say, raising concerns about the impact of seemingly endless gaming sessions on players' lives.

Game developers for years have tweaked the dials not only on how games look and sound but how they operate under the hood, and such changes have made videogames more pervasive and enthralling, industry observers say.

The World Health Organization in June added "gaming disorder" to an updated version of its International Classification of Diseases, warning about a condition in which people give up interests and activities to overly indulge in gaming despite negative consequences. It is expected to be formally classified in January 2022.

Many games today are free, available on multiple devices, and double as social networks. Where once games were played and put away for a while, now game companies are routinely delivering new content aimed at keeping players constantly engaged. Some new content is available only for a limited time, a maneuver that tugs at people's fears of missing out, psychologists say.

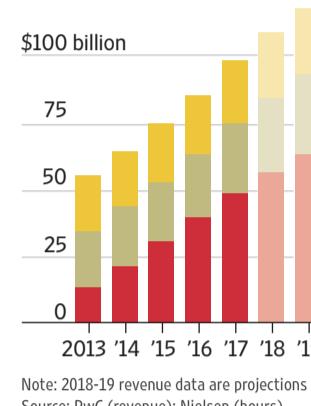
"Videogames are engineered specifically to keep

## Time Is Money

Revenue from videogames is approaching \$100 billion annually as people spend more time playing than five years ago.

### Videogame software revenue

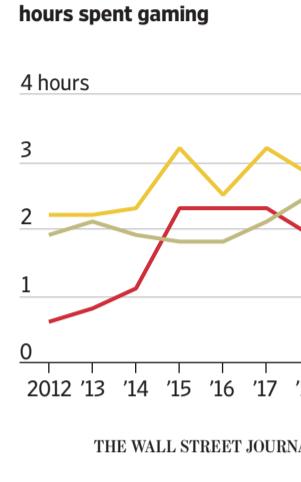
Console ■ PC ■ Mobile



Note: 2018-19 revenue data are projections

Source: PwC (revenue); Nielsen (hours)

### Average weekly hours spent gaming



THE WALL STREET JOURNAL.

people playing," said Douglas A. Gentile, a research scientist focused on the impact of media on children and adults. "They're designed to hit the pleasure centers of the brain in some of the same ways that gambling can."

The growing allure of games has parents such as Tracy Macon worried. Her 14-year-old son Matthew plays the tactical shooter game "Tom Clancy's Rainbow Six Siege" around the clock, she said. Taking away the computer he plays it on has caused meltdowns.

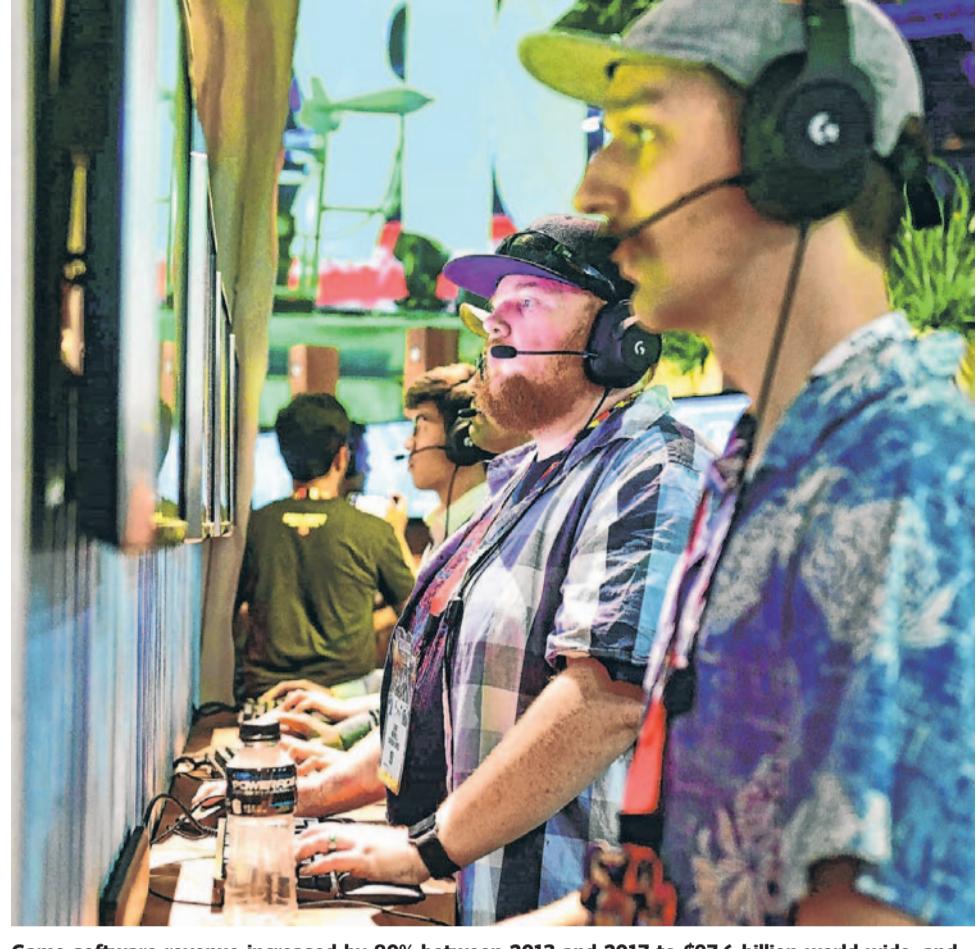
"He has no motivation to do anything else," said Mrs. Macon, 40, an office manager in Minneapolis. "It's hard for the whole family."

The videogame industry has

long challenged criticism about the harmful effects of games. Its biggest trade group—the Entertainment Software Association—said the WHO's proposal is based on "highly contested and inconclusive" research.

Some mental-health professionals say games can have a positive impact on players. They can help students improve in math and history, plus nurture team-building skills and creativity, said Rachel Kowert, a research psychologist focused on game technology. "The reputation games have is fueled by a moral panic, but their impact is more positive than negative," she said.

Videogames are more popular than ever. Game-software revenue rose 80% between



Game-software revenue increased by 80% between 2013 and 2017 to \$97.6 billion world-wide, and this year is projected to reach \$108.4 billion, according to PricewaterhouseCoopers.

FREDERIC J. BROWN/AGENCE FRANCE PRESSE/GETTY IMAGES

2013 and 2017 to \$97.6 billion world-wide, and this year is projected to reach \$108.4 billion, according to PricewaterhouseCoopers. By comparison, spending at the box office and on home-movie entertainment reached a global record of \$88.4 billion in 2017, according to the latest data available from the Motion Picture Association of America.

Among the biggest changes fueling more interest in videogames is that many, such as the megahit "Fortnite," encourage players to socialize, acting as social hot spots that are replacing malls and other teen hangouts.

After "Toon Blast" added the ability to chat and compete in tournaments with friends, people started playing

45 minutes a day on average, up from 30 minutes, according to its developer, Istanbul-based Peak Games Inc. "People like to help each other and socialize," said Ömer İnönü, director of strategy.

The average amount of time each week people in the U.S. aged 13 and older spend playing videogames rose to 7.8 hours in 2017, up 60% from 2011, the first year the survey was conducted, according to Nielsen. It doesn't survey children younger than 13 for research in this area.

The latest survey, taken in January, showed a drop to 6.5 hours a week. Nielsen didn't give an explanation. Kit Yarrow, a psychologist who specializes in consumer behavior, said people likely are more reticent

about their activity, given repeated warnings over the years. "Once people realize they have a problem, they tend to under-report their usage," she said.

"Fortnite," which has amassed at least 125 million players since its July 2017 debut, embodies many of the tactics game creators use to keep people playing. It is available on many devices—consoles, computers and smartphones—and its popular last-person-standing mode is free.

Epic Games Inc. routinely changes the "Fortnite" landscape and story line to keep players engaged. Virtual goods are frequently added to the game's store, nudging players to customize their characters and show them off to friends. Epic Games declined to comment.

# Online Luxury Retailer Farfetch Readies New Listing

BY MATTHEW DALTON

The IPO shows how digital luxury retail has become big business, driven by the imperative to cater to younger shoppers. Brands are opening their own e-commerce websites and selling through multibrand sites such as Farfetch, Net-à-Porter and China's giant online retailers, Alibaba Group Holding Ltd. and JD.Com. In the U.S., luxury brands hope e-commerce can fill the gap left

by faltering department stores. Farfetch's financial data disclosed Monday underscore how quickly the shift to online is happening: Revenue in the first half was \$268 million, up 55% year over year. In 2015, revenue for the entire year was \$152 million.

"Despite all this growth, this industry is still in its infancy," José Neves, Farfetch's founder and chief executive, wrote in a letter with Monday's filing. "Only 9% of luxury sales happen online, and the 91% that happen offline are still conducted as if we were in the 1990s!"

Farfetch has already raised hundreds of millions of dollars from myriad investors, including JD.Com, internet investor

Yuri Milner and Advance Publications Inc., the Newhouse family holding company that also owns Condé Nast, Chanel, the French brand that is one of



José Neves's brand has already raised hundreds of millions of dollars from investors.

the few remaining luxury labels to shun e-commerce, also owns a small stake in Farfetch.

For years, luxury brands were reluctant to sell over the internet, fearing doing so would erode their cachet. But younger

shoppers who came of age in the digital era are now the industry's fastest-growing clientele, forcing brands to meet their e-commerce demands.

The biggest luxury brands, such as Gucci and Louis Vuitton, have built their own e-commerce websites. Yoox Net-à-Porter is the biggest multibrand luxury site, with annual revenue of more than €2 billion (\$2.3 billion). In February, Cie. Financière Richemont SA, the Swiss luxury conglomerate that owns Cartier, said it would take full control of YNAP, paying as much as €2.69 billion for the 50% of the company it didn't already own.

Luxury brands are even forging partnerships with Ali-

baba, brushing aside past fears about counterfeits sold on the Chinese retailer's websites. Farfetch operates as a middleman, connecting online buyers with 614 luxury boutiques around the world and 375 brands that sell directly through Farfetch.com. Unlike YNAP, it doesn't manage inventory or own warehouses. Its main source of revenue is fees from sales made through its site.

While the company is growing rapidly, it is still far from being profitable. Farfetch lost \$68 million in the first half from \$29 million in the year-earlier period, according to its SEC filing.

♦ Heard on the Street: Hints of value look farfetched..... B12

the few remaining luxury labels to shun e-commerce, also owns a small stake in Farfetch.

For years, luxury brands

were reluctant to sell over the

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A Farfetch official demonstrates 'Store of the Future' technology.



While the company is growing rapidly, it is far from profitable.

LUKE MACGREGOR/BLOOMBERG NEWS

PEDRO NUNES/REUTERS

## BUSINESS NEWS

# Brewers Tap Growing African Market

In the world's poorest continent and fastest-growing beer market, global brewers are being forced to reinvent themselves.

By Julie Wernau  
in New York  
and Alexandra Wexler  
in Kampala, Uganda

Most Africans can't afford the beers that brewers such as Anheuser-Busch InBev NV, Heineken NV and Guinness maker Diageo PLC sell in other markets. That, combined with commodity price swings and the risk of high taxes on premium beers that could threaten steady profits, has led brewers to embrace low-price, locally formulated concoctions that would be unrecognizable to most Western consumers.

In Uganda, off a red-dirt road in the Bugolobi suburb of the economic capital Kampala, customers crowd into a pub the size of a freight elevator and sip on warm mugs of beer served out of a 50-liter keg. Brewed from local sorghum, the beers, called Senator, are produced by a local unit of Diageo, the world's largest liquor maker, and sell for about 1,700 Ugandan shillings (45 cents), or roughly half the price of local malt barley beers.

"It's the most popular beer for my business here," said Florence Neeza, known in Bugolobi as "Mama Keg." She sells about 10 kegs of Senator a week.

Diageo, along with AB InBev, Heineken and closely held Castel, which is 20%-owned by AB InBev, already generate 98% of the region's beer profits, largely helped by acquisitions of local brewers, according to Bernstein Research.

Beer consumption in Africa today is by far the lowest in the world, at roughly 10 liters of beer per capita, compared with 70 liters in North America and Western Europe. However, it is the fastest-expanding market and more profitable than other emerging



Men drink Senator beer poured from a keg at a bar in Kangema, Kenya. Brewed from local sorghum, the beer is produced by a local unit of Diageo.

ANDREW REINNEISEN FOR THE WALL STREET JOURNAL

economies in Eastern Europe and Asia, according to Bernstein. As drinkers in Europe and the U.S. turn away from beer in favor of spirits and nonalcoholic beverages, Africa's importance to brewers is growing.

In a year-end update in July, Diageo Africa President John O'Keeffe told investors the company's strategy in the continent has been to tap consumers who cannot afford to drink its core brands. "This allows us to rely less on the pace at which the middle class emerges given economic volatility, and more on accessing the opportunity here and now," Mr. O'Keeffe said.

Still, the African market remains unpredictable for multinational companies hoping to build a long-lasting business, analysts said. For some companies whose brews were hits with the continent's poorest drinkers, their fortunes were

## Governments Try to Cash In

Some governments in Africa, seeing beer's rising popularity, have been raising taxes, forcing brewers to decide whether to absorb higher costs or pass them on to consumers, many of whom can barely afford a brand-name brew.

That turns drinkers back to

quickly reversed by currency shortages and fluctuations in commodity prices tied to African economies. Such booms and busts can hit company bottom lines and consumers' pockets.

In Angola, Bernstein estimates that beer sales volumes fell more than 30% over the past three years as the economy took a significant blow from weak prices for its oil ex-

ports that led the country to devalue its currency. For Diageo, sales increases in Ghana were offset by declines in Cameroon because of social unrest, and Ethiopia because of political instability and currency devaluation. In Zimbabwe, hyperinflation has led to a beer shortage because brewers were unable to obtain enough dollars to import pack-

aging materials.

Africa could account for

40% of global volume and profit growth for the beer industry over the next decade, according to Deutsche Bank. The lender cited affordability as a key issue, because only 15% of consumers in Africa can currently afford a beer. By halving the price, the share of adults who can afford a beer

rises from 15% to 40%.

"[In Africa], there is an ingrained beer culture, the population is very young and income levels are rising," said Babatunde Ojo, a portfolio manager at Harding Loevner invested in African breweries. "But the price point is very important."

In Buakele, another dusty suburb of Kampala, Chibuku Shake Shake, made by a unit of AB InBev from locally produced sorghum, is a popular drink at 1,500 Ugandan shillings a bottle.

Dickens Tugume, a plumber sipping on a bottle of Chibuku, said he switched to the brand two years ago to cut down on personal costs.

"With Chibuku, I can afford a few more bottles than before," said the 31-year-old father of two, who drinks three to four beers a day.

—Nicholas Bariyo contributed to this article.

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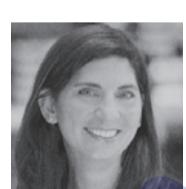
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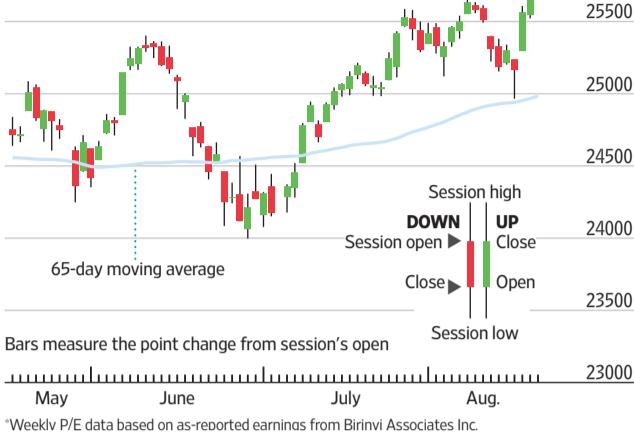
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 P/E estimate \* 16.48 18.92  
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May June July Aug.

\*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

## S&amp;P 500 Index

**2857.05** ▲ 6.92, or 0.24%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.79 23.49  
 P/E estimate \* 17.62 18.69  
 Dividend yield 1.83 2.00  
 All-time high 2872.87, 01/26/18



May June July Aug.

## Nasdaq Composite Index

**7821.01** ▲ 4.68, or 0.06%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.02 23.33  
 P/E estimate \* 21.22 21.20  
 Dividend yield 0.97 1.12  
 All-time high: 7932.24, 07/25/18



May June July Aug.

7900  
7725  
7550  
7375  
7200  
7025  
6850

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						High	Low		
Dow Jones									
Industrial Average	25790.17	25716.41	<b>25758.69</b>	89.37	<span style="background-color: #00A000; color: white;">0.35%</span>	26616.71	21703.75	<b>18.7</b>	4.2 <b>14.9</b>
Transportation Avg	11385.62	11233.84	<b>11361.86</b>	134.06	<span style="background-color: #00A000; color: white;">1.19%</span>	11373.38	9021.12	<b>24.6</b>	7.1 <b>12.0</b>
Utility Average	744.62	738.73	<b>740.03</b>	-3.93	<span style="background-color: #FF0000; color: white;">-0.53%</span>	774.47	647.90	<b>-0.2</b>	2.3 <b>7.0</b>
Total Stock Market	29710.44	29603.95	<b>29683.04</b>	78.16	<span style="background-color: #00A000; color: white;">0.26%</span>	29683.04	25054.18	<b>18.5</b>	7.3 <b>11.9</b>
Barron's 400	774.16	768.56	<b>773.13</b>	4.12	<span style="background-color: #00A000; color: white;">0.54%</span>	773.13	629.56	<b>22.8</b>	8.7 <b>12.8</b>

## Nasdaq Stock Market

Nasdaq Composite	7837.14	7787.90	<b>7821.01</b>	4.68	<span style="background-color: #00A000; color: white;">0.06%</span>	7932.24	6213.13	<b>25.9</b>	13.3 <b>17.0</b>
Nasdaq 100	7395.75	7343.47	<b>7371.42</b>	-6.13	<span style="background-color: #FF0000; color: white;">-0.08%</span>	7508.59	5786.54	<b>27.4</b>	15.2 <b>18.9</b>

## S&amp;P

500 Index	2859.76	2850.62	<b>2857.05</b>	6.92	<span style="background-color: #00A000; color: white;">0.24%</span>	2872.87	2428.37	<b>17.7</b>	6.9 <b>12.0</b>
MidCap 400	2021.60	2010.37	<b>2018.44</b>	8.25	<span style="background-color: #00A000; color: white;">0.41%</span>	2018.44	1691.67	<b>19.3</b>	6.2 <b>11.5</b>
SmallCap 600	1078.60	1070.38	<b>1076.42</b>	3.83	<span style="background-color: #00A000; color: white;">0.36%</span>	1076.42	817.25	<b>31.7</b>	15.0 <b>16.2</b>

## Other Indexes

Russell 2000	1701.13	1690.18	<b>1698.69</b>	5.75	<span style="background-color: #00A000; color: white;">0.34%</span>	1706.99	1356.90	<b>25.2</b>	10.6 <b>13.2</b>
NYSE Composite	12973.56	12929.43	<b>12965.10</b>	56.84	<span style="background-color: #00A000; color: white;">0.44%</span>	13637.02	11719.27	<b>10.6</b>	1.2 <b>7.4</b>
Value Line	585.45	581.71	<b>584.80</b>	3.09	<span style="background-color: #00A000; color: white;">0.53%</span>	589.69	503.24	<b>16.2</b>	4.0 <b>7.5</b>
NYSE Arca Biotech	5096.16	5051.25	<b>5071.66</b>	-7.37	<span style="background-color: #FF0000; color: white;">-0.15%</span>	5177.87	3804.07	<b>33.3</b>	20.1 <b>9.6</b>
NYSE Arca Pharma	584.30	580.00	<b>583.66</b>	4.89	<span style="background-color: #00A000; color: white;">0.84%</span>	593.12	515.90	<b>13.1</b>	7.1 <b>0.2</b>
KBW Bank	110.64	109.84	<b>110.52</b>	0.47	<span style="background-color: #00A000; color: white;">0.42%</span>	116.52	89.71	<b>19.0</b>	3.6 <b>13.6</b>
PHLX® Gold/Silver	66.78	65.45	<b>66.11</b>	0.19	<span style="background-color: #00A000; color: white;">0.29%</span>	93.26	64.27	<b>-22.6</b>	-22.5 <b>7.1</b>
PHLX® Oil Service	141.12	138.13	<b>140.77</b>	2.80	<span style="background-color: #00A000; color: white;">2.03%</span>	170.18	118.11	<b>19.2</b>	-5.9 <b>-5.6</b>
PHLX® Semiconductor	1330.01	1307.46	<b>1322.10</b>	-1.32	<span style="background-color: #FF0000; color: white;">-0.10%</span>	1449.90	1064.52	<b>24.2</b>	5.5 <b>30.5</b>
Cboe Volatility	12.79	12.26	<b>12.49</b>	-0.15	<span style="background-color: #FF0000; color: white;">-1.19%</span>	37.32	9.14	<b>-5.3</b>	13.1 <b>-13.3</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
VanEck Vectors Jr Gold	GDXJ	4,000.6	27.82	0.01	<span style="background-color: #00A000; color: white;">0.04%</span>	27.85	27.79	
Newell Brands	NWL	3,765.6	21.75	...		unch.	21.76	21.55
VanEck Vectors Gold Miner	GDX	3,605.1	18.85	0.06	<span style="background-color: #00A000; color: white;">0.32%</span>	18.87	18.77	
Consumer Disc Sel Sector	XLY	3,295.8	113.40	0.09	<span style="background-color: #00A000; color: white;">0.08%</span>	113.57	113.22	
Vanguard Total Stock Mkt	VTI	3,148.2	147.70	0.25	<span style="background-color: #00A000; color: white;">0.17%</span>	147.85	146.91	
Invesco QQQ Trust I	QQQ	2,914.5	179.65	-0.05	<span style="background-color: #FF0000; color: white;">-0.03%</span>	179.95	179.61	
SPDR S&P 500	SPY	2,638.6	285.56	-0.11	<span style="background-color: #FF0000; color: white;">-0.04%</span>	285.85	285.50	
First Data CIA	FDC	2,435.5	25.18	...		unch.	25.38	25.13

## Percentage gainers...

Fabrinet	FN	160.4	47.06	3.06

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg		
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	2,658.00	2,662.50	2,652.00	2,663.00	0.0390	699	
Aug	2,675.65	2,700.50	2,660.00	2,686.00	0.0385	106,202	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	1,184.80	1,190.00	1,184.40	1,186.80	10.30	246	
Aug	1,185.50	1,193.20	1,185.30	1,190.20	10.40	57,733	
Dec	1,190.40	1,197.70	1,189.60	1,194.60	10.40	359,550	
<b>Feb'19</b>	1,196.20	1,203.00	1,195.40	1,200.10	10.40	32,652	
June	1,209.60	1,213.80	1,209.60	1,211.50	10.40	7,192	
Dec	1,227.90	1,231.60	1,227.30	1,229.60	10.30	3,967	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.	886.90	903.50	886.30	898.70	20.90	14,103	
Sept	883.70	896.00	881.00	891.70	20.10	9,481	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.	786.60	794.70	786.60	792.50	16.60	39	
Oct	786.90	797.90	786.10	793.90	16.60	76,639	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.	14,700	14,700	14,630	14,655	0.039	45	
Sept	14,725	14,830	14,625	14,670	0.039	126,283	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	85.67	66.68	65.59	66.43	0.52	57,511	
Sept	65.15	65.62	64.85	65.42	0.21	394,495	
Nov	64.87	65.35	64.58	65.10	0.16	181,203	
Dec	64.58	65.08	64.27	64.80	0.14	296,616	
<b>Jan'19</b>	64.32	64.82	64.07	64.55	0.12	169,658	
Dec	61.64	62.09	61.52	61.89	0.11	217,050	
<b>NY Harbor UlSD (NYM)</b> -42,000 gal.; \$ per gal.	1,906.00	2,021.60	1,972.5	2,051.00	0.0342	67,572	
Sept	1,884.40	1,918.6	1,876.7	1,910.9	0.0268	143,085	
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.	2,928	2,954	2,903	2,941	-0.005	114,830	
Sept	2,929	2,948	2,905	2,932	-0.017	215,673	
Nov	2,965	2,981	2,943	2,966	-0.020	185,171	
<b>Jan'19</b>	3,146	3,160	3,125	3,145	-0.023	197,996	
March	3,002	3,017	2,987	3,006	-0.022	169,153	
April	2,695	2,707	2,686	2,701	-0.007	141,125	

## Agriculture Futures

Corn (CBT)	5,000 bu; cents per bu.
Sept	365.25 366.00 359.50 362.00 -2.25 297,012

## Cash Prices | WSJ.com/commodities

Monday, August 20, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday						Monday
	Energy	Fibers and Textiles	Grains and Feeds	Food	Metals	Others	
Propane,tet,Mont Belvieu-g	0.9544						(U.S.\$ equivalent) *14,600.00
Butane,normal,Mont Belvieu-g	1,1310						10899
NaturalGas,HenryHub-i	2,990						
NaturalGas,TranscoZone3-i	2,960						
NaturalGas,TranscoZone6-NY-i	3,010						
NaturalGas,PanhandleEast-i	2,420						
NaturalGas,Opal-i	2,700						
NaturalGas,MarcellusNE PA-i	2,610						
NaturalGas,HaynesvilleNLA-i	2,880						
Coal,C Apic,1,250,000Btu,1,2S02-r,w	73,200						
Coal,PwdrRvrBsn,8800Btu,0.8S02-r,w	12,150						
<b>Gold, per troy oz</b>							
Engelhard industrial	1190.17						
Engelhard fabricated	1279.43						
Handy & Harman base	1184.35						
Handy & Harman fabricated	1314.62						
LBMA Gold Price AM	*1176.70						
LBMA Gold Price PM	*1178.40						
Krugerrand wholesale-e	1235.42						
Maple Leaf-e	1247.30						
American Eagle-e	1247.30						
Mexican peso-e	1440.25						
Austria crown-e	1167.38						
Austria phil-e	1247.30						
<b>Silver, troy oz.</b>							
Engelhard industrial	14,7500						
Engelhard fabricated	17,7000						
Handy & Harman base	14,6850						
Handy & Harman fabricated	18,3560						
LBMA spot price	*111,400						
<b>Metals</b>							
<b>Gold, per troy oz</b>							
Engelhard industrial	1190.17						
Engelhard fabricated	1279.43						
Handy & Harman base	1184.35						
Handy & Harman fabricated	1314.62						
LBMA Gold Price AM	*1176.70						
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American Eagle-e	1247.30						
Mexican peso-e	1440.25						
Austria crown-e	1167.38						
Austria phil-e	1247.30						
<b>Silver, troy oz.</b>							
Engelhard industrial	14,7500						
Engelhard fabricated	17,7000						
Handy & Harman base	14,6850						
Handy & Harman fabricated	18,3560						
LBMA spot price	*111,400						
<b>Energy</b>							
Barley,top-quality Mnpls-u	n.a.						
Bran,wheat middlings,KC-u,w	81						
Corn,No.2 yellow,Cent Il-bp,u	3,3100						
Corn gluten feed,Midwest-u,w	111.5						
Corn gluten meal,Midwest-u,w	435.2						
Cottonseed meal-u,w	255						
Homing feed,Cent Il-u,w	98						
Meat-bonemeal,50% pro Mnpls-u,w	253						
Oats,No.2 milling,Mnpls-u	2,9350						
Rice, Long Grain Milled, No. 2 AR-u,w	25.75						
Sorghum,(Milo) No.2 Gulf-u	7,7950						
SoybeanMeal,Cent Il,rail,ton48%-u	338.20						
<b>Fibers and Textiles</b>							
Burlap,10-oz,40-inch NY yd-n,w	0.5700						
Cotton,11/16 std lwd mdMphs-u	0.8160						
Cotlook 'A' Index-t	*91.75						
<b>Grains and Feeds</b>							
Barley,top-quality Mnpls-u	n.a.						
Bran,wheat middlings,KC-u,w	81						
Corn,No.2 yellow,Cent Il-bp,u	3,3100						
Corn gluten feed,Midwest-u,w	111.5						
Corn gluten meal,Midwest							



## BANKING &amp; FINANCE

# Stock Markets Face Stiffer Competition

Tesla becomes the latest high-profile company to ponder going private

BY BEN EISEN

The rise of private markets where companies are free from the constraints of quarterly reporting is already reshaping the makeup of the public stock market.

It has sparked a secular decline in public listings. It has led a prominent CEO to recently declare his intention to consider taking his company private. It could also result in a loosening of rules around what is required of public companies.

On Friday, President Trump said he instructed the Securities and Exchange Commission to study whether companies should release earnings twice

a year, rather than four times. He tweeted that business leaders told him it "would allow greater flexibility & save money."

Such a practice, while potentially helping companies to move away from short-term profit goals, would also limit investors' visibility into corporate performance, a move that echoes the more-limited transparency among private companies.

It is a clear sign that for public-trading venues, private markets have grown to be tougher competition. Ample venture funding and low rates have left companies with myriad options for raising capital without going through an increasingly expensive initial-public-offering process and adhering to stringent listing requirements.

There are now fewer public U.S. companies than in 1976, even though gross domestic

## Dwindling

The number of publicly listed companies has declined in recent decades as fewer companies elect to go public.

### Number of U.S. common stocks



\*As of June 30 †As of Aug. 20

Sources: CRSP and Steve Kaplan, University of Chicago Booth School of Business (companies); Dealogic (IPOs)

### Number of U.S.-listed initial public offerings



THE WALL STREET JOURNAL.

product has grown sharply over the four-decade-plus period, according to a report from investment bank Credit Suisse last year.

The public markets could lose one of its higher-profile members if Tesla Inc. chief Elon Musk gets his way and completes a take-private deal.

Though the outcome of that effort is uncertain, Mr. Musk indicated in a memo last week that his thinking is influenced by a grass-is-greener view of



A foreign-exchange employee handles Turkish lira bank notes in Istanbul. The dollar moved higher against the lira on Monday.

## Being a Contrarian On Turkey

Continued from page B1  
such an approach works in general, both because judging when trades are overly crowded is no science, and because assessments tend to rely on hindsight.

Every investment bank has a measure of investor sentiment, but they work best at extremes—and it is only with hindsight that we can be sure an extreme has been hit. Sometimes investors are more bullish than ever before, then become even more bullish, and investors who bet against the trend can get crushed before the eventual pullback. Occasionally, the crowd is even proved

correct, and there is no pullback.

Robert Buckland, chief global equity strategist at Citigroup, produces an annual assessment of the most contrarian bet on stocks at the end of the year, and says mostly it doesn't work.

"Equities are trending assets, so you get killed by momentum, but it works better in FX," he says. This has been another terrible year for a simple annual contrarian approach to stocks, with a loss of 15% so far: The companies bought by the strategy are broadly flat, while those it sold are up strongly.

Ultimately, any contrarian approach is a view that when everyone agrees, they are likely to be wrong. Economist John Maynard Keynes in 1936 compared investing to a beauty contest, where contestants have to pick the face that on

average other people find most attractive, with the result that investment is about "anticipating what average opinion expects the average opinion to be." The contrarian cares little or nothing about the outlook for profits or the economy, only about spotting when

Managers who knew little about Turkey were pontificating about its weakness.

average opinion has become too extreme, and is likely to snap back.

Keynes worried that such a disconnect from the fundamentals was bad for the economy, and bemoaned the obsession with liquidity, the ease of trading—perhaps not surprisingly given he

was almost bankrupted trading currencies based on economic fundamentals.

In Turkey, Mr. McNamara has found it easier to stay focused on the fundamentals, because the lira has become so illiquid that he can't make short-term trades of a significant size anyway.

Only a small proportion of investors can be contrarian, and it can work as a stand-alone strategy only at true extremes of bullish or bearish sentiment, not all the time. It may also lead to horrible losses when bubbles just keep on inflating, or trends continue much longer than expected, as the bet on the FANGS—Facebook, Amazon.com, Netflix and Google parent Alphabet—did this year. But when luck and skill come together, the contrarian gets very large gains very quickly as sentiment snaps back.

In my case, I'm hoping for a nice lunch.

## Brokerage Fined Over Short Selling

BY ALEXANDER OSIPOVICH

A unit of Interactive Brokers Group Inc., one of the largest U.S. retail brokerages, was fined \$5.5 million over allegations that it broke federal rules on the "naked" short selling of stocks thousands of times over a three-year period.

Wall Street's self-regulator, the Financial Industry Regulatory Authority, announced the fine on Monday. The company's securities brokerage unit, Interactive Brokers LLC, neither admitted nor denied wrongdoing as part of the settlement.

Short sellers profit when the value of a security falls.

In a short sale, a trader borrows stock from a third party and sells it in the hope of buying it back later for a lower price.

Traders are typically allowed to sell the stock before they borrow it, as long as they do so within several days after the sale.

In so-called naked short selling, a trader doesn't follow through on the promise to borrow. Regulators say the practice distorts markets, because it can lead to abuses in which traders push the price of a stock to abnormal lows.

Interactive Brokers ignored repeated "red flags," including multiple warnings from its own staff, that its systems and procedures were inadequate to satisfy Securities and Exchange Commission regulations designed to stop such abuses, Finra said.

As a result, the Greenwich, Conn., brokerage accepted and executed orders in violation of SEC rules on naked short selling around 28,000 times from 2012 to 2015, according to Finra.

Firms that are aware of deficiencies in their supervisory systems must promptly

remediate them," Susan Schroeder, a Finra enforcement official, said in a press release.

"In this case, the firm internally identified the problems, yet did not revise its supervisory systems for more than three years, creating the potential for negative impact to the markets and investor harm," Ms. Schroeder added.

Interactive Brokers "cooperated with Finra during its inquiry and took corrective action on the matters raised by Finra in 2015," a spokeswoman for the company said in an emailed statement.

A Finra spokesman declined to elaborate on the case beyond what was written in the

*Finra said the retail brokerage firm ignored repeated 'red flags.'*

press release and a settlement letter that was also released publicly.

Naked short selling isn't necessarily against the rules, and regulators say in some cases it can benefit the markets by making it easier for investors to buy and sell stocks.

Still, the practice has periodically come under fire from investors, regulators and chief executives upset about short sellers' attacks on their companies' shares.

The SEC toughened its rules on the practice in 2009, after naked short sellers were accused of preying on shaky banks during the financial crisis and exacerbating the declines of their shares.

Some investment-bank executives who counted short sellers as clients were among those who complained.

## Merrill Settles Charges It Mishandled Accounts

BY LISA BEILFUSS

Merrill Lynch will pay \$8.9 million to settle charges it failed to disclose a conflict of interest, the Securities and Exchange Commission said Monday.

The SEC said that Merrill, the brokerage arm of **Bank of America** Corp., mishandled 1,500 investor accounts through its relationship with a third-party product provider.

Investors had about \$575 million in the products, managed by a subsidiary of an unnamed foreign multinational bank, the SEC said.

According to the SEC, Merrill Lynch halted new investments into certain products because of pending management changes at the third-party bank, and Merrill's governance committee planned to vote on a recommendation to terminate the products and offer clients alternatives.

The SEC alleges that the third party appealed to senior Merrill Lynch executives, stymying the governance committee's

vote and resulting in an eventual decision to offer the third party's products to new Merrill accounts.

"By failing to disclose its own business interests in deciding whether certain products should remain available to investment advisory clients, Merrill Lynch deprived its clients of unbiased financial advice," said Marc Berger, director of the SEC's New York regional office.

Merrill Lynch settled the claims without admitting or denying the SEC's findings.

"We promptly enhanced our policies and procedures to ensure the confidentiality of recommendations in the future," a Merrill Lynch spokesman said.

The SEC is crafting a rule meant to put tighter restraints on broker conflicts that can influence investment advice. In April, SEC commissioners voted 4 to 1 in favor of a proposed rule that would require brokers to act in clients' best interest; the regulator is sifting through comment letters that may shape a final rule.

Instead of searching the in-

## Investors Move to Activity-Booking Sites

BY KATIE ROOF

Investor activity is picking up for activity-booking sites in an increasingly crowded market.

A series of funding rounds for tour-booking startups like **Klook Travel Technology** Inc. highlights investors' continuing hunt to build on the successes of big incumbents like **Booking Holdings** Inc. and **Expedia**.

Hong Kong-based Klook raised \$200 million in venture funding in early August for its activity-booking business. That follows recent funding rounds for **Peek Travel**, **Get-YourGuide**, **TourRadar** and other startups in adjacent market segments.

Investors last year bet \$1.6 billion on 66 deals for venture-backed travel-related startups, excluding transportation, according to PitchBook Data Inc.

The businesses generally help travelers and local adventurers find and schedule events ranging from boat rides to cooking tours.

Instead of searching the in-

ternet for ideas, curated suggestions can be found and paid for directly via mobile apps.

"Most people book airfare and hotels online and we really don't think it should be that different with tours and activities," said Dave Yuan, a general partner at TCV, which invested in Klook and TourRadar.

The firm also invested in **Airbnb** Inc., which offers a travel service in the category.

Instead of searching the in-

ternet for ideas, curated suggestions can be found and paid for directly via mobile apps.

"Consumers today demand online, mobile, real-time availability and booking," Mr. Flint said. "Online travel is an enormous global market and the in-destination spend is the biggest segment that has yet

to come online in a big way."

Airbnb, he said, could potentially be beneficial to adjacent businesses because people are staying at places without on-site concierges, driving them online to search for local activities.

"The market is increasingly fragmented away from hotels due to Airbnb and alternative accommodation driving consumers to help themselves," Mr. Flint said.

Yet sites like Airbnb and Expedia also make it easier to book experiences from the get-go. Some travelers may prefer to book activities while they are booking flights and accommodations.

And a saturated marketplace could drive margins down, with startups lowering commissions to compete for the consumer's wallet.

The nature of the business also means that sales are harder to predict. Repeat customers are likely to only use the platforms from time to time for the occasional vacation or local excursion.

Added TCV's Mr. Yuan: "It's not recurring revenue."



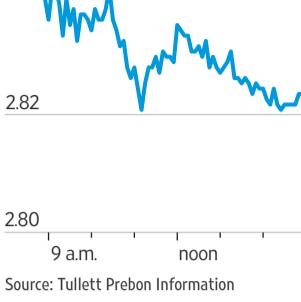
BILLY H.C. KWOK/BLOOMBERG NEWS

## MARKETS

## Falling

The 10-year Treasury yield declined Monday as its price rose.

2.86%



Source: Tullett Prebon Information  
THE WALL STREET JOURNAL.

## Yields Slip As Fears Of Squeeze Emerge

By DANIEL KRUGER

U.S. government bonds rose Monday as investors remain concerned about geopolitical turmoil over trade and escalating tensions with Turkey.

The yield on CREDIT MARKETS the benchmark 10-year Treasury note fell to its lowest since

May 29, to 2.823% from 2.873% Friday. Yields fall as bond prices rise.

U.S. officials rejected an effort by Turkey to tie the release of a U.S. pastor with relief for a major Turkish bank facing billions of dollars in U.S. fines, telling Ankara other issues are off the table until the minister is freed, a senior White House official said.

With no new U.S. economic indicators, many analysts also turned toward data on investor positioning.

Speculative investors have placed a record number of bets that 10-year Treasury future prices will decline, according to a Commodity Futures Trading Commission report. Concerns about the bets grew after Jeffrey Gundlach of DoubleLine Funds said Monday on Twitter that there is the potential for a "squeeze," which could drive bond prices higher.

In a short squeeze, the price of a security rises, forcing investors who have short positions that benefit from the drop in that asset's price to buy more to close out their bets on declining prices. As more investors do this, it creates additional demand for the security, driving its price up further. "You have to be concerned about what's going on overseas," said Thomas Roth,

managing director in the rates trading group at MUFG Securities Americas Inc. With the potential for trade and political tensions to flare amid thin trading, where markets can move quickly on little news, "the market is vulnerable to some sort of squeeze," he said.

## AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

## 13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$151,081,638,700	\$139,731,293,500
Accepted bids	\$51,000,242,700	\$45,000,196,500
"noncomp"	\$874,363,700	\$798,288,500
"foreign noncomp"	\$300,000,000	\$326,000,000
Auction price (rate)	99.479944	98.895361
(2.03%)	(2.185%)	
Coupon equivalent	2.07%	2.24%
Bids at clearing yield accepted	96.86%	62.66%
Cusip number	912796QK8	912796QY8

Both issues are dated Aug. 23, 2018. The 13-week bills mature on Nov. 23, 2018; the 26-week bills mature on Feb. 21, 2019.

## Deal Activity Boosts U.S. Stocks

By AMRITH RAMKUMAR  
AND RIVA GOLD

The Dow Jones Industrial Average rose to its highest level since early February on Monday, lifted by investor optimism about deal activity and trade developments.

A busy year for mergers and acquisitions continued as MONDAY'S MARKETS PepsiCo agreed to buy home-carbonation company SodaStream International for \$3.2 billion, the latest move by the company to diversify away from sugary sodas and salty snacks.

Meanwhile, Tyson Foods said it would buy Keystone Foods, a supplier of chicken nuggets to McDonald's and other companies, for \$2.2 billion as part of its strategy to bolster its protein offerings.

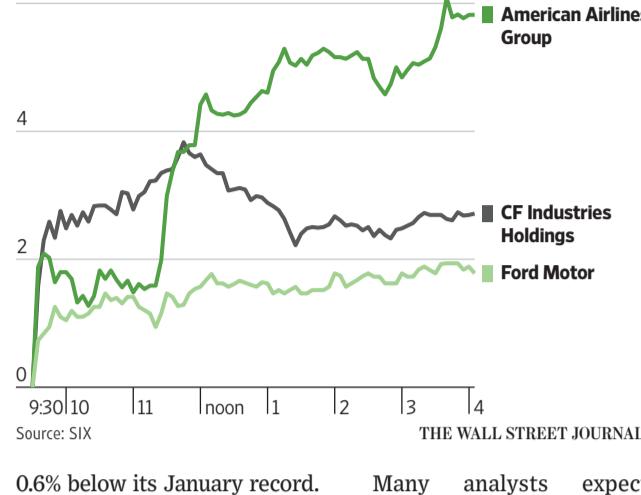
Despite worries about weakness in emerging markets and the trade fight between the U.S. and China, stocks have shown resilience this summer and M&A activity has surged.

"The signal that we can take away from that is that sentiment has not been hit sufficiently by the trade uncertainty that it puts business decisions in question," said Gabriela Santos, global market strategist at J.P. Morgan Asset Management.

The Dow industrials climbed 89.37 points, or 0.3%, to 25758.69—their highest close since Feb. 1. The S&P 500 added 6.92 points, or 0.2%, to 2857.05, bringing it

## Perking Up

Growth-sensitive materials and industrial companies were among the market's leaders Monday.



Source: SIX THE WALL STREET JOURNAL.

0.6% below its January record. The tech-heavy Nasdaq Composite edged up 4.68 points, or less than 0.1%, to 7821.01. The trio of indexes has climbed in three straight sessions.

Stocks tied to commodities and global growth lifted large indexes, with the materials, energy and industrials sectors ranking as the S&P 500's best performers. Investors are now waiting to see if the S&P 500 can set a new high after the index came within 0.5% of that level earlier this month.

Among individual stocks, American Airlines Group climbed \$2.20, or 5.8%, to \$39.99, its largest one-day advance since October. Retailers also climbed ahead of Kohl's earnings Tuesday, with Macy's rising 2.18, or 6.1%, to 38.21.

Many analysts expect strong economic data and earnings to continue buoying large indexes. Others have been encouraged by the latest trade headlines late last week. Negotiators from the U.S. and China have been working on talks to try to end their trade standoff ahead of planned meetings between President Trump and Chinese leader Xi Jinping at multilateral summits in November, The Wall Street Journal reported.

Worries about a growth-hindering trade conflict have hurt stocks around the world and other risk assets such as commodities in recent months. Minutes from the Federal Reserve's August meeting, due this week, as well as the Kansas City Fed's annual Jackson



PepsiCo has agreed to buy seltzer-machine maker SodaStream. JOHN SCULLY/GETTY IMAGES FOR SODASTREAM USA

Hole symposium, could show how central bankers view the latest developments, analysts said.

Investors were also watching the Turkish lira Monday, as the currency's sharp declines this summer have fueled anxiety about the declines spreading to other emerging markets. It edged lower against the dollar Monday.

S&P Global Ratings and Moody's Investors Service on Friday downgraded Turkey one notch further below investment grade, citing recent extreme economic and financial volatility.

"When it comes to Turkey specifically, I wouldn't say they're out of the woods just yet," said Mohammed Kazmi, a portfolio manager at Union

Bancaire Privée, saying the country's central bank will have to raise interest rates significantly to reassure investors.

On Monday, the WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, dropped 0.3%. The yield on the benchmark 10-year U.S. Treasury note declined to 2.823%—its lowest close since May—from 2.873% Friday. Yields fall as bond prices rise.

Gains in commodity-linked firms pushed the Stoxx Europe 600 up 0.6% after the index posted its biggest weekly decline since June.

Early Tuesday, Japan's Nikkei 225 was down 0.3%, while the Shanghai Composite was up 0.4%.

## Central Bank Parley Looms Over Dollar

By IRA IOSEBASHVILI

The dollar edged lower Monday, as investors awaited the Jackson Hole, Wyo., symposium later this week to get a better read on how central bankers view the global economy.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, dropped 0.3% to 89.56.

The Federal Reserve Bank of Kansas City will hold its annual economic-policy symposium in Jackson Hole beginning Thursday.

Investors will be parsing comments from Federal Reserve Chairman Jerome Powell for clues on how the central bank views a range of issues, from the U.S. economy's recent performance to the turmoil in emerging markets.

Later in Monday's session, the U.S. currency extended its losses after Reuters reported that President Trump criticized Mr. Powell for raising interest rates.

Higher rates tend to boost the dollar by making the currency more appealing to yield-seeking investors.

It isn't the first time Mr. Trump has griped about monetary policy. Mr. Trump last month expressed frustration that rising interest rates had buoyed the dollar and said he hoped the Fed would stop tightening. A stronger dollar makes U.S. exports less competitive abroad.

In late New York trading, the euro was up 0.4% at \$1.1484 and the dollar lost 0.4% against the Japanese yen to ¥110.07.



REUTERS

A copper plant in China. The country is a major consumer of industrial metals and exerts a significant influence on the market.

## Metals Get Lift From Letup in Tensions

By DAVID HODARI  
AND BENJAMIN PARKIN

Metal prices started the week higher, as concerns about economic troubles in China and Turkey and their follow-on effect on other emerging markets appeared to ease.

Front-month copper contracts for August delivery rose 1.5% to \$2.6635 a pound at the Comex division of the New York Mercantile Exchange, the third consecutive day of gains after tumbling early last week. The more-active September contract also rose 1.5%.

The gold price for August climbed 0.9% to \$1,186.80 a troy ounce but was still down from a week ago, with the October contract also higher.

Both metals last week hit lows not seen in more than 12 months, when spiraling ten-

sions between Washington and Ankara raised fears about emerging-market contagion at the same time that weak data pointed to risks to the growth of the Chinese economy.

Those developments pushed the dollar higher against emerging-market currencies, making dollar-denominated commodities more expensive for other currency holders.

But after Beijing and Washington raised the possibility of low-level trade talks, those foreign-exchange moves started to reverse Friday.

The yuan was up 0.3% against the dollar Monday, with the WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, down 0.3% in late afternoon trading in New York.

China is a major consumer of industrial metals.

"The fact that the Chinese

yuan has stopped depreciating and has been on the up again for the last three days appears to be playing a role" in base metals' recovery, Commerzbank analysts said in a note.

But investors expecting copper to sustain its early-week surge are likely to be disappointed in coming weeks, analysts say.

"Last week's news of fresh trade talks helped things, but we were optimistic last time and we know what happened since. Investors' skin has been hardened to comments from Donald Trump," said Geordie Wilkes, analyst at Sucden Financial Research.

While last week's moves highlighted the market's potential for volatility, lower seasonal trading volumes also played a role, and the growing market expectation for two more Federal Reserve interest-

rate increases in 2018 may sustain the rise in the dollar through the second half, Mr. Wilkes said.

Data from CME Group put the chances of a rate increase at the Fed's next meeting on Sept. 26 at 96%.

Aside from the macroeconomic outlook, bullish forecasts for copper prices based on supply considerations were dealt a blow at the end of last week, when workers at BHP Billiton Ltd.'s Chilean Escondida operation, the world's biggest copper mine, accepted management's most recent wage offer. The market had expected a repeat of last year's 44-day strike.

In a week lacking significant Chinese economic-data releases, investors kept an eye out for any further trade-talk news, as well as speeches from Fed board members.

## Oil Prices Rise on Hopes for U.S.-China Tariff Deal

By SARAH MCFARLANE  
AND DAN MOLINSKI

U.S. oil prices rose Monday as investors looked ahead to a meeting this week between U.S. and Chinese officials that may start to resolve a trade

fight that sparsely fears of wakar global economic growth and less demand for oil.

Light, sweet crude for September delivery ended 0.8% higher at \$66.43 a barrel on the New York Mercantile Exchange. Brent crude, the global benchmark, rose 0.5% to \$72.21 a barrel.

U.S. oil prices have ended

lower on a weekly basis in

each of the past seven weeks and are now about \$8 below a multiyear high of \$74 a barrel reached in late June. Partly fueling those declines have been fears a U.S.-China dispute over tariffs could escalate into a full-blown trade war that would eat into global oil-consumption rates.

But after months without bilateral talks on the issue, hopes are running high the talks will lay the groundwork for a trade agreement.

"If there is some deal, then it is a risk-on environment and oil will benefit," said Giovanni Staunovo, a commodities analyst at UBS Wealth Management.

Oil prices also got a boost from a report showing a rela-

tively small increase in oil inventories at the U.S. commercial hub in Cushing, Okla. The biweekly Genscape report showed crude-oil storage rose to 26.7 million barrels as of

Friday, up 519,000 from the previous Friday, according to a person who saw the report.

This compares with the previous week's official government data that showed a large

increase of 1.6 million barrels, so some investors viewed this new Genscape data as supporting prices.

Investors also kept an eye on oil-rich Venezuela after the government Friday announced a widely criticized economic plan that includes a huge devaluation of its currency. Many of the measures began to be implemented Monday.

At the same time, U.S. oil producer ConocoPhillips said Monday it has settled a long-running legal dispute with Venezuela's state oil company, PdVSA, saying it will recover \$2 billion.

As part of the deal, Houston-based ConocoPhillips said it would suspend further legal actions against PdVSA, which

could lead to the freeing up of some PdVSA assets, including oil supplies.

Some analysts said this deal could weigh on oil prices as it may mean more oil supply coming to market. But Phil Flynn at Price Futures in Chicago said he doesn't anticipate much overall impact on global oil prices.

"While the deal does allow Venezuela some more flexibility and lowers the chances that their assets will be confiscated, they still lack enough cash available to allow too much of a change from the status quo," Mr. Flynn said.

A driver for oil prices later this week could be Wednesday's report on U.S. oil inventories from the Energy Infor-

mation Administration.

Last week, the EIA reported a large increase in crude-oil stockpiles that was unexpected since the high-demand summer driving season isn't quite over yet.

Some analysts anticipate a larger-than-normal decline this week, which if confirmed could push prices higher.

"Look at this market weakness to put on bullish strategies, as oil prices are more than likely near the low point for the rest of the year," Mr. Flynn said.

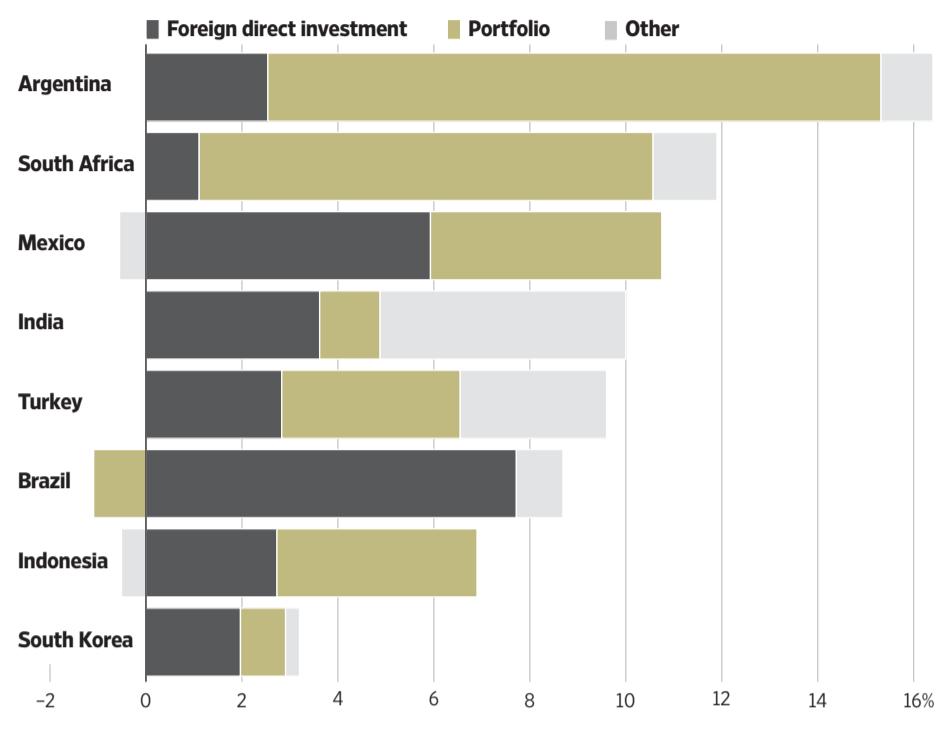
Among refined products, gasoline futures for September delivery climbed 1.7% to \$2.0151 a gallon. Diesel futures rose 0.7%, to \$2.1138 a gallon.

## MARKETS

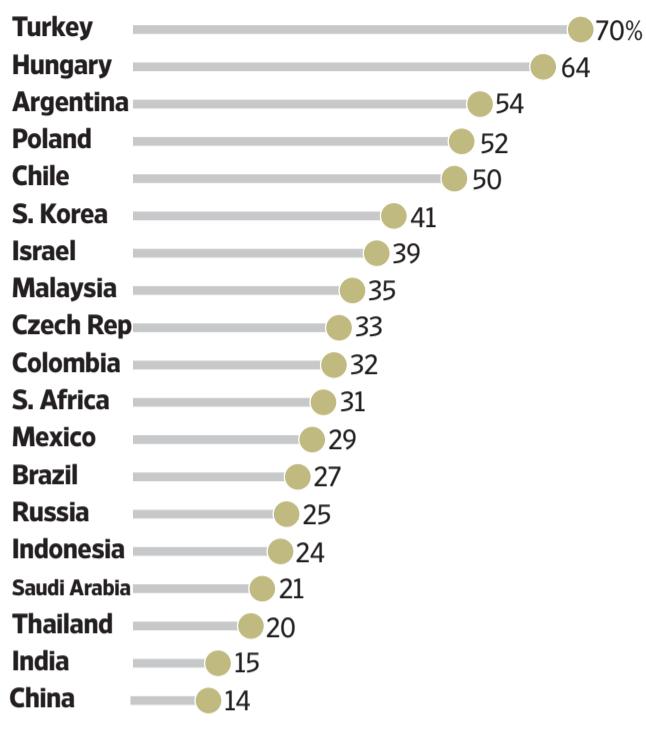
## Stronger Dollar Weighs on Emerging Markets

Countries with large U.S. currency debts and big foreign capital flows at risk as greenback climbs

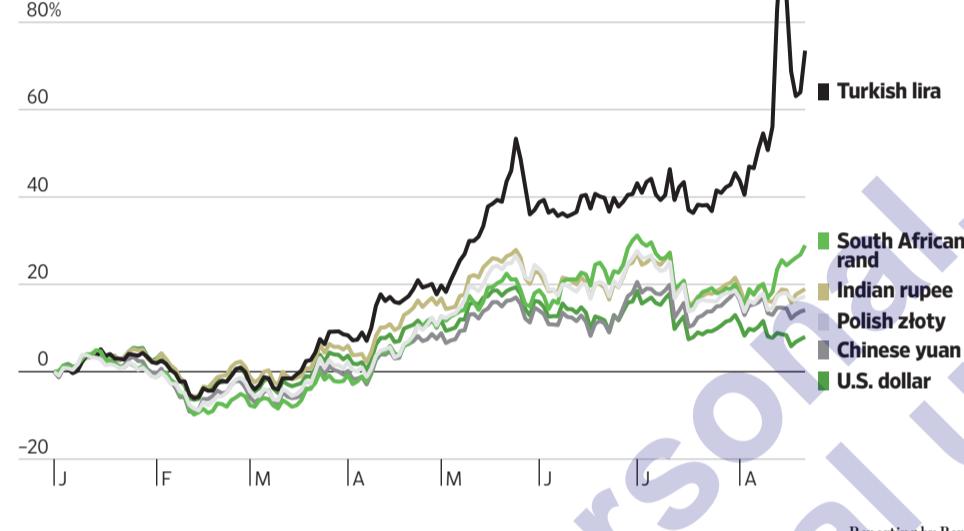
Cumulative nonresident capital flows between 2016 and 2017 as a share of GDP, broken down by investment type



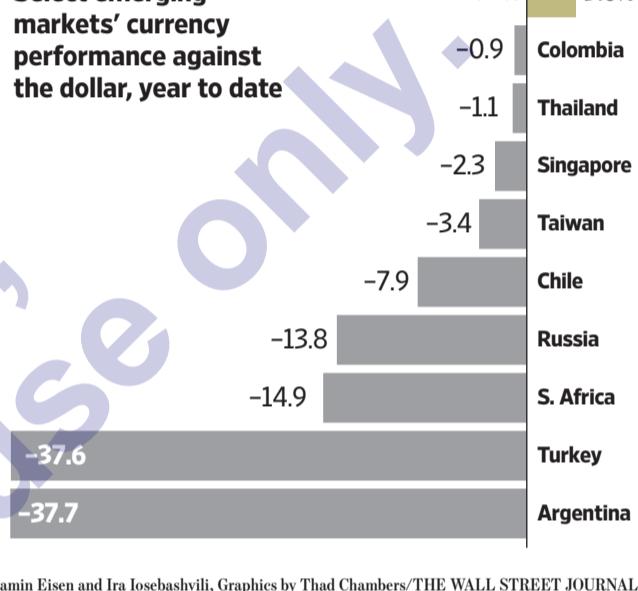
Foreign-currency-denominated emerging markets debt as a percentage of GDP



Brent-crude performance this year, priced in select currencies



Select emerging markets' currency performance against the dollar, year to date



The U.S. dollar's continued rise is injecting further risk into emerging markets, particularly those which have been borrowing heavily in the American currency and benefiting from foreign investment.

The WSJ Dollar Index is up 8.3% from its mid-February low. Among emerging markets, Turkey, Hungary, Argentina, Poland, and Chile all have large amounts of debt denominated in dollars and euros. That becomes more difficult to pay off when the local currency falls, particularly if revenues in the country are denominated in local currencies.

Countries with large chunks of equities and bonds held by foreign investors also become increasingly vulnerable as markets turn more rocky, analysts at the Institute of International Finance said.

Investors pulled \$1.4 billion from emerging markets last week, amid worries that Turkey's currency crisis could spread, IIF data showed.

A rising dollar also pressures prices for commodities, which are denominated in the U.S. currency and become less affordable to foreign buyers when the dollar appreciates. That's bad news for commodity exporters like Brazil, Chile and Russia.

Meanwhile, commodity importers whose currencies have been battered, like Turkey, India and China, now have to pay up for oil and other raw materials.

Sources: Institute of International Finance (capital flows); Deutsche Bank via Institute of International Finance (debt); FactSet (change in Brent crude); Tullett Prebon (currency performance)

Reporting by Benjamin Eisen and Ira Joseashvili, Graphics by Thad Chambers/THE WALL STREET JOURNAL.

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

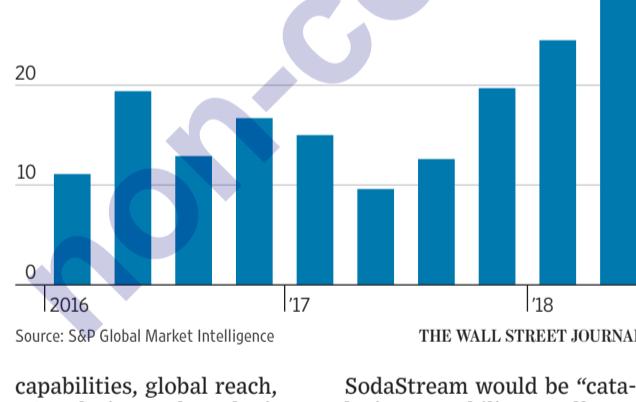
WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

## Pepsi Is Right to Buy SodaStream

## Effervescent

SodaStream revenue growth from year earlier



PepsiCo's acquisition of SodaStream International will help it further diversify away from sugary beverages, but it won't do much beyond that.

Pepsi said Monday it would pay \$3.2 billion for the Israeli producer of countertop soda machines, representing a 32% premium to the company's share price over the past 30 days.

The transaction expands Pepsi's exposure to the soda-water segment, which is growing rapidly as consumers turn away from sugar. SodaStream has a strong market position and moats against competitors thanks to its installed base of machines and distribution network for gas canisters. This makes it an attractive asset for Pepsi.

The potential for broader synergies between the two companies, however, appears limited. In its statement Monday, Pepsi said it would bring its "strong distribution

capabilities, global reach, R&D, design and marketing expertise" to SodaStream.

But SodaStream is already quite international. In the three months through June, 63% of its sales came from Western Europe, 22% from the Americas, and 10% from Asia Pacific.

Incoming Pepsi Chief Executive Ramon Laguarda said

SodaStream would be "catalyzing our ability to offer personalized in-home beverage solutions around the world," suggesting the company could be eyeing a more ambitious in-home strategy.

This has been tried before, as Wells Fargo analyst Bonnie Herzog pointed out in a note on Monday. In 2014, Coca-Cola took a mi-

nority stake in Keurig Green Mountain. The following year Keurig introduced the "Kold" soda machine to make Coca-Cola and other carbonated soft drinks at home. But consumers balked at the high price of the machine and of the flavor pods needed to make drinks.

Keurig discontinued the product in 2016.

At 33 times forward earnings, according to Ms. Herzog, SodaStream isn't cheap.

But SodaStream has the fast growth that Pepsi craves, with projected sales growth of 24% in 2018, compared with just 2% at Pepsi, according to FactSet. SodaStream also boasted a net profit margin of 13.7% in 2017, above Pepsi's 11.8%.

The imperative to grow its exposure to rapidly growing, healthier beverages is so strong that it makes sense for Pepsi to pay up for SodaStream, even if other strategic benefits fail to materialize.

—Aaron Back

## A Rare Growth Story In Health-Care Sector

Here's to the health of Abbott Laboratories.

The reason to buy shares in the maker of Ensure nutrition products is fairly simple: The company is growing its top line faster than just about any health-care company of comparable size. And since it doesn't sell pharmaceuticals in the U.S., Abbott is relatively well insulated from U.S. regulatory risk.

Abbott's four main operating segments—nutrition, medical devices, prescription drugs in emerging markets and medical diagnostics—all are expanding at faster rates than the typical large-cap stock. On an adjusted basis, sales grew by 8% in the second quarter from a year ago. Adjusted earnings per share grew by 17% over the same period.

That isn't bad for a company with a market value north of \$100 billion.

Maintaining that pace over the long term will be a challenge, but Wall Street expects sales growth in the next several years will be almost as strong. FactSet analyst consensus suggests annual growth of about 6%.

A closer look at Abbott's business lines suggests those long-term goals are reach-

able. In devices, Abbott recently launched the FreeStyle Libre glucose monitor, which eliminates the need for diabetic patients to prick their fingers. Second-quarter sales approached \$500 million world-wide. That tally will likely grow substantially; Abbott recently called the product's uptake "unparalleled."

Other segments also have promise. The generic-drug industry has struggled in the U.S., but the picture overseas is much different. In key emerging markets like India or Russia, demand for safe, reliable medication is on the rise.

As with any stock, there are risks. Trade tensions could potentially harm a company with as much global reach as Abbott, but tariff saber rattling hasn't centered on medical products. Abbott's diverse manufacturing base also would protect the company.

The shares aren't a bargain by traditional metrics: Abbott fetches more than 20 times forward earnings, thanks in part to a 45% rally over the past two years. But that price tag will be worth paying if growth materializes as expected.

—Charley Grant

## Farfetch's Estimated Value Is a Stretch

## Handbag Fight

Revenues\* of online luxury players



Note: Based on current dollar exchange rates  
\*Gross merchandise value for Farfetch

Sources: the companies

THE WALL STREET JOURNAL.

mont's offer in January valued the company at about \$5.8 billion.

**Matchesfashion.com**, a smaller, faster-growing British website, attracted a similar multiple of sales when it was bought by **Apax Partners** in September 2017. The private sale value was roughly \$1 billion, according to the Financial Times.

Farfetch is a marketplace that matches buyers with sellers like **Etsy** or **eBay**, not a retailer that buys and sells goods like Yoox or Matchesfashion.com. This has allowed Farfetch to grow faster without the risk associated with inventories: Gross merchandise value—a measure of the amount customers buy on a market-

place—was up 60% year over year in the first half. A strategic alliance with Chinese online retailer **JD.com**, which invested \$397 million in Farfetch last year, probably helped.

One key question is why Farfetch is still losing money.

Both Yoox and Matchesfashion are profitable, and mar-

ketplace business models

that dominate their niche,

like travel group **Booking Holdings** or U.K. real-estate portal **Rightmove**, tend to be highly lucrative. Farfetch

may not be as dominant in the luxury industry as its

prospectus ("we operate the

only truly global luxury digital marketplace at scale")

would have investors believe.

—Stephen Wilmot

## OVERHEARD

Executives, take note: Clever wording might work for less-than-good news, but won't keep investors from noticing really bad news.

Generic-drug company **Lannett** announced its contract to distribute drugs made by **Jerome Stevens Pharmaceuticals** won't be renewed when it expires in March. Lannett listed several drugs and CEO **Tim Crew** said that

they would still "significantly contribute to our financial performance" in the coming months.

But one of the drugs is the thyroid medication Levothyroxine, which is among the most prescribed medicines in the U.S.; the thyroid category accounted for about 40% of Lannett's revenue.

Investors noticed: Lannett shares fell 60% Monday.