

THE WALL STREET JOURNAL.

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DJIA 25558.73 ▲ 396.32 1.6% NASDAQ 7806.52 ▲ 0.4% STOXX 600 381.43 ▲ 0.5% 10-YR. TREAS. ▲ 6/32, yield 2.871% OIL \$65.46 ▲ \$0.45 GOLD \$1,176.20 ▼ \$1.30 EURO \$1.1378 YEN 110.89

What's News

Business & Finance

Retailers from Walmart to Nordstrom are posting strong sales, evidence that the economy is spurring shopping and that some chains have found ways to compete in an increasingly online world. A1

◆ Penney's shares slid to a new low after the retailer reported a wider loss and lower sales and cut its outlook. B3

◆ U.S. stocks soared, with the Dow gaining 396.32 points to 25558.73, amid upbeat economic data and signs of cooperation between Washington and Beijing. A1

◆ The SEC began investigating last year whether Tesla misled investors about its Model 3 car production problems. B1, B4

◆ Google's CEO defended to employees the firm's push to do more business in China but said it isn't close to launching a search product there. B1

◆ The FDA approved Teva's generic version of Mylan's EpiPen injector device for life-threatening allergic reactions. B1

◆ A judge rejected large parts of an FTC lawsuit alleging that DirecTV engaged in deceptive advertising. B4

◆ Investors bought record amounts of junk-rated corporate loans in recent years, but they are no longer as safe as their owners may think. B10

◆ Nvidia posted robust sales and profits but warned that revenue from cryptocurrency-mining products would be weaker than expected. B3

◆ DoorDash said it raised \$250 million in a round of funding that values the startup at \$4 billion. B3

World-Wide

◆ Trump called on Sessions to sue opioid makers, the latest move in an effort to combat the painkillers linked to tens of thousands of U.S. deaths a year. A1

◆ The president told trade negotiators to take the time they need to strike an attractive deal on overhauling Nafta and sought to put pressure on Canada. A2

◆ The U.S. warned that it is prepared to impose more penalties on Turkey if Ankara doesn't release a detained American pastor. A16

◆ Cohen initially balked at the idea of buying Stormy Daniels's silence, but did an about-face after the "Access Hollywood" tape surfaced. A4

◆ The move to loosen rules of engagement for U.S. cyberattacks spurred questions about how offensive digital strikes will be carried out. A5

◆ Malaysian officials believe that China has been harboring Jho Low, a fugitive in the 1MDB scandal. A6

◆ Wray said a point of emphasis in his first year as FBI chief has been to bring calm and stability to the agency. A5

◆ The Pentagon and White House announced they would delay a military parade requested by Trump. A4

◆ Gunmen attacked the Afghan intelligence service's training facility in Kabul. A7

◆ New York University said it would cover tuition for all its medical students. A3

◆ Died: Aretha Franklin, 76, revered singer. A10

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Aretha Franklin, Soulful Icon, 1942-2018



RESPECT: Aretha Franklin, the most commanding and influential vocalist of her generation, died Thursday morning at her home in Detroit at age 76. The cause was advanced pancreatic cancer. A10

Trump Urges Federal Suit Against Opioid Makers

By REBECCA BALLHAUS

WASHINGTON—President

Trump called on his attorney general to sue opioid makers, the latest move by his administration to combat the highly addictive painkillers linked to tens of thousands of U.S. deaths a year.

In a cabinet meeting Thursday at the White House, Mr. Trump asked Attorney General Jeff Sessions to bring a "major lawsuit" against drug companies

that "are really sending opioids at a level that it shouldn't be happening." He said he wanted the attorney general to bring

the suit at the federal level, rather than join existing litigation brought by states.

Mr. Trump also charged Mr. Sessions with investigating fentanyl, a powerful synthetic opioid, coming from China and Mexico, countries he said were "sending their garbage and killing our people."

"It's almost a form of warfare," Mr. Trump said. "It's a disgrace and we can stop it."

Mr. Sessions said he would follow Mr. Trump's request. He added the U.S. had "confronted" China about fentanyl coming from the country. "We've never seen the deaths that we are

seeing today," he said.

Mr. Trump earlier this year called for new steps to fight the opioid epidemic. They included pushing to reduce opioid prescriptions by a third over three years, asking the Justice Department to seek more death-penalty cases against drug traffickers under current law, and calling for federal support to expand the availability of overdose-reversal medication.

The Justice Department in April requested to join settlement talks in a sprawling government litigation against the

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The Year Harvey Wrecked a City And Split Friends

The historic storm frayed ties that made one Houston condo complex so special

By DAN FROSCH

HOUSTON—The two women spotted each other as they prepared to slog knee-deep through the floodwaters raised by Hurricane Harvey. They were each headed toward the condominium complex where their friendship began decades ago, and where it would soon be tested.

"Girlfriend, I've missed you! What are you wearing?" shouted Melva Martinez.

"My pajamas!" Marilyn McPheeeters yelled back. She had run out of clothes at the church where she had taken shelter. It had been only days since Harvey's fury upended so many lives, including theirs.

The friends were returning to salvage what they could from their condos at The Pines, a 254-unit development on 15 acres that stretched along the pine- and oak-shaded streets of Houston's exclusive Memorial neighborhood.

Ms. McPheeeters, a sharp-

witted retiree who turns 67 on Friday, had lived more than 30 years in the ground-floor condo she inherited from her grandmother. Ms. Martinez, an easygoing 61-year-old sales manager, had moved to a townhouse nearby, but she still owned her condo and often visited The Pines. Both units were wrecked.

Before Harvey, a one-bedroom at The Pines rented for \$1,000 a month and sold for around \$90,000 and up. The affordable complex drew a tapestry of middle- and working-class residents—families from Iran, Korea, China and Mexico who could enroll their children in the Spring Branch Independent School District, one of the Houston area's best.

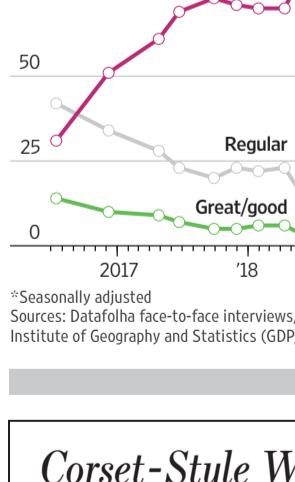
At Harvey's beckoning, the Buffalo Bayou, which for decades drifted harmlessly behind the complex, had swamped The Pines with 3 feet of brackish water. Flooding claimed the life of one resident, a wheelchair-bound

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Economists Praise Brazil's President; Voters Don't

Brazilian President Michel Temer stabilized his country's economy after his predecessor was removed from office, but allegations of corruption have tarnished his image and hurt his approval ratings. A8

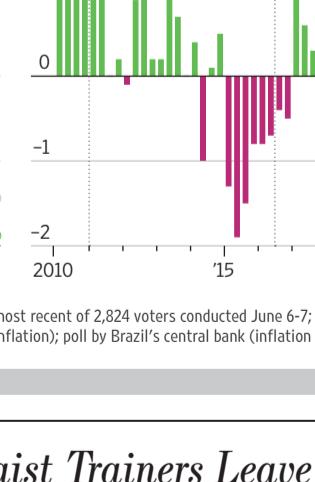
How Brazilians view Michel Temer's government



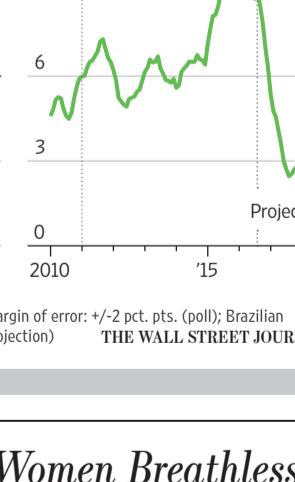
*Seasonally adjusted

Sources: Datafolha face-to-face interviews, most recent of 2,824 voters conducted June 6-7; margin of error: +/- 2 pct. pts. (poll); Brazilian Institute of Geography and Statistics (GDP, inflation); poll by Brazil's central bank (inflation projection)

Brazil's GDP, change from previous quarter*



Consumer prices, change from a year earlier



Projection

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Corset-Style Waist Trainers Leave Women Breathless

* * *

A trendy garment promises a curvy figure; 'my insides felt crushed'

By RAY A. SMITH

During a Harry Styles concert at the Forum in Inglewood, Calif., last month, Shealee Governatori suddenly found herself short of breath. The culprit wasn't excitement. It was the tightfitting waist trainer she was wearing under her clothes.

After being squeezed into the corset-like contraption for

"like eight hours," the 20-year-old, who works in social media, tweeted: "I'm breathing like it's 1600s England." She wasn't sure she'd ever put it on again. Yet she returned to wearing it for quick walks and workouts, vowing to never "wear it so long on a normal day," she said.

Women lately are getting bent out of shape by a product designed to give them a new shape—or a very old one.

Waist trainers—lætex undergarments that wrap tightly around the belly and cinch in

the waist for an hourglass figure—came into vogue around

2015, when Kim Kardashian West and her sisters began praising them on Instagram.

The item, which mimics the look and shape of an old-time corset, is the latest front in the battle between comfort and fashion; women's reactions vary by generation, their feelings about beauty standards—and whether they don't mind forgoing eating or

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U.S. NEWS

Youth Summer Jobless Rate at 50-Year Low

By ANDREW DUEHREN

The unemployment rate among young Americans fell to its lowest level in more than 50 years this summer, though the share of young people looking for work remained well below its peak in 1989.

Of Americans between 16 and 24 years old actively looking for work this summer, 9.2% were unemployed in July, the Labor Department said Thursday, a drop from the 9.6% youth unemployment rate in July 2017. It was the lowest

midsummer joblessness rate for youth since July 1966.

One of those finding work was 17-year-old Teandre Blincoe, who was placed in a job this summer in an information-technology division at Humana, a health-insurance company based in Louisville, Ky., by KentuckianaWorks. The organization partnered with JPMorgan Chase & Co. to place low-income youth in summer jobs.

With his first job under his belt, Mr. Blincoe said he would feel more confident looking for employment in the future.

"I have a really solid idea of how I can present myself and actually get a job."

Low unemployment among young people shows that in a tight labor market more opportunities are opening to groups that historically have struggled to find jobs.

Similarly, the unemployment rate among older Americans who don't have a high-school diploma fell to a record low this year. The jobless rate also fell sharply for those who completed high school but never attended college.

The unemployment rate for

Latinos fell to 4.5% in July, the lowest rate on records back to the 1970s.

The jobless rate for black Americans touched a record low this year before rising in the past two months. For black youth, the jobless rate ticked up this summer to 16.5% from 16.2% in 2017, meaning this segment of the population hasn't benefited as much as many others looking for work.

While millions of young people continue to enter the labor force in the summer months, the labor-force partic-

ipation rate among young Americans—a measure of how many people are actively seeking employment—is still low by historical standards.

In July, the labor-force participation rate was 60.6% among young Americans, the same rate as last year and the highest since 2009. In 1989, the summer youth labor-force participation rate was 77.5%, and it has declined since.

Paul Harrington, an economist at Drexel University who studies the labor market for young people, said one reason for the decrease in the share

of teenagers and young adults seeking summer work is the popularity of extracurricular activities and unpaid internships.

"If you don't do those extracurricular activities, it diminishes your chances of getting admitted to prestigious postsecondary institutions," he said.

For young people already admitted to college, unpaid internships, which the Labor Department doesn't classify as employment, are often important initial steps toward post-graduate employment.

Cave-In Traps Worker in Philadelphia



RESCUE EFFORT: Searchers attempted to locate a contractor who became trapped when a trench collapsed in Philadelphia on Thursday.

Stocks Rise As Fears Recede

Continued from Page One
nearing its January record, and the Nasdaq Composite advanced 32.41 points, or 0.4%, to 7,806.52.

Despite the week's volatility, Thursday's surge helped push the S&P 500 back firmly into positive territory for the week and extended its gains for the month.

Much of the recent slide had been motivated by concerns among investors that what had begun as a relatively limited pullback in emerging markets could trigger a more violent, durable reversal across risky assets around the world.

Thursday's rally was the latest shake-up for the stock market, which has struggled to reach new highs this year as investors have grappled with sliding commodities prices, fractious trade policies and the flattest yield curve in years—historically a signal of unease about long-term economic growth.

Shares of companies that have swung on trade tensions rallied Thursday after officials in China and the U.S. signaled that the two countries would hold lower-level talks on trade later in August. The discussions would be the first since May, when talks fell through and both sides later imposed penalties on tens of billions of dollars in each other's goods. Treasury yields also were sent higher.

Caterpillar jumped \$4.24, or 3.2%, to \$136.26, while Century Aluminum added \$1.01, or 9.1%, to \$12.10 and Boeing rose \$14.22, or 4.3%, to \$345.98.

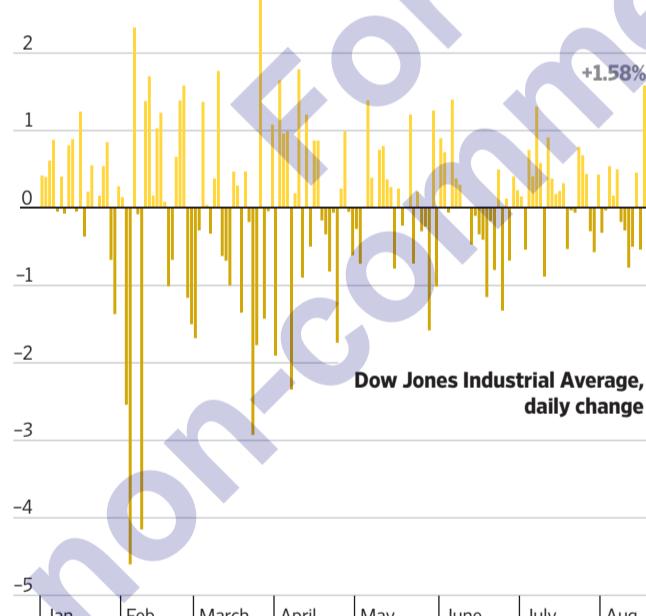
Gains in the consumer-staples sector also helped buoy major indexes, with Walmart soaring \$8.42, or 9.3%, to \$98.64 after it reported sales rising at the fastest pace in more than a decade for the most recent quarter.

The retailer's earnings—coming a day after Commerce Department data showed retail sales jumping in July—offered the latest sign that consumers, a driver of U.S. growth, are on strong footing.

Technology shares also

Resilience

U.S. stocks, commodities and the Turkish lira bounced higher Thursday as economic data impressed investors and trade tensions appeared to wane.



Dow Jones Industrial Average, daily change

Sources: Dow Jones Market Data (DJIA); Thomson Reuters (Volatility); FactSet (oil, copper, lira)

rose: Cisco Systems jumped \$1.3, or 3.0%, to \$45.16 after reporting its third-consecutive quarter of revenue growth.

"When you look at what companies are currently saying and most importantly how they're describing what earnings could be like over the next 12 to 18 months, it looks pretty good," said Mark Stoeckle, chief executive of Adams Funds.

The bright domestic outlook has helped investors look past volatile swings in other markets, Mr. Stoeckle said.

Investors seemed to respond to good U.S. data and signs of a stronger Turkish lira.

Others say they were reassured by the absence of panic-driven selling across the markets.

Trading volumes ticked up Wednesday but have been relatively muted the rest of the week, suggesting investors haven't been rushing to alter their positions in the U.S. stock market. The number of

shares that changed hands across the New York Stock Exchange and Nasdaq was below the average for the year on Monday, Tuesday and Thursday, according to Dow Jones Market Data.

That is typical for summer trading, and something that analysts say can exacerbate any swings that do occur in the market.

Traders also noted that activity has been relatively orderly.

Elsewhere, stocks in Europe clawed back some of their declines from Wednesday, boosted by gains in the basic-resources and technology sectors. The Stoxx Europe 600 edged up 0.5%.

Major indexes in Asia extended a recent rout, however, as technology giants including Tencent Holdings and Samsung Electronics slid.

The Shanghai Composite Index fell 0.7% and Hong Kong's Hang Seng ended 0.8% lower.

A stronger dollar and trade tensions have put pressure on developing economies in recent months. The rapid fall of the Turkish lira added to the strain as investors have worried about the possibility of the rout spreading beyond the country's borders.

Still, some of those fears



Price performance



How many Turkish lira one U.S. dollar buys



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have abated in recent days as the lira has chipped away at its losses, rising 2.8% Thursday against the U.S. dollar.

In a show of support Wednesday, Qatar said it would inject \$15 billion into Turkey with a package that includes direct investments and deposits.

When it comes to investing in emerging markets, "the timing is key," said Laurent Denize, co-chief investment officer of ODDO BHF Asset Management. "The timing is linked to politics."

—Ben St. Clair contributed to this article.

CORRECTIONS & AMPLIFICATIONS

A graphic with a Business & Finance article Tuesday about proposals by policy makers in India to curb U.S. technology companies showed 2017 data about internet users and internet penetration provided by Bain & Co. In some editions Tuesday, the footnote and source information were omitted from the graphic.

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

Trump Says 'No Rush' on Nafta

By MICHAEL C. BENDER

WASHINGTON—President Trump told trade negotiators to take the time they need to strike an attractive deal on overhauling the North American Free Trade Agreement and sought to put pressure on Canada, which isn't participating in the latest talks between the U.S. and Mexico.

Mr. Trump's remarks at a cabinet meeting Thursday came as senior Mexican officials were in Washington to discuss new Nafta rules for the auto industry and higher labor standards, a key demand of Democratic lawmakers.

"I'm in no rush," Mr. Trump said of Nafta. "If we don't have a breakthrough, don't do the deal."

U.S. Trade Representative Robert Lighthizer had been seeking to reach a Nafta deal in August, which could allow an agreement to be signed before Mexico's president-elect takes office in December.

Mr. Trump on Thursday complained about Canada's

tariff levels and barriers to U.S. exports. "So we're not even talking to them right now," he said, referring to Canada. "It will only work out to our favor."

A spokesman for Canadian Foreign Minister Chrystia Freeland said Canadian officials are in regular contact with their U.S. and Mexican counterparts on Nafta and "look forward to continuing these important discussions in the coming weeks."

Mexican officials say they expect Ottawa officials to rejoin the talks soon.

"There are Mexican-U.S. issues that have to be solved; then we'll be ready for trilateral discussions" with Canada, Mexican Economy Minister Ildefonso Guajardo said after a meeting with Mr. Lighthizer on Thursday.

Mr. Trump won the 2016 presidential election with a promise to make Nafta "a lot better" for the U.S. or to pull out altogether.

—Kim Mackrael in Ottawa contributed to this article.

U.S. WATCH

HOUSING

Construction Stages A Slight Rebound

Home construction across the U.S. staged a small rebound last month after a big June drop but fell short of expectations.

Housing starts grew 0.9% in July from the prior month, weaker than the 8.3% growth economists surveyed by The Wall Street Journal expected. The drop followed a 12.9% decline in June, the largest monthly fall since the end of 2016.

"After a tough report last month, this is strike two for the housing market," said John Patrakay, executive vice president at TIAA Bank. "This report reflects some fundamental issues that cloud the housing horizon."

—Sharon Nunn

ECONOMY

Jobless Claims Drop, Remain Muted

The number of Americans filing applications for new unemployment benefits fell by 2,000 last week to a seasonally adjusted 212,000, the Labor Department said Thursday.

Initial jobless claims can be volatile from week to week; the four-week moving average of claims, a steadier measure, rose by 1,000 to 215,500.

Jobless claims have remained low for years, a sign that employers are laying off few workers. The unemployment rate fell to 3.9% in July, hovering near

the lowest level since April 2000, according to the Labor Department's latest jobs report.

—Sarah Chaney

CALIFORNIA

Two Charged in Fire Likely Going to Trial

The two men charged in the deadly Oakland warehouse fire that killed 36 people in 2016 appear to be headed to trial after a prosecutor said she wouldn't consider any further pleas deals.

Alameda County District Attorney Nancy O'Malley said in a letter Tuesday to the judge on the case that her office is ready to try the case and that she wouldn't entertain any plea agreements, according to a copy of the letter reviewed by The Wall Street Journal.

Derick Almena and Max Harris have been charged with 36 counts of involuntary manslaughter for allegedly creating a fire trap with inadequate means of escape at the warehouse and underground concert venue that was known as a Ghost Ship.

A spokeswoman for Ms. O'Malley declined to comment. An attorney for Mr. Almena didn't return a call seeking comment.

Curtis Briggs, an attorney for Mr. Harris, said he welcomes a trial for his client. "We are going to show the public and the jury all the institutional incompetence they can stomach, including that of O'Malley's office, and every incompetent public official who allowed this fire to happen," he said.

—Zusha Elinson

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U.S. NEWS

NYU Medical School Makes Tuition Free

By MELISSA KORN

New York University said it would cover tuition for all of its medical students regardless of their financial situation, a first among the nation's major medical schools and an attempt to expand career options for graduates who won't be saddled with six-figure debt.

School officials worry that rising tuition and soaring loan balances are pushing new doctors into high-paying fields and contributing to a shortage of researchers and primary-care physicians. Medical schools nationwide have been conducting aggressive fundraising campaigns to compete for top prospects, alleviate the debt burden and give graduates more career choices.

NYU raised more than \$450 million of the roughly \$600 million it estimates it will need to fund the tuition package in perpetuity, including \$100 million from Home Depot founder Kenneth Langone and his wife, Elaine. The school will provide full-tuition scholarships for 93 first-year students—an additional nine are already covered through M.D./Ph.D. programs—as well as 350 students already partway through the M.D.-only degree program.

"This is going to be a huge game changer for us, for our students and for our patients," said Dr. Rafael Rivera, associate dean for admission and financial aid. The school will refund out-of-pocket tuition payments already made for the current year, and return loans students may have taken out.

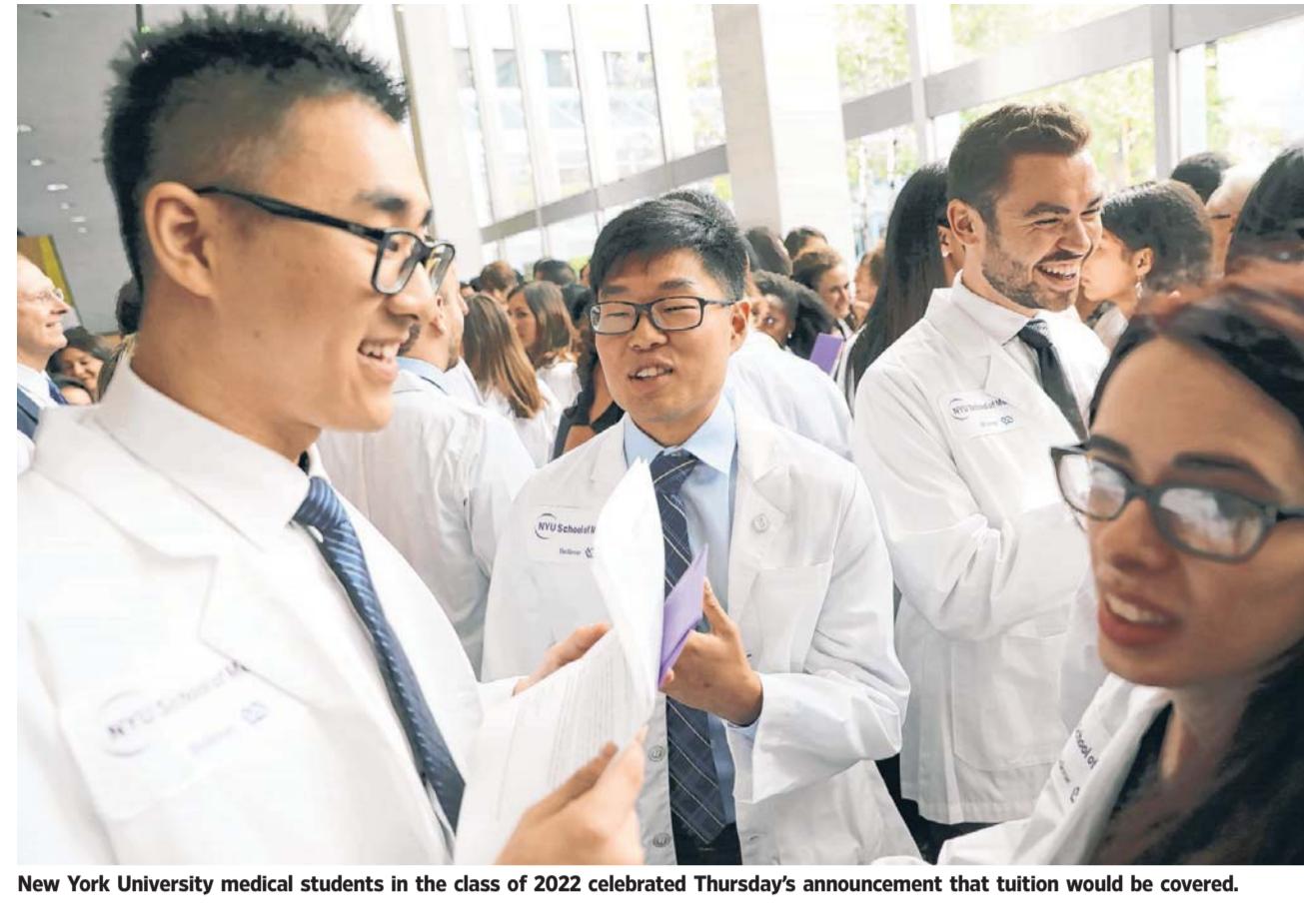
The move dwarfs efforts by other schools, including Columbia University and the University of California, Los Angeles, to alleviate the financial strain of a medical education. Earlier this year, Columbia's Vagelos College of Physicians and Surgeons announced it would eliminate loans for all

The school is worried high debt loads drive students away from primary care, research.

for the coming year.

"There's really a moral imperative to reduce the amount of debt people have," Dr. Rivera said Thursday, citing concerns that loan burdens are shaping career choices and might even be scaring some prospects away from going to medical school at all.

Schools are also seeking to better reflect the population of U.S. patients in terms of race, ethnicity, gender and socioeco-



New York University medical students in the class of 2022 celebrated Thursday's announcement that tuition would be covered.

nomic backgrounds. Asians make up a disproportionate share of medical-school classes, but other minorities are vastly underrepresented.

The median parental income for new medical-school students is \$125,000, according to the AAMC.

Most medical students who want to go into lower-paying practices like family medicine and endocrinology can take advantage of federal programs in which their monthly loan payments are tied to discretionary income; their loan balances are then forgiven after 10 or 25 years, depending on where they work.

The salary disparity for doctors can be stark. The four lowest-paying specialties, all in pediatrics, had average annual compensation of \$221,900 or below, according to a survey of more than 65,000 doctors by Doximity, a medical social network for clinicians. Doctors specializing in internal medicine had average annual compensation of \$260,000.

Meanwhile, neurosurgery was the top-paying specialty last year, with average compensation of \$662,755.

There is no guarantee that schools' new scholarships will

push more students into less lucrative specialties or underserved communities, as the tuition payments aren't tied to any career commitment after graduation. But school officials are hopeful.

"If you're faced with debts that you're likely to have into your 50s, it's got to have an influence on what you choose to do," said Dr. Lee Goldman, dean of Columbia's Faculties of Health Sciences and Medicine. Published tuition is \$61,146 this year; including living expenses, students can expect to shell out between \$92,311 and \$100,665, the school says.

Former Merck & Co. Chairman Dr. P. Roy Vagelos and his wife, Diana, gave Columbia's medical school \$250 million last winter, with \$150 million earmarked for the endowment that funds the new no-loan aid package. About half of the class receives need-based aid.

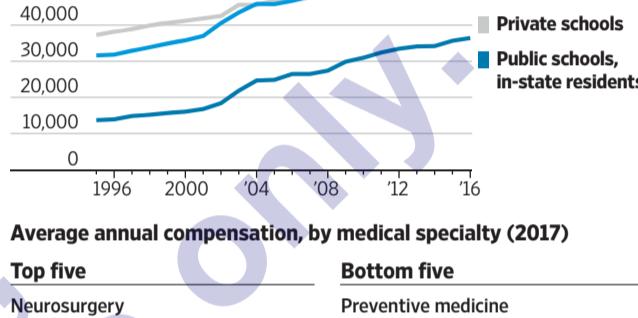
Generous aid packages are a powerful recruiting tool.

UCLA boasts on its website that students have turned down offers from the University of California, San Francisco, Harvard University and Stanford University to attend its medical school, thanks to merit scholarships.

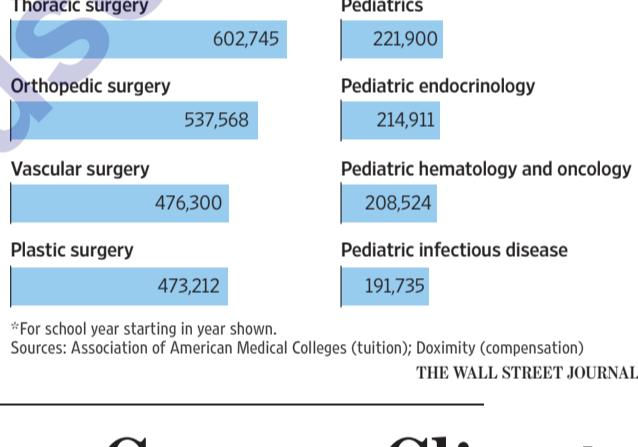
Money in Medicine

Prices for medical school have been growing, but earnings vary widely.

Median published tuition and fees at medical schools*



Average annual compensation, by medical specialty (2017)



*For school year starting in year shown.
Sources: Association of American Medical Colleges (tuition); Doximity (compensation)

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With Civil Discourse 101, Colleges Address Campus Climate

By MELISSA KORN

Colleges across the U.S. are teaching students, parents and alumni how to talk politics without going on the attack in an effort to counter growing polarization and nastiness in political discourse.

The new Project on Civil Discourse at American University's School of Public Affairs will coordinate student-led discussions through classes, dormitories and clubs. Students will reflect on their debate styles and talk through hypotheticals like whether to engage or kick out party guests who say hateful things.

Wake Forest University is using an intimate approach: Dinner parties for 10 to 16 people at a time.

The goal is to have participants reveal things about themselves, find connections with others and feel more confident working together, said Brett Eaton, who leads communications at Wake Forest.

With schools criticized either for coddling oversensitive young adults or for allowing extremists to spew hate, universities including Butler, Tufts and Duquesne are working to improve civil discourse. They are starting speaker se-



In its work to encourage civil discourse, Wake Forest University hosted a dinner for young alumni.

ers at Middlebury College and the University of California, Berkeley prompted concerns from the right that liberal students were unable to constructively engage opposing views.

Carleton College in Minnesota plans to expand a two-year-old offering that has had roughly a dozen freshmen from different backgrounds live together and study how to engage on topics such as race and income inequality.

"It forced us to have discussions," said Zachary McCrary, a 19-year-old who took the class last year. Mr. McCrary, who said he was a liberal from a conservative Republican household in Colorado, encourages all first-year students to participate so they encounter a range of opinions.

Tufts University's Institute for Democracy & Higher Education is using a \$100,000 grant to study political polarization on campuses, looking at how other schools handled incendiary speakers and outside extremist groups and offering resources on turning conflict into teaching opportunities.

Azhar Majeed, vice president of policy reform at the Foundation for Individual Rights in Education, a non-

profit civil-liberties group, said it is good to see schools teaching about the principles behind the First Amendment, but too often they create policies that require civility, rather than just encourage it.

"It can't be, 'You're only allowed to speak if you're going to be civil,'" said Princeton University politics professor Keith E. Whittington, whose new book, "Speak Freely," was assigned reading for incoming students at the school. He said civility improves academic scholarship but offensive remarks still have their place in the public square.

Twenty-six private colleges, including the University of Richmond and the conservative Christian John Brown University, gathered in Atlanta in June for a Council of Independent Colleges workshop on diversity, civility and the liberal arts.

The council's president, Richard Ekman, said he had been disappointed that most schools responded to the 2016 presidential election by trying to comfort students, rather than encouraging them to study underlying factors that fueled Mr. Trump's victory.

"That was a missed opportunity," he said.

Clergy Abuse Sparks Sorrow, Call for Accountability by Vatican

By IAN LOVETT

A Vatican spokesman on Thursday expressed "shame and sorrow" about the allegations of abuse by more than 300 Catholic clergymen in Pennsylvania over 70 years that were detailed in a grand jury report released Tuesday.

"The abuses described in the report are criminal and morally reprehensible," Greg Burke, the Vatican spokesman, said in a statement. "Those acts were betrayals of trust that robbed survivors of their dignity and their faith. The church must learn hard lessons from its past, and

there should be accountability for both abusers and those who permitted abuse to occur."

Mr. Burke also said that the more than 1,000 victims should know that "the pope is on their side."

The Pennsylvania report sparked widespread outrage, some focused on specific church leaders named in the report, such as Cardinal Donald Wuerl, archbishop of Washington, D.C.

Some Catholics had hoped for a strong response to the Pennsylvania grand jury report from Pope Francis before two days went by.

"Catholics are a little disappointed with how Pope Francis has handled the abuse crisis around the world," Stephen Schneck, a professor at the Catholic University of America, said Thursday before the Vatican issued its statement.

He commended some steps Pope Francis took early in his pontificate, like appointing a special commission to investigate sexual abuse. But he said in some cases, the pope has been too slow in his response.

The Vatican's statement comes as frustration was already mounting among many Catholics about Pope Francis'

response to a series of sexual abuse scandals that have hit the U.S. church this summer.

This month, a group of influential Catholics sent an open letter to the pope expressing their anger over the case of Theodore McCarrick, who resigned from the college of cardinals this summer following allegations that he had molested multiple boys.

In his statement, Mr. Burke acknowledged that the report was likely to prompt doubt among the flock, but he also sought to highlight the progress that officials believe the church has made.

"Most of the discussion in the report concerns abuses before the early 2000s. By finding almost no cases after 2002, the grand jury's conclusions are consistent with previous studies showing that Catholic Church reforms in the United States drastically reduced the incidence of clerical child abuse," Mr. Burke said.

The U.S. Conference of Catholic Bishops also released a statement on Thursday, which called for an investigation into the case of Archbishop McCarrick and the creation of "confidential

channels" for reporting complaints against bishops.

Neither statement, however, offered specifics on how an investigation would be conducted or exactly what changes might be implemented.

Some Catholics in the U.S., including steadfast supporters of the pope, say major overhauls are needed to hold bishops who protect abusive priests accountable.

"The missing link is accountability for bishops," said Father James Martin, a liberal in the church and editor at large of America Magazine, a Jesuit publication.

U.S. NEWS

Trump Tape Spurred Hush Money

As 'Access Hollywood' recording surfaced, Cohen changed tune on paying Stormy Daniels

Michael Cohen initially balked at the idea of buying the silence of a former adult-film star who says she had sex with Donald Trump, but he did an about-face after a video of Mr. Trump talking about groping women became public in October 2016.

*By Joe Palazzolo,
Nicole Hong, Rebecca
Davis O'Brien and
Rebecca Ballhaus*

A day after the recording surfaced of outtakes of Mr. Trump speaking to a host of NBC's "Access Hollywood," Mr. Cohen, then Mr. Trump's senior counsel, told a representative for the performer that he was open to a deal, according to a person familiar with the conversation.

Within days, Stormy Daniels, whose given name is Stephanie Clifford, signed a nondisclosure agreement that provided her \$130,000 for her silence. Mr. Cohen had resisted paying Ms. Clifford when it was floated in September 2016, the person said.

Federal prosecutors in New York view the "Access Hollywood" tape as a trigger that spurred Mr. Cohen to bury potentially damaging information about his boss, as they investigate whether the payment amounted to an illegal, in-kind contribution or an expenditure that should have been disclosed by the campaign, people familiar with the matter said.

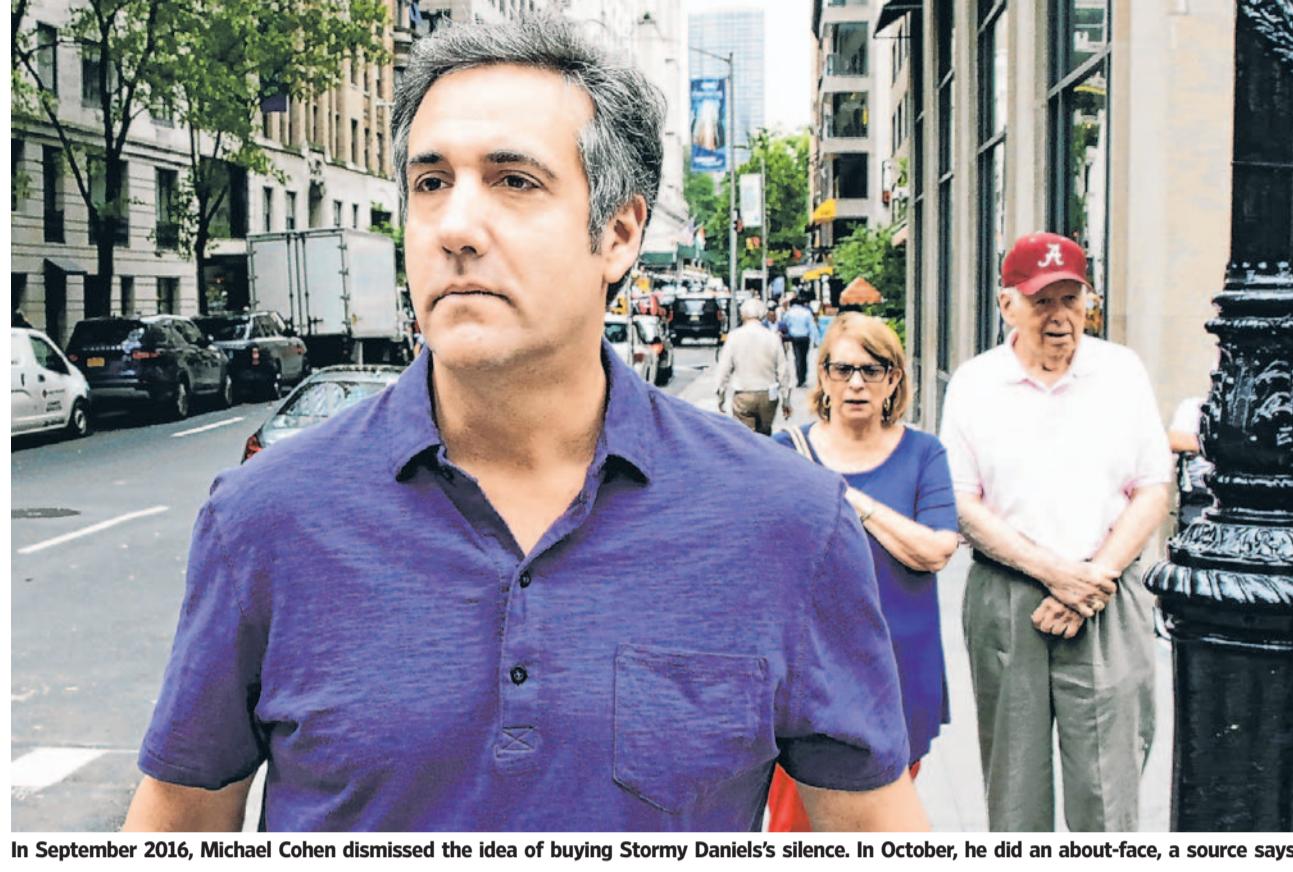
Prosecutors are said to view the tape as a trigger that spurred Cohen to make a deal.

A spokesman for the Manhattan U.S. Attorney's office declined to comment.

Mr. Cohen, who served as Mr. Trump's personal attorney after leaving the Trump Organization, is under investigation for potential violations of campaign-finance laws, as well as possible tax fraud, bank fraud and illegal lobbying. The Wall Street Journal has previously reported.

A campaign-finance charge would require prosecutors to prove the payment to Ms. Clifford was meant to help Mr. Trump prevail in the coming presidential election.

Mr. Cohen's apparent change of heart on buying Ms. Clifford's silence, after the "Access Hollywood" tape surfaced and nearly capsized Mr.



In September 2016, Michael Cohen dismissed the idea of buying Stormy Daniels's silence. In October, he did an about-face, a source says.

Trump's campaign, could help investigators make the link, said Anthony Capozzolo, a defense lawyer and former federal prosecutor in Brooklyn who handled corruption cases.

Lanny Davis, one of Mr. Cohen's attorneys, said that, under the advice of counsel, he can't comment on "any matters even possibly remotely related to those that might be under investigation."

The White House didn't respond to a request for comment. President Trump denies Ms. Clifford's allegations of their sexual encounter. Ms. Clifford stood by her story in a March interview with "60 Minutes," saying she denied having sex with Mr. Trump previously because she felt threatened.

Prosecutors in Manhattan are seeking to avoid the problems that befell the Justice Department in the high-profile campaign-finance case against John Edwards, the former North Carolina senator and Democratic presidential candidate, said a person familiar with the investigation.

Mr. Edwards was charged with accepting and failing to report hundreds of thousands of dollars in illegal campaign donations that he used to conceal an affair during his 2008 presidential run.

He was acquitted of one charge, and a jury deadlocked on the rest, dealing the Justice Department a defeat in a case that remains controversial within the agency to this day, legal experts said. The Edwards prosecutors struggled to prove the donor payments were "for the purpose of influencing any election for federal office," part of the legal defi-

FROM TOP: RICHARD DREW/ASSOCIATED PRESS; STEVE GRANITZ/WIREIMAGE

nition of campaign contribution. Mr. Edwards's defense lawyers argued that the true purpose of the payments was keeping the affair from Mr. Edwards's wife.

The "Access Hollywood" tape "is exactly the kind of evidence that beats that argument," by helping prosecutors frame the Clifford payment as a response to the damage the tape inflicted on Mr. Trump's campaign, said Mr. Capozzolo.

In a conversation Mr. Cohen secretly recorded with CNN anchor Chris Cuomo earlier this year, Mr. Cohen said of the payment: "It wasn't for the campaign. It was for him," referring to Mr. Trump, according to a person familiar with the recorded conversation. The tape was one of several

seized in an April raid of Mr. Cohen's home, office and hotel room.

Keith Davidson, a lawyer who had represented Ms. Clifford in 2011, spoke with Mr. Cohen in September 2016 to gauge his interest in buying Ms. Clifford's silence, according to a person familiar with their conversation.

Mr. Cohen was dismissive, saying the story was bogus, the person said. Ms. Clifford had denied it years earlier, telling E! News that a celebrity blog's report on her alleged sexual encounter with Mr. Trump was "bulls---."

Messrs. Davidson and Cohen spoke again in October 2016, soon after the "Access Hollywood" tape surfaced, about a potential deal with

Ms. Clifford, the person said. This time, Mr. Cohen agreed to match what Mr. Davidson told him Ms. Clifford had been offered by one of the news outlets—\$130,000—for her story, the person said.

Ms. Clifford hadn't received any offer of that size, but her representatives used the figure as a bargaining tool, according to people familiar with the negotiations.

On Oct. 10, Ms. Clifford signed the agreement, which barred her from publicly discussing her alleged sexual encounter with Mr. Trump.

Rudy Giuliani, a lawyer for Mr. Trump, has said the president paid monthly installments of \$35,000 to Mr. Cohen beginning in early 2017 to reimburse him for the Clifford deal.

"We are going to let the investigative process play out," said Dave Wedge, a spokesman for Mr. Davidson, when asked for comment.

Michael Avenatti, a lawyer for Ms. Clifford, said Mr. Cohen reached out to Mr. Davidson in the fall of 2016 after ABC News, which was in discussions to interview his client, contacted the Trump camp for comment. The talks escalated after the "Access Hollywood" tape surfaced, Mr. Avenatti said.

A person familiar with ABC's discussions with Ms. Clifford disputed that account, saying the talks were preliminary and Mr. Cohen wasn't called. Another person familiar with discussions between Messrs. Cohen and Davidson said Mr. Davidson approached Mr. Cohen.

—Michael Rothfeld contributed to this article.

Military Parade Plans Are Postponed

BY NANCY A. YOUSSEF

The Pentagon and White House announced they would delay a military parade requested by President Trump, as the latest estimates put its costs at more than \$90 million and the administration and military officials struggled to agree on what it should look like.

The target date for the event had been Nov. 10, but Department of Defense and White House officials "have now agreed to explore opportunities in 2019," Pentagon spokesman Army Col. Rob Manning said in a statement Thursday night.

Col. Manning didn't explain the reasons behind the delay.

Mr. Trump first spoke publicly about his desire for a military parade as president-elect, saying he wanted to show off the military. During his July 2017 visit to France, he witnessed the country's annual Bastille Day celebrations and told Pentagon leaders afterward that he wanted something similar in the U.S.

U.S. military parades usually only happen at the end of

Military planners concluded that the cost of the event could reach \$92 million.

major wars. The last time the U.S. held a major parade for its military was in 1991, at the end of the Gulf War.

Col. Manning said the Thursday parade would honor America's military veterans and commemorate the centennial of World War I.

Earlier this year, the White House budget office estimated the parade could cost between \$10 million and \$30 million.

This week, military planners concluded in a report that hasn't yet been released that the cost could reach \$92 million, and stretch across several government agencies, a U.S. defense official said earlier Thursday. The Pentagon's portion of that tab was as high as \$50 million, which would pay for equipment, troops, flyovers and support staff, the official said. Other agencies, like the Department of Homeland Security, would incur other costs.

The parade had been slated to happen in Washington, D.C., and had evolved into a celebration of and thanks to the military. Military cadets, active-duty service members and veterans were to be a part of the event.

slight decline in deaths in the last month of 2017 and January 2018, suggesting that efforts to prevent opioid use and treat addiction may be starting to have an effect.

Mr. Trump's order to his attorney general came after he escalated his criticism of Mr. Sessions in recent days. Earlier this week, he said the attorney general was "missing in action" during the investigation into Russian interference in the 2016 U.S. election—from which Mr. Sessions recused himself last year—and said Mr. Sessions was "scared stiff."

Presidents typically don't order their attorneys general to bring specific lawsuits, to avoid the perception they are interfering in Justice Department matters.

Combating the drug-abuse crisis has been a top priority for Mr. Sessions, who has taken aim at doctors who negligently overprescribe addictive painkillers, as well as online pill peddlers and drug-trafficking gangs.

The Justice Department has already taken some steps toward punishing prescription-drug companies. On Thursday, officials proposed cutting manufacturing quotas for six commonly abused prescription opioids, including oxycodone, hydrocodone and fentanyl, by an average of 10% for 2019.

The department had no comment on Mr. Trump's request for a federal suit.

—Sadie Gurman and Sara Randazzo contributed to this article.

Lawsuit Is Urged Over Opioids

Continued from Page One
makers and distributors of prescription painkillers. More than 25 states as well as municipalities and Native American tribes have filed more than 1,000 lawsuits, claiming that aggressive marketing of prescription painkillers contributed to the opioid addiction epidemic.

Among the companies targeted are Purdue Pharma LP, Johnson & Johnson, Endo International PLC and Teva Pharmaceuticals Industries Ltd. The suits generally claim the companies misrepresented the addictive risk of their medicines in marketing materials, and seek to recoup the cost of opioid addiction borne by the government entities.

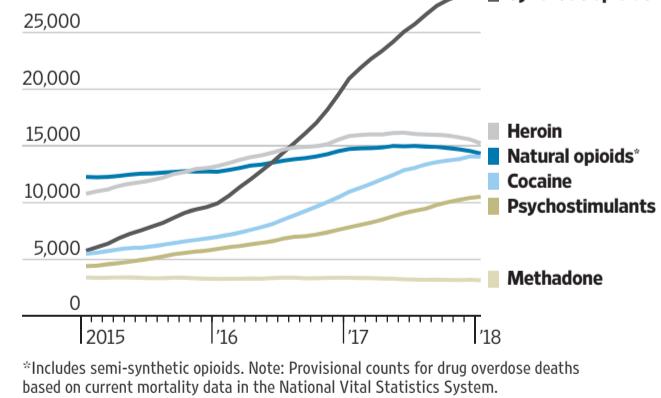
Many suits also target pharmaceutical distributors, including AmerisourceBergen Corp., Cardinal Health Inc. and McKesson Corp., contending they failed to properly control shipments of opioids to pharmacies.

The companies have denied the allegations and said their marketing and sales practices are appropriate.

New York this week became the latest state to file such a suit against Purdue, which makes OxyContin. The company said in response, "We believe it is inappropriate for

Deadly Toll

U.S. drug overdose deaths, rolling 12-month total



*Includes semi-synthetic opioids. Note: Provisional counts for drug overdose deaths based on current mortality data in the National Vital Statistics System.

THE WALL STREET JOURNAL.

the state to substitute its judgment for the judgment of the regulatory, scientific and medical experts at FDA," the Food and Drug Administration.

In response to Mr. Trump's announcement Thursday, a Purdue spokeswoman said in a statement: "Purdue shares the President's concern about the opioid crisis. Purdue is committed to working collaboratively with those affected by this public health crisis on meaningful solutions to help stem the tide of opioid-related overdose deaths."

A federal district judge in Ohio overseeing hundreds of the local cases has pushed hard for a settlement and made it clear protracted litigation won't help solve the crisis.

The judge, Dan Polster, has

scheduled the first trial for September 2019 but said in court earlier this month he thinks a trial "will accomplish zero" toward a broader resolution. If the defendant drugmakers and distributors "go to war with every government in this country," he said, there is a chance "everyone is going to go into bankruptcy."

U.S. overdose deaths from all drugs soared to more than 72,000 in 2017, a record, according to preliminary data released this week by the Centers for Disease Control and Prevention. That compares with about 66,000 deaths in 2016. The report shows how much deadlier opioid drugs have become, with the largest number of deaths traced to synthetic opioids such as fentanyl.

But the data also show a

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U.S. NEWS

President Opens New Era on Use Of Cyberattacks

BY DUSTIN VOLZ

The Trump administration's move to loosen rules of engagement for U.S. cyberattacks has prompted questions about how the military will carry out offensive digital strikes, and whether hostilities with foreign adversaries will rapidly escalate.

Cybersecurity experts and former officials said it was impossible to determine whether President Trump's move was a step in the right direction or a mistake because the details of such policies are classified.

"The devil is in the details,"

Mr. Trump reversed an Obama-era set of rules on deploying cyberweapons.

said Tom Bossert, who as Mr. Trump's homeland security adviser counseled him on cybersecurity, until he was forced out of his job in April by John Bolton, Mr. Trump's national security adviser.

Mr. Trump on Wednesday reversed an Obama-era set of classified rules dictating an elaborate interagency process that must be followed before cyberweapons can be deployed.

The change was described to The Wall Street Journal as an "offensive step forward" by an administration official briefed on the decision. But few specific details have been divulged about what process Mr. Trump is adopting in place of the previous rules, known as Presidential Policy Directive 20.

Former President Obama's

rules, adopted in 2012, also were classified but leaked in 2013 by former intelligence contractor Edward Snowden.

Mr. Obama's rules prompted debate, with many former officials from different federal agencies saying the process often produced lengthy interagency discussions about the legal, policy, and diplomatic implications of even modest cyber operations. Other former officials said that cyberweapons were rarely deployed not because of bureaucratic red tape because they were in many cases not ready for real-world deployment.

Mr. Bossert said in an interview that he began reviewing the Obama directive and considering ways it could be changed before he left the Trump administration. But he declined to speculate on what was in new rules adopted by the administration. "The content is classified. I have no insight into the details of that content," he said.

Some officials offered tentative optimism about steps to unshackle the process for using cyberweapons, a frequent topic in Congress for lawmakers of both parties who have faulted the past three administrations for failing to develop a coherent cybersecurity strategy. Lawmakers have sought to expand their oversight of cybersecurity matters in recent legislation.

"One thing is clear—what we have been doing so far hasn't worked, and our adversaries believe that they can attack us without any consequences," said Sen. Mark Warner of Virginia, the top Democrat on the Senate Intelligence Committee and a frequent critic of Mr. Trump's cybersecurity posture toward Russia, in a statement.



Since becoming FBI director a year ago, Christopher Wray has tried to bring 'calm, stability—dare I say it—normalcy' to the bureau.

RAY WHITEHOUSE FOR THE WALL STREET JOURNAL

Wray Aims for Calm at FBI

BY DEL QUENTIN WILBER AND SADIE GURMAN

WASHINGTON—FBI Director Christopher Wray has spent the past year focusing his agents on the nitty-gritty of their jobs and avoiding the distractions from controversies buffeting the agency.

A key to that effort, he said, has been to lead by example—keeping his head down and his opinions to himself.

"My big point of emphasis has been that even though we live in tumultuous, turbulent times, I'm trying to bring calm, stability—dare I say it—normalcy, in an environment where I think there's an appetite for that," Mr. Wray said in an interview this week that coincided with the completion of his first year as director.

Mr. Wray's leadership style is a sharp departure from how his predecessor, James Comey, ran the 37,000-employee Federal Bureau of Investigation.

Some agents have described

Mr. Wray's style as so low-key that employees aren't always sure of his expectations.

Others said it has served the bureau well as it faces intense political pressure from its handling of high-profile investigations, including special counsel Robert Mueller's probe into Russia's interference in the 2016 election, which began as an FBI investigation and still uses FBI agents and resources.

Still recovering from President Trump's firing of Mr. Comey in May 2017, the bureau faced more fallout this week after a top counterintelligence agent was fired for sending a stream of anti-Trump text messages that the Justice Department inspector general said "cast a cloud" over the bureau.

Mr. Trump frequently weighs in on investigations, has called the Mueller probe "a witch hunt," and has chastised FBI and Justice Department officials.

Of his relationship with the president, Mr. Wray said simply, "It's professional," and declined to address Mr. Trump's tweets savaging Mr. Mueller's probe and the Justice Department.

"Social-media commentary has its place, but that's not what drives our work," said Mr. Wray, who expressed support for Mr. Mueller and has declared in public that the special counsel investigation isn't a witch hunt.

Mr. Wray, 51 years old, wasn't a stranger to the FBI when Mr. Trump tapped the private-sector lawyer to succeed Mr. Comey. He had served as a top Justice Department official in the George W. Bush administration and worked closely with FBI agents during a stint as a federal prosecutor.

Since taking the reins in August 2017, Mr. Wray said he wakes up around 5 a.m., exercises and arrives at the office by about 8 a.m. His days usu-

ally begin with a briefing on the threats facing the country.

Among the most pressing: Russians are trying to interfere in U.S. elections, and Chinese spies have launched an "unmatched" effort to steal government and business secrets. FBI agents are tracking thousands of potential terrorists, both homegrown radicals and extremists abroad.

In the same way he has avoided getting tripped up by Mr. Trump's tweets, Mr. Wray is seeking to thread the needle with Congress. House Republicans have attacked the Mueller probe and Mr. Wray's boss, Deputy Attorney General Rod Rosenstein, over obtaining access to secret documents.

While Mr. Wray spoke highly of Mr. Rosenstein's integrity, he declined to address the efforts of nearly a dozen House Republicans to impeach the deputy attorney general. "I'm not going to be weighing in, commenting on other people's opinions," he said.

The Long Quest for a Slim Waist

Continued from Page One

breathing.

Unlike a girdle or a pair of Spanx, which are worn for temporary smoothness, these trainers are often touted as weight-loss aids that will trim and shape the waist if worn throughout the day or while exercising. Fitness experts have doubts about any lasting benefits, however, and some wearers are calling them torture.

"My insides felt crushed from the moment I put it on," said Kate Proud, a small-business owner in Ballarat, Australia, who wore one to a wedding earlier this year. She had enlisted her husband and a friend to help get her into the waist trainer, but once she got to the event she decided to take it off. After 20 minutes, it made her "very hot" and "like my internal organs were being squashed together," she said.

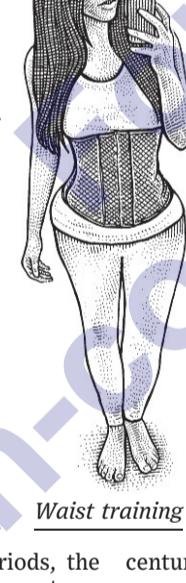
Ms. Proud recently posted a picture of herself on Instagram struggling to fit into a waist trainer, alongside a picture of Ms. Kardashian West wearing one seemingly effortlessly. "I decided to bring awareness to all women that being a real woman is OK," Ms. Proud said.

Ms. Kardashian West didn't respond to a request for comment.

Stephanie Rodriguez found wearing a waist trainer tough at first, with "broken fingernails, grunting, laying on bed to put on," but now "it's like a second skin." The 34-year-old administrative assistant in Chicago said she wears hers every day. After some doubts, she believes it is helping her reduce stomach fat, but she's realistic. "Diet and exercise will help a lot, not just a waist trainer."

Sari Alvarez of Fort Lauderdale, Fla., called her attempt to wear a waist trainer for a day last year the "worst decision ever."

"As soon as I took it off, my back was in such tremendous amounts of pain. I could not sleep properly for a few days,"



Waist training

she said. The 28-year-old legal assistant tried using it just while exercising, but even that felt uncomfortable.

"I understand losing belly fat is the hardest part of working out, but I would not go through those lengths to achieve that goal," she said.

"I would argue these devices should be called waist de-trainers because that is what they are actually doing," said Steve Ball, professor of exercise physiology at the University of Missouri.

If worn over long periods, the constant external support can lead the core ab muscles to become weak. "In fitness, there is no quick fix," he says.

Waist trainer brands such as Waist Gang Society, Waist Shaperz and Angel Curves have called those claims overblown and unproven. Some companies post disclaimers on their websites, saying results will vary from person to

person or encouraging diet and exercise for the best results.

Ruben Soto, president of Hourglass Angel, a Riverside, Ill., company that has been making waist trainers since 2007, says the benefits of wearing one include "a slimmer-looking waist, which can be a confidence booster," improved posture "for a more confident look," and "the added benefit of feeling fuller faster when eating given that the waist trainer is compressing the midsection."

Some even say they have "thermogenic action" (or heat-producing) technology that makes the stomach area sweat while worn. Trainers, which often cost from \$70 to \$150, are promoted on Insta-

"It's still uncomfortable, and I walk like a robot when I'm wearing it," she said. "But I feel super sexy and powerful when I have my corset on."

gram, where some brands have hundreds of thousands of followers.

Corsets—constricting upper-body undergarments with laces, hooks and eyes in the back—were worn throughout the Western world starting in the 16th century.

Around the time of the French Revolution, corsets fell out of favor as aristocratic styles became frowned upon and ideas of liberation extended to women's clothing. But they sprang back into fashion by the 1810s. For the next century, "boned corsets were an essential component of women's fashion," as Valerie Steele, director of the Museum at the Fashion Institute of Technology in New York, writes in her book "The Corset, a Cultural History."

Even then, the old-fashioned corset was perceived by some as an "instrument of torture" and a cause of ill health and even death. While tight corsets could be uncomfortable and in some cases cause fainting, there is no evidence that they split a wearer's ribs or caused tuberculosis, as some claimed, Ms. Steele said in an interview.

The image of Scarlett O'Hara gripping onto a bedpost as Mammy tightly laces her corset in "Gone with the Wind" endures as visual shorthand for the difficulties of wearing one.

The "proper old-school corset" made a comeback with Nathalia Urban, who bought one after liking the way her waist trainer made her look and feel. The 30-year-old translator, who lives in Edinburgh, Scotland, said "it was hard as hell to put on. I ended up tied to my room's doorknob," after watching one too many YouTube tutorials on how to lace herself up in one. She finally asked for her partner's help to squeeze into it.

"It's still uncomfortable, and I walk like a robot when I'm wearing it," she said. "But I feel super sexy and powerful when I have my corset on."



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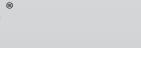
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WORLD NEWS

China Accused of Hiding 1MDB Fugitive

Beijing, Malaysia to discuss extradition of Jho Low in connection with \$4.5 billion theft

KUALA LUMPUR—Malaysian officials believe China has been harboring one of the world's most-wanted financial fugitives, the financier the U.S. Justice Department alleges is at the center of the \$4.5 billion theft from a Malaysian development fund.

By Bradley Hope, Tom Wright and Scott Patterson

Singapore confirmed this summer that it has been pursuing 36-year-old Jho Low via an Interpol Red Notice for the past two years. Malaysia has been trying to arrest him since June.

But through June and into July, Mr. Low had been living freely in China, a person aware of his travels said.

Malaysian prosecutors sent a police contingent in June to search for him in Hong Kong and Macau. Both times, local authorities told them he had just flown out, Malaysian police said. Several Malaysian officials say they believe he is now being harbored in mainland China after helping the country with business deals and diplomacy as the 1MDB scandal blew up.

When Malaysian Prime Minister Mahathir Mohamad kicks off a trip to China on Friday for meetings with officials including President Xi Jinping, a request to extradite Mr. Low will be high on the agenda, said the officials, who are helping prepare for the trip. Malaysia doesn't have an extradition treaty with China. Mr. Low had a close relationship with former Malaysian Prime Minister Najib Razak, who in turn was courted by China. Malaysia's new government suspects Mr. Low helped arrange infrastructure projects, financed by China, from which funds were diverted to cover debts owed by **1Malaysia Development** Bhd., or 1MDB, a former Malaysian official who worked in the prime minister's office said.

Some of those deals fell under China's One Belt, One Road initiative, Beijing's Marshall Plan-like regional-development effort.

Mr. Low maintains his innocence, representatives for his lawyers said. "He will not submit to any jurisdiction where guilt has been predetermined by politics and self-interest manipulated under the guise of law," they said in an emailed comment.

The alleged efforts to hide the losses at 1MDB ended with Mr. Najib's unexpected election defeat in May.

The election result spooked



Fugitive financier Jho Low, above right, had a close relationship with Malaysia's former prime minister, Najib Razak, above left, who was arrested in July on charges including money laundering.

Mr. Low, who summoned his family and entourage to the Marriott Hotel in Macau just after the May 9 vote to discuss the situation and implement more stringent security protocols, people familiar with his activities said.

In a penthouse suite, staff and family members packed up suitcases of documents as a pair of burly Chinese men worked out Mr. Low's logistics on laptops, one of the people said. As they left, an aide to Mr. Low wiped down countertops with alcohol to remove any fingerprints, the person said.

Mr. Low then began moving between hotel suites and luxury apartments in Chinese cities, including Hong Kong and

Shanghai, with his wife, two young children and close associates, the people said.

At times, he has traveled with a Chinese security detail and bragged about "working with Chinese intelligence," the people said.

Meanwhile, Malaysia's new government has been working closely with U.S. Justice Department prosecutors, as well as authorities in Switzerland and Singapore, to investigate Mr. Low's alleged role in 1MDB.

The Justice Department alleges Mr. Low used stolen money to finance a billionaire's lifestyle in the U.S., where he befriended Leonardo DiCaprio, gave jewelry to Miranda Kerr, and financed the movie "The



KRISTIN CALLAHAN/ALAMY/GETTY IMAGES/ZUMA PRESS

Wolf of Wall Street."

Singapore, too, has been frustrated in its efforts to seize Mr. Low. In July, police there said they had asked Hong Kong to arrest him in 2016 but were turned down. Hong Kong's Department of Justice declined to comment. Singapore said at the time it continues to seek Mr. Low's arrest.

Requests for comment from China's Foreign Ministry went unanswered.

China openly sided with Mr. Najib ahead of the May election. Beijing's ambassador to Malaysia campaigned with members from Mr. Najib's coalition on the streets of Johor, a southern Malaysian city. Election posters featured Mr. Low.

Najib meeting Mr. Xi.

In July, Mr. Najib was arrested in Malaysia on charges including money laundering. He denies wrongdoing and is out on bail.

Mr. Mahathir also has suspended more than \$20 billion in Chinese infrastructure projects and is seeking to renegotiate or cancel them. Malaysian officials have alleged that a railway project and a pipeline deal may have been inflated in value, with the excess stolen, some of it used to pay off 1MDB debt.

Current Malaysian officials said they expect China to negotiate hard over the deals and believe Beijing sees Mr. Low as a bargaining chip and won't hand him over easily.

China's Foreign Ministry and the state-owned companies involved have denied any money was taken from the projects. Mr. Xi's government hasn't commented on Mr. Low's alleged role in the negotiations or confirmed his continued presence in China.

Mr. Low appears to be hedging his bets. After the shock election result, he contacted the new Malaysian government by telephone with a proposition. He would return more than \$1 billion in assets and come home in return for Malaysia granting him immunity from prosecution, people familiar with the negotiations said.

The offer was refused.

Comic Provokes Debate About Japan Military

BY CHIEKO TSUNEOKA AND ALASTAIR GALE

TOKYO—On a stormy night, three mysterious figures clamber onto an uninhabited island in the East China Sea. Tensions spiral upward from there until China invades several Japanese islands, triggering Tokyo's first use of military force since World War II in a fierce battle on land, air and sea.

It is all fiction, laid out in a series of manga cartoon novels called "Aircraft Carrier Ibuki" that has sold more than three million copies in Japan by presenting a plausible tale of the nation's military future. Coming next: a movie version and a real-life national defense plan, the first in five years, that could mandate some of the weapons seen until now only in the manga's pages.

One question raised by "Ibuki" also lies at the heart of the defense review: Should Japan's military be able to strike at other nations?

Tokyo's aggression during World War II makes the acquisition of offensive military capabilities sensitive at home and in neighboring countries. Japan's military was disbanded after the war before being reformed as the Self-Defense Forces and relegated to a role many Japanese see as primarily providing disaster relief.

Prime Minister Shinzo Abe has loosened some legal restrictions on the SDF, but it remains tightly constrained on what it can engage in combat.

Senior Japanese policy makers, encouraged by Japan's ally, the U.S., say growing threats from North Korea and China mean they need to boost the SDF's fighting strength by investing in new military hardware.

Details on Japan's future military spending are expected to surface before the end of the year in the next annual budget and a new defense buildup plan for the next five years.

Last year, Japan took a step toward so-called strike capability by announcing plans to buy cruise missiles, which the government said would help



Manga series 'Aircraft Carrier Ibuki,' with a military confrontation as its story line, is triggering debate about whether Japan is ready to use military force for the first time since World War II. Bottom left, the author, Kaiji Kawaguchi. Bottom right, a military exercise.



BENJAMIN PARKS FOR THE WALL STREET JOURNAL (2)

protect Japanese territory from invasion but could also target foreign military bases.

The defense panel of the ruling Liberal Democratic Party this year requested significant new spending to develop Japan's first aircraft carrier since World War II and equip it with F-35B stealth fighters or similar aircraft.

An aircraft carrier would greatly boost Japan's ability to defend its southern chain of small islands in the East China Sea from possible Chinese assault by delivering sustained air power, the panel argues.

Some opposition politicians counter that an aircraft carrier could be used to attack other nations and would therefore violate Japan's defensive military doctrine.

During World War II, Japan had one of the world's largest fleets of aircraft carriers, six of which were used in the 1941 attack on Pearl Harbor.

China, which is building its third aircraft carrier, has warned Tokyo to reflect on its history when developing its military, but hasn't directly commented on the prospect of a Japanese carrier.

The role of an aircraft carrier in a military confrontation over Japan's southern islands is the central story line in "Aircraft Carrier Ibuki."

The manga was launched in 2014 and published as a chronological series, the latest of which went on sale in July.

The fictional aircraft carrier is equipped with F-35B aircraft that intercept Chinese fighters amid a general mobilization of Japan's military power, including an amphibious brigade that mirrors one Japan has created. The story is scheduled to be released as a live-

action movie next year.

Author Kaiji Kawaguchi, who is well known in Japan for manga on maritime military subjects, got the idea for "Ibuki" in 2013 as rumors circulated Japan might develop an aircraft carrier. He says he wanted to show how such a ship can serve a defensive role in a military confrontation and deliver a message of strength to prevent conflict.

"I want to convey a message to China that the SDF will not take it lying down if it attacks Japan," said the 70-year-old Mr. Kawaguchi.

Defendants In Kim Jong Nam Case Face A Setback

BY YANTOULTRA NGUI

SHAH ALAM, Malaysia—Two women accused of killing the half brother of North Korean leader Kim Jong Un will need to enter a defense in their murder trial, a judge ordered.

High Court Judge Azmi Ariff said the prosecution had made a compelling case that the two women, Doan Thi Huong of Vietnam and Siti Aisyah of Indonesia, had intended to kill Kim Jong Nam, who died in Kuala Lumpur's international airport in February 2017 after they allegedly smeared VX, a banned nerve agent, on his face.

"I'm of the firm view that the accused were the perpetrators leading to the death" of Mr. Kim, Mr. Azmi said in delivering his findings over more than two hours. The women, who were wearing headscarfs, quietly looked on.

Ms. Huong and Ms. Aisyah have pleaded not guilty to murder, which in Malaysia carries a mandatory sentence of death by hanging.

The judge's decision will extend a trial that has already lasted 10 months and will provide a relief for prosecutors, who have struggled to establish a clear motive for the women's role in the killing. Ms. Huong, 30, and Ms. Aisyah, 26, have said they were duped by a group of four North Koreans who orchestrated the killing and fled hours later, abandoning them to suffer the consequences.

A lawyer for Ms. Huong said his client was disappointed with the decision but that the team plans to mount a defense that will include the calling of witnesses from overseas. A lawyer for Ms. Aisyah said the evidence against his client was "flimsy" as it was based primarily on airport security camera footage.

Beijing Steps Up Response to Vaccine Scandal in Bid to Ease Public Anger

BY CHUN HAN WONG

BEIJING—China's leadership stepped up efforts to assuage public anger over a vaccine scandal, including the punishment of more than 40 officials, such as with forced resignations and censure, state media said.

In July, regulators announced that a drug company in China's northeastern Jilin province, **Changsheng Biotechnology** Co., allegedly sold hundreds of thousands of defective vaccine doses given to children.

There have been no reports of side effects from those who

have received the vaccines.

Authorities have since arrested 18 company employees, including the chairwoman. The government on Thursday said police investigations have been completed and the suspects will be prosecuted.

The scandal has "exposed inadequacies in supervision and many other loopholes," read a communiqué from Thursday's leadership meeting. In response, the party has

resolved to improve regulatory measures and "firmly defend the bottom-line of public safety," it said.

The meeting singled out several officials for alleged failings, including the dismissed Jilin vice governor and three other officials who were asked to resign—a former Jilin vice governor, a senior official at the national market regulator and the mayor of Changchun city, where Changsheng is based.

An additional 37 officials, including the head of China's drug regulator, were to be censured or held accountable.

The leadership also ordered a probe against Wu Zhen, a former deputy director at China's drug regulator. In a separate announcement, the party's disciplinary watchdog said Mr. Wu has been placed under investigation for allegedly committing "serious violations" of party discipline and

the law, a phrase that often refers to corruption.

Mr. Wu couldn't be reached to comment.

Regulators say Changsheng had allegedly produced nearly 500,000 substandard doses of diphtheria-tetanus-pertussis vaccine, and fabricated production records of a rabies vaccine—the production of which has been suspended.

The revelations triggered a public uproar.

WORLD NEWS

In Violent Vote, Mali Re-Elects Its Leader

By NICHOLAS BARIYO

Malian President Ibrahim Boubacar Keïta won re-election with an overwhelming majority, in a runoff vote marred by militant violence and accusations of fraud by the opposition.

The closely watched election was seen as a bellwether for Mali's stability with Islamic militants using central and northern parts of the country as a launchpad for attacks across West Africa. The 73-year-old Mr. Keïta now faces the challenge of trying to halt that insurgency.

The incumbent president garnered 67% of the vote held on Sunday to win a second five-year term, defeating veteran opposition leader Soumiala Cissé, who got 33% of the vote, the Ministry of Territorial Administration said Thursday. Mr. Cissé, a former finance minister, accused Mr. Keïta's team of manipulating election results. Mr. Keïta's office denied the allegations.

The announcement capped days of tensions in the West African nation where threats by jihadist militants had forced hundreds of polling stations to stay closed during the vote.

Threats of attacks forced some 500 out of 23,000 polling stations to stay closed on Sunday, officials said. Only about 34% of the country's eight million registered voters participated in the election, according to the ministry. Election observers from the European Union called for calm after the vote, urging both parties to respect the country's laws.

"Any possible questioning of the results must be done peacefully and via the channels envisaged by the law to deal with disputes," a spokesman for the EU mission said.

Khan Inherits an Ailing Pakistan

By SAEED SHAH

ISLAMABAD—Imran Khan won Pakistan's election on a pledge to create millions of new jobs and rejuvenate the country's ailing services. First, he will need to prevent an economic crisis.

The former cricket star, who spent two decades battling as a political outsider and never previously held a position in any administration, is set to be sworn in as prime minister on Saturday after an unexpectedly strong showing in the July 25 vote. He campaigned to overturn a history of poor governance in Pakistan, a nation of 200 million people that has vacillated between civilian and military rule throughout its history, underperforming other emerging markets in Asia for decades.

But that won't come easily, with Mr. Khan inheriting a troubled economy and a tricky international environment.

Pakistan has ballooning fiscal and trade deficits, after the last elected government splurged ahead of the election. Economic growth has sucking in imports that have far exceeded the value of the country's exports, draining its foreign-currency reserves.

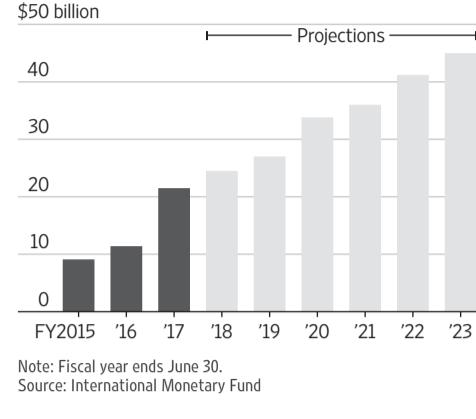
Meanwhile, Pakistan's relations with the U.S. are strained. The Trump administration is pressing Pakistan to help forge a peace deal in Afghanistan, but its alliance with Islamabad is being tested by the South Asian country's growing economic dependence on China. Mr. Khan will also have to contend with a military at home that reasserted its dominance after clashing with former Prime Minister Nawaz Sharif.

Mushtaq Khan, a former chief economist at Pakistan's central bank, said the new government will face a difficult task of managing the expectations of its supporters against the economic realities. They want jobs and a corruption-free government, while the government's difficult fi-

Economic Trouble

Pakistan's need for foreign cash injections is mushrooming while growth is set to slow.

External financing needs



Annual change in GDP



THE WALL STREET JOURNAL



Imran Khan is set to be sworn in as prime minister on Saturday.

of bailout it now needs. That would require relying on cash injections from allies in the Gulf and China, commercial borrowing, and raising money from overseas Pakistanis through a bond issue.

Asad Umar, a lawmaker with Mr. Khan's party who is expected to become the finance minister, said this month that no option, including the IMF, could be ruled out. This week, he was quoted in Pakistan's Dawn newspaper as saying the IMF was "a fall-back option only."

"The situation is dire," Mr. Umar told reporters. "Pakistan has been through this repeatedly. We've come out of it before and we'll come out of it again."

Any IMF program is expected to be around \$10 billion, a sum larger than Pakistan is likely to be able to obtain from any other source. But IMF funds would also restrict how the government spent the money and under what conditions. And even that amount would still leave Pakistan in need of funds from elsewhere. To put a brake on imports, an IMF program could force a slowdown in economic growth to under 5%, experts say. That would be well below the level needed to absorb annual new entrants to the workforce, and require cuts in government spending.

By comparison, both India and Bangladesh are forecast to grow 7% or more in 2018 and 2019, according to the Asian Development Bank.

The IMF issue was further complicated by the fallout from Washington's demand this month that any bailout from the fund shouldn't be a means to pay off Chinese debt.

"I don't see an alternative to seeking a fund program," said Waqar Masood Khan, who was the top official in the finance ministry for the past two IMF programs. "Money from elsewhere can tide us over for a few weeks or months, but that's not the solution to fixing the economy."



Relatives of the victim of a suicide attack grieved at a burial ceremony in Kabul on Thursday.

Afghan Training Facility Hit

By HABIB KHAN TOTAKHIL AND CRAIG NELSON

KABUL—Gunmen attacked the Afghan intelligence service's training facility in central Kabul, a day after a suicide bomber struck a classroom full of students in the city.

There was no immediate claim of responsibility for Thursday's attack, which follows almost a week of high-profile assaults largely by the Taliban that have killed at least 311 people, mostly government soldiers and police.

The Taliban's spokesman, Zabihullah Mujahid, neither confirmed nor denied the group's fighters carried out the raid.

The Afghan intelligence agency known as the National Directorate of Security said security forces killed two attackers 18 to 20 years old and armed with suicide vests and machine guns in a six-hour standoff. No casualties were reported among security forces.

The wave of bloodshed that has swept Afghanistan in recent days started with the Taliban's attack on the eastern city of Ghazni on Aug. 10. The violence swept into Kabul on Wednesday, when a suicide bomber struck a classroom of students studying for their university entrance examinations in the west of the city.

A Bloody Week

Sunday The battle for Ghazni becomes a full-blown siege.

Monday At least 43 soldiers are killed when Taliban overrun an army base in Faryab province.

Tuesday Taliban fighters hit a police garrison on the outskirts of Baghlan; 37 officers die.

Wednesday A suicide bomber believed tied to Islamic State's local affiliate attacks a Kabul classroom, killing 34.

Thursday Gunmen strike the Afghan intelligence service's training facility in Kabul.

against Islamic teachings."

The U.S. State Department called the attack "a clear effort to foment sectarian violence and hold back the Afghan people's hopes for a future of peace and security."

In advance of the three-day Muslim festival of Eid al-Adha next week, the Taliban have been flexing more muscle beyond the battlefield.

This week, they revoked the right of safe passage in Afghanistan for the International Committee of the Red Cross.

Citing a hunger strike by inmates at Afghanistan's main prison, Pul-i-Charki, on the outskirts of Kabul, the insurgency said the Red Cross had failed in its obligations to aid war victims and protect prisoners' rights.

To resume its operations, the aid organization must reach an agreement with the insurgency about the "nature of their operations" in the country, the militants said.

The ICRC didn't respond directly to the Taliban demand. Noting that the group had been working in Afghanistan for more than 30 years, spokeswoman Sanela Bajrambasic said by telephone from Geneva that, "we have always sought to build relationships of trust with all parties to the conflict through a bilateral and confidential dialogue."

Authorities on Thursday said 34 people were killed in that explosion, down from the initial death toll of 48 the Health Ministry announced immediately after the blast, which Islamic State's local affiliate is believed to have carried out.

As funerals for the mostly young victims were held across the city, Afghan President Ashraf Ghani condemned those responsible for the bombing, saying that by attacking cultural and educational institutions, the "brutal terrorists...had shown they're

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WORLD NEWS

Brazil's Loathed Leader Is Liked By Economists

President Temer leaves unfinished business as his term in office nears end

BY PAULO TREVISANI

BRASÍLIA—Brazil's president, Michel Temer, has been called a coup plotter, charged with corruption and is highly unpopular with voters.

But as Mr. Temer prepares to leave politics after national elections in October, many economists credit him with taming his country's high inflation, reviving private investment with business-friendly policies, and pulling the country out of a steep recession.

There is still plenty of unfinished business. During his two years in office, he failed to make dents in a huge budget shortfall and national debt load, nor accomplish a key goal—reforming a pension system that eats up nearly half of Brazil's budget.

"It's an important issue for the nation," Mr. Temer told The Wall Street Journal in an interview. "Candidates should be talking more about it."

Many Brazilians view Mr. Temer with suspicion. The 77-year-old former vice president came to power in 2016 after Congress removed President Dilma Rousseff on charges of mishandling the budget. Many say he orchestrated her ouster,

an accusation he denies.

His image was further tarnished in 2017, when as president he appeared to endorse the payment of hush money to a jailed lawmaker in a recording leaked to the press. He denied the ensuing corruption charge and avoided a trial during his term.

Still, 82% of Brazilians disapprove of his governance, according to a recent Datafolha poll.

"Temer is so bad," said Djanira da Hora, a 64-year-old retiree who sells homemade sweets on the streets of Brasília, the capital. "There is nobody you can trust in the government."

Many of those who track Brazil's economy assess his reign more positively than most ordinary Brazilians.

Mr. Temer's economic team, led by retired banker Henrique Meirelles, cut red tape, reined in spending, and took steps to boost business confidence and new investing after it had dived under Ms. Rousseff, many economists say.

Many of the changes were opposed by unions and the powerful leftist Workers' Party of Ms. Rousseff and her predecessor, Luiz Inácio Lula da Silva. But they helped set the stage for the first economic growth in 24 months. The economy is projected to grow 1.5% this year.

"Temer made policy changes that stopped the bleeding caused by the recess-



Brazil's president, Michel Temer, after the inauguration of Paraguay's new president, Mario Abdo Benítez, in the Paraguayan capital.

sion," said economist Monica de Bolle of the Peterson Institute for International Economics, a Washington think tank. "It helped the economy muddle through the crisis."

The team cut inflation from 9% when Mr. Temer took office to 3% last year, the lowest since 1998, helping to alleviate the strain on household budgets. In a country beset by budget overruns and high public debt, his administration won constitutional approval limiting government spending for the first time.

His administration opened up a moribund oil sector to foreign investment, auctioning deep-water oil fields that won

the government a nearly \$2 billion signing bonus.

Under his watch, Brazil's central bank trimmed its main interest rate to a 6.5% historic low from 14.25% two years ago.

"Given the circumstances and the state of public finances there were some solid advances," said Geert Aalbers, a senior analyst at Control Risks, a global risk consultancy.

Mr. Temer in 2015 made a series of business-friendly proposals as vice president that ran squarely against his boss's program. Congress removed President Rousseff from power a year later and installed Mr. Temer.

Then in 2017, a prominent

industrialist secretly taped Mr. Temer appearing to endorse the hush money, prompting the attorney general to press corruption and money laundering charges against him. The president lobbied Congress to shelve the proceedings.

The scandal consumed Brazil much of last year, contributing to Mr. Temer's failure to overhaul the pension system amid a lack of political support.

In the interview, Mr. Temer denied wrongdoing and called the accusations part of "a plot meticulously organized to derail pension reform." He has offered no evidence of his assertions.

"I want to be remembered as a reformist," Mr. Temer said. "I don't want to leave with the stigma of immorality on my shoulders."

The challenges for Brazil remain sizable: The government struggles to tame a gaping budget shortfall equal to 7% of gross domestic product and a debt load equivalent to 77% of output.

"Looking at the brief Temer administration, what it really tried to do was to fix the fiscal problem," said UBS economist Tony Volpon. But the "fiscal situation is extremely bad" and the next leader "will have to keep making adjustments to avoid total disaster."

WORLD WATCH

IRAN

U.S. Names Envoy to Coordinate Sanctions

The new U.S. special representative for Iran said the Trump administration is prepared to impose sanctions on all countries that buy oil from Iran after a deadline in November, including China, the top importer of Iranian crude.

Brian Hook, who was appointed as special representative and chief of a new Iran Action Group at the State Department, said the U.S. would issue waivers from sanctions to countries that have made efforts to reduce their Iranian oil purchases.

India and South Korea are among Iran's top oil customers. Both countries already have started to scale back imports and are hoping to obtain waivers to buy more time to replace Iranian crude.

But China repeatedly has said it has no plans to comply with a wave of U.S. sanctions that are due to be reimposed on Iran's energy sector on Nov. 4. Some oil analysts expect China to increase Iranian imports instead, potentially undermining U.S. efforts to isolate Iran.

—Jessica Donati



FLORAL CARPET: A massive display celebrating Mexico and made from over 500,000 dahlias and begonias was laid out in Brussels. Every two years, a flower carpet covers the city's Grand Place.

YVES HERMAN/REUTERS

Ex-Prime Minister Vajpayee Dies at 93

Former Indian Prime Minister Atal Bihari Vajpayee, a Hindu nationalist who set off a nuclear-arms race with Pakistan but later reached across the border to begin a groundbreaking peace process, died Thursday after a prolonged illness. He was 93

years old.

Mr. Vajpayee was in many ways a political contradiction: He was the moderate leader of an often-strident Hindu nationalist movement. He was a lifelong poet who revered nature but who oversaw India's growth into a swaggering regional economic power. He was the prime minister who ordered nuclear tests in 1998, stoking fears of atomic war between India and Pakistan.

Then, a few years later, it was Mr. Vajpayee who made the first moves toward peace.

Mr. Vajpayee's supporters saw him as a skilled politician who managed to avoid fanaticism. His critics considered him the leader of a movement partially rooted in European fascism that sought power by stoking public fears of India's large Muslim minority.

—Associated Press

Bank of Mexico Wary On Trade, Public Funds

BY ANTHONY HARRUP

After a contraction in the second quarter, central bankers predict growth this year will be at the low end of their forecast range of 2% to 3%.

Negotiations with the U.S. and Canada to redraw the North American Free Trade Agreement still entail risk for Mexico, according to the central bank. It said U.S. import tariffs and retaliatory measures by affected countries are already affecting trade flows.

"Some [board] members stated that the possibility of escalating trade tensions is far from fading," it added.

On the domestic front, central bankers noted uncertainty over the strategies, policies and plans of the incoming administration of President-elect Andrés Manuel López Obrador.

Mr. López Obrador, who is to take office Dec. 1, has pledged to raise social and infrastructure spending using savings from government austerity measures, while keeping a lid on public-sector debt. But there are concerns his administration could eventually run up wider deficits to fulfill campaign promises.

FROM PAGE ONE

Shoppers Show More Confidence

Continued from Page One from groceries and staples, often tracks its home economy. Gross domestic product—the value of all goods and services produced across the U.S.—rose 4.1% in the second quarter.

The chain, which booked \$128 billion in global quarterly revenue, has drawn more shoppers to its supercenters as it remodels stores and cuts prices. It also posted a 40% jump in U.S. e-commerce sales. Though e-commerce is a sliver of Walmart's business, the growth showed the company's heavy investments are helping the chain hold its ground against Amazon.com Inc.

Walmart shares surged 9.3% to \$98.64 on Thursday, giving a boost to the entire retail sector. While Walmart's shares have lagged behind, many retail stocks have climbed sharply this year as sales have stabilized. Nordstrom, which reported its results after mar-

kets closed, rose 12% to \$58.40 in after-hours trading.

That isn't to say traditional retailers aren't still facing challenges from Amazon, whose rapid growth and discounting has squeezed industry profits. Analysts also caution that potential tariffs could force retailers to raise prices and eventually crimp demand. The key test of the industry's health—and shoppers' appetite to spend—has yet to come: The holiday quarter drives the lion's share of the retail business.

The improving economy isn't lifting everyone. J.C. Penney Co. said Thursday that its sales fell and its loss doubled to \$101 million in the second quarter. The chain, which is searching for a CEO, also cut its forecasts for the year. Its shares plunged 27% to \$1.76.

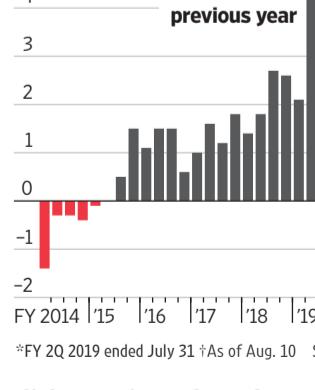
Retailers that have pulled out of the slump have had a focus on their core customers, plowing money both into their physical stores and websites. They have become smarter about how they manage inventory, leaving them with fewer surplus goods and markdowns at the end of a season.

Investors can be punishing when retailers show even the

Retail Shakeout

Walmart's sales have improved in recent years, helped by a stronger economy and closures of weaker players.

Walmart's U.S. same-store sales



*FY 2Q 2019 ended July 31. †As of Aug. 10

U.S. store closures are outpacing openings so far this year.[†]

Announced store openings	2,239
Closures	4,379
Major store openings	
Dollar General	900
Aldi	200
Five Below	125
O Bag	100
Ross Stores	90
Gap	90
Walmart	90
Tractor Supply	80
Fabletics	75
Gander Outdoors	69
Major store closures	
Toys 'R' Us	881
Walgreens	600
Sears and Kmart	284
Ascena Retail	267
Bon-Ton	260
Best Buy	250
Signet Jewelers	200
Mattress Firm	200
GNC	200
Claire's	132

Sources: the companies; Coresight Research

also have filed for bankruptcy this year, including Toys "R" Us Inc., regional department-store operator Bon-Ton Stores Inc. and teen chain Claire's.

Those moves weeded out weaker competitors and cleared out some of the overcapacity that has plagued the industry. As a result, the remaining chains are on more solid footing, analysts say.

Heading into the critical holiday season, the National Retail Federation raised its 2018 sales forecast to a mini-

mum of 4.5% growth compared with last year. Previously, the trade group had expected sales to increase by a range of 3.8% to 4.4%.

As shoppers cut their spending in recent years, one of the biggest categories to take a hit was apparel. But that trend is reversing, with apparel sales up 5.2% from January through July, compared with a year earlier, said Craig Johnson, president of the consulting firm Customer Growth Partners.

"The single biggest driver for retail growth is growth in disposable income, and disposable income is much stronger than it was five years ago," Mr. Johnson said.

Joanne Charles, of Valley Stream, N.Y., said she is spending the extra money in her paycheck from the tax cuts. The 50-year-old event planner said she recently bought four dresses at Macy's.

Some of that extra spending has been fueled by borrowing, which has pushed household debt to record highs, according to Beth Ann Bovino, chief U.S. economist at S&P Global Ratings. But Ms. Bovino said that when taken as a percentage of disposable income, household debt is the lowest since the recession.

"I feel great about the economy," said Sally Wiggins, of New City, N.Y. While the 57-year-old, who works in hotel sales, said she is buying more clothes and shoes for her three college-age children, her biggest purchase has been a home on the Gulf Coast that she and her husband are using as a vacation rental. She said the property has been booked all summer, "so other people must be feeling good about the economy too."

FROM PAGE ONE

Harvey's Steep Toll on Friends

Continued from Page One
woman who lived alone in her ground-floor condo.

The property damage was stunning. Overnight, tidy condos became soggy, fetid dumps. Dazed families dragged out what remained of their life's belongings and built roadside piles for refuse crews to haul away.

In the early days after the storm, Ms. Martinez and Ms. McPheeters joined neighbors—both acquaintances and strangers—determined to save The Pines. A year later, nearly half the condos remain empty.

Owners angrily split over repairs that would cost them each thousands of dollars, their share of the more than \$1 million needed to fix and rebuild. Some favored selling their units or the entire property, hoping to recoup a fraction of their investment. Others, forced out of their condos for months, sought the quickest possible return.

The goodwill that had united residents through the storm seemed to recede with the floodwaters, leaving behind conflict and resentment.

Choices forced by Harvey's wreckage even split the two friends who first navigated 1980s Houston together as single working women—chasing love and success, celebrating holidays and birthdays, giving comfort during heartbreak.

"I don't think it will ever be the way it was," Ms. Martinez lamented.

"The flood took my fun and my spunk and my spirit and a friendship," Ms. McPheeters said.

The story of their struggles mirrored those of greater Houston in the year since Harvey caused more than \$125 billion in damage, the second-costliest hurricane in U.S. history. Only Katrina was worse.

Voters in Harris County, which includes Houston, decide on Aug. 25 whether to approve a \$2.5 billion bond measure to overhaul the region's flood-protection system.

Weighing the price of restoration and security has been a calculation for many residents after Harvey, including the estimated tens of thousands who are still out of their homes.

Harris County Judge Ed Emmett, an architect of the bond-measure campaign said, "Now is going to come the test: How well are we going to work together?"

Lucy and Ethel

A mutual friend introduced Melva Martinez and Marilyn McPheeters at the Adam's Mark Hotel bar in downtown Houston, a favorite of the singles crowd. The two women found they had much in common and hit it off right away.

Ms. Martinez, a third-generation Mexican-American, was raised in South Texas, where her parents owned a chain of small grocery stores. Ms. McPheeters grew up around Houston, and her father had owned pharmacies. Both women had worked in their family stores when they were young.

Ms. Martinez always imagined she would leave her hometown of Beeville, and moved to Houston in her 20s.

Ms. McPheeters, an urbane woman with a passion for art and antiques, was six years older and in her early 30s when they met. Ms. Martinez said she had never encountered anyone quite like her.

Ms. McPheeters had attended a fashion design school, wore the latest clothes and had an easy confidence that drew people, including eligible men. She briefly worked in retail before taking an administrative job at a Houston law firm.

They soon became neighbors.

"Melva came over one day and said, 'Oh, I love your apartment. If any become available, let me know,'" Ms. McPheeters said, recounting Ms. Martinez's first visit.

"Her place was gorgeous," said Ms. Martinez, describing her friend's paintings, lithographs and framed posters.

Not long after, a condo four doors away went up for rent at \$450 a month. Ms. Martinez grabbed it. In their free time, the new friends danced at discos, shopped for antiques or



'It breaks my heart we're not as close.'

Melva Martinez, left, speaking of tensions with longtime friend Marilyn McPheeters, right, in the year since Hurricane Harvey



Nearly half of the 254 units at The Pines condo complex in Houston remain empty after flooding from last year's Hurricane Harvey.

to delay any remodeling until structural repairs were done.

Ms. McPheeters grew more despondent. She said she had no problem if Ms. Martinez decided to sell her own unit, but worried her friend would join others who favored selling the entire property and dividing up the proceeds.

"I could see both sides," Ms. McPheeters said. "This was an investment property for her. Melva is still working. Melva has a husband. Melva's life is the same. For me, this was my home, and I wanted to be back."

In February, Ms. McPheeters skipped a party thrown by a mutual friend, who relayed the reason to Ms. Martinez.

"She couldn't stand being around you because of Harvey, and you haven't stood by her," Ms. Martinez recalled the friend saying.

Ms. McPheeters said she remembered not feeling up to seeing any of her friends.

In March, after sifting through contractor bids, the board estimated it would cost at least \$1.2 million to fix building foundations, rebuild walls and remove mold.

The entire project could take between six and eight months, delaying returns until the fall.

"Every day, they change the rules. So I said, 'Screw it, I'm going to rebuild,'" Ms. McPheeters said. She put in new walls, wiring and concrete slab flooring—and dared anyone to try to stop her.

Ms. Martinez said the growing tension with Ms. McPheeters made it easier to text rather than to talk. In the days after Harvey, she wore the cross her friend had given her, but now she had stopped.

"She was always happy. She had the cutest, angelic smile. But now she's angry. This is so not Marilyn," Ms. Martinez said. "Our conversations started out really nice, but when it turned to rebuilding—it became horrible. It didn't sound like her."

The homestretch

The Pines scrapped its FEMA loan application in May because the loan required a \$200,000 flood insurance policy, which it couldn't afford. The agency said about 80% of the households damaged by Harvey didn't have coverage.

Bank loans turned out to be another dead end: The Pines had no collateral and was still only about half-occupied. The latest board president, Danielle Trettin, said each owner would have to pay an assessment fee, roughly between \$3,000 and \$5,000, to help cover \$1 million of the repairs.

Ms. McPheeters moved back in July. She didn't care if the board took action against her for not waiting until her building was declared free of mold.

Her refurbished condo sprang from her imagination to real life, dressed in marine-blue walls, slab floors, gleaming cabinets and new appliances. "I am so happy to be home," she said.

For more than a month this summer, she and Ms. Martinez didn't speak beyond an occasional text.

Ms. McPheeters said she was upset, believing her friend disapproved of her returning home before the board gave its blessing.

"I can't imagine my life without Melva in it as a friend. But I can't imagine this kind of friendship either with Melva. It's too strained," Ms. McPheeters said.

Their friendship proved more resilient. In late July, the two women made plans for dinner, like old times, at a Mexican restaurant. They laughed, caught up and reminisced, steering clear of any talk about The Pines.

After dinner, they went to Ms. McPheeters's condo. Ms. Martinez gushed over the remodel and returned the lost lithograph.

Ms. McPheeters cried.

"It was great to see her," she said later. "I think I'd just got my feelings hurt."

Their relationship, like The Pines, needs work. Foundation repairs and mold inspections at the complex are about done, but other problems remain. Residents have returned to ground-floor units but more than 100 are still vacant.

The two friends agree they, too, are only partway home.

"I think it will be fine, if we don't talk about Harvey," Ms. Martinez said. "He's the boyfriend that none of us wanted."

Families dragged out what remained of their life's belongings for the refuse crews.

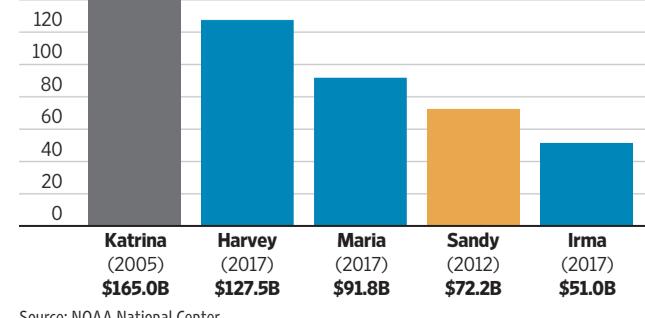
That week, Ms. Martinez and others helped Ms. McPheeters cart away what little that could be saved—a few paintings, her mother's glass table, a carousel horse from her ex-fiancé. Ms. McPheeters wept at her losses.

Among the heaps of water-logged debris piled outside, Ms. Martinez spotted one of Ms. McPheeters favorite lithographs.

She dug it from the muck and put it in her car. She

America's Billion-Dollar Storms

Ranking by estimated damage



Source: NOAA National Center for Environmental Information

Harvey knocks

On Aug. 25 last year, Harvey slammed the Texas coast and headed toward Houston. Ms. Martinez made plans to hunker down at home with her husband. Two days later, the city flooded.

Ms. McPheeters told Ms. Martinez over the phone that

she planned to return it as a surprise housewarming gift when her friend moved back.

Residents lugged into courtyards stacks of ruined photo albums and mud-caked recipe books and broken toys. Mattresses and couches lined Memorial Drive.

Owners sought guidance from The Pines' Homeowners Association Board, which administered the bylaws governing the condominium complex. It fell to the board to decide if and when it was safe for residents to return.

In the days that followed, residents of The Pines realized that no one would be moving back soon. Flooding had left the 127 ground-floor units rotting and uninhabitable. The sour stench of sewage hung over the entire property.

Ms. Martinez and her husband cleared out their condo.

Their tenant said he wasn't coming back, leaving behind

his flood-soiled belongings.

Then Ms. Martinez called Ms. McPheeters, who barreled through the storm in her small Honda. "Never see that guy again!" Ms. McPheeters told her friend. Ms. Martinez broke up with the man soon after.

Ms. Martinez's relationships with men never seemed to last.

Once, when she was stranded across town in a downpour and flash flood, Ms.

Martinez called a boyfriend to pick her up in his truck. He told her to find a hotel.

Then Ms. Martinez called

Ms. McPheeters, who barreled

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up with the man soon after.

In her mid-30s, Ms. Martinez met Richard Meronek, an oil-and-gas engineer. They

were volunteers at a school for

autistic children. "I shook his

hand, and I knew I was going

to marry him," she said.

Ms. McPheeters imagined a

life with a husband and chil-

dren. She had been engaged to

an older man, the owner of a

tubing company. She broke it

off after she worked for him,

but they remained close. Ms.

McPheeters said it probably

kept her from getting serious

with anyone else.

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GREATER NEW YORK

Spike's New Joint: NYPD Adviser

The filmmaker's firm was paid \$219,113 to work with the police on an ad campaign

BY ZOLAN KANNO-YOUNGS

Brooklyn-raised filmmaker Spike Lee has never shied away from focusing his lens on race relations and police abuse.

In his nearly 30-year-old seminal film, "Do The Right Thing," New York Police Department officers choke a black man to death with a baton, sparking a riot. In 2014, he spliced footage of that fictional scene with video of Eric Garner dying after police put him in a chokehold in Staten Island. And at the height of the Black Lives Matter movement, the director attended rallies, filming interactions between protesters and the police.

He was exactly the type of person NYPD First Deputy Commissioner Benjamin Tucker wanted to hear from as the department prepared an advertising campaign for its hallmark neighborhood-policing initiative. Mr. Tucker said he reached out to the director's company for help because it fit one of his duties: To build trust with minority communities.

"You want to reach out to folks. Not just the folks who are supporters pretty consistently but also folks who have certainly been critics in the past," Mr. Tucker said. "I knew Spike had the advertisement firm and as we were looking at various entities in that realm, I said let's reach out and see if they would have an interest in adding their voice."

Mr. Lee agreed, and in 2016 his advertising company, Spike DDB, received \$219,113 in consulting fees from the New York City Police Foundation, a nonprofit that funds NYPD initiatives. The payment was re-

vealed in the nonprofit's most recent tax filing that covered parts of 2016 and 2017.

"After careful thought, I accepted the consultation assignment," Mr. Lee said in a statement. "The NYPD came to me knowing I have been critical of them. I think it's important for open dialogue to make what has been a tough relationship better."

The New York City Police Foundation draws from donations to fund NYPD initiatives, such as a program that posts detectives in different cities abroad and an anonymous tip line in which the foundation offers rewards of up to \$2,500 for crime-fighting assistance.

The foundation in recent years has paid other consultants, including more than \$260,000 to advise John Linder, who ultimately created TV ads for the neighborhood policing program, according to the foundation's spokesman and the tax filings. The foundation has come under scrutiny from some civil-rights advocates calling for more oversight of the nonprofit.

The ad campaign for the policing initiative—which directs officers to spend parts of their days forging relationships with community residents—went live earlier this year and includes commercials, posters and radio spots. Mr. Tucker declined to specify how Spike DDB helped, but said the firm was one of multiple entities and individuals that contributed to the campaign.

A spokesman for the Police Foundation said the nonprofit worked with Mr. Lee's company "in the initial stages" of the campaign, while receiving input from other agencies. "That process ultimately resulted in last spring's neighborhood policing ad campaign," said the spokesman, Brady Littlefield.

The NYPD and Spike DDB



Director Spike Lee, left, and John David Washington on the set of his new movie 'BlacKkKlansman.'

didn't want to publicize the agreement, Mr. Tucker said. "That wasn't part of the deal," he said. "They just wanted to add value."

Some police-reform advocates and a union official were irked when they heard about the partnership.

Hawk Newsome, the president of the advocacy organization Black Lives Matter Greater New York, said while he respects Mr. Lee, he doesn't think his company should have been paid to consult with the NYPD.

"They went to a person who knows how to paint pictures of black people, that being Spike Lee," Mr. Newsome said. "What they need to do is go to people providing solutions for police misconduct."

When told of the consulting arrangement, Ed Mullins, pres-

ident of the Sergeants Benevolent Association, said the NYPD was "further alienating police officers."

"Shame on the police foundation for contributing to such a cause," he said.

Citing Mr. Lee's video of the Garner incident, Mr. Mullins said, "he's disingenuous, his integrity is completely out of whack, his integrity is not to be trusted."

Mr. Littlefield declined to comment on Mr. Mullins's comments.

The deal with Mr. Lee's company is just one part of the NYPD's efforts to reach minorities, Mr. Tucker said. The department has included many advocates and organizations in conversations on how to improve relations with minorities, he added.

Mr. Tucker said he was aware that union officials might not agree with him reaching out to people who have been critical of the NYPD, including Mr. Lee.

"I'm certainly aware of the...other side of the coin in the unions and all of those things," Mr. Tucker said. "As a senior person in the department charged with doing what I do, I have to do what I think is right and what's best for the agency overall."

As a youngster, Mr. Tucker might have resembled one of Mr. Lee's characters. Growing up in New York City, he said he and his friends often were harassed by police. "We weren't big fans of the NYPD," he said. "But when I took the job, I said I'm going to be the best cop I can be."

Probe Gets Poor Marks From Critics Of Yeshivas

BY LESLIE BRODY

Advocates for more secular education in some ultra-orthodox yeshivas said Thursday that New York City's investigation into the schools' academics should move faster and be more thorough.

Young Advocates for Fair Education, whose complaints of substandard curriculum at the schools spurred Mayor Bill de Blasio to promise a probe three years ago, said city officials got a rosy view of the 15 yeshivas they toured in 2017 because the visits were scheduled in advance.

The private schools could "put their best foot forward—even if it was a fabricated foot," said Naftuli Moster, executive director of the advocacy group. City officials said state guidelines required visits to be made at mutually convenient times, but he called for exceptions.

The city sent a letter to New York's education commissioner Wednesday saying 15 of the 30 yeshivas under review hadn't scheduled visits despite repeated requests during two years. Avi Schick, attorney for the yeshivas, disputed that claim, noting that he sent the city Department of Education a letter Tuesday saying the parties should talk about scheduling visits to the remaining schools.

Mr. de Blasio said at an unrelated news conference Thursday that resistant yeshivas offered invitations only after the city notified them it planned to publicly name them. He said he hoped they would allow department officials to inspect the schools soon. The 15 yeshivas that department officials have visited so far appear to meet standards or are on the way to doing so, the mayor said.

"There is room for improvement in a lot of traditional public schools, too," he said.

Advocates for more secular education have said Mr. de Blasio has shied away from challenging the powerful Orthodox community, which is a strong voting bloc in the city.

New York City school Chancellor Richard Carranza's letter to the state education commissioner said that nine of the 15 yeshivas his agency visited appeared to be using updated secular lessons in some math and English classes. The letter noted, however, that the yeshivas hadn't given the city Department of Education a full set of materials, "and therefore DOE cannot currently assess the quality of the curricula."

A spokeswoman for the state Education Department said it would review the city's findings. Parents for Educational and Religious Liberty in Schools, a coalition of yeshivas, said Young Advocates for Fair Education's campaign against them should be recognized as an attempt to usurp parents' rights to select the best education for their children.

—Katie Honan contributed to this article.

USS Intrepid Celebrates 75th Anniversary



ALL HANDS ON DECK: A crowd gathered aboard the USS Intrepid on the west side of Manhattan on Thursday to mark the 75th anniversary of the commissioning of the legendary aircraft carrier. A special ceremony was held to welcome more than 300 former crew members back to the ship.

New Jersey Commuters Gear Up for Traffic Nightmare

BY PAUL BERGER

Commuters are bracing for 2½ years of crippling traffic jams, as New Jersey repairs a critical link to the Lincoln Tunnel.

New Jersey's Transportation Department will close one lane of Route 495 in each direction starting Friday to repair and strengthen a bridge.

The \$90 million project is expected to add significant travel time for tens of thousands of commuters.

"I'm scared to even think about it," said Steve Baldwin, as he waited at the Port Authority Bus Terminal on Thursday for a ride to his home in Irvington, N.J.

The work is expected to snarl traffic in nearby towns such as Secaucus, Union City, North Bergen and Weehawken.

"What we are hoping is that it comes off without a hitch," said Secaucus Mayor Michael Gonnelli. "I don't think that's going to happen."

The Route 495 Viaduct con-

ncts the Lincoln Tunnel with the New Jersey Turnpike and Route 3.

Three out of four lanes in each direction will remain in use. But on such a heavily trafficked route, the work is expected to cause severe congestion. The department is urging motorists to find alternate routes into the city, travel during off-peak hours or switch to mass transit.

More than 150,000 vehicles use the bridge on an average weekday. During the morning peak, 9,200 vehicles an hour bump over the patched-up roadway. In the morning, they include 1,800 buses in an exclusive bus lane carrying more than 63,000 commuters to the Port Authority Bus Terminal in Manhattan.

During the evening peak, the bridge carries more than 10,100 vehicles an hour.

Diannae Ehler, Port Authority's director of tunnels, bridges and terminals, said the agency hopes some commuters will switch to its other

Hudson River crossings, such as the George Washington Bridge, the Holland Tunnel and the PATH rail system. "People are difficult to predict, but we are ready," she said.

The Port Authority's Midtown bus terminal is also a concern. During the evening rush hour, buses must depart parking lots in New Jersey at the correct time to arrive at the terminal for their evening run. Arriving too early or too late can cause long lines of passengers within the terminal.

Ms. Ehler said that the Port Authority has installed traffic monitors on the Turnpike, on Route 3 and on the Manhattan side of the Lincoln Tunnel so that the Port Authority can provide accurate travel times to bus carriers.

NJ Transit, which operates most of the buses that use the terminal, warns of significant delays to its routes. "This is a dynamic situation, and we will be monitoring it to see how traffic flows and make changes and adjustments as



The bridge repair work is expected to add significant travel time for tens of thousands of people.

necessary," NJ Transit spokeswoman Nancy Snyder said. "However, options are limited in this region due to the few alternative routes to traverse this heavily congested area."

The Transportation Department has added 136 parking spaces to the popular North Bergen Park & Ride to allow more people to use a bus to reach the city. It is also urging

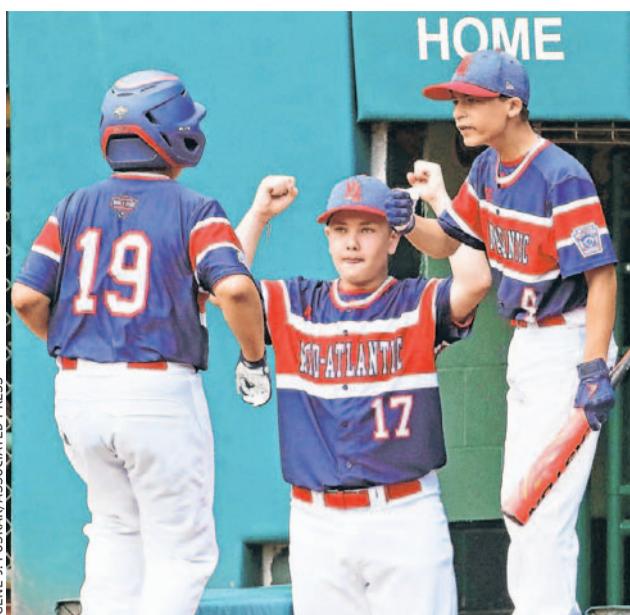
motorists to switch to the Vince Lombardi Park & Ride in Ridgefield.

—Joseph De Avila

and Gerald Porter Jr. contributed to this article.

GREATER NEW YORK

The Pride of Staten Island



HOME

GOOD START: Mid-Island Little League beat Grandview Little League of Iowa 5-2 Thursday in the opening day of the Little League World Series. They are now representing the Mid-Atlantic region in South Williamsport, Pa.

In Connecticut, Democrats Vote For a Fresh Voice in the Primary

BY KATE KING

Jahana Hayes says her background growing up in poverty and experience as a mother and teacher will resonate with voters as she runs for Congress.

She may be right. Primary voters in western Connecticut's fifth congressional district selected Ms. Hayes over her politically seasoned, Democratic Party-backed opponent on Tuesday.

Ms. Hayes, who won the National Teacher of the Year Award in 2016, said she understands "the plight of working families," and would work to narrow the district's wealth gap and improve educational opportunities if elected. She captured 62% of the vote, according to the Associated Press, against opponent Mary Glassman, who had been endorsed by the state Democratic Party.

"I think there's an appetite for change," Ms. Hayes said in an interview. "I think there's tremendous value in experience, but I also think that fresh ideas and perspective are important, too."

Ms. Hayes grew up in public housing in Waterbury in a family that struggled with addiction. After giving birth to a daughter at age 17, she worked while putting herself through Southern Connecticut State University before becoming a social studies teacher in her hometown. She now oversees teacher recruitment and development for Waterbury's public-school system.

Ms. Hayes will face Republican Manny Santos, a former Meriden mayor who beat two primary opponents, in the November election. Incumbent Elizabeth Esty, a Democrat, isn't running for re-election after admitting she mishandled a 2016 investigation into abuse allegations against her former chief of staff.

Mr. Santos, an engineer and retired Marine who immigrated to the U.S. from Portugal with his parents at age 5,



Jahana Hayes defeated a veteran politician in the Democratic congressional primary on Tuesday.

said he would fight against Democratic efforts to repeal recent federal tax cuts and to create a path to citizenship for illegal immigrants.

"I'm an immigrant, but I understand that illegal immigration is bad for this country," he said in an interview.

Ms. Hayes narrowly lost the state party's endorsement in May to Ms. Glassman, a former first selectwoman from Simsbury. Nick Balleto, chairman of the Democratic State Party, said Wednesday that the party remained united.

"The progressives and the activists have been working together with the Democratic Party," Mr. Balleto said. "On the main issues, we're always in the same place."

Incumbent New York Rep. Joe Crowley's June primary upset to Alexandria Ocasio-Cortez sparked discussion among Democrats about

whether a young, progressive faction was poised to seize control from the party's older, establishment leadership.

David Wasserman, who analyzes House races for the nonpartisan Cook Political Report, said Ms. Hayes's victory was less surprising than Ms. Ocasio-Cortez's because she wasn't running against an incumbent and had received support from a significant share of the state party organization.

"It signifies that Democrats are eager to get behind great life stories, not just a certain ideology," he said.

If she wins in November, Ms. Hayes would be the first black Democrat from Connecticut elected to Congress. Gary Franks, a Republican African-American, served in Congress in the 1990s.

"When you look at how diverse this district is, I think our representation should reflect that," Ms. Hayes said.

"But the totality of my identity is not the fact that I'm a black woman. I know there are people who identify with the fact that I'm a mom, or a teacher, or the fact that I've lived in this district my whole life."

The Cook Political Report has rated the fifth congressional district "solid Democratic" heading into the November election. Ms. Hayes has a significant fundraising lead on her Republican opponent, with more than \$350,000 in cash on hand as of July 25 compared with Mr. Santos's \$1,600.

"The district has moved in the Democratic direction in recent years, which gives her an automatic advantage," said Gary Rose, chairman of the department of government, politics and global studies at Sacred Heart University.

—Joseph De Avila contributed to this article.

GREATER NEW YORK WATCH

CONNECTICUT

Synthetic Marijuana Sickens Dozens

Police swarmed a park near Yale University and searched homes for drugs Thursday in an effort to prevent more overdoses from a batch of synthetic marijuana blamed for hospitalizing more than 70 people.

Social workers and mental health professionals also responded to the New Haven Green, where most of the overdoses occurred. Officials said 76 people overdosed Wednesday.

—Associated Press

CRIME

Fake Luxury Goods Smuggled From China

Federal homeland security authorities say they have seized a large haul of counterfeit luxury handbags, wallets and belts smuggled through ports in the New York City area and Los Angeles.

Charges were announced in New York City against 33 people Thursday in a scheme involving knockoffs of brands such as Gucci and Hermès. Most of items from China were smuggled through the Port of New York and New Jersey.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

An article Thursday about a letter from the New York City schools chancellor saying that 15 ultra-Orthodox Jewish schools have prevented city officials from investigating the secular instruction they provide was accompanied by a photo of Yeshiva of Flatbush, Bnot Chaya Academy Girls' High School and synagogue Young Israel of Flatbush, none of which is among the institutions named in the chancellor's letter.

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

Ad Council

I didn't talk
for a very long time

Jacob Sanchez
Diagnosed with autism

Lack of speech is a sign of autism. Learn the others at autismspeaks.org/signs.



AUTISM SPEAKS®

LIFE & ARTS

BY MARC MYERS

ARETHA FRANKLIN, the Queen of Soul who understood vocal harmony and phrasing perhaps better than any of her female pop and soul contemporaries, died Thursday. She was 76 years old.

A church-trained pianist and organist who often accompanied herself on recordings and in concert, Ms. Franklin—thanks to her powerful, flexible voice and fierce delivery—was the most commanding and influential vocalist of her generation. When Ms. Franklin let out a gospel wail or added an “Oh, yes I am” as a spiritual fill, her songs became urgent messages and awakened the emotions of anyone with a heart.

Ms. Franklin’s longtime publicist, Gwendolyn Quinn, confirmed the singer died Thursday morning at her home in Detroit. The cause was advanced pancreatic cancer.

Between 1961 and 1998, 88 of Ms. Franklin’s singles reached Billboard’s pop chart, with 17 rising into the top 10. She won 18 Grammy Awards, and five of her recordings have been inducted into the Grammy Hall of Fame. Yet only two of her singles hit No. 1, while just six of her 46 charted studio albums managed to reach the top 10, a trend that was due largely to Ms. Franklin’s reluctance to adapt to changing times.

Painfully insecure, fearful of flying and perennially distrustful of those surrounding her, Ms. Franklin never let her psychological challenges overtake her performances. With her head reared back slightly, her mouth open in a smile and her voice effortlessly rising to sing in any octave, she became transformed in front of a microphone.

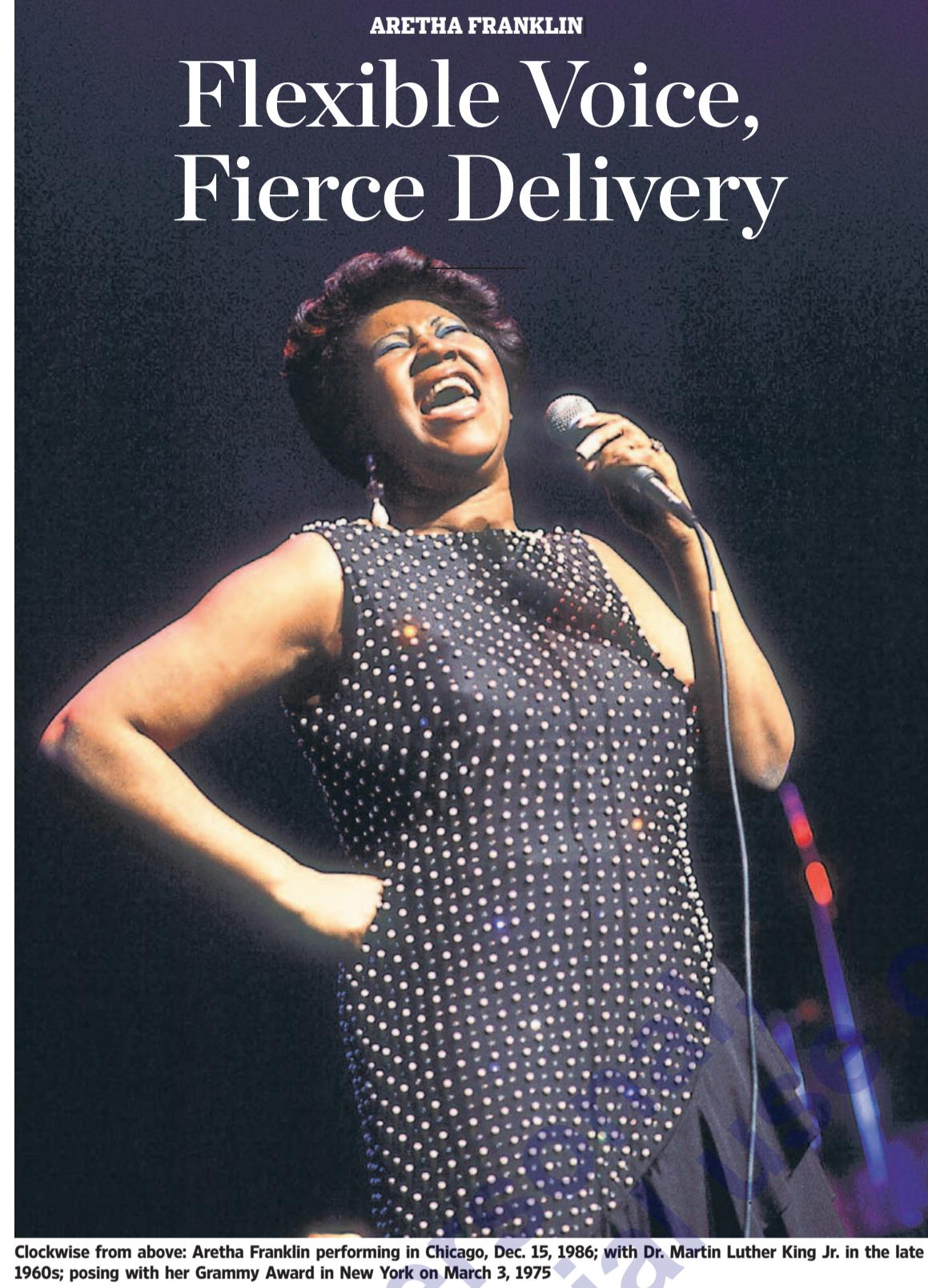
Leading blues and gospel singers who preceded her—including Bessie Smith, Sister Rosetta Tharpe, Big Mama Thornton, Mahalia Jackson and Dinah Washington—could project their voices with taut, searing power. Ms. Franklin, however, did more than belt out songs. She arranged them with vocal finesse, often while singing, and took hits by other artists and matched them by making the songs her own. These included Otis Redding’s “Respect,” Ben E. King’s “Spanish Harlem,” Simon & Garfunkel’s “Bridge Over Troubled Water,” Dionne Warwick’s “I Say a Little Prayer” and “The Weight,” by the Band.

Whatever Ms. Franklin lost by lingering too long on singles instead of albums she more than made up for with female fans. Her conviction and hair-raising delivery became something of a battle cry for a generation of young women seeking equal rights. For many, her voice represented power, dignity and determination.

Born in Memphis, Tenn., in 1942, Ms. Franklin moved with her family to Buffalo, N.Y., at age 2 and then to Detroit two years later. Her parents separated in 1948, and her mother died just before Ms. Franklin turned 10, a hard blow.

Ms. Franklin sang gospel and played keyboards in her father’s Detroit church from an early age. When she turned 14, she signed a deal with JVB Records and recorded “Precious Lord, Take My Hand” in her father’s church. The single caught the ears of R&B record executives.

After she turned 18, her father



Clockwise from above: Aretha Franklin performing in Chicago, Dec. 15, 1986; with Dr. Martin Luther King Jr. in the late 1960s; posing with her Grammy Award in New York on March 3, 1975



began positioning her for a secular singing career, setting his sights on Columbia. In 1960 she signed with the label.

Ms. Franklin recorded nearly a dozen albums for Columbia, but most featured stale standards and stiff arrangements. By 1966, when her contract expired, producer Jerry Wexler at Atlantic signed her to a lucrative deal that paid off instantly.

In 1967 alone, she had five top-10 Billboard pop hits, including “Respect,” “Baby I Love You” and



“Chain of Fools.” From the start of her 12-year Atlantic period, Ms. Franklin was viewed as a singular African-American force. Unlike Motown’s female pop-soul singers or Tina Turner, whose brazen sexuality helped her stand out, Ms. Franklin adhered to her church roots. Audiences in the U.S. and abroad were ecstatic.

But after Mr. Wexler left Atlantic in 1975, Ms. Franklin’s fortunes sagged. A conversation with record executive Clive Davis in 1979 led to Mr. Davis signing her in

1980 to his Arista label. There, she had several major hits, including “Freeway of Love,” “Who’s Zoomin’ Who” and “Sisters Are Doin’ It for Themselves” (with Eurythmics) in 1985, and “I Knew You Were Waiting (For Me)” (with George Michael) in 1987.

In 2009 Ms. Franklin sang at the inauguration of President Barack Obama, and in 2015 she played piano and sang “(You Make Me Feel Like) A Natural Woman” during the Kennedy Center Honors’ tribute to Carole King, where she famously

CLOCKWISE FROM TOP: GETTY IMAGES; EVERETT COLLECTION; ASSOCIATED PRESS

Saying Farewell



Aretha Franklin and Clive Davis at an event in 1990.

GETTY IMAGES

Around the world, fans, entertainers and music-industry executives expressed their grief over Aretha Franklin’s death.

“I’m absolutely devastated by Aretha’s passing,” Clive Davis, chief creative officer of Sony Music Entertainment, said in a statement. “She was truly one of a kind. She was more than the Queen of Soul. She was a national treasure to be cherished by every generation throughout the world. Apart from our long professional relationship, Aretha was my friend. Her loss is deeply profound and my heart is full of sadness.”

“Our Heavenly Father has chosen one of our most prolific voices to join his heavenly choir,” Dionne Warwick said in a statement. “She sincerely will be missed throughout the musical world and among family and friends. My deep heartfelt condolences from my family to hers. Rest in peace, my friend.”

On her official Facebook page, Patti LaBelle posted a photo of the two of them, calling Ms. Franklin “my sister in song.” Aretha was a rare treasure whose unmatched musical genius helped craft the soundtrack to the lives of so many,” she wrote.

On Ms. Franklin’s own Facebook page, fans flooded her most recent post with messages. “Heaven is singing,” one fan wrote. “Thank you Aretha for being a cornerstone of the soundtrack of the world, in your delivery of an incalculable solo contribution that stands the test of time itself,” wrote another.

The outpouring was immediate on Twitter. “Let’s all take a moment to give thanks for the beautiful life of Aretha Franklin, the Queen of our souls, who inspired us all for many many years. She will be missed but the memory of her greatness as a musician and a fine human being will live with us forever,” Paul McCartney tweeted.

Chance the Rapper simply tweeted one of Ms. Franklin’s best-known lyrics: “The moment I wake up, before I put on my make up, I say a little prayer for you.”

—John Jurgensen

tossed her fur on the stage floor midsong to free herself up.

Upon relistening to Ms. Franklin’s large body of work, one can’t help but hear a touch of melancholy in nearly all of her recordings—a hint of sadness from a lifetime of struggle. Remarkably, the Queen of Soul knew how to mask this sadness with a voice that electrified listeners.

Mr. Myers, the author of “Anatomy of a Song” (Grove), is a regular Wall Street Journal contributor.

FILM REVIEW | By Joe Morgenstern

‘WE THE ANIMALS’: SIBLING INTIMACY

EVERY ONCE in a while a movie grabs you, unsuspecting, and hustles its way into your heart. Jeremiah Zagar’s “We the Animals” does that. This exquisite debut feature, based on a poetic debut novel by Justin Torres, is a tumbling evocation of a volatile family, narrated by one of three young brothers living in upstate New York with their Puerto Rican father and white mother. “Body heat!” the boys like to chant as they huddle beneath a blanket in the bedroom they share, and the warmth of their sibling furnace is almost palpable. They are the animals, incompletely domesticated in an adult world. They take love from their parents as it comes, defend against anger as best they can, and live their own lives as consistently as they can in a state of exultation.

The plot ebbs and flows, like the family’s emotional tides. (The screen adaptation was written by Daniel Kitrosser and the director.) The goal is not to tell a conventionally dramatic story, though there

are moments of anguishing drama, but to get inside that blanket, in effect—to let us know how everything looks, sounds and feels from the perspective of the youngest brother, Jonah, who is played to perfection by Evan Rosado. (Jonah’s brothers, Joel and Manny, are played respectively, and also perfectly, by Josiah Gabriel and Isaiah Kristian. None has had professional experience; one of the many mysteries of this coming-of-age film is how Mr. Zagar, whose previous experience was mainly in documentaries, got to be a masterly director of actors.)

At this point some objective details might be helpful—what kind of work the kids’ working-class parents do, what kind of parents they are. (Raúl Castillo is Paps, Sheila Vand is Ma; their performances are flawless too.) First, though, you need to know that a crucial element of the film is Zack Mulligan’s cinematography, which benefits from editing by Keiko Deguchi and Brian A. Kates. Working on what must



From left: Isaiah Kristian, Evan Rosado and Josiah Gabriel

intense drama of Jonah’s inner life. He’s the artistic brother, the much more inward one, the tender boy whose future hangs delicately in the balance. Jonah narrates in his young boy’s voice, but what he says comes hauntingly, even elegiacally, from his future self.

“I remember your heart inside me,” his mother tells him, “ticking like a bomb.” Jonah is his mother’s child and, sometimes though not always, his father’s despair. She works in a bottling plant, he’s a security guard and they live in a quite nice house, but Paps comes and goes; he’s a prisoner of his impulses doing the best he can, which is ultimately not enough. That elegiac tone reminded me of Thornton Wilder’s “Our Town”—recalling the pain of living with the pleasure—and of “Knoxville: Summer of 1915,” in which James Agee, as a boy, is put to bed by people who love him “but will not ever tell me who I am.” No one in this lovely film tells Jonah who he is, but we can tell what a rich soul he will be.

have been a modest budget, Mr. Mulligan gives us images of exceptional purity, grace and intimacy: the brothers’ faces, never still; their darting eyes; the things they touch,

the way they snuggle or roughhouse with their parents. And those images find their complement in Mark Samsonovich’s illustrations and animations, which reflect the

LIFE & ARTS



FILM REVIEW | By Joe Morgenstern

Garishly Good Fun

'CRAZY RICH ASIANS.' a movie about people who have it all, succeeds in having almost all on its own ambitious terms. Bright, buoyant and hilarious, though far from flawless, this romantic comedy, directed by Jon M. Chu and based on the popular novel by Kevin Kwan, is also a cultural milestone. It's the first major studio film since "The Joy Luck Club" opened almost a quarter-century ago in which an Asian filmmaker has told an Asian-American story with Asians in all of the leading roles. The result is hugely enjoyable, and hooray for Hollywood for making it happen.

The story plays out mainly in Singapore, though it begins in New York, where the Chinese-American heroine, Rachel Chu (Constance Wu), teaches economics at NYU. (A brief preface, set in London in 1995, is worthy of "Fawlty Towers"—a hotelier heapng unctuous condescension on exceedingly rich foreign visitors who soon take their sweet revenge.) The script, by Peter Chiarelli and Adele Lim, sets up its premise briskly. Rachel's boyfriend, a handsome Chinese-Singaporean named Nick Young (Henry Golding), is going back home for his best friend's wedding. Since she's never been to Asia, he invites her to go with him. By now we know what Rachel has never managed to find out—that Nick is not only charming, but Prince Charming, the scion of a fabulously wealthy family—so we're delighted and she's astonished when they board a commercial jet and he shows her to their in-flight suite, which is slightly smaller than a cottage.

That's only the beginning of her

astonishment. Introduced to Nick's fiercely possessive mother, Eleanor (Michelle Yeoh), and to his extended family, Rachel discovers a sprawling precinct of super-privilege where the notion of excess has been annulled. (A friend of hers from college lives in a lesser estate that is likened, by the friend's mother, to "Versailles with Donald Trump bathrooms.")

Another professor of economics might be concerned about income disparity, but this is a jubilant fantasy in which spending can't be conspicuous enough, and in any case Rachel's specialty is game theory—she isn't inclined to fret, and neither are we. Watching "Crazy Rich Asians" can be a pleasure akin to reading about preposterous spreads in a real-estate section, and salivating over recipes in a magazine. (Vanja Cernjul's camera lingers on alluring street

foods, and one sequence is devoted to mak-

ing dumplings.) But there's more to the proceedings than one-percenters and their glittering things. The central, and surprisingly heartfelt, conflict turns on how family is defined.

For Rachel, it's a source of sustenance; she has the unswerving love of her single mother, Kerry (Tan Kheng Hua). For Nick, family is a clan he's expected to serve and a prison from which he has sought to escape. For Nick's mother, it's a fortress built to repel alien invaders like Rachel, who, in Eleanor's eyes, is a Chinese-American adventuress and insufficiently Chinese.

It's probably inevitable in these querulous times that "Crazy Rich Asians" has been criticized in some quarters as being too Chinese, as if its proper subject were Singapore's complex demographics, and, notwithstanding its focus on racial identity, for casting a biracial actor—Mr. Golding is of Malaysian and English descent—in a Chinese-Singaporean role.

The production can be faulted on other grounds. A couple of sequences—a bachelor party on a barge, a shopping spree on an Indonesian island—prove that even excess can be excessive; these shrill, antic spectacles are less eye-popping than eye-glazing. Secondary performances sometimes career through heedless exuberance into flat-out clumsiness; Mr. Chu is at his best as a director of actors in calmer scenes with strong emotional charges. The script ranges from mordantly funny (that sharp-witted preface; a game of mah-jongg as mortal combat; one-liners

from mordantly funny (that sharp-witted preface; a game of mah-jongg as mortal combat; one-liners

Top left to r, Ronny Chieng, Jimmy O. Yang, Chris Pang, Remy Hii and Henry Golding; left, Chris Pang

like a Singaporean parent urging a kid to eat by saying "A lot of children are starving in America") to gratuitous and heavy (a partygoer heckles Rachel with "Hey, Cinderella, what's the matter, you've got to return your coach at midnight?").

Still, the film's appeal transcends its flaws, as well as matters of ethnicity, identity and inclusiveness—which is not to diminish its significance for moviegoers of Asian descent who can finally see romantic or comic versions of themselves in a glossy, mainstream entertainment on a big screen. The story is, in equal parts, gleefully trendy and endearingly old-fashioned. Will the globalized greed of a powerful family prevail, or will true love win out in the end?

Ms. Wu, familiar to fans of TV's "Fresh Off the Boat," has made an impressive transition to feature-film stardom; she's a graceful presence and, when Rachel decides to game the social system rigged against her, a forceful one. (The narrative is rich in strong women.) Mr. Golding, previously a model and TV host, hasn't had much dramatic experience, but you'd never know it from his winning performance. Gemma Chan brings acting chops plus striking beauty to the role of Nick's rich but sensitive cousin Astrid. Nora Lum, the actress and rapper known as Awkwafina, steals scenes with unerring comic instinct as Rachel's rich but raffish friend Goh Peik Lin. And anyone with a sense of movie history will be moved by the marvelous Ms. Yeoh, who was so memorable as the love-starved fighter in "Crouching Tiger, Hidden Dragon," and by 91-year-old Lisa Lu, who plays Nick's grandmother and the matriarch of his family. Anyone, in this case, means anyone. "Crazy Rich Asians" includes us all.

THEATER REVIEW
By Terry Teachout

Super-Safe Sex on Broadway

New York

NO DOUBT there's a politically correct opinion of "Pretty Woman," Garry Marshall's stupendously popular 1990 movie romcom. I wouldn't know; I can't figure out whether Degrading to Women takes intersectional precedence over Sex Work Is Good. Fortunately, to lift a line from my worthy colleagues in the judicial branch, we need not reach this issue in order to render judgment on the new musical version of Mr. Marshall's film that just opened on Broadway at the Nederlander Theatre. Not that "Pretty Woman" is terrible—it's just mediocre, albeit to a mind-boggling degree.

Of course you already know the well-worn plot of "Pretty Woman," a big-bucks update of "Cinderella" in which an obscenely rich businessman (Andy Karl) hires a trashy but lovable Hollywood hooker (Samantha Barks). Mr. Marshall and J.F. Lawton, who wrote the screenplay, stuck to their script with immovable rigidity. The only thing new (so to speak) is the pop-rock score by Bryan Adams and Jim Vallance, an exercise in applied cliché coinage.

Ms. Barks, who has evidently been hired to impersonate Julia Roberts, does so with impressive accuracy and no trace of originality. Mr. Karl, who lit up the stage two seasons ago in "Groundhog Day," is an immensely likable performer who has no notion of how to portray an emotionally stunted squillionaire who is liberated by love.

Jerry Mitchell, the director and choreographer, and David Rockwell, the scenic designer, have rummaged through their duffel bags of stage trickery in an attempt to put the brightest possible shine on this dull clunker. Don't be fooled by the fancy packaging, though: Rarely in the history of Broadway has a bigger, staler nothingburger been served up than "Pretty Woman."



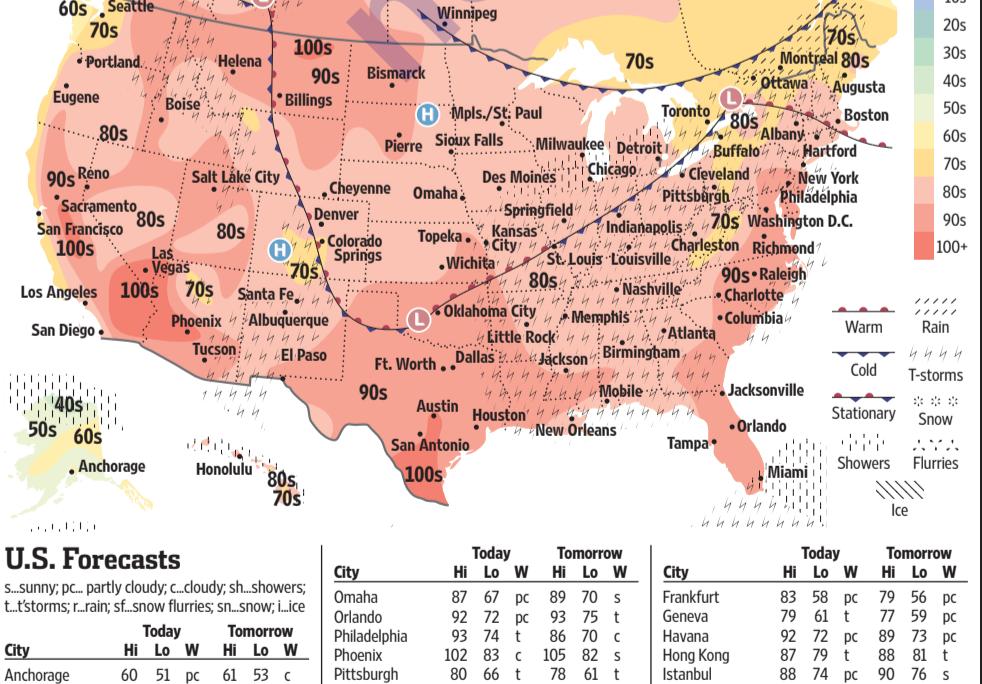
Samantha Barks

- PUZZLE CONTEST**
- | | |
|----|--|
| 71 | Law and Cobb, e.g. |
| 72 | It's useful to draw one in Scrabble if you have a Q |
| 73 | Osterreich region Down |
| 1 | Tool for spills |
| 2 | Gibbon, e.g. |
| 3 | Cool dude |
| 4 | War-torn city of the Middle East |
| 5 | Nat. where Putin was born |
| 6 | "The Silence of the Lambs" director |
| 7 | Sever the correlation between, as two currencies |
| 8 | Pol. neighbor |
| 9 | Nest egg choice |
| 10 | Edging (out) |
| 11 | Fifth of a play, often |
| 12 | Subdivision structure |
| 13 | Financial backer |
| 18 | Be unwell |
| 22 | Gads about |
| 23 | City, to Strauss |
| 24 | Western |
| 25 | Toward the other hockey team's goalie |
| 27 | Out of the way |
| 28 | Time off |
| 30 | Scot's denial |
| 50 | Puffy clouds |
| 51 | Start of the contest answer, and a nudge to finding the rest |
| 52 | "__the spheres time was created..." John Donne |
| 53 | Hairdos |
| 54 | Eli passes to him |
| 55 | Author Zora Hurston |
| 56 | Lower |
| 60 | Apt. unit |
| 63 | Simple sack |
| 64 | Bollywood star Aishwarya |
| 65 | Organ with a hammer |
| 66 | That, to Tomás |
| 67 | Employer of some referees |

Previous Puzzle's Solution

ACCESS	EMO	BEEFY
FAUCET	TIP	ACME
TYRONE	CLEARCUT	
	NORTHANGER	
ADORN	SINDA	EWE
SEMI	PREPON	MAY
SLITS	ESO	ISR
THECATCHERINTHE		
HOT	ROE	SMITIE
AWE	HELMIS	SICER
IND	OIL	OTTTERS
GGS	ANDHAM	
DELEGATE	ATOMIC	
ERIN	NEW	NOVOTE
GREE	DDT	GRETTEL

Weather



U.S. Forecasts

s=sunny; pc=partly cloudy; c=cloudy; sh=showers; r=rain; sf=snow flurries; sn=snow; L=ice

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 60 51 pc 61 53 c

Atlanta 88 72 t 85 72 t

Austin 101 73 s 100 74 pc

Baltimore 92 73 t 88 70 t

Boise 92 60 pc 91 59 s

Boston 83 72 pc 84 67 pc

Burlington 79 63 r 78 61 c

Charlotte 92 72 pc 89 70 c

Chicago 81 69 sh 85 67 pc

Cleveland 82 68 t 91 63 pc

Denver 88 62 pc 84 55 t

Detroit 84 68 t 85 66 pc

Honolulu 91 78 sh 90 77 pc

Houston 94 78 pc 95 78 s

Indianapolis 82 69 t 84 67 c

Kansas City 87 68 pc 89 70 pc

Las Vegas 101 85 s 105 87 s

Little Rock 88 73 t 89 72 pc

Los Angeles 87 69 pc 84 68 s

Miami 91 80 sh 90 80 pc

Milwaukee 80 68 pc 81 67 s

Minneapolis 89 68 s 89 69 s

Nashville 86 72 t 89 71 t

New Orleans 89 77 t 89 78 t

New York City 88 74 t 84 68 s

Oklahoma City 91 68 pc 88 68 pc

International

Today Hi Lo W Tomorrow Hi Lo W

City Amsterdam 70 58 pc 71 61 pc

Athens 91 76 s 93 77 s

Bahrain 111 82 s 110 81 s

Bangkok 91 82 t 90 79 t

Beijing 87 72 pc 81 71 s

Berlin 87 61 t 77 60 pc

Brussels 72 54 pc 72 57 s

Buenos Aires 68 59 pc 70 44 s

Taipei City 106 91 s 106 92 s

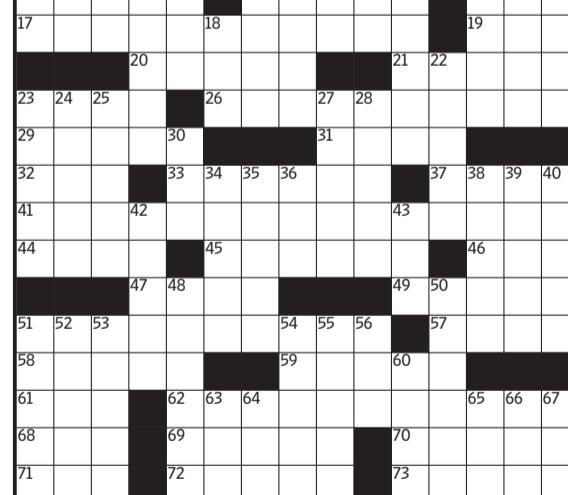
Tokyo 86 69 pc 82 70 s

Vancouver 72 53 pc 73 58 pc

Dublin 64 51 pc 73 61 pc

Zurich 63 57 sh 64 55 r

The WSJ Daily Crossword | Edited by Mike Shenk



DIVIDE AND CONQUER | By Matt Gaffney

The answer to this week's contest crossword is a two-word phrase with a total of ten letters.

Across

- 1 Las Vegas rival
6 Prepared for a siege
11 "Now I get it!"
14 Aussie stones
15 It follows diciembre
16 Take in
17 Winner of seven Wimbledon titles (4 letters, then 4 letters)
19 Yank
20 2 or 3, say

- Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, August 19. A solver selected at random will win a WSJ mug. Last week's winner: John Alder, Yorba Linda, CA. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

21 Maya Angelou's "Still ___"
23 Dish in a bowl
26 "Presumed Innocent" or "The Firm" (5 letters, then 5 letters)
29 Strike lightly
31 Sonic the Hedgehog's creator
32 To you, in Peru
33 Maine park
37 33 years hence
41 Glaucoma symptom (8 letters, then 3 letters)
42 Winner of seven Wimbledon titles (4 letters, then 4 letters)
44 High place to hide
45 Child performer?
46 Sets for shows

47 Version to debug
49 Big band
51 Bail money source (6 letters, then 5 letters)
55 Letters on packaged steak
57 Belief in a "watchmaker" God
61 Memento from a Hawaii trip
62 Woman typecast in horror movies (6 letters, then 3 letters)
65 Organ for pugilists
66 That, to Tomás
67 Employer of some referees

71 Law and Cobb, e.g.
72 It's useful to draw one in Scrabble if you have a Q
73 Österreich region Down

1 Tool for spills
2 Gibbon, e.g.
3 Cool dude
4 War-torn city of the Middle East
5 Nat. where Putin was born
6 "The Silence of the Lambs" director
7 Sever the correlation between, as two currencies
8 Pol. neighbor
9 Nest egg choice
10 Edging (out)
11 Fifth of a play, often
12 Subdivision structure
13 Financial backer
18 Be unwell
22 Gads about
23 City, to Strauss
2

SPORTS

NFL

The Silver and Black (and Gray)

The Oakland Raiders have assembled a group of aging players, creating the league's largest de facto coaching staff

BY JONATHAN CLEGG
AND ANDREW BEATON

Napa, Calif.

NAPA VALLEY has long been a spot where well-heeled folks of a certain age kick back with a bottle of fine wine and savor a career's worth of accomplishments. This summer, a new crop of aging millionaires has descended on the rolling hills of Northern California's wine country.

They're called the Oakland Raiders.

Ever since they lured Jon Gruden back to the NFL sidelines in January, after nearly a decade out of coaching, the Raiders have seemingly been set on remaking their team into a pro football retirement community. The Raiders made free-agent deals for 35-year-old linebacker Derrick Johnson, 33-year-old receiver Jordy Nelson, and defensive end Frostee Rucker, 35—three of the 20 players aged 28 or older the Raiders signed this off-season, 33% more than any other team.

The Raiders have been widely ripped for these moves, which run counter to modern NFL thinking. The team's commitment to experience has reinforced an impression that Gruden has been left behind by the evolution of the game in the years since he was fired by the Tampa Bay Buccaneers after the 2008 season.

But it turns out that Gruden's fixation with old-timers may instead demonstrate a keen understanding of the modern NFL: There is an unprecedented youth movement in the league these days, and he has a crew of talented veterans who can help mentor and coach budding stars.

On a recent afternoon at the Raiders training camp here, free-agent running back signing Doug Martin, a six-year NFL veteran, was seen holding a play sheet and putting rookie James Butler through a series of drills. Later that same day, Nelson, a Pro Bowl receiver who joined Oakland this off-season after a 10-year career in Green Bay, spent time working with three of the team's quarterbacks on short-passing drills on a practice field. Johnson's teaching skills are so highly thought of, meanwhile, that he had been lined up for a return to the Chiefs—as a coach.

"Some people don't like it," Gruden said of his team's off-season focus on adding veterans. "[But] I like guys that know what the heck's going on."

No other team seems to feel the same way. Twenty-five NFL teams signed fewer than half as many free agents aged 28 or older as the



Raiders, according to Stats LLC. The next closest, which happens to be coached by Gruden's close friend Sean Peyton, is New Orleans. But the Saints signed only 15 such players—still five fewer than Oakland.

Behind Oakland's binge is a recognition that having players who know what they're doing has never been more important. During the nine seasons that Gruden spent on the sidelines, the NFL has undergone a dizzying array of changes that fundamentally changed his profession. For one, coaches now spend their entire off-season lamenting how little coaching they actually get to do these days. The 2011 collective bargaining agreement eliminated traditional two-a-day practices. There's a limit of 14 full-contact practices during the regular season—or fewer than one per game. All of which means veteran know-how has become more valuable than ever.

At the same time, the NFL has trended younger and younger in recent years, with the 2017 season marking the lowest average age for players on record, according to Football Outsiders.

That has meant plenty of teams turning their noses at veteran free agents—making them even

Oakland Raiders coach Jon Gruden, above, signed several veteran players to free-agent deals, including 33-year-old receiver Jordy Nelson.



cheaper to sign for any team willing to buck this new norm.

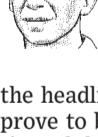
Gruden has exploited this market inefficiency in a ruthless manner that would have made the late Raiders owner Al Davis proud. He picked up Nelson, the former Packers wide receiver, for a fraction of what he

might have been worth just a year prior because he struggled in 2017 when Green Bay quarterback Aaron Rodgers went down with injury.

But Nelson doesn't have to be the team's No. 1 receiver, as he was for years in Green Bay. The Raiders already have a 24-year-old

MLB | By Jason Gay

ARE YOU READY FOR THE ROBOTS?



The robots are coming for us all. If the headlines are to be believed—and who knows, maybe robots are conspiring to write the headlines—automation will prove to be the economic revolution of the 21st century. Robot drivers. Robot doctors. Robot bartenders. Robot President.

Robot sports columnist. Don't despair: A robot Wall Street Journal sports columnist could be a vast improvement.

In baseball, they're beginning to sound sanguine about the robots, specifically the use of robot umpires. For baseball wonks of a certain type, the robot umpire is the hyper-accurate, cold-blooded fantasy—a game unencumbered by umpiring mistakes of the human kind.

Baseball's presumed future is already here with the strike zone, at least on TV, where an on-screen graphic checks the pitch-by-pitch work of the plate umpire, in real time. The technology is not deployed in the game itself, but at least the viewer at home can stir with indignant self-satisfaction that the umpire's called third strike was, indeed, a little outside.

To the futurists, the TV graphic—"K-Zone," or whatever it's called—signals a momentum that balls and strikes will eventually be called electronically.

Such a strike zone would cut

down on the ump-to-ump fuzziness of the strike zone, and accelerate the pace—not bad upsides for a sport struggling to adapt to streamlined modern life. Add the presumed expansion of sports betting in America—and the money riding on the outcome—and there's a lot of pressure to get it right.

I've written about the robot umpire debate before. But now there appears to be momentum on the player side. The other night, Ben Zobrist of the Chicago Cubs got ejected after arguing with the plate umpire, sealing his doom with this Bette Davis-style kiss off:

"That's why we want an electronic strike zone."

Ouch.

Basically: We want the robots.

Moments like that make me feel for the umpires—the entire profession, from the major leagues all the way down to T-ball. Anyone who's done it—and my experience is limited to Little League, and confrontations with hyper-competitive parents—knows what a cruelly thankless job it can be. And that's without having a virtual babysitter over your shoulder, checking your work in real time on TV. The "K-Zone" may be an informative gimmick for the audience, but for an umpire, it's more than a little Orwellian. Big Square is watching you.

Few of us could stand up to that kind of second-guessing. I can't

even let my wife watch me load the dishwasher without me having a full-on panic attack.

Baseball's commissioner, Rob Manfred, is an electronic strike zone skeptic. He recently allowed that strike zone technology is getting much better, but he believes a plate umpire has a broader influence that shouldn't be diminished. "When you take away the home plate umpire's control over the strike zone, you take away a principal piece of his authority in terms of managing the whole game," Manfred told *The Athletic* in May.

There is some precedent. My beloved tennis is a game that has successfully turned some of itself over to the robots—line calls are still made by humans, but disputed ones are now, at player request, double-checked with "Hawk-Eye" technology. It's actually turned into an entertaining bit of drama, fans clapping in anticipation to get the verdict: in or out.

What makes Hawk-Eye work is that it works quickly, and its call is final. It's improved to the point that tennis is experimenting with a live version that replaces the usual coterie of judges.

This stuff does work. I wouldn't argue for a minute that I can call a ball or strike—or a forehand that kisses the baseline—better than technology designed to do the same. And I hear the wisdom of smart people like the Journal's baseball writer, Jared Diamond, who thinks robot umpires are one of those things that people will loudly argue about when it's introduced, then quickly accept it and wonder why it took so long.

And Jared believes that a human umpire should still be there behind the plate, relaying the robot's balls and strikes calls, and attending to other moments at the



The Chicago Cubs' Ben Zobrist argues with umpire Phil Cuzzi. Zobrist later said he was ejected for coming out in favor of an electronic strike zone.

plate. This is slightly disappointing to me, as I would prefer an actual robot, like the one in "Lost In Space," standing behind the catcher, stiffly waving its arms.

But I'm not ready to clink-clank down the road with the robots just yet. Humanity—and all the imperfections that go with it—is an integral part of sports, even when it means officials making costly mistakes. Instant replay has its upsides (the World Cup survived implementation without starting an

intergalactic war) but has also turned into a soul-crushing time suck. If you think the fuzziness has ended, you're dreaming. The NFL is entering its 99th season and still has no idea what a catch is.

To be clear: I have no hesitation about embracing technology. I just think at this point, humans have become underrated. I wanted to say this now, before The Wall Street Journal robot sports columnist takes over—perhaps as soon as next week.

OPINION

What Was Bruce Ohr Doing?



POTOMAC WATCH
By Kimberley A. Strassel

The Federal Bureau of Investigation and Justice Department have continued to insist they did nothing wrong in their Trump-Russia investigation. This week should finally bring an end to that claim, given the clear evidence of malfeasance via the use of Bruce Ohr.

Mr. Ohr was until last year associate deputy attorney general. He began feeding information to the FBI from dossier author Christopher Steele in late 2016—*after* the FBI had terminated Mr. Steele as a confidential informant for violating the bureau's rules. He also collected dirt from Glenn Simpson, cofounder of Fusion GPS, the opposition-research firm that worked for Hillary Clinton's campaign and employed Mr. Steele. Altogether, the FBI pumped Mr. Ohr for information at least a dozen times, debriefs that remain in classified 302 forms.

All the while, Mr. Ohr failed to disclose on financial forms that his wife, Nellie, worked alongside Mr. Steele in 2016, getting paid by Mr. Simpson for anti-Trump research. The Justice Department has now turned over Ohr documents to Congress that show how deeply tied up he was with the Clinton crew—with dozens of emails, calls, meetings and notes that describe his interactions and what he collected.

Mr. Ohr's conduct is itself

deeply troubling. He was acting as a witness (via FBI interviews) in a case being overseen by a Justice Department in which he held a very senior position. He appears to have concealed this role from at least some superiors, since Deputy Attorney General Rod Rosenstein testified that he'd been unaware of Mr. Ohr's intermediary status.

Lawyers meanwhile note that it is a crime for a federal official to participate in any government matter in which he has a financial interest. Fusion's bank records presumably show Nellie Ohr, and by extension her husband, benefiting from the Trump opposition research that Mr. Ohr continued to pass to the FBI. The Justice Department declined to comment.

But for all Mr. Ohr's misdeeds, the worse misconduct is by the FBI and Justice Department. It's bad enough that the bureau relied on a dossier crafted by a man in the employ of the rival presidential campaign. Bad enough that it never informed the Foreign Intelligence Surveillance Court of that dossier's provenance. And bad enough that the FBI didn't fire Mr. Steele as a confidential human source in September 2016 when it should have been obvious he was leaking FBI details to the press to harm Donald Trump's electoral chances. It terminated him only when it was absolutely forced to, after Mr. Steele gave an on-the-record interview on Oct. 31, 2016.

But now we discover the FBI continued to go to this

discredited informant in its investigation *after* the firing—by funneling his information via a Justice Department cutout. The FBI has an entire manual governing the use of confidential sources, with elaborate rules on validations, standards and documentation. Mr. Steele failed these standards. The FBI then evaded its own program to get at his info anyway.

Justice releases some damning documents, but much of the truth is still classified.

And it did so even though we have evidence that lead FBI investigators may have suspected Mr. Ohr was a problem. An Oct. 7, 2016, text message from now-fired FBI agent Peter Strzok to his colleague Lisa Page reads: "Jesus. More BO leaks in the NYT," which could be a reference to Mr. Ohr.

The FBI may also have been obtaining, via Mr. Ohr, information that came from a man the FBI had never even vetted as a source—Mr. Simpson. Mr. Steele had at least worked with the FBI before; Mr. Simpson was a paid political operative. And the Ohr notes raise further doubts about Mr. Simpson's forthrightness. In House testimony in November 2017, Mr. Simpson said only that he reached out to Mr. Ohr after the election, and at Mr. Steele's suggestion. But

Mr. Ohr's inbox shows an email from Mr. Simpson dated Aug. 22, 2016 that reads, in full: "Can ring."

The Justice Department hasn't tried to justify any of this; in fact, last year it quietly demoted Mr. Ohr. In what smells of a further admission of impropriety, it didn't initially turn over the Ohr documents; Congress had to fight to get them.

But it raises at least two further crucial questions. First, who authorized or knew about this improper procedure? Mr. Strzok seems to be in the thick of it, having admitted to Congress interactions with Mr. Ohr at the end of 2016. While Mr. Rosenstein disclaims knowledge, Mr. Ohr's direct supervisor at the time was the previous deputy attorney general, Sally Yates. Who else in former FBI Director Jim Comey's inner circle and at the Obama Justice Department nodded at the FBI's back-door interaction with a sacked source and a Clinton operative?

Second, did the FBI continue to submit Steele- or Simpson-sourced information to the FISA court? Having informed the court in later applications that it had fired Mr. Steele, the FBI would have had no business continuing to use any Steele information laundered through an intermediary.

We could have these answers pronto; they rest in part in those Ohr 302 forms. And so once again: a call for President Trump to declassify.

Write to kim@wsj.com.

The Catholic Bishops Who Failed Us All

HOUSES OF WORSHIP
By C.C. Pecknold

A Pennsylvania grand jury this week published a 900-page report detailing sexual abuse of more than 1,000 children by some 300 Roman Catholic priests over 70 years. The grand jury had spent two years gathering subpoenaed archives from Pennsylvania's six dioceses. It sought not only to share the victims' stories but to document an entrenched culture of coverup reaching the highest levels of the U.S. church.

Forensic accounts of priests raping the sons and daughters of Christ reminded me of Judas. On the way back from Mass on Wednesday, with the report on my mind, I asked my 14-year-old son what differentiated Judas's single betrayal of Jesus and Peter's threefold denial of Christ. Well-catchphrased, he simply replied "repentance." His answer helped us have a frank discussion about sin in the Catholic Church, the human need for penitential disciplines and devotions, and God's way of helping man triumph over the wickedness of the Devil.

Not even Dante in his "Inferno" imagined crimes as sacrilegiously perverse as those the report documents. In some cases priests used sacramental objects as props for their diabolical predations. While the majority of cases

involve adolescent males, children as young as 7 were sexually abused by men trusted to represent Christ. Since most of the crimes occurred in the 1970s and '80s, the accused are now dead or the statutes of limitations have run out. But the report notes: "The bishops weren't just aware of what was going on; they were immersed in it. And they went to great lengths to keep it secret." They must be held to account.

Cardinal Donald Wuerl, now archbishop of Washington, is mentioned for overseeing the reassignment of known sexual offenders during his time as Pittsburgh's bishop. While the report draws attention to his "circle of secrecy," he disputes any claim that he helped cover up abuse. His record is defensible in a way: He inherited many difficult cases and negotiated financial settlements and confidentiality agreements with victims, which he thought would effectively resolve "the problem." He saw himself as a bureaucrat on assignment. But the report shows that this crisis-management approach to sexual abuse enabled the wickedness to fester.

The lay faithful have reacted to the grand-jury report with unprecedented anger. Though many have demanded resignations, I do not believe they simply want scapegoats. They would welcome resignations in the managerial class, but that's not enough.

In the secular world we are accustomed to corporate damage control. Public-relations firms limit reputational harm to protect shareholder value. But the lay faithful don't want C-suite Pharisees. They want shepherds who defend their flock and answer to wickedness in the church the way any

A new grand-jury report on sex abuse shows the episcopate behaving like Judas.

father would respond to existential threats against his children. Like the victims of sexual abuse themselves, the lay faithful are looking for spiritual fathers who stand in contrast to the wicked ones.

Instead of rending their hearts like grieving fathers, too many bishops have rendered their silence or their press releases like management professionals. They've avoided the critical characteristic that sets the church apart from every other institution in the world: the capacity for self-accusation, self-sacrifice and public penance.

The world—in this case, a grand jury—has helped the church acknowledge grievous faults of the past. But what the world can't provide is what is needed most. If bishops are to

be true shepherds, they must show the world the church's faith in penance and the confession of sin—the power of pounding the chest and chanting before Christ Crucified, "Mea culpa, mea culpa, mea maxima culpa."

After the scandal of 2002, Pope John Paul II recommended that the U.S. bishops hold a national day of penance for the reparation of the sins of priests and bishops. The bishops ignored the now-saint's advice, and in their 2002 Dallas Charter addressing the clerical abuses in Boston, they exempted themselves from their protocols for the protection of minors. Healing will not begin until the episcopate reveals to the world what true repentance looks like, and makes that repentance visible through a change in behavior.

Whereas Judas despaired of God's help and hanged himself on a scaffold of his own making, Peter wept for his sins and became the rock of the church. What the report shows is a pattern of episcopal behavior akin to a scaffold of their own making. Rather than the vexed wringing of hands, or the helpless despair of Judas, the report demands a different kind of response. It pleads for Peter's tears. God and neighbor await them.

Mr. Pecknold is an associate professor of theology at the Catholic University of America.

Oregon Overshoots on Opioids

By Sally Satel
And Stefan Kertesz

The Oregon Health Authority is contemplating a radical plan to end opioid coverage for many chronic-pain patients enrolled in the state's Medicaid program. Beginning in 2020, physicians would have one year to fully taper off doses of medications such as Percocet, Vicodin and OxyContin. OHA's chief medical officer says the agency believes "pain patients have been put at higher risk with regard to overprescribing."

Oregon's proposal is a more extreme version of increasingly common policies that position dose reductions as the key to patient safety. But the available evidence does not show a safety benefit from mandatory, across-the-board opioid tapers. Instead of targeting those most at risk of overdose, the mandate would needlessly exacerbate suffering for thousands of patients.

The risk of opioid overdose

among chronic pain patients is real but low—less than 0.3% a year at typical doses, according to a 2011 study. It tends to occur among specific groups of opioid users: those who suffer from mental illness or other major medical problems, and those who mix opioids with alcohol or other drugs.

A ban on Medicaid coverage would be cruel to patients.

Researchers from Kaiser Permanente and the Denver Health Medical Center found that prescription dose didn't predict overdose risk once mental health and other factors were considered. This comports with our clinical experience: Prescription-related overdoses tend to occur among patients in the midst of chaotic personal situations involving other sedatives, alcohol and emotional distress. Forced dose reduction wouldn't end the disarray in

Opioids are rarely a first choice. They pose sometimes intolerable risks of dependency,

these patients' lives. It could even make it worse.

There is no question that some patients have abused Medicaid to purchase fistfuls of opioids through illegal pill mills or to scam physicians into writing prescriptions for medication they resell. Medicaid needs to protect against such fraud, but Oregon officials should not swing a scythe where a scalpel will suffice.

The current climate has made physicians hypervigilant about breaking opioid-prescribing rules. This has led to needless suffering and even pushed some patients to commit suicide after having their doses reduced. Increasingly, doctors urge patients to undergo addiction treatment or procedures—including spinal injections—regardless of whether clinically appropriate.

"Opioid refugees" wander the country as the number of experts willing to care for them dwindles.

Opioids are rarely a first choice. They pose sometimes intolerable risks of dependency,

sedation and, yes, overdose. But they also allow a significant number of people with neurological, inflammatory and musculoskeletal afflictions to function in situations where other treatments have failed.

Last week the OHA held a public meeting in Wilsonville to advance the proposal toward finalization. Pain patients protested outside the room. One sign read: "Death with dignity is a law: What about LIFE with dignity?"

Thanks to overwhelming dissent from physicians and pain-treatment advocates, the new policy's progression has stalled. But the final vote on forced tapering is scheduled for October. Let's hope respect for dignity prevails and this misbegotten plan dies.

Dr. Satel is a resident scholar at the American Enterprise Institute and a lecturer at Yale School of Medicine. Dr. Kertesz is a professor of preventive medicine at the University of Alabama at Birmingham.

Mr. Watman is the author, most recently, of "Harvest: Field Notes From a Far-Flung Pursuit of Real Food."

Like They Do In the Mountains

Travels With Foxfire

By Phil Hudgins and Jessica Phillips
(Anchor, 314 pages, \$19.95)

In 1966, an English class at a small Georgia prep school called Rabun Gap-Nacoochee started interviewing locals in the surrounding Appalachian region and collecting their oral histories in a magazine as an experiential experiment in English composition. They called the project Foxfire, and in 1972 they put together "The Foxfire Book." Even if they knew they were on to something good, I can't imagine that anyone could have predicted what happened next.

"The Foxfire Book" was a smash hit, and the series that followed stretched out to a dozen volumes. The books were full of stories and glimpses of a culture to which few outside those hills had any access. The kids drove a Jeep up into the mountains and talked to Aunt Arie, who lived alone in her cabin and engaged their help in plucking the eyeballs out of a pig so that they could make souse. They learned how to make white-oak splits, "used in the mountains for both bottoming chairs and making a variety of baskets. Lon Reid and Daniel Manous showed us how to make them so we could preserve the process on film."

The books were not works of sociology but how-to manuals. In a world that seemed on the verge of forgetting how to do anything for itself, here were instructions about how to butcher a hog, build a cabin and distill moonshine. There were cooking lessons and folk remedies, tales about snakes and buzzards, tips on how to make your own soap, how to make your own chairs, how to make your own chimney.

To this day, I feel sure that if I found myself alone in the mountains with nothing but a hatchet, a dutch oven and a copy of "The Foxfire Book," I'd have a pretty good chance to survive. The back-to-the-land movement embraced the Foxfire books, but even if one's activities in that direction consisted of little more than a bottle of Dr. Bronner's soap and an occasional foray into making granola at home, "The Foxfire Book" was an inspiration and a touchstone.

The success of the project led not only to the continuance of the series (the last volume of which, "Foxfire 12," was published in 2004) but to the foundation of a museum of Appalachian culture and the organization of the Foxfire Fund. This was the organization that longtime newspaper editor Phil Hudgins approached after his retirement in 2015, suggesting a new book in the tradition of Foxfire. They went for it, and in keeping with the original ethos, Mr. Hudgins teamed up with Jessica Phillips, who was a student at Rabun County High School at the time the project began.

"Travels With Foxfire" is a series of interviews and the product of many miles behind the wheel. The authors present stories of, among others, guitar pickers, game wardens, hunters, and politicians from tiny towns and counties. The geographic catchment has been expanded to include the Carolinas, Tennessee and Kentucky.

A journey around Appalachia introduces us to a number of interesting people engaged in curious pursuits—a step outside the mainstream.

While the book is certainly reminiscent of older Foxfire books, diehard fans expecting more of the same will not find it. Few people we meet here, for instance, exhibit the profound competency shown by so many subjects in the original publications. "Mary Long is a privyologist," writes Mr. Hudgins. "That's a made-up word, of course, but it is descriptive. It means that this lovely lady has the scoop on privies. You might call them outhouses, earth closets, water closets (although there's usually no water), johnny houses, or other names a bit too colorful to list."

In passages like this, the pieces read like segments from a televised Sunday-morning news magazine: a little nostalgia, some curious doings by interesting people, a step outside the mainstream—Osgood and Kuralt. That's a bit disappointing to a fan of the old books, and one might be tempted to conclude that the stories of the people in the book are somehow therefore less important. But not so fast.

The vignettes in "Travels With Foxfire" coalesce around an idea best put forth by Jane Taylor, a native of Gainesville, Ga., in the chapter titled "How to Turn Junk Into Art." "I was very serious most of my life," she says. "Very serious. I was brought up that way. You don't play. I was good at what I did, but I never really enjoyed it." She found a way to live her own life by her own rules, eventually learning to weld, in love with "gorgeous iron, broken, sad, beautiful." Now she constructs monumental statues—"her Statue of Liberty stood about fifteen feet tall, solidly constructed out of sheet metal, stove parts, cobbler's shoe molds, shovel heads, and, for the torch, a discarded light fixture illuminated by a dusk-to-dawn solar-powered tiki light."

The new Foxfire book, in other words, is still about making things but less concerned with whether they're of any use. Sometimes, as in the story of Emory Jones, it can be hard to peg down why the subject is being presented at all, but still you get pulled in. I was happy to learn, for instance, that the Georgia man collects ceramic jugs with faces on them and wrote a fanciful book about Georgia history that features a time machine built from two shallow johnboats, one flipped atop the other, and powered by "a goat running on a treadmill and facing a basket filled with overripe rutabagas."

The Appalachian mountains were once isolated by the physical difficulty of getting in or out of them, and people grew up self-reliant and independent. But the old ways the original Foxfire group set about recording really were vanishing, and now this culture has faded away. "Travels With Foxfire"—despite its dispensable anecdotes about doctors who make house calls, drive-in movie theaters, the one old fellow who never did learn to drive—occasionally presents light-hearted proof that some of the old idiosyncratic spirit remains.

Mr. Watman is the author, most recently, of "Harvest: Field Notes From a Far-Flung Pursuit of Real Food."

Coming in BOOKS this weekend

At war in Iraq and Afghanistan • Why Louisa May Alcott's "Little Women" still matters • Taking epigenetics seriously • A history of vaccines • In search of Chopin's piano • Jazz in the 21st century • Sam Sacks on Western novels • & more

OPINION

REVIEW & OUTLOOK

Big Labor's Obama Holdover

Democratic National Labor Relations Board member Mark Pearce trained at the Harry Reid school of politics. Yet some advisers are urging President Trump to cut a deal with Senate Democratic leader Chuck Schumer to reappoint Mr. Pearce for another five-year term. He might as well then anoint Mr. Schumer as Majority Leader.

The NLRB consists of five members appointed by the President and confirmed by the Senate, with an understanding that the current President's party will have three seats. But for the last decade Democrats have used procedural tricks and bullying to tilt the board sharply toward union interests. Mr. Pearce has been the ringmaster.

It started when Mr. Reid, the former Senate Majority Leader, blocked board appointments in George W. Bush's last year in office. Barack Obama then appointed Mr. Pearce, who cut his chops at a Buffalo-based plaintiff law firm. In 2011 Mr. Pearce was made chairman and two years later reappointed for a full five-year term, which expires Aug. 27.

The Pearce NLRB overturned more than 4,000 years of board precedent in 90 some cases. Among other labor hits, Democrats allowed graduate students to unionize; required employers to disclose to unions the names, phone numbers and email addresses of workers; and protected workers who vilify their employers on social media. Mr. Pearce also ruled that employees who had resigned their union membership after their labor contract expired could be dunne for back dues. A D.C. Circuit Court of Appeals panel overruled his decision in June.

As chairman, Mr. Pearce snubbed Republican colleagues. GOP member Brian Hayes told a member of Congress in 2011 that Mr. Pearce wasn't sharing information and public comments on the board's "quickie election" rule that trampled employers' due process rights. Mr. Pearce then accused Mr. Hayes of threatening to resign to deny the board a quorum, which prompted an investigation by the board's Inspector General.

Mr. Hayes was exonerated, but Mr. Pearce jammed through the election rule anyway without letting him vote. A federal judge appointed by Mr. Obama blocked the rule because the board lacked a quorum.

Mr. Obama also filled out the board with recess appointments though the Senate was holding pro forma sessions. After the D.C. Circuit in-

validated the appointments, Mr. Pearce continued business as usual. "The Board respectfully disagrees with today's decision and believes that the President's position in the matter will ultimately be upheld," he declared. Mr. Obama lost at the Supreme Court.

Republicans now have a board majority, but Mr. Pearce continues to act like he's master and commander. The GOP

majority's *Hy-Brand* decision in December overturned the Obama-era *Browning-Ferris* joint-employer ruling, which created a new indirect control standard holding corporations and contractors liable for labor violations of franchisees and subcontractors.

Democrats then accused GOP member Bill Emanuel of violating the President's ethics pledge by participating in the case. Littler Mendelson, Mr. Emanuel's former employer, had represented a subcontractor in *Browning-Ferris*. But Mr. Emanuel was under no obligation to recuse himself because neither he nor the law firm were parties in *Hy-Brand*.

In February Mr. Pearce sidelined Mr. Emanuel amid a GOP vacancy on the board and had the *Hy-Brand* decision vacated. Democrats now insist that Mr. Emanuel recuse himself from all joint-employer rulings though Obama board appointee Craig Becker participated in cases involving the SEIU, which he had represented.

This week labor groups also demanded that Republican member John Ring abstain from a McDonald's joint-employer case because the fast-food giant consulted his former law firm Morgan Lewis & Bockius on how to respond to union activism. Messrs. Emanuel and Ring should not surrender to these demands, which would enshrine the Obama precedents.

Our sources say Mr. Pearce and his allies on the left are lobbying Mr. Schumer for another five-year term so he can keep undercutting the GOP majority. Some in the White House are also urging the President to strike a deal with Mr. Schumer to confirm Mr. Pearce by unanimous consent in return for fast-tracking confirmations of several Labor Department appointees as well as Senate Majority Leader Mitch McConnell's brother-in-law Gordon Hartogensis, who has been tapped to lead the Pension Benefit Guaranty Corporation.

But Mr. Pearce would do far more mischief at the NLRB than any good more Trump appointees could do at Labor. Reappointing Mr. Pearce would reward obstructionism and lawlessness.

Double Religious Jeopardy

Maybe it's baked into the cake of modern American progressivism. What else could drive Colorado to go after the same Christian baker less than a month after losing a similar case against him at the Supreme Court?

In *Masterpiece Cakeshop v. Colorado Civil Rights Commission*, the Supreme Court ruled 7-2 that the commission violated Jack Phillips' free-exercise rights when it sought to punish him for refusing on religious grounds to bake a custom cake for a gay couple's wedding. That decision was handed down June 4 after six years in which Mr. Phillips was dragged through the courts.

On June 28 the state found probable cause that Mr. Phillips had unlawfully discriminated in another case—by refusing to bake a custom cake (blue on the outside, pink on the inside) to celebrate the transgender transition of Autumn Scardina from a man to a woman. The Alliance Defending Freedom, which represented Mr. Phillips in his first case, is now suing Colorado's Governor, attorney general, Civil Rights Division and Civil Rights Commiss-

sion for what it says is Colorado's "continuing persecution" of its client.

In finding for Mr. Phillips in June, the Supreme Court said the commission had exhibited "clear and impermissible hostility" toward the baker's religious beliefs, which included unequal application of the law.

But Justice Elena Kagan wrote a concurring opinion essentially saying that the state could win the next time if it disguised its anti-religious bias. Colorado appears to be taking her invitation.

But to pursue Mr. Phillips so quickly, and with a made-to-order plaintiff, Colorado also seems to be showing its animus again. Nobody knows how a Supreme Court with Brett Kavanaugh seated in place of Anthony Kennedy would rule. But if Mr. Phillips ends up back before the Court, let's hope the majority this time lays out clear guidelines protecting his religious and speech rights.

The alternative is what we are seeing in Colorado, where progressives appear bent on making a literal federal case out of every cake in America.

We're Gonna Need a Bigger Truck

A major constraint on faster economic growth at the moment is a severe nationwide shortage of truck drivers, and don't expect it to improve without a surge in immigration. One useful response in Washington would be to update a 1982 restriction that is crimping more efficient transportation on America's roads.

The law stipulates rules for trucks and trailers in a class known as "less-than-truckload," which move, say, your Amazon boxes but not pallets of goods to a retailer like Target. This type of shipping has become essential as online retail has disrupted traditional shopping. The rule says states must allow for twin tandem trailers hitched together on highways to be 28 feet in length each and weigh no more than a total of 80,000 pounds.

Enter a truck design known as the "Twin 33," or two 33-foot trailers hitched together, which is already on certain roads in some states like Florida. This truck class could increase capacity per delivery by more than 18%. FedEx and others are eager to put it on the road across the nation, especially as shipping costs are increasing.

The common objections don't survive scrutiny. The first is the burden of more stress on roads that already aren't in great shape. But shippers aren't looking to increase the 80,000-pound weight limit. The problem with the status quo is that the twin trailers fill up with boxes before reaching the weight limit.

A second concern is safety: Won't bigger trucks mean more accidents? FedEx CEO Fred Smith noted in testimony to Congress that twin 33s perform as well as or better on important measures like static rollover threshold and load transfer ratio.

Proponents commissioned a study from safety expert and consultant Ron Knippling, who notes that a modern truck dashboard "more resembles a cockpit than a truck," and that safety improvements include everything from forward collision warnings to automatic emergency braking. Dr. Knippling's study notes that fewer miles mean fewer accidents. Less fuel would also translate to reductions in carbon emissions. We await the endorsement of the climate-change lobby.

Congress has considered allowing the twin 33s in the past, but opponents include powerful regional rail interests that don't want more competition from trucks. The House appropriations bill for transportation includes a provision on twin 33s, but the Senate bill doesn't. Republican Senator Roger Wicker has opposed twin 33s—no surprise given that short rails are common in Mississippi.

Members of Congress like to grouse about the state of U.S. transportation but don't want to make the tough spending or tax choices for improvement. Here they have the closest thing to a free ride: A chance to make a marked improvement without spending more taxpayer cash.

Congress should allow longer trailers on the highways.

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OPINION

LETTERS TO THE EDITOR

Chicago's Violence Shows Leadership Failure

Gary MacDougal's plan to reduce crime is missing the key ingredient that would work quickly: taking violent criminals off the street ("Chicago's Violence and Its Leadership Deficit," op-ed, Aug. 9). In other words, putting them in jail. Instead, he focuses on other remedies such as lessening mistrust of the police or coordinating the efforts of nonprofits, all of which are less effective than simply taking criminals out of circulation.

Let's look at some numbers. About 3,500 people were shot in Chicago last year, by perhaps 2,000 to 3,000 shooters, although no one knows for sure. If those shooters had been taken off the street in 2017 you can bet that the number of shootings in 2018 would have gone down. Common sense indicates that most of the 2.7 million people in Chicago aren't shooting each other, although perhaps 5,000 to 10,000 have shot someone in the past few years.

Take these 5,000 to 10,000 people off the street and crime will go down. That would raise trust and confidence in the police, much more than promoting a "meaningful dialogue" (whatever that means) between police officers and citizens.

When I have a broken pipe, I want the plumber to fix it. If instead he offers to hold a "meaningful dialogue" with me, my trust and confidence in him would diminish.

MIKE WEINBERGER

New Orleans, La.

It is quite true, as Gary MacDougal states, that Mayor Rahm Emanuel "has shown little interest in dealing with root causes of the violence." The issues Mr. Emanuel has instead been interested in are: designating Chicago as a sanctuary city; providing illegal immigrants with ID cards, free health care and free education; raising property taxes to pay for unionized workers' bloated pensions and pandering to young progressives by declaring Chicago a

checked proliferation of Uber killed the green cabs in the crib. There's room for ride-share services, but a city choking on the congestion that all traffic experts lay at Uber's door has the right to regulate the numbers and create a level playing field. And by the way, while we're talking about a taxi cartel, might the Journal also take a look at the fact that Uber has yet to turn a profit?

RICHARD LIPSKY
New Yorkers for Equal Transportation Access
New York

The city of New York induced these owner-drivers to purchase medallions backed by the full faith and credit of the city. The exchange was that the medallion owner would have a public franchise with the exclusive right to street hails. In allowing Uber and its imitators to proliferate by simply paying a bit more than \$200 for a city license, effectively destroyed the value of the franchise. In the private sector that would be called fraud in the inducement.

As far as service in the outer boroughs is concerned, former Mayor Michael Bloomberg created the green-taxi permits to service these so-called taxi deserts purchased by thousands of mostly Hispanic former livery drivers looking to become small-business owners. The un-

In Practice, Diversity Has Multiple, Complex Layers

In "Diversity Looks a Lot Like Old-Fashioned Discrimination" (op-ed, Aug. 11), Michael Blechman conflates a personal experience of discrimination with efforts to improve diversity within our educational institutions aimed, in part, at breaking down the barriers that Mr. Blechman faced.

I'd ask Mr. Blechman how many lawyers worked at Kaye Scholer in 1965 who were of East Asian, Indian, Pakistani or African descent, or women for that matter? If Kaye Scholer had a mix of ethnic and religious backgrounds at the firm in 1965, that would be laudable. If not, it is possible that lawyers from diverse backgrounds didn't apply to Kaye Scholer for other reasons—maybe they knew that the firm wouldn't hire them or they were not admitted to the "right" law schools in the first place due to discrimination. Finally, Mr. Blechman and many others don't seem to recognize that a diverse student body and not simply a collection of students with the highest test scores enhances our educational institutions. The overall benefit to the institutions should not be confused with the benefit to each student.

WILLIAM H. TRESCHER

Hummelstown, Pa.

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

Pepper ... And Salt

THE WALL STREET JOURNAL



"Oh, about 10 years ago. When did you lose the spring in your step?"

OPINION

How HUD Can Help The Housing Market

By Edward Pinto

The Department of Housing and Urban Development announced Monday its intention to increase fair-housing opportunity by streamlining and enhancing the Obama-era Affirmatively Furthering Fair Housing rule. This newspaper reported HUD Secretary Ben Carson "plans to focus on restrictive zoning codes," as these have "limited home construction, thus driving up prices and making it more difficult for low-income families to afford homes."

But the federal government has limited control over state and local land-use policy. So what should HUD do to increase supply? Condition federal dollars on state and local policy changes. Start with zoning. Give back to property owners the right to build at higher densities. Create higher-density single-family and multifamily

Washington doesn't control local zoning, but it can exercise influence.

zoning where infrastructure is already in place. Add density bonuses for building near jobs. Replace static density requirements with equalized ones that take into account unit size. Thus if a 1,500-square-foot home is the maximum unit size that may be built at nine units an acre zoning density, a developer proposing to build 600-square-foot units would have a right to build 22 units an acre.

How about reducing development costs? Start with streamlining permitting processes and timelines. Eliminate or reduce off-street parking requirements. Offer property tax abatements, tax-increment financing and other incentives for building economically near service and line-production jobs without the use of housing subsidies. Adjust upfront impact fees—charges in addition to property taxes for schools, parks, roads, sewers, water and police. Provide for code variance with waiver and modification procedures based on "good enough" and "substantial equivalence" standards. Allow an expedited appeal process for relief from code requirements.

As important, in administering HUD Mr. Carson has a statutory obligation to "further the policies" of the Fair Housing Act of 1968. That includes addressing the inflationary and pro-cyclical role federal credit easing has played during the current six-year housing price boom. When the inevitable reversion of real house prices to their trend growth path occurs, low-income and minority home buyers will again be subjected to more volatility, greater loss of equity, and higher rates of loan default.

Research by the American Enterprise Institute found that the prices for the bottom quartile of home sales—largely composed of entry-level buyers—were up 41% over five years, compared with 27% for the top half of home sales by price. We also found that house prices increased faster in census tracts with more risky mortgages.

While HUD should condition federal grant dollars on incentives created by state and local governments to increase supply, this will take many years to achieve the desired impact. In the meantime HUD should take immediate steps to slow the unsustainable home price boom that is being fueled by excessive leverage, almost all of which is provided by the Federal Housing Administration, or by Fannie Mae and Freddie Mac competing with the FHA.

There's plenty for Mr. Carson to do, and no time to waste.

Mr. Pinto is a co-director of the American Enterprise Institute's Center on Housing Markets and Finance.

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Buyback Derangement Syndrome

By Clifford Asness

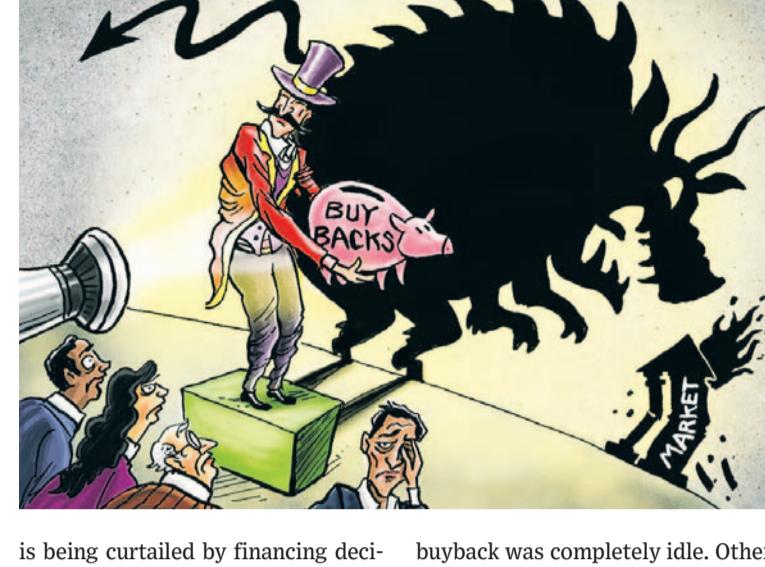
Share buybacks are when a company purchases its own common shares on the open market. After a buyback, a company is left with less cash and fewer shares outstanding. Buybacks, along with ordinary dividends, are one of the main ways companies return cash to investors—the ultimate objective of any investment. So why have buybacks become the subject of vitriolic criticism? Prominent publications have run headlines calling buybacks, among other things, a "scam" that is "killing the American economy" and asserting that they "loot the future."

These attacks are mostly empty. The criticism is typically linked to debates about inequality and corporate short-termism but it also comes from virtue-signaling CEOs who want people to think they care about the long term. These attacks are growing in frequency, prominence and intensity. A lot of people are suffering from buyback derangement syndrome.

The lead accusation against buybacks is that they "starve investment." We can look at aggregate investment directly, examining the investing section of the statement of cash flows for all companies in the Russell 3000. Normalized by either total assets or total market capitalization (debt plus equity), net investment is lower than it was in the 1990s but positive and much higher than during the 2008 financial crisis. Yet the lack of a precipitous decline in investment doesn't stop critics from complaining about "investmentless growth."

Related to the claims of starving investment, some argue that today's buybacks are a form of "self-liquidation" in which companies are systematically shrinking away. This ignores that there are other sources of funds aside from common stock. Over the past few years the net cash outflow from share buybacks has been more than replaced by cash inflow due to new borrowing (think of this as a debt-for-equity swap). Despite buybacks, on net companies have been raising money, not liquidating.

It would strike a financial economist as odd to believe that investment is being curtailed by financing decisions like whether to repurchase shares or issue debt. Basic financial theory says any profitable (above the cost of capital) investment should be undertaken, with financing done at the lowest cost of capital. Whether this holds true is difficult to test, given all the possible counterfactuals. But there is, again, not much in the data to suggest any obvious failure of theory. If investment had truly fallen off a cliff along with the rise in buybacks, we'd at least have to worry about causality. It didn't happen.



CHAD CROWE

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What sufferers accuse Apple of is a contradiction in terms—self-liquidating to a value of \$1 trillion.

Further, investors generally do not spend the money paid out in buybacks on champagne bubble baths or other forms of consumption. Rather, they reinvest it in other stocks and bonds. Buybacks thus facilitate a movement of capital from companies that don't need it to those that do. That's how markets are supposed to work.

Another criticism is buybacks "artificially" raise earnings per share. This is certain only if the rest of a company's business is unchanged and the cash used for the

buyback was completely idle. Otherwise, the true long-term effect on EPS growth will be determined by the return to the company had it retained and employed the cash. Again, this is how it's supposed to work. If the returns to a company using the cash for a buyback are low, the company is supposed to give the cash back.

Yet another claim is that much of the market rise over the last few years has been from buybacks. The numbers don't bear this out. The direction is plausible, as researchers have found that share prices do tend to increase—by around 1%—when buybacks are announced. Several explanations have been offered for this positive reaction including that investors see repurchases as a signal that management thinks shares are undervalued, and that investors cheer when management returns cash to shareholders rather than, perhaps, wasting it on "empire building." These explanations are behavioral effects at the margin.

But critics often assume that shareholders moving cash from the corporate balance sheet to their personal one is a pure windfall—never mind that they own the same set of assets before and after, and you can't loot yourself. It would be impossible to determine precisely how much of the more than 15% annual returns on the Russell 3000 since the financial crisis is a direct consequence of share repurchases, but there is no

compelling evidence that it is more than a small fraction.

The most wild-eyed critics actually claim that some specific companies are giant "scams" fueled by buybacks. Apple is the most notable target of these critics, who assert that much of its approximately \$1 trillion market capitalization is an illusory artifact of share repurchases. That's backward. Buybacks reduce market capitalization. Remember, buybacks are also accused of causing the stock market to "self-liquidate." What Apple is accused of is a contradiction in terms—self-liquidating to \$1 trillion. Oh, and they sold some iPhones along the way, too.

While not the main focus of the critics, there are some possible problems with buybacks. If taken to excess far beyond today's levels and financed with debt, they could lead to too much leverage (aggregate leverage today is pretty normal). Moreover, there may be ways in which corporate management can use share buybacks tactically to increase the value of stock options and other incentive contracts at particular times. This can and should be fixed with contracts written to adjust for the impact of buybacks, not by eliminating the benign buybacks themselves.

The bottom line is that despite a legion of attempts, there is no real case against buybacks, let alone enough to blame them for all sorts of economic ills. Much of the criticism is innumerate nonsense. Nonetheless, the various charges are repeatedly made in otherwise reputable places, with increasing stridency, by people who should know better to people who presumably don't. That suggests the attack on buybacks is a politically motivated crusade—let's blame public corporations for all kinds of evil. Americans have lots to debate, and those critical of public corporations likely have many other worthwhile points to make. They should drop nefarious buybacks from their retinue of accusations and focus on real problems.

Mr. Asness is managing and founding principal of AQR Capital Management. This article is based on research he conducted with Todd Hazekorn and Scott Richardson, also of AQR.

Why Should We Fear Russian Political Ads?

By Curt Levey

Alarm bells rang in the media and on Capitol Hill last month when Facebook announced its discovery and removal of a new wave of malicious political ads of probable Russian origin, indicating "determined, well-funded adversaries who will never give up."

The technology site TechCrunch proclaimed that a "propaganda war against the U.S. midterm elections" has been declared. Rep. Adam Schiff, the House Intelligence Committee's ranking Democrat, warned that the new ads, like those alleged to have influenced the 2016 election, demonstrate "what we've long feared: that malicious foreign actors bearing the hallmarks of previously-identified Russian influence campaigns continue to abuse and weaponize social media platforms to influence the U.S. electorate."

Some perspective is in order. Facebook's announcement concerned the deletion of 32 pages and accounts that made "inauthentic attempts to influence political discourse" by running some 150 ads on Facebook and Instagram between April 2017 and June 2018. The cost of the ads was \$11,000, even less than the \$46,000 that Russia, through its Internet Research Agency, spent on Facebook ads during the 2016 campaign.

Whether viewed in monetary terms (the official Clinton and Trump campaigns alone spent \$81 million on Facebook ads) or reach (28 of the 32 removed pages and accounts had fewer than 10 followers), the deleted pages' influence on the American electorate could not have been more than a drop in the ocean.

Likewise with the 2016 phase of

the attack. For every 25,000 items the typical Facebook user saw in his news feed, only one came from the Russians. Russian penetration of Twitter and other tech platforms was similarly modest. This is by necessity: If the Russian presence were more widespread, it would also be more easily detectable.

Some of the Russian ads' content was innocuous, too. One of the four deleted accounts with more than 10 followers was called "Mindful Being." Its ad counseled: "We must unlearn what we have learned because a conditioned mind cannot comprehend the infinite."

More typical Russian Facebook ads since 2016 have urged viewers to rally against "confederate heritage," "stop Islamophobia and the fear of Muslims," and support "secured borders" because "America is at risk now more than ever." Like most political ads, they intend to provoke a reaction or influence their targets. Their content is intentionally indistinguishable from the authentic ads and political expression we hear and see every day in our democracy, making their marginal impact something like adding a marble to a jar of marbles.

One page recently removed by Facebook announced a counterprotest against the Aug. 12 "Unite the Right" rally in Washington. The event was flagged because one of its sponsors, a

self-described feminist antifascist community, was suspected of links to the Internet Research Agency. The event page's authentic feminist antifascist sponsors are angry at Facebook. "Russians are not creating and invoking these feelings," said one legitimate organizer.

By any measure, they are a drop in the ocean. And they're hard to distinguish from domestic sentiments.

The organizers' anger is misplaced. Facebook is hiring thousands of new employees to review ads carefully and is continually adjusting its procedures to strike a balance between vigilance and restraint.

But the lines are thin—so thin, in fact, that it's difficult to identify the problem once you get past the negative emotional reaction to "Russian interference." Consider that Facebook aspires to be a "global community," as do similar platforms, and foreign governments and their agencies routinely have a social media presence.

That's a good thing. We should no more prevent foreigners from joining the political discourse about America's immigration policy, race relations, and

treatment of Muslims than we should remain silent about problems in Russia, China and the rest of the world. So merely alleging that Russian ads are influencing our politics fails to state a problem.

One can object to Russia's motives—but even there, the lines are thin. There is no doubt the Russian ads are intended to stir up controversy rather than bring Americans together, but the same can be said about many domestically produced political ads—not to mention a fair amount of journalism.

The bottom line is that it's difficult to pin down what we're supposed to be afraid of, never mind which specific instances of "inauthentic attempts to influence political discourse" deserve censorship. That makes the frenzy over Russian ads seem even more exaggerated.

Ironically, some of the overreaction can be traced to the similarities between Russian ads and domestic political discourse. We don't like the divisiveness, name-calling, wild accusations and other heated rhetoric that increasingly dominate that discourse. Blaming the Russians is seductive because the unpleasant alternative is to blame ourselves.

Mr. Levey, a lawyer and former computer scientist, is president of the Committee for Justice.

Congress, Fix This Tax-Reform Glitch

By Mark Escamilla

In many ways, restaurants are the biggest beneficiaries of last year's federal tax reform. In addition to lower tax rates, pass-through businesses like mine got a new deduction protecting 20% of our earnings. Because restaurants operate on slim profit margins of only a few percent, this is a vital buffer against rising costs for food, labor and real estate.

Unfortunately, a drafting error has prevented restaurants and other small businesses from attaining the full benefits that lawmakers intended. The new law allows most capital costs to be fully deducted in the year they are incurred. But business renovations are ineligible, because the legislation doesn't specifically mention them in the right place.

On this point, the omission puts restaurants in a worse position than before tax reform. Under the old rules, small businesses could expense renovation costs over 15 years. Now renovations are in the same category as home remodelings and must be expensed over 39 years.

This is a huge disincentive to growth. I own 38 franchise restaurants in the Seattle area, and under the old tax code my company usually renovated or opened two or three a year. When we heard that the tax reform included immediate expensing, we planned to ramp up to four or five a year. But once we figured out the consequence of the drafting error, we scaled back to one renovation a year—and only if it makes complete financial sense.

Think about all those lost job opportunities. Carpenters, roofers and construction crews now sit idle. Each new restaurant I open employs 30 to 35 people. The restaurant industry is the nation's largest employer, providing a first job to many Americans. The increased cost of expanding restaurants will mean fewer positions for young and low-income people hoping to enter the workforce.

In 2017 the Tax Foundation called immediate expensing "probably the single most significant tax change lawmakers could make to encourage economic growth." It estimated such a change would boost the economy by 4.2% over the long run

and create 800,000 jobs. President Trump has said this provision "may be the most important element" of the tax law.

Congress can correct this error. There is already precedent for such a move. This spring, lawmakers passed a compromise bill to address what was known as the "grain glitch," which mistakenly gave farm cooperatives an unfair advantage over their corporate counterparts. Yet rather than joining the effort to fix the expensing mistake, Democrats are threatening to block the vote unless the new legislation includes elements of their own agenda.

This legal quirk must be fixed to help restaurant owners, other small businesses and the countless people we employ. If Republicans can pull this off, the nation's 30 million business owners will know whom to thank. Perhaps that's the real reason congressional Democrats are refusing to help.

Mr. Escamilla owns 38 franchise restaurants in the Seattle area and is a member of the Job Creators Network.

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WORLD NEWS

U.S. Warns Turkey Over Detained Pastor

Treasury secretary says Washington ready to take tougher steps if Brunson isn't released

BY DION NISSENBAUM

WASHINGTON—The Trump administration warned that it is prepared to impose more penalties on Turkey if it doesn't release an American pastor facing 35 years in prison on disputed espionage charges.

Treasury Secretary Steven Mnuchin said the U.S. was ready to take tougher steps if Turkey doesn't free Andrew Brunson, an American pastor who has been held for nearly two years on charges of aiding terrorist groups.

"We have more that we're planning to do if they don't release him quickly," Mr. Mnuchin said Thursday during a cabinet meeting with President Trump.

Mr. Trump at the meeting criticized Turkey for holding Mr. Brunson and said Amer-

ica's North Atlantic Treaty Organization ally had "not proven to be a good friend."

Turkey and the U.S. have been embroiled in a deepening feud over Mr. Brunson, stoking a financial crisis with global repercussions. Turkey's currency has plunged to record lows as the country's leaders have sought to reassure investors and stanch the losses.

Turkish President Recep Tayyip Erdogan has rebuffed American demands for the pastor's immediate release and warned the U.S. that it could turn toward Russia if America doesn't back down.

The Trump administration has been working since it took office last year to secure Mr. Brunson's freedom. Repeated efforts to broker a deal have fallen apart, leading the U.S. to impose economic sanctions two weeks ago on two top Turkish officials.

Last week, the U.S. hit Turkey again by announcing plans to double tariffs on steel and aluminum. Turkey responded



Police patrol near Pastor Andrew Brunson's residence in Izmir, Turkey.

aiding Hamas, the Palestinian militant group.

At Mr. Erdogan's request, Mr. Trump called Israeli Prime Minister Benjamin Netanyahu to secure the Turkish woman's freedom, according to U.S. officials. Trump administration officials thought the move would pave the way for Mr. Brunson's return to the U.S.

"We got somebody out for him," Mr. Trump said. "He needed help getting somebody out of some place. They want to hold our wonderful pastor. Not fair. Not right."

Mr. Brunson was detained in October 2016 as part of a broad domestic crackdown following a failed military coup that July. Mr. Brunson, a North Carolina native who has run a small Protestant church for two decades on Turkey's Aegean coast, was accused of aiding the group accused of plotting the coup and another group of Kurdish separatists battling the Turkish military for more autonomy.

U.S. officials have de-

nounced the trial as a sham. American officials thought Turkey would free Mr. Brunson last month when he appeared for a court hearing. When Mr. Brunson was instead sent back to prison, the U.S. shifted gears and began to put more pressure on Turkey.

Turkey responded by releasing Mr. Brunson to house arrest. But the U.S. still expected Turkey to send Mr. Brunson home.

U.S. officials have been trying to secure release of a Turkish-American NASA scientist also swept up in the 2016 crackdown, and three Turkish citizens who work for the U.S. government in Turkey. Talks have hit an impasse. Earlier this week, John Bolton, Mr. Trump's national security adviser, told Turkey's ambassador to the U.S. that Mr. Brunson's immediate release was paramount, according to people familiar with the meeting.

◆ Turkey's energy bill soars as its currency tumbles..... B1

Italy, EU Trade Blame Over Bridge Collapse

BY ERIC SYLVERS
AND DONATO PAOLO MANCINI

Finger pointing over the deadly collapse of a highway bridge in Italy intensified as Italian and European authorities sought to assign blame for the disaster, which cost at least 38 lives.

The European Union shot back Thursday against accusations from Italy that it had blocked the country from spending sufficiently on the upkeep of roads and bridges. A spokesman for the EU executive, the European Commission, said the organization has recommended to Italy that it invest more in infrastructure and has made EU funds available.

The EU was responding to claims by Matteo Salvini, Italy's interior minister and head of the nationalist League party, that European rules capping countries' budget deficits were to blame.

"Italy must be allowed to spend the money necessary to make its rivers, schools, highways and hospitals safe without there being crazy restrictions from Europe. Safety for Italians comes first," Mr. Salvini wrote in a tweet on Thursday.

Others in Italy's government have blamed the private company that operated and maintained the bridge. Prime Minister Giuseppe Conte's vow to strip the company, Autostrade per l'Italia, of its concession caused shares in its majority owner, **Atlanta** SpA, to lose nearly a quarter of their value on Thursday.

Atlanta, in which the Benetton family of clothing fame has a controlling stake, responded that the cause of the bridge collapse hasn't been established and that it would seek compensation if the concession were revoked.

The repercussions from the collapse of the bridge, located in Genoa on a freeway linking the Italian Riviera with France, has opened a debate about Italy's decaying infrastructure. Economic stagnation, strained public finances and mismanagement in the public and private sectors now pose a deadly risk,

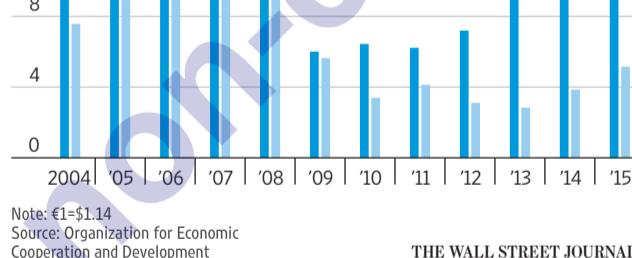


Rescue workers on Thursday at the scene of the Morandi Bridge collapse in Genoa, Italy. The collapse killed at least 38 people.

Not Back Yet

Maintenance and investment in Italy haven't returned to pre-recession levels

€16 billion



Note: €1=\$1.14
Source: Organization for Economic Cooperation and Development

the University of Delaware who specializes in finding the causes of bridge collapses. A storm occurring at the time of the collapse was unlikely to have played a role, he said.

"We have to wait and see what the investigators find, but it seems the most likely cause of the collapse is that one of the stay cables corroded to the point that something happened on that day to make it snap," said Dr. Chajes.

Italy boosted its infrastructure spending in the early 2000s but has cut investments sharply since the global financial crisis. New investments in roads plunged by about two-thirds in the decade to 2015, and road-maintenance spending fell by about a third in that period, according to data from the Organization for Economic Cooperation and Development.

The commission spokesman said EU countries can set their own spending priorities and noted that Italy is getting

about €2.5 billion (\$2.84 billion) from the EU for infrastructure investments for the 2014-20 period.

Large infrastructure projects can either be funded by the Italian government, sometimes with an EU contribution, or by private companies that then get a concession to charge tolls for using a road, bridge or tunnel.

Autostadt was responsible for the safety and upkeep of the Morandi bridge, while the government was responsible for ensuring that the maintenance was being performed.

As the accusations flew, firefighters and other rescue workers continued to look for survivors amid the mounds of bridge debris that plunged 150 feet onto a partially dry riverbed and train tracks. Officials put the death toll at 38, down from 39 announced Wednesday. Genoa's chief prosecutor said as many as 20 people were still unaccounted for.

U.N.-run schools that educate Palestinian children might not be able to operate for the full school year, officials said, pointing to a funding shortfall as the U.S. freezes tens of millions of dollars.

The United Nations Relief and Works Agency for Palestine Refugees in the Near East operates 711 schools attended by 526,000 refugees in the Palestinian territories and neighboring countries.

The agency said it would reopen schools on time for the new term but has funding to run its services only until the end of September.

The U.S. contributed \$368 million last year to a budget of \$1.24 billion. Washington has released only about \$60 million this year.

The Trump administration wants other countries to step up and fund the organization, and if they're not willing to, support changes to the organization's mandate.

The funding flap could upset the lives of thousands of students in Gaza, many of whom can't afford the fees charged at government or private schools.

Naghm Abu Amra aspires to be a doctor, but is worried she won't have other options if the schools, which educate about half of the students in Gaza, shut early.

"If the school closes, how will we acquire knowledge?" the 13-year-old said. "We won't be able to fulfill our dreams."

Trump administration officials said they see what they describe as Unrwa's propagation of the belief that all those Palestinians could return to Israel as getting in the way of a lasting peace.

—Dov Lieber contributed to this article.

Schools In Gaza Say Funds Run Short

BY FELICIA SCHWARTZ

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Growing Immigration Is Upsetting Old Ideas of German Identity

BY BOJAN PANCEVSKI

BERLIN—Düzen Tekkal and her family had put on their best clothes for the naturalization ceremony in the mid-1980s. But when her father expressed his joy at becoming German, the presiding civil servant doused his enthusiasm. "You are not German," he said. "You only have citizenship."

Ms. Tekkal, the daughter of Yazidi immigrants from Turkey, was 8 years old at the time. Now she is an author, the head of a charity and a contributor to a social-media movement known as #MeTwo—a play on the #MeToo controversy and the split identities of many immigrants—that is raising awareness about discrimination in Germany.

The movement has ignited a furious debate just as lawmakers gear up to consider landmark legislation aimed at regulating economic immigra-



Düzen Tekkal is drawing attention to discrimination.

workers as the current population ages, according to economists who say the country must lure at least 400,000 skilled outsiders a year to maintain economic growth.

Already, nearly a quarter of Germany's 82 million people have at least one immigrant

parent who was born without German citizenship, according to 2017 figures. And the country takes in almost as many newcomers a year as the U.S., mostly European Union nationals who are free to work across the bloc and asylum seekers who can't be turned back under international law.

But the admission of nearly two million refugees since 2015 has heightened political tension, boosting far-right parties and weakening established parties, including Ms. Merkel's.

Germany has never had a coherent set of laws enabling non-Europeans to settle for work. There is a political tradition that sees Germany as a temporary home for some categories of foreigners but not as a land of permanent immigration.

"German identity is still linked to ethnicity here and that needs to change urgently,

because it simply does not allow others to fit in," said Ali Can, an activist of Turkish-Kurdish descent who runs a hotline for migrants and initiated the #MeTwo movement.

Connecting nationality and ethnic background has its roots in the origin of the German nation, which unlike the U.S. or post-revolutionary France wasn't founded around political ideals but on ethnicity and language. It has shaped the legal system—Germany, with some exceptions, doesn't recognize dual citizenship—and even language, as in the term *Biodeutsche*, or organic Germans, often used as shorthand for citizens of German stock.

"Germany is not a classic immigration country, and it also cannot become one due to its historical, geographic and social circumstances," the conservatives said in a 2001 policy paper.

Critics from across the political spectrum say such views are out of sync with current reality. Germany's political discourse on immigration was "long designed to avoid the statement of fact: We need immigration for the job market and because of our demographic decline," said Petra Bendel of the Expert Council of German Foundations on Integration and Migration, a think tank. Some 1.2 million jobs stand vacant in Germany, she said.

The bill backed by the Social Democrats would set criteria for non-Europeans who want to work in Germany and establish a point-based system designed to attract skilled workers. Modeled on legislation in countries such as Canada, the new system would consider the needs of employers and cut red tape for foreign workers needed for the booming German job market.

BUSINESS & FINANCE

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SEC Was Probing Tesla Before CEO Tweet

Securities regulators began investigating last year whether **Tesla** Inc. misled investors about its Model 3 car production problems, accord-

auto maker as part of the probe, one of the people said, well before the regulators began looking into Elon Musk's tweet last week about taking the company private.

Regulators have also subpoenaed Tesla's directors seeking to learn what they knew about Mr. Musk's plan to take Tesla private, according to another person familiar with the matter.

The Securities and Exchange Commission subpoenaed a parts supplier for the

cisco office, one of the people said.

The Wall Street Journal reported in October that the Tesla assembly plant's body shop wasn't fully installed until around September and that major portions of the Model 3 were being hand built weeks after Mr. Musk announced production had begun in July 2017. As production started, he claimed about 1,600 cars would be made in the third quarter of 2017 before reaching 20,000 in

December. Those forecasts were far below what he predicted roughly a year earlier, when he said as many 200,000 Model 3s would be made in the second half of 2017.

Instead, Tesla made 2,700 Model 3s during 2017. The sedan, priced to start at \$35,000, is designed to propel the luxury electric-car maker into the mainstream.

Under U.S. securities law,

Tesla and its executives could face sanctions if regulators de-

termine they misled investors about the cause or extent of production delays. SEC probes can last months or even years, and sometimes end without the regulator charging a target with wrongdoing.

An SEC spokesman declined to comment.

Tesla didn't respond to a request for comment.

Brad Bennett, a lawyer at Baker Botts LLP, said the SEC has brought enforcement actions in the past against com-

panies over operational projections. They are hard claims to prove, he said, because they require digging into the details of what a company is building.

"You would have to prove the speaker didn't believe those things, or there was no rational basis for it," said Mr. Bennett, who was formerly di-

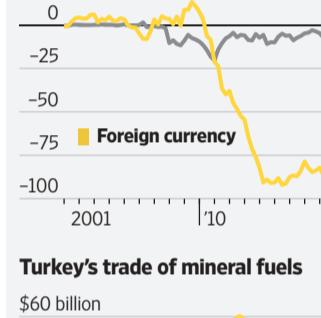
Please turn to page B4

◆ Tesla's route to profit is questioned B4

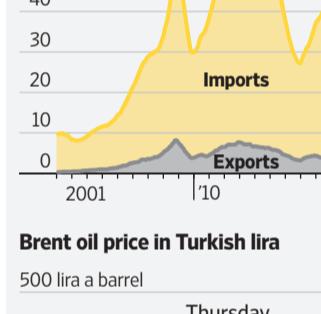
Lira's Drop Lifts Turkey Power Bill

The Turkish central bank is using its currency reserves to help banks, but the country needs dollars to buy energy abroad.

Difference between cross-border bank assets and liabilities



Turkey's trade of mineral fuels



Brent oil price in Turkish lira

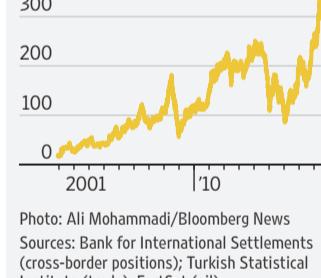


Photo: Ali Mohammadi/Bloomberg News
Sources: Bank for International Settlements (cross-border positions); Turkish Statistical Institute (trade); FactSet (oil)

THE WALL STREET JOURNAL.



Meanwhile, the economy is rapidly running out of hard currency to pay for that imported energy and support all its other foreign-currency needs, especially among Turkish companies who have borrowed heavily in U.S. dollars.

While oil is roughly 6% more expensive year to date for international traders, its price tag has risen more than 60% for Turkish buyers because of

the plunge in their currency against the dollar. On Thursday, the Turkish government increased a special consumption tax on gasoline and diesel, a move that might help avoid a bigger hole in the budget due to energy outlays. Ankara had lowered that tax in May, ahead of presidential elections.

"Turkey's gotten hit by a double whammy this year: It's among the most dollarized

economies among emerging markets, and it's one of the most oil and gas dependent," said Brad Setser, an economist at the Council on Foreign Relations. "The implication is that it's much harder to get out from the crisis."

Energy makes up more than two-thirds of Turkey's large current-account deficit—a measure of a nation's transac-

Please turn to page B2

Google Defends Push Into China Amid Censorship Concerns

By DOUGLAS MACMILLAN

Google Chief Executive Officer Sundar Pichai defended to employees the internet giant's controversial push to do more business in China but said the company is "not close to launching a search product" in the country, according to a person briefed on the comments.

Mr. Pichai, speaking Thursday at a weekly all-hands meeting in Mountain View, Calif., was responding to criticism from employees, human rights groups and others who in recent days have voiced concerns over the Alphabet Inc. unit's work with the Chinese government. Google is developing services for Chinese citizens, including a search engine that could adhere to China's strict censors. The Wall Street Journal and others reported last week.

At the meeting, Google co-founder and Alphabet president Sergey Brin sounded optimistic about doing more business in China, cautioning that progress in the country is "slow-going and complicated." Mr. Brin was instrumental in Google's decision in 2010 to withdraw its search engine from China to protest the government's censorship regime and attempts to hack into the Gmail accounts of Chinese human rights activists. At the time, he described the government as having the "earmarks of totalitarianism" of the Soviet Union, where he was born.

On Thursday, Mr. Brin said the company has launched a number of products in China over the past eight years, such as a file-management app and a search engine for academic research. He said the decision-making around such projects requires "a certain set of trade-offs."

Google is balancing its de-



CEO Sundar Pichai

sire to expand its business in China—a market with the world's most web users—with its identity as a champion of human rights.

The company is also contending with an increasingly activist workforce that is pushing management to be more transparent in its decision-making over controversial issues like China.

Pressure from Google employees helped sway the company's decision earlier this year not to renew a Department of Defense contract helping the U.S. government identify images for drone targeting. Employee objections to that effort, called "Project Maven," also helped push the company to adopt a new ethics-review process guiding its deployment of artificial intelligence technology.

Hundreds of employees signed a letter this week asking Google to give rank-and-file workers a voice in the ethics-review process and the ability to opt out of working on certain projects, according to a person who has seen the letter.

"Google employees need to know what we're building,"

Please turn to page B2

Teva Wins Approval For Generic EpiPen

By THOMAS M. BURTON

Turkey faces another big problem after it deals with the immediate impact of its currency crisis: How is it going to pay for its dependence on imported oil and natural gas?

Turkey imports the vast majority of its fuel needs. Its devalued lira makes paying for such imports more expensive.

Meanwhile, the economy is rapidly running out of hard currency to pay for that imported energy and support all its other foreign-currency needs, especially among Turkish companies who have borrowed heavily in U.S. dollars.

While oil is roughly 6% more expensive year to date for international traders, its price tag has risen more than 60% for Turkish buyers because of

INSIDE



PENNEY CUTS OUTLOOK AS SALES FALL

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OSCAR PLAN WINS PRIZE FOR UNPOPULARITY

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STREETWISE | By James Mackintosh

Shares Withstand Weaker Yuan

No Stopping Stocks

China's currency and the price of metals have dropped this year, but unlike in 2015 U.S. stocks have been little affected.



Source: Thomson Reuters

THE WALL STREET JOURNAL.

Investors raced for the safety of bonds. Much is different this year. First is the sentiment about China. China's shift in August 2015 was to widen the trading band within which the currency could

Please turn to page B10

The product, whose brand-name version is manufactured by Mylan NV, touched off a furor two years ago over its price increases of 548% over about a decade.

The device injects epinephrine into adults and children experiencing anaphylactic and other shock from causes such as bee stings and reactions to food and medicine.

Mylan introduced its own half-priced generic version of the drug in 2016.

Teva, based in Israel, is now authorized to begin marketing its generic auto-injector with epinephrine in two strengths.

"We're applying our full re-

sources to this important launch in the coming months and eager to begin supplying the market,"

a spokeswoman for Teva said, declining to disclose the planned price of the product.

Teva shares rose 7.3% Thurs-

day to \$24.11 in New York.

The approval of a generic version of this product marks something of a milestone for FDA Commissioner Scott Gottlieb. Dr. Gottlieb has made ap-

proval of generics a high priority for the agency, including products commonly referred to as complex generics.

These are drugs that have long been available under pricey brand names but were difficult to approve as generics because of complex means of administration, like nose sprays or injections. The EpiPen is one of the first such approvals.

EpiPens are crucial emergency products for people, including many children, who suffer allergic reactions. Mylan was under severe criticism from the public and Congress in 2016 after raising its list price for a pack of two auto-injectors to \$609.

—Jonathan D. Rockoff

contributed to this article.

Enough to create panic among investors worldwide. The S&P 500 fell more than 10% within a few days, the usual definition of a correction, and global stocks plummeted. The plunge was repeated at the end of 2015, with the same effect. Yet this year, a far bigger drop in the Chinese currency has been all but ignored by U.S. stocks. What gives?

The answer is a reflection both of the relative strength of China and the U.S., and investors' views of Chinese policy.

But the yuan still poses a threat, even to investors who care little about China.

Back in 2015 and early 2016, the drop in the currency was taken as a sign that the Chinese government had decided to devalue, as a way to boost the stuttering economy. The risk was that devaluation would spread falling

prices from China's busi-

nesses to the rest of the

world, when the global econ-

omy was already perilously

close to deflation. Commodity

prices crashed, and oil—al-

ready halved by Saudi Ara-

bia's 2014 production boost—

almost halved again.

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Turkish Energy Costs Rise

Continued from the prior page
tions with the rest of the world. That now amounts to 5.5% of gross domestic product. It is a problem that also ails nations like India and South Africa, which have come under pressure from investors fearing a wider contagion.

Turkey's need for foreign energy could push President Recep Tayyip Erdogan closer to oil-producing nations like Iran and Russia.

Russia's top diplomat, Sergei Lavrov, flew to Istanbul this week to offer support. He said Russia and Turkey could consider dumping the dollar in bilateral trade, but didn't make any commitments.

Turkey is already a top buyer of Iranian crude. Looming U.S. sanctions on Iran have caused some Turkish buyers—like the country's largest refiner and crude importer, Tupras, majority-owned by a consortium led by industrial conglomerate **Koc Holding AS**—to cut back on Iranian imports. So far, though, Turkey has remained a consistent buyer. Ehsan Khoman, head of research for the Middle East at **MUFG Bank Ltd**, said Turkish imports of Iranian crude are likely to stay around their current 174,000 barrels a day.

The challenge is finding banks willing to finance further purchases amid the risk of falling afoul of U.S. sanctions. In the past, Turkey had traded gold for imported Iranian energy. In 2012, though, the U.S. tightened its sanctions, prohibiting assisting the government of Iran with the acquisition of precious metals.

Turkey's energy needs could

also affect global oil markets, feeding into broader concerns about growth and trade tensions. While Turkey's oil needs are around 1% of global demand, it has been among the fastest-growing consumers of oil and gas among Organization for Economic Cooperation and Development members between 2010 and 2016, according to the U.S. Energy Information Administration. Its total energy consumption rose by around 10% in 2017, according to BP PLC's annual statistical review.

Turkey's troubles have some oil-industry experts considering revising down overall oil-consumption forecasts.

"If this situation in Turkey doesn't get resolved reasonably soon there's a downside risk to our figures for sure," said Michael Dei-Michei, head of research at Vienna-based consultancy JBC Energy.

But right now, the pressure is most acute inside Turkey. Higher energy prices globally and the weakening lira have stuck the country with rising import bills, even before the currency plunge of recent days.

Countrywide outlays for mineral fuel, an import category that includes oil and natural gas, have surged over the year through June, to \$41 billion, compared with \$27 billion in 2016, Turkish official data show.

Ankara's decision Thursday to raise tax on gasoline could help buffer the government from some of those increases. It could also curb energy demand in the country. In May, the government had slashed the special tax to help offset the sharp rise in pump prices stemming from higher global crude prices and the weaker lira. The cut came ahead of June presidential elections, in which Mr. Erdogan prevailed. Officials at Turkey's energy ministry declined to comment on government policy.

—Yeliz Candemir contributed to this article.

Continued from page B1
the letter read.

On Thursday, Mr. Pichai said the company has a number of projects in exploratory stages that are still being debated, but it is committed to transparency and he thought it was important to speak to employees in person on this topic.

Mr. Pichai said his experience growing up in India, at a time when multinational companies operating in the region helped make a positive change, informs his view on

whether Google should do more business in China. "I genuinely do believe we have a positive impact when we engage around the world and I don't see any reason why that would be different in China," he said.

That argument, which various company officials have made before, has drawn criticism from others concerned about Google's involvement in China.

In an essay he published online this week, former Google engineer Brandon Downey said the company's executives got employees to go along with their first push into China by arguing that giving the country's citizens access to filtered results through a search engine was better than no Google search engine at all.

That plan backfired in the

ensuing years, when Google learned authorities in China were hacking its systems to target dissidents, wrote Mr. Downey.

"Censoring ourselves there wasn't making things better," he wrote. "In fact, technology

was enabling the suppression of dissent."

In his three years as CEO, Mr. Pichai has been a frequent visitor to China, meeting with top Chinese officials and encouraging businesses to use

Google's free open-source tools like TensorFlow and Android—the mobile operating system that powers three-quarters of all Chinese smartphones.

Google has more than 700 employees—roughly split between salespeople and engineers—across offices in Beijing, Shanghai and Shenzhen. That's up from about 500 since 2015, the year Mr. Pichai became CEO. Late last year, it opened an artificial intelligence research lab in Beijing.

"Our stated mission is to organize the world's information," Mr. Pichai said on Thursday, noting that China accounts for a fifth of the world's population. "I think if we were to do our mission well, I think we have to think seriously about how we do more in China."



A flight-simulation display. Home programs can now represent all types of aircraft, from wartime bombers to passenger airliners.

Pilot Software Inspires Fledglings

BY SARAH E. NEEDLEMAN
AND ANDY PASZTOR

When the ground-services employee who stole a turbo-prop airliner last week declined air-traffic controllers' piloting advice, saying he had played videogames, it was no surprise to some devotees of intricate home flight-simulation programs.

Such software can mimic many phases of aircraft operations, including takeoffs, as well as how to respond to heavy weather and emergencies, pilots and software makers say. The simulators are also more affordable than pursuing a pilot's license and can help satisfy a lifelong obsession with flying.

Last year, two million units of vehicle-simulation games for PCs and consoles were sold worldwide, the most common being flight simulators, according to the market-research firm NPD Group.

Josh Edgar, a 25-year-old technology consultant who lives in Dallas, recently spent about \$500 on a flight-simulation setup.

He said that when he was in grade school, an airline pilot let him briefly step into the cockpit. "Seeing all the lights and switches definitely piqued my curiosity," he said.

Howard Penley, a recently retired United Airlines captain, said passengers who once toured his flight deck often

would remark on the complexity of all the buttons and dials. More recently, he said, they began inquiring about specific controls and procedures such as landing in limited visibility.

When prodding the more recent guests about their cockpit know-how, Mr. Penley discovered it usually came from home flight simulators.

Starting a Boeing 737 requires "an exact sequence of events that must be performed correctly and entirely from memory. I have no doubt that these sequences could be learned through exposure to a sophisticated computer program," he said in an email.

Home programs have evolved over more than three decades. They can represent all types of aircraft, from wartime bombers to modern-day passenger airliners. A setup can cost a few dozen dollars for a videogame to thousands for software with intricate renderings of cockpits and real-world environments.

A new conference called FlightSimExpo held in Las Vegas in June drew around 1,100 people, its organizers said. FlightSimCon held its sixth annual gathering in Dallas in June, according to its website.

Many hobbyists say they

don't think of simulators in the same vein as traditional video-games because they aren't trying to rack up points. They sim-

ply focus on flying.

Some hobbyists control their virtual aircraft with hardware that represents throttles, control yokes and other cockpit controls—and even have full cockpit replicas.

Unlike the hobbyists' systems, the multimillion-dollar simulators used to train commercial pilots closely replicate vibrations from turbulence, stalls that rob wings of lift and

"I could taxi a plane out to the runway and get it up in the air."

other sensations that can't be duplicated at home.

Richard Russell, the Horizon Air employee at the controls of the stolen aircraft last week, died when the aircraft crashed on an island in Washington state. His roughly hourlong flight at the controls of the 76-passenger Bombardier Q400 was punctuated by extreme rolls and steep dives—not the typical maneuvers practiced by hobbyists in flight simulators.

Josh Nunn, 26, a chemical engineer in Greenville, S.C., has never set foot in the cockpit of a passenger airplane, but he is confident he could fly a Boeing

737 or Airbus A320 thanks to his videogame skills. He spent two years flying those craft in the flight-simulation PC program "X-Plane" from Laminar Research.

"I could taxi a plane out to the runway and get it up in the air," he said. "I know how to control autopilot and everything." Laminar Research didn't respond to requests for comment.

Industry and law-enforcement officials worry people without flying experience could learn to operate aircraft, given the accuracy of flight-simulation software and the manuals that sometimes accompany them. Safety experts also worry aviation buffs might feel unduly confident about real-world hazards if they somehow manage to get behind the controls of an actual plane.

"I'm very concerned about copycats" repeating last week's incident, said Jim Hall, a former chairman of the National Transportation Safety Board. The episode "should prompt stepped-up government efforts to determine what's above our heads."

Subtleties of real flying can be lost inside a home, said Charlie Gregoire, president of Redbird Flight Simulations Inc., which makes advanced replica cockpit hardware.

—Alison Sider contributed to this article.

Wendy's Bags \$450 Million in Sale of Its Stake in Arby's Owner

Wendy's Co. said Thursday it sold its stake in **Inspire Brands**, the owner of Arby's and Buffalo Wild Wings, back to the company for \$450 million.

Wendy's held a 12.3% stake in Inspire Brands, whose restaurant portfolio also includes fast-casual chain R Taco. Atlanta-based **Roark Capital Group** is majority owner of Inspire Brands.

Wendy's said the sale represents a 38% premium to its last valuation of the investment, which board Chairman Nelson Peltz, head activist hedge fund Trian Fund Management LP, called "a great return."

In 2011, Wendy's agreed to sell Arby's to **ARG Holding Corp.** for \$130 million in exchange for 18.5% stake in ARG. That position was diluted to 12.3% after ARG—later renamed Inspire Brands—acquired Buffalo Wild Wings in February.

—Kimberly Chin contributed to this article.



whether Google should do more business in China. "I genuinely do believe we have a positive impact when we engage around the world and I don't see any reason why that would be different in China," he said.

That argument, which various company officials have made before, has drawn criticism from others concerned about Google's involvement in China.

In an essay he published online this week, former Google engineer Brandon Downey said the company's executives got employees to go along with their first push into China by arguing that giving the country's citizens access to filtered results through a search engine was better than no Google search engine at all.

That plan backfired in the ensuing years, when Google learned authorities in China were hacking its systems to target dissidents, wrote Mr. Downey.

"Censoring ourselves there wasn't making things better," he wrote. "In fact, technology

ensuring years, when Google learned authorities in China were hacking its systems to target dissidents

BUSINESS NEWS

Nvidia's Crypto Business Dries Up

BY MICAH MAIDENBERG

Nvidia Corp. reported robust sales and profits during its second quarter, but warned that revenue from products geared toward cryptocurrency mining would be sharply weaker than expected.

The chip maker previously expected cryptocurrency-specific products would contribute around \$100 million in revenue during the quarter, but those products produced just \$18 million in sales, Chief Financial Officer Colette Kress said.

"Whereas we had previously anticipated cryptocurrency to be meaningful for the year, we are now projecting no contributions going forward," Ms. Kress said.

Shares in Nvidia fell 4.5% in after-hours trading as the company also forecast revenue for the current quarter short of analysts' expectations.

The company is best known for developing chips used in everything from supercomputers to videogame systems. Shares of the company's stock have more than quadrupled over the past two years, in part because Nvidia has developed artificial-intelligence

Cryptocurrency-specific products contributed just \$18 million in sales.

products for the fast-growing data-center sector. The company has also developed a technology platform to support self-driving cars.

For its quarter ending July 29, profit almost doubled to \$1.1 billion, or \$1.76 a share. Excluding certain costs, the chip maker earned \$1.94 a share, surpassing the average analyst estimate of \$1.85 a share, according to FactSet.

Revenue jumped 40% to \$3.12 billion, slightly beating the \$3.11 billion expected by analysts.

Overall, Nvidia reported revenue related to gaming rose 52% to \$1.8 billion, a total that was almost 3% higher than analysts predicted. Nvidia revenue rose in the segment despite softer sales for Nintendo's Switch device, which uses the company's chips. During the three months ending in June, Nintendo Co. reported selling 1.88 million consoles, down from 1.97 million a year ago.

Nvidia said its data-center business, its fastest-growing segment, booked \$760 million in sales, up 83% from a year earlier. Analysts polled by FactSet predicted \$744 million for the segment. The company's chips have been in demand as firms like Microsoft Corp. and Amazon.com Inc. have invested in their data-center infrastructure.

Nvidia said it expects revenue of \$3.25 billion during its third quarter, less than the \$3.34 billion average analyst estimate on FactSet.

◆ Heard on the Street: Nvidia is more than crypto..... B12



The retailer, which is on the hunt for a new chief executive, reported weak quarterly results and said it now expects its same-store sales to be flat for the year.

DANIEL ACKER/BLOOMBERG NEWS

J.C. Penney Forecast Gets Dimmer

BY AISHA AL-MUSLIM

J.C. Penney Co.'s shares hit new depths on Thursday after the retailer reported a wider loss and lower sales for its latest quarter and cut its outlook.

The results show the tough task a new chief executive will face. J.C. Penney is on the hunt for its next leader following the exit of Marvin Ellison in May.

The stock fell about 27% to \$1.76 Thursday, a record low for the company. Shares are down more than 44% in the past year. The stock's previous record low was \$2.30 in late May.

The Plano, Texas-based company reported that net sales for its fiscal second quarter fell 7.5% to \$2.76 billion, missing the \$2.86 billion in

revenue analysts polled by Thomson Reuters were projecting. The decline was primarily because of 141 store closures in its previous fiscal year, J.C. Penney said.

Same-store sales rose 0.3% for the period ended Aug. 4, missing the FactSet estimate of a 1% increase.

The company reported a net loss of \$101 million, or 32 cents a share, more than doubling what it lost a year earlier. It reported an adjusted loss of 38 cents a share, while analysts had forecast an adjusted loss of 6 cents a share.

For its current fiscal year, the retailer now expects same-store sales to be flat, compared with its previous outlook of flat to up 2%. The company also said it expects an adjusted loss of between \$1 and 80

cents a share, compared with its previous guidance of a loss of 7 cents to a profit of 13 cents. Analysts had estimated adjusted earnings of 4 cents a share.

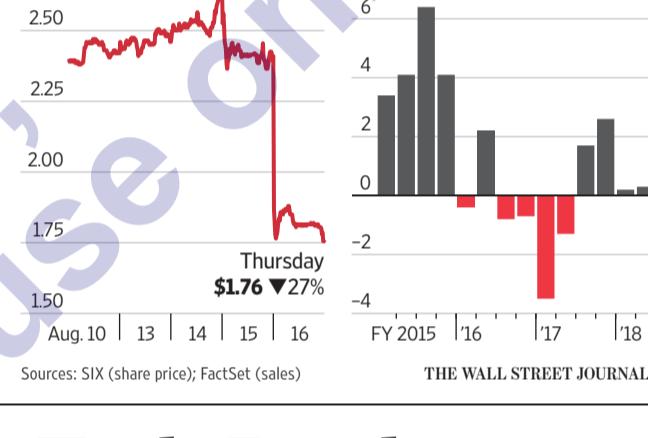
The company has renewed its focus on women, particularly middle-aged mothers, resulting in positive comparable sales in women's and children's apparel in the quarter, after spending the past few years chasing millennials.

Mr. Ellison left to become CEO of Lowe's Cos. After his departure, J.C. Penney created an office of the CEO, consisting of four executives, to run the company temporarily. The company's board has met with "highly qualified candidates" for the CEO role, board chairman Ronald W. Tysoe said Thursday.

Penney Drops

J.C. Penney's shares tumbled on Thursday on news of a lowered earnings outlook and sluggish sales.

Share price, in five-minute intervals



Sources: SIX (share price); FactSet (sales)

THE WALL STREET JOURNAL.

Tencent's Comedown Sows Tech Doubts

BY STEVEN RUSSOLILLO

Tencent Holdings Ltd. shares fell as much as 5% on Thursday in Hong Kong after the Chinese internet giant reported its first year-over-year decline in quarterly profit in more than a decade. The sell-off extended a rout that has wiped out more than \$175 billion of the company's market value since January.

The underwhelming quarterly performance by the world's largest videogame publisher by revenue left many Wall Street analysts red-faced. Nearly all of the equity research analysts that cover Tencent have buy-related recommendations on the stock, which recently traded 32% below its average price target, according to FactSet.

"We have been entirely blindsided by these most recent results, for which we apologize," Douglas Morton, head of research for Asia at brokerage Northern Trust Capital Markets, said in a note after Tencent fell far short of his profit estimates for the second quarter.

Calling Tencent's results the "worst in recent memory," Mr. Morton said the poor numbers could even be the

Played Out
Tencent used to rival Facebook in value but has fallen behind recently.

Market value



Source: FactSet

THE WALL STREET JOURNAL.

catalyst for a further sell-off across emerging markets, despite the Chinese company having little to do with the Turkish currency-related turmoil that has roiled riskier markets around the world this month.

Tencent, which owns China's highly popular social-messaging app WeChat, on Wednesday reported a 2% decline in second-quarter earnings to 17.9 billion yuan (\$2.6 billion). Its revenue rose 30% to 73.7 billion yuan, but that

\$572 billion and surpassed that of U.S. social-media giant **Facebook Inc.**

The sell-off has sowed fears that there could be broader contagion for tech stocks around the globe. U.S.-listed Chinese tech giants such as **Alibaba Group Holding Ltd.** and **Baidu Inc.** also fell on Wednesday, pushing deeper into negative territory for the year.

Investors have long bet on technology transforming people's lives around the world, with the largest companies being the biggest beneficiaries of this trend. For years this has been a winning trade.

A fund-manager survey released this week by Bank of America Merrill Lynch found that the so-called FAANG quintet of Facebook, **Apple Inc.**, **Amazon.com Inc.**, **Netflix Inc.** and Google parent **Alphabet Inc.** along with Baidu, Alibaba and Tencent remained the most crowded trade in August for a seventh straight month.

But tech has wobbled of late, including Facebook's sour earnings report last month, which prompted the biggest-ever one-day loss in market value for a U.S.-listed company.

The NYSE FANG+ Index, a

closely watched tech index that includes Alibaba and Baidu as well as several U.S. tech giants, fell 1.6% on Wednesday, its worst one-day decline so far this month. The MSCI Emerging Markets Index is on the verge of a bear market, down nearly 20% from a Jan. 26 high.

Tencent and its biggest shareholder, South African media and internet firm **Naspers Ltd.**, are also large components of the MSCI Emerging Markets index. Naspers fell 8.2% on Wednesday, its worst one-day drop since December 2007. The stock gained 2.8% on Thursday.

Although analysts are starting to lower their optimism on Tencent, many still have rosy outlooks and are keeping their buy recommendations and lofty price targets on what remains the most valuable company listed in Asia.

Mr. Morton of Northern Trust, who has on multiple occasions this year advised clients to buy Tencent shares when they were tumbling, said he thinks the long-term outlook for the stock is still positive.

"We remain buyers (albeit with humility)," he said.



The company allows customers to order from a variety of restaurants through its app for delivery.

JASON HENRY FOR THE WALL STREET JOURNAL

New Funds Lift Meal Deliverer

BY GREG BENINGER

DoorDash Inc. on Thursday said it raised \$250 million in a round of funding that values the prepared food-delivery startup at \$4 billion, more than doubling its valuation for the second time in five months.

The latest round was led by **Coatue Management LLC** and Russian firm **DST Global**, with some existing investors participating. In March, the San Francisco-based company raised \$535 million from the Japanese conglomerate **SoftBank Group Corp.** and others, elevating its valuation to \$1.4 billion.

DoorDash has raised \$978 million to date.

The five-year-old company, which isn't profitable, allows customers to order from a va-

riety of restaurants through its app for delivery, typically in less than an hour and with a \$4 to \$5 fee. It competes with firms such as **Grubhub Inc.** and **Uber Technologies Inc.**

The funds will help DoorDash expand to new cities and develop new products, Chief Executive Tony Xu said in an interview. He called the funding "opportunistic," as DoorDash still has most of the cash from its round in March.

"We took it as a way to accelerate our growth," he said.

It has been a busy year for DoorDash, marked by the investments and the rounding out of its executive team. Last month, it hired Uber's head of strategic finance to become its financial chief, and it recently canceled a tender offer over concerns it wouldn't meet projections for demand. The Wall

Street Journal reported.

DoorDash had pledged to use capital from the March round to buy shares from existing shareholders such as employees and venture capitalists. The tender offer was expected to be worth up to \$35 million. Mr. Xu declined to comment on the circumstances of the tender offer cancellation or any plans for a similar share buyback in the future.

The company is on pace to expand from 600 cities to 2,000 cities in North America by the end of the year, Mr. Xu said, well ahead of its previously announced plans to get to 1,600 by then.

DoorDash makes money through a commission fee to restaurants as well as delivery and service fees.

—Katie Roof contributed to this article.

TECHNOLOGY

WSJ.com/Tech

Bank Questions Model 3's Map to Profit

Based on teardown of the car, UBS analyst sees mass-market version losing money

By TIM HIGGINS

Tesla Inc. is making an operating profit of more than \$3,000 on each sale of the current low-price version of its Model 3 vehicle, but would likely lose nearly twice that amount if the sedan were to sell at a long-promised price of \$35,000, according to a new estimate from UBS Securities.

The Model 3's profitability is a critical issue for the electric-car maker, which began selling the vehicle a year ago as it sought to move from a luxury niche into the mass market, and end years of losses.

The sedan's price currently ranges from \$49,000 to about \$80,000, well above the more-affordable target long envisioned by Chief Executive Elon Musk. At the low end of that range, Tesla's operating profit is likely \$3,420 a vehicle, according to the UBS estimate, which is based on analysis of a Model 3 that the firm deconstructed in order to understand how it was made. That finding would help explain why Mr. Musk is forecasting a profit in the third quarter.

The lack of a \$35,000 base model in Tesla's lineup, as well as early demand for the more expensive versions, should set the company up for its best quarter of profitability from the vehicle before less expensive versions down the road reduce the lineup's margins, Colin Lanigan, who wrote the UBS report, said in an interview Thursday.

"Q3 is Tesla's best shot because of this pricing dynamic," he said of profitability. "I'm very clear that I don't think that's sustainable."

A Tesla spokeswoman declined to comment on the report by UBS, which has a sell rating on the stock.

Tesla's finances are in a brighter spotlight now as Mr.



The electric-car company has been forecasting a profit as it ramps up Model 3 production, but the \$35,000 version of the sedan has yet to hit the market.

Musk considers taking the auto maker private, in part to shed intense scrutiny of the company's finances as it builds its business globally.

Before Tesla began Model 3 production in July 2017 and revealed its pricing strategy, UBS estimated the Model 3 at \$35,000 would lose about \$2,300 a car, while a more expensive version at \$42,000 would eke out \$670 of profit.

The teardown of the Model 3, however, resulted in a higher estimated cost of the vehicle's batteries—which pose a big challenge for those selling electric vehicles.

Tesla has spent the past 12 months struggling to ramp up production so that it has enough vehicles to sell at a rate that generates cash. At the end of June, Tesla finally reached its long-delayed goal of making 5,000 Model 3s in a single week, a pace that Mr. Musk has

SolarCity Pact With Panasonic Is Redone

TOKYO—Tesla Inc. has backed away from an agreement to buy all of the output from a solar-panel factory it operates with **Panasonic** Corp., the Japanese company said Thursday.

Panasonic said it began making solar cells and modules at the factory in Buffalo, N.Y., in August 2017, under a deal that called for Tesla to buy the entire output for its home solar-panel business.

But Panasonic said the contract was revised early this

said would help it be profitable this quarter and next.

A \$35,000 version will come later this year, Mr. Musk has

year to remove the exclusivity, and since then it has been selling some of the production to other panel makers. Tesla is still buying some modules and cells from the plant as well.

The Buffalo factory is part of SolarCity, which Tesla acquired in 2016. Solar installations by the business have been slowing as Tesla retreats from riskier financing arrangements.

Representatives of Tesla couldn't be reached for comment.

The solar business is one of many challenges on the plate of Tesla Chief Executive Elon Musk, who is facing an investigation by U.S. securities regulators over his statements about possibly taking the electric-car maker private. Also, the solar business has taken a back seat as Tesla pushes to get production of its Model 3 vehicle up to speed.

Panasonic's joint effort with Tesla in the solar business, first announced in 2016, builds on their cooperation for developing electric cars since Tesla's early days.

The two companies jointly invested in the Gigafactory facility in Nevada, which supplies batteries for the Model 3.

Even though demand from Tesla has fallen short, Panasonic said overall demand for its U.S.-made solar-panel com-

ponents remained intact because of tariffs the Trump administration placed on imported panels earlier this year. That has hit Chinese-made panels, which previously had a big share of the U.S. market.

The Osaka-based industrial and consumer-electronics conglomerate had said it planned to spend ¥30 billion (\$271 million) to beef up production lines at the Tesla-owned facility in Buffalo, and on Thursday it said the plan was unchanged.

Panasonic's solar business in its home market has been losing money after the Japanese government cut subsidies and demand for panels stagnated.

—Takashi Mochizuki

ter hitting a build rate of 5,000 sedans a week before it would be able to sell the \$35,000 version and "live," he said.

SEC Began Tesla Probe Last Year

Continued from page B1
rector of enforcement for the Financial Industry Regulatory Authority.

Tesla already faces private litigation in a San Francisco federal court, where a group of investors alleged the company misled investors about how quickly it could ramp up Model 3 production. Tesla has argued for the class-action lawsuit to be dismissed, saying it disclosed production problems in a timely fashion.

Regarding Mr. Musk's hope to take Tesla private, regulators are pressing Tesla's directors to reveal how much information Mr. Musk shared with them before he tweeted about it last week.

The SEC is investigating whether Mr. Musk intentionally misled investors when he tweeted about the proposal in a bid to hurt short sellers by driving up Tesla's stock price, a person familiar with the matter said.

Establishing what the board

knew and when is key to the SEC's probe. For instance, if Mr. Musk didn't show the board a relatively firm deal with potential investors, it could indicate that the conversations weren't as far along as he suggested when he tweeted that he had "funding secured" for a deal.

Mr. Musk surprised investors on Aug. 7 when he tweeted that he was considering taking the electric-car maker private at \$420 a share, or \$72 billion. Tesla shares surged on the news. The next day, Tesla's independent directors said Mr. Musk had informed them about the proposal the prior week.

In a blog post on Tesla's website Monday, Mr. Musk clarified that discussions with Saudi Arabia's sovereign wealth fund about financing the deal were the basis for his assertion. He said the fund hadn't signed off on a deal.

Mr. Musk often wields his Twitter account as a weapon against short sellers, or those who bet that Tesla's stock price will go down, and he has said going private would end "negative propaganda" from investors betting against Tesla.

On June 17, Mr. Musk tweeted that short sellers "have about three weeks before their short

position explodes."

A person who intentionally misleads shareholders can be charged with fraud under U.S. securities laws. If Mr. Musk can show he had a basis to make the statement—such as advanced talks with the Saudi fund or a promise from them to fund the deal—regulators would be less likely to allege that his statement was misleading or false.

To go private, Mr. Musk would have to pare back the number of Tesla stockholders. Firms with over 2,000 shareholders—or more than 500 retail investors who don't meet certain wealth and income thresholds—are required to report results quarterly and provide detailed risk disclosures.

But Mr. Musk outlined an unorthodox setup for a potential deal, saying he expected a significant number of the company's shareholders would remain after Tesla became a private firm. He estimated about two-thirds of all shares owned by current investors would be rolled over into private Tesla.

Mr. Musk and Tesla insiders own about 25% of Tesla, and individual investors hold a little more than 17% of the stock. The rest—nearly 58%—is held by big institutional investors, according to FactSet.

FTC Is Rebuffed in DirecTV Suit

By BRENT KENDALL

A California federal judge on Thursday rejected large parts of a nearly \$4 billion government lawsuit alleging satellite-TV giant DirecTV engaged in deceptive advertising.

At issue was a 2015 lawsuit by the U.S. Federal Trade Commission that alleged DirecTV didn't adequately disclose that its lower promotional prices lasted only for the first year of a two-year contract.

The FTC also alleged the pay-TV service offered free months of premium channels without telling customers that they needed to cancel those channels at the end of the promotional period to avoid monthly charges.

U.S. District Judge Haywood Gilliam held a bench trial last year. Once the FTC presented its case, DirecTV argued it was

entitled to a favorable ruling without having to put on a defense. Defendants routinely make such requests, but they aren't often granted.

Judge Gilliam on Thursday agreed with many of the company's arguments, ruling the FTC had failed to prove that any of DirecTV's print, television or electronic banner ads were unlawful. The FTC hadn't established that the ads were likely to mislead reasonable consumers, the judge said.



The satellite-TV giant was accused of misleading customers.

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BUSINESS NEWS

Oscars Remake Produces Drama

Critics in Hollywood pan telecast changes, including introduction of 'popular film' award

BY ERICH SCHWARTZEL

LOS ANGELES—The Academy of Motion Picture Arts & Sciences usually rewards drama. But in recent days, the Academy has created it.

The organization behind the Oscars faced widespread criticism within Hollywood and outside the industry after announcing this month it would overhaul its telecast and add a category for "popular film." Few details have been offered since, including what categories will be removed from the telecast to shorten its running time.

The lack of clarity has already shaken up the Oscar season, a multimillion-dollar industry of consultants and studio executives navigating a six-month horse race of egos, smear campaigns and ring-kissing. Studio lobbying efforts typically include billboards and private screenings, and hiring consultants who can snag six-figure bonuses for helping win a best-picture statuette. Significant changes have already come to the race in recent cycles, with new competitors such as **Netflix Inc.** and **Amazon.com Inc.** competing in major categories alongside traditional studios.

The new category for a "popular" film has elicited the most backlash. The Academy didn't say how such a movie would qualify, or whether its members or the general public would vote on the award.

"I think it's wonderful that the Academy wants to look at the show and speed things up," said Dan Jinks, a producer and Academy member who won an Oscar for best picture in 2000 for producing "American Beauty." That drama grossed \$130 million in the U.S. and Canada; no best-picture winner has crossed the \$100 million mark since "Argo" at the 2013 ceremony.

"Giving an award for 'most popular' feels like it is pandering. Yes, they need to think about ratings, but it should never forsake the prestige of



Driving the changes are decline in viewers and frustration by executives at ABC, which airs the awards.

what the Academy stood for," Mr. Jinks said.

Mr. Jinks's take on the new prize appeared to be widespread. Awards analysts and executives said the "popular film" award could quickly become a consolation prize for movies that otherwise deserve a spot in the best-picture race. One studio executive speculated that few studios would actively campaign for a most-popular prize, given the outcry that has occurred since the Academy announced the idea.

In interviews, "When Harry Met Sally..." director Rob Reiner said the category would only honor action movies and diminish the Oscar sheen, and Oscar-winning screenwriter Adam McKay joked on Twitter that a category for "hottest female alien" would follow. The criticism of the idea has led many to wonder whether the Academy will backtrack on the idea. The Academy didn't respond to requests to comment.

"Black Panther," the **Walt Disney Co.** box-office smash from earlier this year, is considered the type of movie that

might be relegated to a "popular film" honor and left out of the bigger race, analysts and awards consultants said.

Disney had already hired awards strategists to mount a full-fledged Oscar campaign for the critically acclaimed Marvel Studios superhero movie before the Academy's announcement, people familiar with the matter said.

'Giving an award for "most popular" feels like it is pandering.'

Dan Jinks, movie producer

Many in Hollywood view the idea of differentiating a best-picture winner from a "popular film" as insulting to the industry, because it could imply that a movie must be one or the other. The horror satire "Get Out," for instance, was hugely profitable last year and considered a best-picture front-runner. ("Get Out" ultimately lost to "The Shape of

Water," which collected a respectable but hardly record-setting \$64 million in the U.S. and Canada.)

Driving the Academy's changes is a decline in viewership at the Oscars and resulting frustration among network executives at ABC, which broadcasts the awards and conducts an annual postmortem with the Academy assessing how the show went, people familiar with the matter said. Last year's Oscars were the lowest-rated to date.

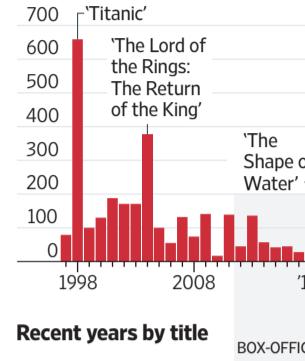
"We have heard from many of you about improvements needed to keep the Oscars and our Academy relevant in a changing world. The Board of Governors took this charge seriously," the board said in a letter to Academy members.

The Academy also plans to relegate some of its categories to the commercial breaks of the telecast, an effort to keep its running time to three hours.

"It's going to rejuvenate the show," said David Hill, who produced the 88th Academy Awards in 2016 and said only about 14 of the most promi-

Fade to Black

Box-office grosses for best-picture Oscar winners have been on a downward trend.



Recent years by title

MOVIE	YEAR	BOX-OFFICE GROSS
'The Artist'	2012	\$45M
'Argo'	'13	136
'12 Years a Slave'	'14	57
'Birdman'	'15	42
'Spotlight'	'16	45
'Moonlight'	'17	28
'The Shape of Water'	'18	64

Note: Grosses are from U.S. and Canada

Source: Box Office Mojo

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nent categories should remain in the live telecast.

Most of the minor categories, such as those for short films and behind-the-scenes work, are of little interest outside Hollywood, he said.

"How many people stay in a theater to sit and watch the end credits?" he said.

Next year's Oscars will air on Feb. 24, but the 2020 telecast will move up two weeks to Feb. 9. That will shorten an awards season that has stretched to last nearly half a year, from the unofficial launch at the Toronto International Film Festival in early September to the actual Oscar ceremony, which has even occurred in early March.

That has raised an additional concern: giving voters who have trouble watching movies in several months enough time to watch all of the contenders. An Oscar voter dedicated to watching every movie nominated for an Academy Award last year would have needed to spend nearly 92 hours to do so. "Even the retired people complained," one consultant said.

Fight Over Rights to U.K. TV Show

BY JONATHAN RANDLES

Producers of U.K. television series "Peaky Blinders" are in a dispute over the U.S. rights to the show with the private-equity firm that purchased Harvey Weinstein's bankrupt studio.

The question is whether **Weinstein Co.** had the ability to transfer the U.S. rights to **Lantern Capital Partners** when the studio's assets were sold. An affiliate of **Endemol Shine Group**, which licenses the show's rights, says it terminated the studio's deal for the U.S. rights after numerous allegations of sexual abuse against Mr. Weinstein became public last fall, according to papers filed Wednesday in the U.S. Bankruptcy Court in Wilmington, Del.

The dispute concerning the critically acclaimed crime drama is part of continuing legal wrangling over the rights to several film and television projects that cut ties with Weinstein Co. last fall.

Endemol Shine said it ended the deal months before the studio filed for chapter 11 in March. Lantern disputes that claim.

Endemol Shine said it is negotiating a substitute agreement to license the U.S. rights to the series directly with a broadcaster. A fifth season of "Peaky Blinders" is in preproduction, court papers say.

"Peaky Blinders" executive producer Caryn Mandabach and Endemol Shine International Ltd. Chief Executive Catherine Payne said in declarations filed with the court that they were "disgusted" by the abuse allegations against Mr. Weinstein. Weinstein Co.'s logo was removed from the British program's credits within days of the New York Times' first article in October about Mr. Weinstein.

A Lanter spokesman declined to comment. Lawyers representing Weinstein Co. in bankruptcy didn't immediately return a message Thursday seeking comment.

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In re Automotive Parts Antitrust Litigation, No. 12-md-02311

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A lawsuit involving the prices of certain vehicle Starters, Alternators, or Radiators has been settled with certain Defendants in class actions in this litigation ("Settling Defendants"). The Settling Defendants are identified below. The cases are separate class actions within the lead case known as *In re Automotive Parts Antitrust Litigation*, 12-md-02311 (E.D. Mich.), which is currently before United States District Judge Marianne O. Battani.

You may be part of class action settlements if you are a Truck and/or Equipment dealership that indirectly purchased a Starter, Alternator, or Radiator as a separate part, which was manufactured or sold by a Defendant or any subsidiary, affiliate, or alleged co-conspirator of a Defendant, and/or purchased new vehicles for resale or lease containing one of these parts ("Dealer") in the District of Columbia or one or more of the following states: Arizona, Arkansas, California, Florida, Hawaii, Illinois, Iowa, Kansas, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Utah, Vermont, West Virginia, and Wisconsin.

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Read on for more information.

What Is The Lawsuit About?

The lawsuit alleges that the Defendants agreed to unlawfully raise the price of certain motor vehicle Starters, Alternators, or Radiators. As a result, dealers of Trucks and/or Equipment who purchased for resale or lease new Trucks and/or Equipment containing those parts or who indirectly purchased those parts as separate parts, which were manufactured or sold by a Defendant or any subsidiary, affiliate, or alleged co-conspirator of a Defendant, allegedly paid more than they should have. Although the Settling Defendants have agreed to settle, the Settling Defendants do not agree that they engaged in any wrongdoing or are liable or owe any money or benefits to Plaintiffs. The Court has appointed Duane Morris LLP as interim class counsel ("Class Counsel") in these lawsuits to represent your dealership and all other members of the class actions. Your dealership will not be charged directly by these lawyers, and any fees that they are paid will come from any settlements or recovery in the lawsuit. If your dealership wants to be represented by its own lawyer, it may hire one at its own expense.

Who's Included In The Settlements?

Your dealership is part of the Settlements if it is a Truck and/or Equipment Dealer and falls within the definition of the settlement classes ("Settlement Classes") approved by Judge Battani. The class definitions are set forth in the full length Notice, which is available at [www.TruckDealerSettlement.com](http://TruckDealerSettlement.com). The term "Truck and/or Equipment Dealer" or "Truck and/or Equipment Dealership" means an entity or person authorized to engage in the business of selling or dealing in Trucks and/or Equipment at retail in the United States. A list of the party included in these Settlements and its manufacturers can be found at [www.TruckDealerSettlement.com](http://TruckDealerSettlement.com).

Who Are The Settling Defendants?

The Settling Defendants are MITSUBA Corporation and American Mitsubishi Corporation ("MITSUBA"), T. RAD Co. Ltd. and T. RAD North America, Inc.'s ("T.RAD"), Robert Bosch GmbH and Robert Bosch LLC ("Bosch"), and Hitachi Automotive Systems, Ltd., ("HIAMS") for Hitachi, Ltd., Hitachi Automotive Systems Americas, Inc., and HIAMS ("the HIAMS Defendants") (collectively, "Settling Defendants"). A list of the Defendants, their affiliates, and the alleged co-conspirators for the case involving the vehicle Starters, Alternators, or Radiators described in the Settlement Class definitions and settlement agreements are available at [www.TruckDealerSettlement.com](http://TruckDealerSettlement.com).

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JERRIT CLARK/GETTY IMAGES FOR CULTURE CREATOR

Writer Kenya Barris signed an exclusive deal with Netflix.

'black-ish' Creator Signs Up With Netflix

By JOE FLINT

Netflix Inc. said it has signed writer and producer Kenya Barris, creator of ABC's "black-ish," to an exclusive multiyear deal, the latest addition to its star-studded lineup of creative talent.

Mr. Barris, who also wrote last summer's comedy movie hit "Girl's Trip," will now produce new television series for the streaming service.

"Kenya uses his voice to make audiences more aware of the world around them, while simultaneously making them laugh," said Cindy Holland, vice president of original content for Netflix.

Mr. Barris is the latest high-profile producer Netflix has nabbed. Last year, the company signed creator Shonda Rhimes, whose credits include "Grey's Anatomy" and "Scandal," to an exclusive deal. Earlier this year it landed Ryan Murphy, the producer behind FX's "American Horror Story."

Netflix's deep pockets has driven other studios to spend heavily to keep their talent in place.

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HEADING FOR TRAINING P3

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President Xi Jinping delivers a speech titled "Keeping Abreast of the Trend of the Times to Achieve Common Development" at the BRICS Business Forum in Johannesburg, on July 25. WANG YE / XINHUA

Open Trade Is the Only Way, Says Xi

President says BRICS countries are obliged to promote a more open world economy. **Andrew Moody** and **An Baijie** report

The world should reject protectionism and pursue openness instead, President Xi Jinping says.

He made his defense of free trade to an audience of 1,200 government and business officials at the BRICS Business Forum in Johannesburg, South Africa, on July 25.

"A trade war should be rejected, because there will be no winner. Economic hegemony is even more objectionable, as it will undermine the collective interests of the international community; those who have pursued this course will end up hurting themselves."

Xi said China itself was committed to greater openness, as he had made clear at the Boao Forum in Hainan province in April, announcing a series of measures to open up China's automotive and financial sectors to foreign investment.

"These initiatives are being speedily pursued. China will build a more investment-friendly environment that is aligned with international standards, more transparent and law-based and encouraging competition and opposing monopoly."

The responsibility fell upon BRICS countries, which apart from China are Brazil, Russia, India and the host

of the latest summit, South Africa, to promote a more open world economy, he said.

"We BRICS countries should firmly promote an open world economy, be resolute in rejecting unilateralism and protectionism, promote trade and investment liberalization and facilitation, and jointly steer the global economy toward greater openness."

The BRICS countries and other emerging and developing countries now have the economic muscle to achieve this, given that they already contribute 80% of global economic growth and nearly 40% of global economic output, Xi said.

"Growing at their current rates, these countries will see their economic output approach half of the global total in a decade. The collective rise of emerging markets and developing countries is unstoppable, and it will make global development more balanced and global peace more firmly based."

The BRICS countries, which held their first summit in Yekaterinburg, Russia, in 2009, have achieved much in their first decade, he said.

"Guided by the BRICS spirit of openness, inclusiveness and win-win cooperation, (we) have deepened our cooperation, enhanced our solidarity

and mutual trust, improving the lives of our peoples, and made our bond of interests and friendship even closer. Indeed, our cooperation has contributed much to global economic recovery and growth."

The grouping had the opportunity to make new advances in its "next golden decade," Xi said.

"The next decade will be a crucial one in which new global growth drivers will take the place of old ones. A new round of revolution and transformation in science, technology and industries — featuring artificial intelligence, big data, quantum information and biotechnology — will fundamentally change global development and people's work and lives."

"We must seize this important opportunity to enable emerging markets and developing countries to achieve leapfrog development."

Xi, who visited Senegal and Rwanda before arriving in South Africa, said Africa holds the key to the world's growth, and it is important that the BRICS countries work more closely with the continent.

"Africa has more development potential than any other region in the world."

SEE "BRICS" ON P2

Strings of Distinction

BY CHEN NAN

In one room, with tools of various kinds and sizes hanging on the walls, Sui Yiyang stands by a table on which lie two pieces of wood with frames of the musical instrument the *guqin* that he has been working on for many months. In another room he brushes raw lacquer on the frames of a *guqin* patiently over and over again.

"Usually it takes about two years to finish one," he said.

Sui, 32, toils in his studio to create the perfect *guqin*, the ancient traditional Chinese instrument that has a rich history of more than 3,500 years.

The studio, tucked away in a yard near Guangqumen, in central Beijing, is about 3,200 square feet, and Sui has worked and lived there for seven years.

He shares the yard with Xu Kangyan, a calligrapher, He Song, an ink painting



The *guqin* is more than 3,500 years old.

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artist, and Ma Chiye, an independent filmmaker.

Sui learned the rare skill of *guqin* making from Han Tingyao, now 85, who was born in Beijing and graduated from Tsinghua University in 1960. Han is the third-generation *guqin* master of Jiuyi Qinpai, one of the *guqin* performance styles titled *Jiuyi*, created by Yang Zongji (1863-1933), a scholar and *guqin* musician. The second-generation *guqin* master of Jiuyi Qinpai was GuanZhonghang (1896-1972). Sui is the fourth generation of Jiuyi Qinpai.

With Han, Sui learned that the simple-looking *guqin* is regarded as the "father of Chinese music" and favored by famous Chinese scholars such as Confucius and renowned poets such as Li Bai.

SEE "GUQIN" ON P4

Jaunty Panda Has Starring Role

BY XING YI

Thousands of companies, several leaders of international organizations and heads of state have confirmed they will attend the China International Import Expo, officials say.

"The expo has attracted more than 2,800 companies as exhibitors, all of which are from outside China," Wang Bingnan, vice-minister of commerce, said in Shanghai.

Nearly 60,000 companies and agencies from home and abroad have registered online for the expo, to be held from November 5 to 10, he said. "The registration will be completed by the end of August, and 150,000 purchasers are expected to come to the fair."

The Director-General of the World Trade Organization, Roberto Azevedo, the Secretary-General of the United Nations Conference on Trade and Development, Mukhisa Kituyi, and the Executive Director of the International Trade Centre, Arancha Gonzalez, have said they plan to attend, Wang said, adding that some heads of state had also confirmed they would attend.



The logo and mascot for the China International Import Expo.

PHOTOS PROVIDED TO CHINA DAILY



The four-leaf clover represents the shape, as seen from above, of the 75-acre National Exhibition Center in Shanghai, where the expo will be held, and also represents bringing people good luck.

Wu Qing, vice-mayor of Shanghai, said 1,700 hotels rated at three stars or more will provide 250,000 rooms for those attending the expo.

Fang Hui, general manager of the venue's operations department, said the facility has been upgraded for power, fire safety, communications and parking.

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2 | CHINA

Will That Be With a Robot or Straight?

Shanghai bistro raises questions on future of food and beverage sector.

Alywin Chew reports

Located in the basement of the K11 Art Mall in downtown Shanghai is Ratio, a new pop-up store that operates as a cafe by day and cocktail bar by night.

Automation is the name of the game here.

For instance, customers gain access to a digital menu after scanning QR codes found on the tables.

Apart from a comprehensive selection of drinks, they can also customize their orders.

A regular latte at Ratio costs 28 yuan (\$4.20). Those who prefer a stronger cup of coffee can opt for a double or triple shot for just 1 yuan more, a practice that few cafes in Shanghai adopt.

"We see ourselves as the Tesla of retail — five-star service at three-star prices," Gavin Pathross, the founder of Ratio, said, referring to the multinational automaker in the United States.

In terms of cocktails, customers can also choose how many shots of alcohol they want in their drinks and the specific combination of liquors. The starting price for a customized cocktail is about 60 yuan, cheaper than that for similar drinks at high-end bars in the city.

But Ratio's crowning glory is something far more tangible. It is also what makes this place the first of its kind in China.

Here, customers will not find baristas or mixologists preparing the drinks.

A solitary Italian-made robotic arm does the job, spinning around its enclosure where different cups, espresso machines and liquors are

located within its perfectly tuned grasp.

Ratio's employees, all of whom are trained mixologists or baristas, perform a similar role to sommeliers, making recommendations to customers.

Most customers are fascinated as they watch the \$30,000 robot go about performing its tasks with precision. But while the guile of the robotic arm has left them mesmerized, it has also raised questions about the growing prevalence of automation in the workplace and how it will affect people.

In an interview with CNBC last year, Greg Creed, the chief executive of Yum Brands, was quoted as saying that machines could replace people in the food and beverage sector by the mid-2020s.

Much of Yum's business in Shanghai has already taken up automation. At Shanghai Pudong International Airport, KFC customers place their orders at an automated kiosk. At Pizza Hut, a robot greets customers at the door.

The McKinsey Global Institute says up to 800 million people worldwide could be displaced by automation by 2030.

But Pathross insists his new business venture is not about diminishing the relevance of humans in the workforce.

"What we have here is a collaborative effort. The robots handle about 80% of the work. The last 20%, which involves tasks such as garnishing and adding ice, is performed by humans. The garnishing process is absolutely important because it affects



Above: A robotic arm serves a cup of coffee at a pop-up store at the K11 Art Mall in Shanghai. GAO ERQIANG / CHINA DAILY
Left: A customer places an order using a virtual personal assistant robot in Shanghai. CHEN FEI / XINHUA

There is no doubt that technology is important in coffee-making, he said.

"Technology has allowed us to create sophisticated thermometers, weighing scales and water sensors that are crucial to coffee making. But I believe that a human still has to be at the core of the production process."

Yao Lu, founder of The Union Trading Company, one of the top cocktail bars in Shanghai, said that while using robots can make sense from a purely functional standpoint, such use of technology is the antithesis of hospitality.

"This place (Ratio) has got its concept of hospitality wrong. The beauty of a bar is in the human touch. It is about that handshake or hug you get from the bartenders. It's about having them coming round the corner to do shots with you. It is these little touches that create a truly unique drinking experience."

Chen Jingya, a mixologist at Flask, a cocktail bar, said it is naive to think of bartenders as nothing more than "cocktail-making machines."

"We don't just stand around and make cocktails. We're in the hospitality business. It's all about connecting with people."

perceived value," said the 39-year-old, who used to be chief digital officer with Yum Brands.

"This is not about replacing humans with machines to save money. We think it's a more efficient way of doing cocktails and coffee. It frees humans up from menial tasks and allows them to focus on other areas such as creating recipes. In fact, we can now afford to pay our staff more because we require less manpower in other areas. My savings are also reinvested into obtaining quality ingredients."

Things also move more quickly at Ratio. The robot can make two cups of latte within 90 seconds, whereas a seasoned barista would need at least a minute to make just one cup.

However, aficionados would be quick to point out that this is because

the coffee at Ratio comes straight from a fully automatic espresso machine.

In contrast, baristas go through a series of tasks, such as dosing the ground coffee into the portafilter, tamping to remove air pockets and ensuring the coffee is completely level, before pulling the shot.

The key difference between the fully automated and manual processes is the quality and flavor of the product, said Nils Weisensee, the founder of Cafe del Volcan, a specialty coffee outlet.

"I've never had good coffee from an automatic espresso vending machine. I think that when it comes to perfecting the flavor of coffee it's hard for a machine to be better than humans."



Media representatives from BRICS countries discuss increasing collaboration at the third BRICS Media Forum in Cape Town, South Africa, on July 18. WANG TENG / XINHUA

COMMENT

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CONNECTING THINKERS

Asia Should Stand Firm on U.S. Tariff Threat



Peter Drysdale

can base their economic planning with confidence — so much so that countries sometimes appear to take the stability and predictability of the trading system for granted in their economic planning," he said. But he also worried out loud, "It's important to remember what we could stand to lose if the current tensions lead to an unmanageable escalation of tit-for-tat trade policy actions."

"Imagine ... if we were suddenly presented with a scenario where the system started to falter. If tariff levels were no longer bound at the historically low levels we see today, if we could not rely on members honoring their commitments, or if the system of settling trade disputes was to erode, the consequences would be dramatic. If, for example, tariffs returned to the levels before the multilateral trading system was created we would see trade flows fall by 60%, while the global economy would contract by 2.4%. That's even bigger than the contraction after the 2008 crisis — the biggest crisis we've seen in the past 80 years."

This threat is real, and all the countries which have such a big stake in it cannot stand by while the foundations of the global trade regime are torn apart by the maverick regime in Washington.

What can be done?

Some Chinese experts recommend that the Chinese government adopt a "tit-for-tat" strategy. This would be unwise — the priority is not to devise specific

"trade war" policy instruments but rather to get the big strategic picture right.

China's primary interest today is still continuing its economic development. China has progressed in and benefited from the open trade and investment regime. It is in China's interest to maintain that international order, regardless of U.S. actions today. The real meaning of development is to improve people's living standards. China should remember this and never set the task of challenging or displacing the U.S. as its ultimate motivation for economic development.

Facing U.S. economic provocations, the Chinese government may have to retaliate from time to time. But it would best focus on continuing its own reform and opening up policies.

Since late 2017, China has introduced a set of policy measures to further open China's financial sector to the world. And in early 2018, President Xi Jinping announced more ambitious reform and opening policy measures in four areas: relaxing restrictions on the entry of foreign firms in Chinese markets, creating a more attractive investment environment in China, strengthening the protection of intellectual property rights and proactively increasing imports. Implementation of these and other measures should surely help ease economic friction between China and the rest of the world.

The author is emeritus professor of Economics and Head of the East Asian Bureau of Economic Research at the Australian National University. The views expressed do not necessarily reflect those of China Watch.



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FROM PAGE 1

"We should strengthen cooperation with Africa, support its development and make BRICS-Africa cooperation a model for South-South cooperation."

It is important that BRICS countries help Africa meet the economic goals of the African Union's Agenda 2063 plan, he said.

"We should actively carry out cooperation with African countries in areas such as reducing poverty, food security, innovation, infrastructure development and industrialization in a way compatible with their national conditions."

China's collaboration with Africa will be enhanced by the Forum on China-Africa Cooperation Summit in Beijing in September, which will have the theme "China and Africa: Towards an even stronger community with a shared future through win-win cooperation," he said.

"China and African countries are destined to be good friends, good brothers and good partners, and China-Africa cooperation stands as a fine example of South-South cooperation."

Xi also reaffirmed China's commitment to the Paris climate accord, which has been rejected by U.S. President Donald Trump, and the United Nations' 2030 Agenda for Sustainable Development.

"We should treat nature with awe and do more to foster an ecological system conducive to green development. It is necessary to promote international development cooperation, urge developed countries to fulfill their promises on official development assistance

and increase support to developing countries."

On trade, Xi said China would showcase its openness to the outside world by holding the first China International Import Expo in Shanghai in November. He said more than 2,800 companies and 15,000 buyers from 130 countries and regions have already confirmed their participation.

"(The expo) is a major move to firmly support trade liberalization and the opening of China's market. The expo will serve as a new platform for the world to access the Chinese market," he said.

Xi said BRICS should draw inspiration from the late Nelson Mandela, and he quoted one of the former South African president's famous sayings, "After climbing a great hill, one only finds that there are many more hills to climb."

"Indeed, the history of BRICS cooperation is a journey of our five countries climbing great hills only to reach new heights," he said.

South African President Cyril Ramaphosa, who hosted the summit, also talked about international trade issues when he addressed the BRICS Business Forum.

BRICS was meeting at time when "the multilateral trading system is facing unprecedented challenges, and that one way to counteract this was for member nations to open their markets to one another."

"We need to increase investment between BRICS countries, particularly in the productive sectors of our economies."

Wang Qingyun contributed to this story.

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BUSINESS | 3

Trainee Pilots Qualify for Their Wings in U.S.

Overseas instruction serves to meet demand at home.

Liu Yinmeng reports



An increasing number of Chinese airlines send their cadets to acquire cockpit skills at overseas flight schools approved by the Civil Aviation Administration of China. PHOTOS PROVIDED TO CHINA DAILY

Zhu Cheng was in high school when he came across *Catch Me If You Can*, a biography of Frank Abagnale, who impersonated a Pan Am pilot and other professionals. The Hubei native quickly became enthralled with the novel's fascinating depiction of an aviator's life.

But when Zhu jumped at the chance of becoming a People's Liberation Army Air Force pilot in high school he failed to meet the stringent vision test requirements.

Although he went on to study atmospheric sciences at Sun Yat-sen University in Guangzhou, Guangdong province, Zhu never gave up on his career goal. So when Xiamen Airlines came looking for cadets during his junior year in college he knew this was his chance to fulfill his dream. He applied and was accepted by the airline as a trainee pilot.

Zhu, 24, is now studying at AeroGuard, a flight school in Phoenix, Arizona. He is a prime example of the increasing number of trainees sent by major Chinese airlines to flight academies in the United States to meet the demand for pilots.

Driven by a growing middle class, China's aviation market has continued to expand rapidly, resulting in robust travel demand and a shortage of pilots. According to the 2017 Boeing market outlook, China is poised to become the biggest domestic air travel market in the next 20 years.

However, Boeing also predicted in a 2016 forecast that China would need 111,000 pilots and 119,000 technicians through 2035. In addition, the Asia-Pacific region, which leads the global demand for airplanes, will need 15,130 aircraft by 2035.

David Hsu, vice-president of Pegasus International Resources, a Los Angeles company that has provided aviation services to China since 1992, said the country needs about 3,000 new pilots a year, demand that Chinese civilian flight academies cannot meet, despite training operating at full capacity.

"The largest flight school in China is the Civil Aviation Flight University of China, and it is capable of training roughly 1,200 to 1,500 students a year," Hsu said. "So an additional 1,500 to 2,000 students have to be trained by other organizations."

"It's also much more expensive to train in China, because Chinese airspace is not fully opened and China has a big shortage of pilots. So it's difficult for flight schools to find the instructors to teach the students."

In a guideline issued in 2016, the

State Council promised to open airspace below 3,000 meters (about 9,800 feet) for general aviation, a sector that includes all aviation not categorized for airline or military use. It covers commercial and non-commercial activities, such as flying clubs, flight training and agricultural aviation.

China had more than 300 airports, 1,874 aircraft and 281 general aviation companies in 2015, the guideline said. The government pledged to build more than 500 general aviation airports and to own more than 5,000 aircraft by 2020.

But because a lot of airspace is still controlled by the military, the Chinese flight training industry faces restrictions, Hsu said. In addition, development of the general aviation sector drives the growth of the flight training industry, but this sector still has room to expand in China.

To meet the growing demand for pilots, an increasing number of major Chinese airlines are sending their cadets to acquire cockpit skills at overseas flight schools approved by the Civil Aviation Administration of China. There are about 25 such schools in the U.S., Australia, Canada and in Europe, according to the CAAC. Since English is the de facto international language of civil aviation, most CAAC-certified schools are based in English-speaking countries.

Students have to pass screening that tests their physical, psychological and English-language abilities before they receive approval to study abroad. After arriving at the flight academies they also have to complete different phases of training to obtain a private pilot's license, an instrument reading license and a commercial pilot's license, in addition to courses required by Chinese airlines, the CAAC says.

AeroGuard, the flight academy in Phoenix that works with Hsu's company, is one of a dozen CAAC-approved schools in the U.S. and the largest flight school certified by the agency outside China, Hsu said.

The school has been training Chinese students since 2001, he said. It now hosts 360 Chinese students out of the total of 500.

Unlike their U.S. counterparts, Chinese commercial pilot cadets at AeroGuard are sponsored by their airlines, Hsu said. The cost per student is more than \$90,000, depending on the airline's training requirements, he said. Tuition covers living expenses and courses in a program that usually lasts for 12 to 15 months.

Scott Sykes, who handles business

“

China is gradually graduating more students, but the demand for pilots in China is so high. It's going to take a long time."

DAVID HSU
VICE-PRESIDENT OF PEGASUS INTERNATIONAL RESOURCES

development at the U.S. Aviation Academy, a flight school in Denton, Texas, said the academy started out with a class of 25 Chinese students in 2008. It now has 311 Chinese students, who comprise 66% of its student population.

"We see China as a large and growing market," Sykes said. "Airline travelers and airline traffic in China have grown quickly, probably doubling in the past decade. We think they will double again in the next decade, which means there is an immense need for pilots to come to China."

Along with the demand for pilots, Sykes said Chinese airlines also choose to send their cadets to the U.S. because of its ability to produce flight instructors and aircraft, as well as the many airports to support the training.

Chinese customers of the U.S. Aviation Academy include China Southern Airlines, China Eastern Airlines, Shenzhen Airlines, Lucky Air and Air China, Sykes said.

He could not give specific figures for tuition costs but said they were well above \$50,000 a student for a program that lasts between 12 and 14 months.

A CAAC-certified school in Sanford, Florida, L3 Airline Academy, has more than 350 Chinese students, 40% more than in 2016, said its parent company L3 Commercial Training Solutions.

Robin Glover-Faure, president of L3 CTS, which has its headquarters in Crawley, England, said, "Asia currently has the highest level of growth and therefore the largest overall demand for well-trained pilots. Recent research from Boeing and Airbus has forecast that 40% of new pilots between 2017 and 2036 will fly in Asia."

"Therefore we are seeing airlines there expand their fleets and flight schedules to meet increasing customer demand, with the low-fare carriers expanding at the fastest rate."

Hsu expects that training will eventually move to China, but it will take at least 10 years for the Chinese market to resolve its shortages of pilots, instructors and airports, in addition to reducing the cost of aviation fuel and aircraft.

Hsu said, "It is not an easy job, requiring a very specific skill set and extensive training to ensure safety and quality is maintained in the program we have in place, as well as a lot of different dedicated resources."

"China is gradually graduating more students, but the demand for pilots in China is so high. It's going to take a long time."



The L3 Airline Academy, a flight school in Sanford, Florida, has 350 Chinese students, 40% more than in 2016.

FROM PAGE 1

The sales of some brands with perfumes not serving as their traditional business, such as Coach, Montblanc, Jimmy Choo and Lanvin, grew remarkably in the period.

Luxury brands that operate in various segments, such as Chanel, Christian Dior and Givenchy, have been doing well in their cosmetics and perfume businesses. The sales of their classic signature perfume collections occupy the top of the sales list in the market.

Some smaller brands, such as Jo Malone, Diptyque, AnnickGoutal and Creed, specifically operate fragrance products and tend to use natural raw materials.

Jo Malone transferred from a niche salon brand to a well-known commercial brand and now has many boutiques in Beijing, Shanghai,

**8.69
billion yuan**

forecast perfume retail sales in China by 2022, 41% more than last year

Nanjing, Guangzhou, Chengdu and Hangzhou.

"The popularity of niche fragrances shows that modern consumers are worried about the homogeneity of life and mind-set, and they would like to show their personalities through distinctive products," Wang said.

"The younger generations of Chinese consumers have been pursuing high-quality and unique lifestyles, and many of them choose salon perfumes to show their tastes and characters."

The Estee Lauder Companies Inc. bought Jo Malone in 1999, before it bought the perfume brands Le Labo,

Frederic Malle and Kilian. Later those brands opened their boutiques and worked with high-end department stores, and they have been popular in the market.

In the 12 months to June 2017 Estee Lauder had sales revenue of \$11.82 billion, growing 5% year-on-year. During the same period, its net profit reached \$1.25 billion, climbing 12% over the previous year. Fragrance sales rose 10%, growing more quickly than both skin care products and color makeup, its earnings report said.

In 2017 \$8.16 billion worth of perfume was sold in the United States, the largest market, followed by Brazil, Germany, France and Britain, said Euromonitor, a market research provider.

In the past five years perfume sales in China climbed constantly.

Fragrance sales in China were worth 6.16 billion yuan last year, 15% more

than in 2016, Euromonitor said. It forecast that the Chinese fragrance market will keep growing remarkably in the next five years. By 2022 the value of perfume retail sales in China is forecast to reach 8.69 billion yuan, 41% more than last year.

Specifically, sales of premium fragrances grew more quickly in China than the lower-priced mass-market fragrances available at outlets. In comparison, mass fragrance sales fell in China over the past five years, Euromonitor found.

From 2013 to 2017 the value of sales of premium men's fragrances rose from 621.9 million yuan to 847.6 million yuan in China, growing 36.6% over the five years.

In the same period, the value of sales of premium women's fragrances rose from 2.69 billion yuan to 3.87 billion yuan, an increase of 43.9% in five years, Euromonitor said.

Flags:
Tariffs May Lift Prices for Buyers

FROM PAGE 1

From late May to July the company made 20,000 to 30,000 Trump flags at its factory in Fuyang, Anhui province.

The company expects to complete the order by the end of the year.

By the time the flags are ready to be shipped to the U.S. the customer may have to pay more for them if the proposed U.S. tariffs on \$200 billion of Chinese goods come into effect.

Flags are among the goods targeted by the tariffs, which are expected to start after the public comment period ends.

"I think what Trump is doing is lifting a rock only to drop it on his own toes," said Yao Dan, owner of KeqiaoJiahao Arts & Crafts.

Trump campaigned on the promise of keeping jobs in the U.S., but reports said his supporters walked around wearing "Make America great again" hats made in China.

Trump's re-election campaign denied that it is using Chinese manufacturers to make 2020 campaign flags.

Yao declined to name his customer, but said it is in the U.S.

In 2016, Yao was reported to have successfully predicted the U.S. presidential election result through the orders of campaign flags.

“

They can complain to Trump. He started it, after all!"

LAI XIONG
GUANGZHOU LEBEN OUTDOOR PRODUCTS CO.

"We produced more than 200,000 flags for Trump from May 2016 to the end of the year, but only 20,000 for Hillary Clinton," he said.

Yao said the flag industry would be affected by the trade dispute because they have had more orders from the U.S. recently.

"We are currently working on more than 200 patterns, mostly sports flags, police flags and rainbow flags, for U.S. customers," he said.

The effect could be limited as China still has the advantage of cheap labor and materials, manufacturing capacity and environmental requirements, compared with competitors such as those in India and Vietnam, Yao said.

Even Trump's suppliers cannot resist the temptation of low prices.

The flag that is 5 feet by 3 sells for 5.5 yuan (81 U.S. cents).

Guangzhou Leben Outdoor Products Co., another company contracted to make Trump campaign flags, said it had produced 30,000 flags so far, and a total order of 80,000 flags is expected to be finished by October.

"More than 70% of our customers are from the U.S.," said the company owner, Lai Xiong, who declined to disclose the customer who ordered the Trump flags.

"We have salespeople communicating with them in English," Lai said.

Despite the possible impact of the tariffs, Lai did not seem worried about losing business.

"China is the world's No. 1 textile supplier. Flags are fast-moving consumer goods. As with food, demand is always there."

Lai said it is unlikely he will offer a discount to his customers if the tariffs are imposed.

"They can complain to Trump. He started it, after all."

Luxury: Premium Perfumes in Demand

FROM PAGE 1

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Fragrance sales in China were worth 6.16 billion yuan last year, 15% more

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4 | LIFE

CHINAWATCH

CHINA DAILY 中国日报

Barbara Crane's eyes sparkle with joy as she browses a thick binder filled with 8-by-10-inch black-and-white photographs.

"That's a brick oven, that's an incense burner and that's a roasted suckling pig especially prepared for the wedding ceremony," she said, describing her work with easy familiarity.

The photos were a few of the hundreds Crane took during a trip to China in 1985.

China's reform and opening-up had started seven years earlier, in 1978, and Crane became one of the first photographers from the United States permitted by the Chinese government to take pictures freely around the country. She became a "cultural emissary" thanks to an exchange arrangement between Beijing and Washington.

To celebrate her 90th birthday, the internationally renowned photographer and influential educator put on retrospective photographic exhibitions in March at the Stephen Daiter Gallery and Catherine Edelman Gallery, both in her hometown of Chicago.

Going through her photos, Crane shared reminiscences of that trip 33 years ago, when she set out carrying a Rolleiflex twin-lens reflex camera and hundreds of rolls of film.

She roamed the streets and alleyways of not only big cities like Beijing and Shanghai, but also explored remote villages in Shaanxi, Sichuan and Guangdong provinces as well as the Guangxi Zhuang autonomous region.

"I visited Chengdu, the Lijiang River Valley, Guilin, Guangzhou. Being the first foreigner to be allowed to photograph and travel freely in these areas, I was able to take pictures no one else had. I learned so much on my trip to China. What impressed me the most were the lovely people and the villages."

She also became something of a celebrity.

"Nobody those days saw Americans up close, so whole villages came out, with young women holding their kids. People were so generous. They cooked sweet potatoes for me and gave me the biggest cup of tea. I was treated as a special VIP guest."

In return, Crane gave them Polaroid SX-70 pictures.

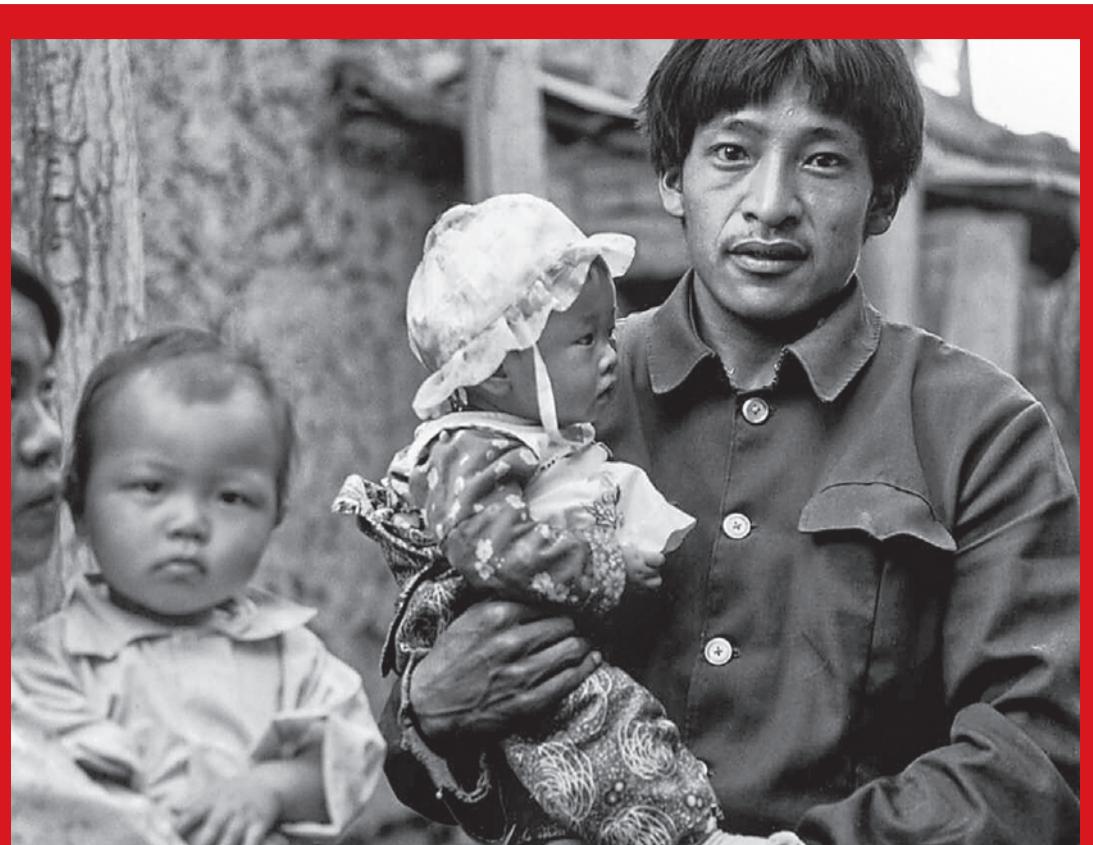
"Well, very few people had seen SX-70 pictures at that point in time. Everybody wanted the little Polaroid pictures. I was running out of film."

With her photo binder open, Crane seemed to enjoy taking a journey back in time.

"Brides wore red. That's typically their wedding attire. The village had one TV set. They brought it to the town square, and they brought their chairs and watched the only TV set together."

The villagers invited their new friend to their homes, which Crane said meant a great deal to her.

"I photographed their beds. There were two kinds of beds: one with mosquito netting, the other was in



Pictures clockwise from top were taken in or at: Village near Luoyang, Henan province, in 1985; Chengdu, Sichuan province, in 1985; The Great Wall in Beijing in 1985. PHOTOS BY BARBARA CRANE

Witness to Nation's Great Changes

Barbara Crane, now 90, was one of the first foreigners allowed to take pictures around the country. **Hong Xiao** reports



brick recesses in the wall. ... In some villages, the pigs slept in the house with the people.

"The people shared their lives with me, invited me for meals and gave me so much. I tried to convey it through the photos taken in China."

Because Crane was allowed to go where foreigners previously were not permitted, she headed to some remote areas. On her way she took

all means of transport, including a tractor.

"At that time I couldn't find any cabs, but I wanted to interview and see people in the real rural areas, so one way of transportation was by tractor. The dust was covering my eyes."

Shen Wei, a student at Fudan University in Shanghai at the time, was selected by the government to serve as Crane's interpreter. She traveled

with the photographer for a month and saw firsthand the chemistry between Crane and the villagers.

China was underdeveloped at that time, "but I was used to that," Shen said. "I didn't feel very proud. But she (Crane) captured things that Chinese in those days might not have recorded, discovered totally from an American perspective."

Shen, now a business executive

Guqin: Artisan Tells of His Dream

FROM PAGE 1

"The *guqin* is not just a musical instrument," Sui said.

"It's full of history and knowledge. There are 3,360 pieces of music for it, and when you look into the background of how each was composed, such as the politics and popular culture of the dynasty of the time, you are learning Chinese history."

Sui said it was a trip to Inner Mongolia autonomous region with his father about 12 years ago that introduced him to the *guqin*. He played CD recordings on the seven-hour drive from Beijing to Inner Mongolia and was transfixed by it.

"The *guqin* sounds so elegant and the instrument is totally different to the Western ones I had learned from childhood, such as the guitar and keyboard."

"When I was a teenager my biggest dream was to play guitar... But then



Guqin maker Sui Yiyang.

WANG JING / CHINA DAILY

I started questioning that dream because I wanted to be original and to play Chinese music. The *guqin* is the right musical instrument for me; I feel connected to it."

In 2009 he set up his own *guqin* making studio.

"*Guqin* making requires patience and maintaining commitment to high quality because all the materials determine the sound of the musical instrument," Sui said.

The price of a *guqin* depends on what it is made of and its sound, the range being from 150,000 yuan (\$22,400) to 250,000 yuan.

There are only about 20 independent *guqin* makers in China, he said.

Even though independent *guqin* makers are rare in China, the instrument is gaining more attention.

In 2003 it was added to the Masterpieces of the Oral and Intangible Heritage of Humanity by UNESCO.

In 2008 Chen Leiji, a well-known *guqin* performer, played the instrument at the opening ceremony of the Olympic Games in Beijing, bringing it to a global audience.

"I have three dreams before I die: to have a private *guqin* museum, to exhibit my *guqin* making products, and to publish a book about *guqin* making," Sui said.

"I don't want to live my life in vain. I want to leave at least one work which can be called legacy."

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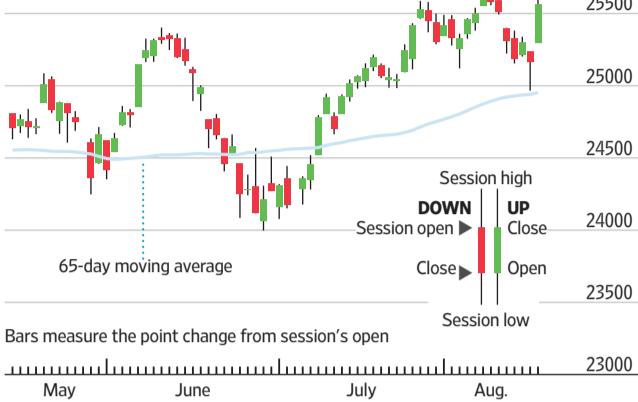
EQUITIES

Dow Jones Industrial Average

25558.73 ▲ 396.32, or 1.58%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.11 19.98
 P/E estimate * 16.41 18.45
 Dividend yield 2.13 2.37
 All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open
 May June July Aug. 23000 2550

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2840.69 ▲ 22.32, or 0.79%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.05 23.59
 P/E estimate * 17.61 18.78
 Dividend yield 1.82 1.99
 All-time high 2872.87, 01/26/18



May June July Aug. 26000 2850

Nasdaq Composite Index

7806.52 ▲ 32.41, or 0.42%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.01 25.35
 P/E estimate * 21.21 21.32
 Dividend yield 0.96 1.11
 All-time high: 7932.24, 07/25/18



May June July Aug. 7900 7725

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.	
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	MidCap 400	SmallCap 600	500 Index
25558.73	25607.34	25294.97	11190.43	75.41	0.68	29505.00	232.83	0.80	2009.34	15.98	2840.69
11253.19	11142.05	741.02	8.70	1.19	274.83	7806.52	32.41	19.63	1991.16	0.27	20.32
741.38	729.12	741.02	8.70	1.19	29606.42	29425.93	7374.29	19.63	1069.52	1060.71	1066.20
768.07	762.76	765.27	6.03	0.79	769.71	629.56	21.4	7.6	1060.71	1060.71	1066.20

Nasdaq Stock Market

Nasdaq Composite	7849.67	7795.74	7806.52	32.41	0.42	7932.24	6213.13	25.5	13.1	15.6
Nasdaq 100	7422.83	7361.88	7374.29	19.63	0.27	7508.59	5786.54	27.2	15.3	17.6

S&P

500 Index	2850.49	2831.44	2840.69	22.32	0.79	2872.87	2425.55	16.9	6.2	10.7
MidCap 400	2009.88	1991.16	2000.34	15.98	0.81	2015.15	1691.67	17.9	5.2	10.0
SmallCap 600	1069.52	1060.71	1066.20	9.03	0.85	1069.53	817.25	30.1	13.9	14.7

Other Indexes

Russell 2000	1690.40	1682.38	1685.75	15.09	0.90	1706.99	1356.90	24.0	9.8	11.6
NYSE Composite	12875.41	12784.76	12841.28	118.19	0.93	13637.02	11699.83	9.6	0.3	6.0
Value Line	580.67	574.52	578.72	4.20	0.73	589.69	503.24	14.7	2.9	6.0
NYSE Arca Biotech	5083.02	5007.90	5079.08	53.16	1.06	5177.87	3787.17	33.7	20.3	8.0
NYSE Arca Pharma	574.43	568.36	573.74	6.19	1.09	593.12	514.66	11.0	5.3	-1.1
KBW Bank	110.24	108.76	109.83	1.51	1.40	116.52	89.71	17.8	2.9	12.0
PHLX® Gold/Silver	67.44	64.24	64.27	-1.78	-2.70	93.26	64.27	-23.8	-24.6	8.9
PHLX® Oil Service	138.76	137.15	137.19	-0.18	-0.13	170.18	117.79	16.5	-8.3	-8.2
PHLX® Semiconductor	1344.42	1329.82	1333.09	-1.77	-0.13	1449.90	1064.52	24.6	6.4	28.3
Cboe Volatility	14.36	12.82	13.45	-1.19	-8.13	37.32	9.14	-13.5	1.6	

\$ 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	After Hours % chg	High	Low
SPDR S&P 500	SPY	7,544.1	283.95	-0.11	-0.04	284.42	281.82
Energy Select Sector SPDR	XLE	7,106.8	72.50	0.07	0.10	72.54	72.32
Alibaba Group Holding ADR	BABA	5,836.5	172.25	0.26	0.15	173.92	171.50
ENSCO PLC	ESV	5,109.5	6.18	...	unch.	6.19	6.15
Finl Select Sector SPDR	XLF	4,400.6	28.12	0.01	0.04	28.17	28.09
Weatherford International	WFT	3,668.9	2.63	0.01	0.38	2.74	2.60
NVIDIA	NVDA	3,610.4	246.96	-10.48	-4.07	259.98	240.92
Van Eck Vectors Gold Miner	GDX	3,003.3	18.20	0.04	0.22	18.24	18.15

Percentage gainers...

Nordstrom	JWN	1,592.5	56.40	4.12	7.88	60.22	52.07
Vodafone Group ADR	VOD	74.7	23.99	1.14	4.99	23.99	22.85
ACADIA Pharmaceuticals	ACAD	77.8	13.78	0.48	3.61	13.78	13.23
Amer Campus Communities	ACC	71.8	42.75	1.32	3.19	42.75	40.94
Sprouts Farmers Market	SFM	59.1	24.50	0.54	2.25	24.50	23.96
...And losers							
Atdalem Global Education	ATGE	52.7	51.00	-4.75	-8.52	55.97	50.00
Applied Materials	AMAT	1,663.5	45.35	-2.08	-4.39	48.28	45.00
NVIDIA	NVDA	3,610.4	246.96	-10.48	-4.07	259.98	240.92
Zoe's Kitchen	ZOES	60.1	9.20	-0.36	-3.77		

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
		Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.								
Aug 2.5815	2.6240	2.5815	2.6135	0.0565	1,034			
Sept 2.5830	2.6430	2.5640	2.6165	0.0565	115,272			
Gold (CMX) -100 troy oz.; \$ per troy oz.								
Aug 117.20	118.20	116.40	117.20	-1.30	383			
Oct 117.80	118.40	116.20	117.90	-0.90	57,604			
Dec 118.00	118.90	117.60	118.00	-1.00	363,775			
Feb'19 118.80	119.30	117.20	118.90	-1.30	32,109			
June 119.80	120.00	119.00	120.00	-1.00	7,539			
Dec 121.10	123.10	118.80	121.20	-1.00	3,832			
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
Sept 831.60	887.50	815.20	874.80	37.60	16,151			
Dec 827.00	881.00	816.00	869.90	34.60	8,488			
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
Oct 770.50	795.70	755.70	784.50	12.60	78,437			
Jan'19 772.50	798.00	759.40	787.40	12.40	6,764			
Silver (CMX) -5,000 troy oz.; \$ per troy oz.								
Aug 14.660	14.710	14.635	14.697	0.276	295			
Sept 14.455	14.825	14.315	14.713	0.259	133,128			
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
Sept 64.92	65.52	64.43	65.46	0.45	143,373			
Oct 64.39	64.95	63.89	64.88	0.42	373,594			
Nov 64.18	64.73	63.69	64.66	0.42	179,756			
Dec 63.93	64.50	63.48	64.42	0.42	300,083			
Jan'19 63.70	64.28	63.28	64.20	0.40	168,958			
Dec 61.05	61.65	60.80	61.56	0.39	217,660			
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.								
Sept 2.0912	2.1018	2.0802	2.0964	0.060	79,532			
Oct 2.0922	2.1058	2.0844	2.1008	0.063	82,014			
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
Sept 1.9927	2.0044	1.9671	1.9874	-0.010	86,949			
Oct 1.8853	1.8974	1.8662	1.8853	-0.004	144,221			
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.								
Sept 2.939	2.949	2.891	2.908	-0.12	127,440			
Oct 2.946	2.955	2.898	2.913	-0.03	202,035			
Nov 2.984	2.992	2.937	2.950	-0.03	182,007			
Jan'19 3.163	3.170	3.120	3.134	-0.03	195,500			
March 3.018	3.025	2.983	2.998	-0.024	166,620			

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
April	2.694	2.707	2.675	2.693	-0.013	139,867		

Agriculture Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Corn (CBT) -5,000 bu.; cents per bu.								
Sept 361.50	367.50	360.50	365.25	3.75	308,659			
Dec 376.00	382.00	375.00	379.75	3.75	875,362			
Oats (CBT) -5,000 bu.; cents per bu.								
Sept 250.00	254.75	249.00	253.75	4.00	1,027			
Dec 259.00	264.25	258.00	263.50	4.00	3,632			
Soybeans (CBT) -5,000 bu.; cents per bu.								
Sept 859.75	888.25	854.50	885.50	28.00	53,774			
Nov 871.25	899.50	866.00	897.00	28.00	422,230			
Soybean Meal (CBT) -100 tons; \$ per ton.								
Sept 329.50	335.80	329.50	334.60	5.10	64,950			
Dec 331.50	338.10	331.30	337.00	5.70	203,197			
Soybean Oil (CBT) -60,000 lbs.; cents per lb.								
Sept 27.88	28.25	27.81	28.15	.27	48,049			
Dec 28.21	28.57	28.10	28.48	.28	25,523			
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.								
Sept 103.00	106.50	103.00	104.60	13.50	4,088			
Nov 105.00	108.00	104.50	106.30	11.50	3,811			
Wheat (CBT) -5,000 bu.; cents per bu.								
Sept 532.50	547.75	531.00	542.25	10.00	75,624			
Dec 552.25	567.50	550.50	562.00	10.25	201,759			
Wheat (MPLS) -5,000 bu.; cents per bu.								
Sept 536.00	552.50	534.00	547.50	12.25	55,668			
Dec 563.25	579.50	561.25	575.00	12.25	130,845			
Wheat (MPHS) -5,000 bu.; cents per bu.								
Sept 583.00	598.25	582.50	596.25	12.75	20,176			
Dec 600.00	615.75	600.00	613.25	12.50	28,686			
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.								
Aug 149.30	150.40	148.95	150.25	1.25	3,547			
Oct 149.52	150.50	148.75	150.25	.95	14,750			
Cattle-Live (CME) -40,000 lbs.; cents per lb.								
Aug 108.52	109.00	108.100	108.325	...	10,403			
Oct 109.25	109.75	108.25	109.275	.275	130,236			
Hogs-Lean (CME) -40,000 lbs.; cents per lb.								
Oct 53.50	55.47	53.50	55.47	3.00	116,718			
Dec 50.50	52.45	50.50	52.45	3.00	60,307			
Lumber (CME) -110,000 bd ft.; \$ per 1,000 bd.								
Sept 457.50	457.50	457.50	457.50	15.00	2,424			

Interest Rate Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Nov 435.70	435.70	435.70	435.70	15.00	1,529			

BANKING & FINANCE

Leveraged Loans Have Lost Some Safety

By MATT WIRZ

Looming Losses
Recoveries on junk loans are expected to drop in the next default cycle

Recovery rates by corporate debt type

- Average past recovery
- Forecast of future recovery

First-lien loan

61%

77%

Second-lien loan

14%

43%

Unsecured junk-rated bonds

32%

40%

Source: Moody's Investors Service
THE WALL STREET JOURNAL.

Investors bought record amounts of junk-rated corporate loans in recent years, betting they would deliver more stable returns than high-yield bonds, but the loans are no longer as safe as their owners may think.

A rapid deterioration in the quality of "leveraged loans" means loanholders would recover far less in a future economic downturn than they have historically, according to research by Moody's Investors Service.

Years of low rates have spurred record amounts of corporate borrowing, often in the \$1.4 trillion market for below-investment-grade loans.

The typical recovery on

leveraged loans would likely decline to 61% of face amount in the next downturn, compared with the 77% historical average, Moody's says. Recoveries on riskier so-called second-lien loans would fall even further to 14% from about 43% previously, the ratings firm estimates.

"One of the things we're trying to alert investors to is that what you thought your outcome might have been in the past is likely to be different, and presumably worse, in the future," said Christina Padgett, an analyst at Moody's.

Loanholders historically recovered most of their investments in bankruptcies because their claims were secured by corporate assets,

putting them first in line to be repaid ahead of bond claims, which are usually unsecured.

Most leveraged loans are still secured, but companies are issuing them in larger quantities at the same time they offer lenders fewer legal protections, also called covenants, that traditionally prevent shareholders from paying themselves excessive dividends or stripping corporate assets.

That means that in the next default cycle there will be more loanholders making claims on companies with fewer assets to recover than the historical norm. There will also be less left over for unsecured bondholders, who stand to recover about 32% in the next default cycle compared

with a historical average of about 40%, according to Moody's.

"Unlike the last recession, which featured unsustainable levels of household debt, we believe the next downturn will be traced back to the corporate debt market," asset management firm Guggenheim Partners LLC told clients in an April report warning about lower expected recoveries on both junk bonds and loans.

Default rates on junk debt are expected to remain low next year—Moody's estimates about 2.2%—but will pick up as interest rates rise and economic growth slows. When that happens, loan defaults will affect a larger swath of investors than in the last

credit crisis because the leveraged loan market has swollen to about \$1.4 trillion this year compared with about \$800 billion at the end of 2008.

Most of that growth occurred in the past four years as investors became concerned that the U.S. would raise its federal-funds rate.

That made loans, which pay interest that rises in lock-step with benchmark rates, more attractive compared with bonds that pay a fixed interest rate.

A surge in the creation of collateralized loan obligations, or CLOs, which bundle up corporate loans and sell slices of the debt to institutional investors, added to the wave of capital flooding the loan market.

Venezuela Uses Bonds to Pay Settlement

Creditor receives government debt in lieu of cash payment as Caracas struggles

By JULIE WERNAU
AND ANDREW SCURRIA

Venezuela has made a payment to a mining company using government bonds instead of cash, potentially the first time it has done so since U.S. sanctions last year barred similar transactions.

"This money belongs to the Venezuelan people," President Trump said in a statement after ratcheting up sanctions he said would prevent Venezuela from conducting "fire sales" that liquidate Venezuelan assets.

Venezuela's National Assembly has similarly barred such transactions, but Mr. Maduro effectively dissolved Congress last year and replaced it with his own government. Investors say it is unclear whether a reinstated Congress under another government would honor bonds Mr. Maduro's regime has put into the market to pay down debts.

The sanctions appeared to keep an estimated \$3.5 billion in bonds still owned by Venezuela from making their way to the market—until the payment of bonds to Gold Reserve.

"This is the first transaction in which the Venezuelan government paid somebody with bonds since the sanctions," said Francisco Rodriguez, chief economist at Torino Capital, a New York-based investment bank.

The U.S. Treasury Department clarified last month that its sanctions aim to block U.S. entities from participating in "corrupt and shortsighted fi-

purchased at a steep discount \$2.8 billion in Venezuelan bonds that had been held by the country's central bank. The purchase drew criticism from opposition politicians in Venezuela and some investors for supplying cash to President Nicolás Maduro.

In the company's statement, President A. Doug Belanger said Gold Reserve was "very pleased with the receipt of bonds" and that it looks forward to working with Venezuela on a large, undeveloped gold-copper project.

Despite the U.S. sanctions, companies can apply for and receive an exemption to a sanction, but such licenses aren't made public.

"The Treasury Department will issue specific licenses allowing collections of past debts that would otherwise be prohibited by sanctions as long as the debt was incurred before that sanction," said Peter Harrell, a consultant on economic sanctions who oversaw Iran sanctions under the Obama administration.

The bonds transferred to



The payment marks the first time Caracas has paid a creditor in bonds since U.S. sanctions last year barred similar transactions.

nancing schemes" involving Venezuela selling off government assets, including bonds, for less than they are worth.

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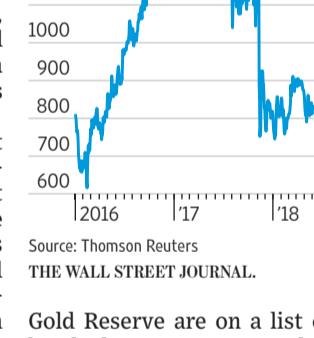
"The Treasury Department will issue specific licenses allowing collections of past debts that would otherwise be prohibited by sanctions as long as the debt was incurred before that sanction," said Peter Harrell, a consultant on economic sanctions who oversaw Iran sanctions under the Obama administration.

The bonds transferred to

Collapsing

Bond investors are spooked as Venezuelan assets fall to other creditors.

JPMorgan Venezuelan bond index



Source: Thomson Reuters

THE WALL STREET JOURNAL.

Officials at Global Affairs Canada said they don't comment on specific cases. A U.S. Treasury spokesman declined to address the Gold Reserve transaction but said the question of whether a creditor can accept Venezuela bonds as payment depends on "the particular facts and circumstances at issue."

Gold Reserve is one of several creditors that have won large arbitration judgments against Venezuela. Defunct Canadian gold mining company Craytex International Corp. won a U.S. court ruling last week authorizing its seizure of Citgo, the U.S. oil refiner owned by Venezuela's state oil company, to satisfy a \$1.4 billion award.

Venezuela had reached a settlement with Craytex last year to end its pursuit of Citgo, according to Canadian court documents. Craytex was paid at least \$25 million

in cash before Venezuela lapsed on additional required payments, scuttling the agreement.

Citgo's owner, Petróleos de Venezuela SA, has said it would challenge the potential seizure in a U.S. appeals court.

Already hobbled Venezuelan bonds fell to a two-year low following the Citgo ruling. Investors holding defaulted Venezuela bonds have expressed alarm that such rulings or bond payments by Venezuela could disadvantage the country's other creditors.

Venezuela and its various state-controlled entities together have \$62 billion of unsecured bonds outstanding, with approximately \$5 billion so far in unpaid interest and principal.

Analysts estimate that the government has approximately \$150 billion total in debt outstanding to creditors around the world.

Yuan's Fall Doesn't Hit Stocks

Continued from page B1
move each day, but investors regarded it as a simple devaluation. Then in December 2015, it pegged its currency to a basket of trading partners, rather than only to the dollar, and again the move was seen as a devaluation.

Since then, investors have come to accept both the wider trading band and the basket of currencies as normal. This year's fall in the yuan is being treated as a natural reaction to China's economic slowdown, monetary easing and U.S. tariffs, all of which justify a weaker currency.

Second is the sentiment inside China. In 2015, Chinese investors and companies had been betting that the yuan would keep getting stronger, and borrowing dollars to buy yuan. The shock of devaluation made those bets look mistaken, and they were rapidly unwound—a shift of well over \$100 billion in corporate "carry trades" alone, according to the Bank for International Settlements. Others raced to get their money out of China before the currency fell fur-



So far, there is no sign of capital flight from Chinese markets as during 2015's collapse in the yuan.

ther, and such capital flight contributed to a loss of \$1 trillion in foreign-exchange reserves before they bottomed out at the start of last year.

This year, yuan bets started out much smaller, partly because of the memory of recent losses and partly because capital controls have been tightened up. There is no sign of capital flight, with foreign-exchange reserves down less than 1% this year. In other words, in 2015 there was a run on the yuan, which could have forced a very large devaluation if it continued. This time, so far, there isn't.

Third is the global economic situation. The U.S. economy has powered ahead, and while Europe's growth has slowed from last year's frenetic pace, it is still solid. The world is better able to withstand a cheaper yuan.

All this explains why China hasn't had a bigger effect. But China's economic slowdown shouldn't be dismissed. China spent much of the past year choking off excessive lending, with notable success. The delayed effect is now hitting the economy and rippling out into the rest of the world through weaker commodity

demand, as China built less infrastructure and invested less.

There are other similarities to 2015, with total social financing, a measure of credit, and Chinese producer prices both shrinking again.

Hopefully the world economy can withstand a China slowdown this time, and the country's policy makers can maintain growth without another credit binge. The danger is that China responds to the tariffs from the U.S. with an even bigger devaluation, and the fears of 2015 resurface to drag down global stocks.

Private-Equity Portfolios Contract

By ED BALLARD

Even as private-equity firms continue to raise assets at a record pace, their portfolios are getting smaller, according to a new report.

Firms continued to sell assets at a healthy clip last year, resulting in a surge of distributions for investors. At the same time, private-equity fund-raising rose to a record \$453 billion, according to data provider Preqin Ltd.

But the industry's pace of investment fell to the slowest on record, based on the rate firms asked their investors for capital for deals, according to a study by financial software provider eFront SA.

As a result, firms are selling companies faster than they buy new ones.

Firms drew down capital from their investors at a rate of about 1% of their fund size per quarter in 2018, while their distributions amounted to about 3% of fund size per quarter, according to eFront.

The pace of capital calls fell to its slowest rate in eFront's records, which date back to 2000, but distributions have consistently outpaced capital calls every year since 2013.

The pace of private-equity capital calls has never recovered to its 2006 peak of about 5% of total fund size per quarter, when many firms competed for high-price deals at the peak of the last buyout boom.

The most obvious result of firms raising money faster than they can spend it is the industry's mountain of uninvested capital, which exceeds \$1 trillion, according to Preqin.

Another consequence is less obvious: Firms' portfolios are shrinking, even as big buyout shops are continuing to raise money at a record pace.

The headline value of firms' portfolios has continued to climb, masking this effect. But that increase stems from ever-rising valuations for existing portfolio companies—the consequence of firms basing their valuations on listed competitors during a period of booming stock markets, which has compensated for a declining contribution from newly acquired companies, eFront said.

eFront said the mismatch between fundraising and deployment shows that firms aren't lowering their return expectations to deploy their capital.

MARKETS

Treasurys Decline On Trade Talk News

BY SAM GOLDFARB

U.S. government-bond prices edged lower as hopes for easing trade tensions helped investors regain some appetite for riskier assets.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.871%, compared with 2.852% Wednesday.

Yields, which rise when bond prices fall, climbed along with stocks after the U.S. and China said they would hold lower-level talks later this month to try to resolve their trade dispute.

Concerns over trade and emerging-market economies have helped support Treasurys in recent months while causing jitters in the stock market.

The 10-year yield, however, has remained fairly steady, moving between roughly 2.825% and 3% for much of the summer.

"We're being pushed around by the stock market, value of the dollar, international events, but we're in a very, very narrow range," said Ray Remy, head of fixed-income trading in New York at Daiwa Capital Markets America Inc.

The market, Mr. Remy said, could turn more volatile next month as investors begin to focus more on the U.S. midterm elections.

Some lackluster U.S. economic data helped limit the rise in yields on Thursday.

A report from the Federal Reserve Bank of Philadelphia showed its Manufacturing Business Outlook Survey's index of business activity dropped to 11.9 in August, its lowest level in 21 months, from 25.7 last month. Economists polled by The Wall Street Journal had expected a reading of 22.

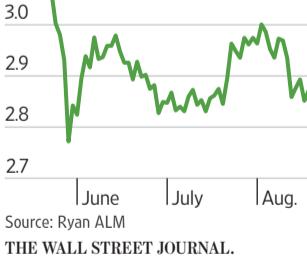
The Philadelphia Fed report is one in a string of factory surveys conducted by regional Fed banks that are meant to provide insight into the manufacturing sector's health ahead of the national reading from the Institute for Supply Management.

Recent economic data have generally been strong in the U.S., counterbalancing the downward pressure on yields created by a more worrisome outlook abroad.

An improving economy typically leads to faster inflation, which is a main threat to the U.S. government bonds because it erodes the purchasing power of the securities' fixed returns.

Rangebound

Yield on 10-year Treasury note



Source: Ryan ALM

THE WALL STREET JOURNAL

Submerging

A near-20% pullback means a popular gauge of developing stocks is nearly in a bear market, and the rising dollar has hit the exchange rates of developing countries.

MSCI Emerging Markets Index USD



Sources: SIX (markets); Thomson Reuters (index)

MSCI EM Currency Index



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Samsung has a large weight in an MSCI index. Its mobile chief, D.J. Koh, at a product launch event.

DREW ANGERER/GETTY IMAGES

Emerging Markets Near the Bear

MSCI index is weighed down by marquee technology companies and a strong dollar

BY MIKE BIRD

Index was down 19.6% from its Jan. 26 high—just a fraction below the 20% drop from a recent peak that typically defines a bear market. Overnight, copper fell into a bear market, other commodities declined, and U.S. stocks sold off slightly.

The MSCI index is heavily reliant on a few marquee technology companies, with **Tencent Holdings Ltd.** and **Samsung Electronics Co.** alone making up roughly 8.6% of the gauge. The two stocks were down 3% and 2%, respectively, on Thursday. Late Wednesday, Tencent reported a rare de-

cline in profit and unexpectedly weak quarterly sales.

Chinese, South Korean and Taiwanese stocks make up nearly three-fifths of the index, and major benchmarks in these countries were down 0.3% to 0.8% as Asian trading concluded—suggesting the overall index could hit a bear market. A rout in the Turkish lira has catalyzed much of the most recent selloff.

Trevor Greetham, head of multiasset at Royal London Asset Management, said he expected U.S. interest-rate increases, political pressure on trade-sensitive economies and

slower Chinese growth would cause long-running problems.

"We...expect to see further trouble in the emerging markets over the next few years," said Mr. Greetham.

The federal-funds rate in the U.S. has been increased twice in 2018 already, and economists expect two more increases before the year is out. That strengthens the dollar, increases the relative attractiveness of U.S. government bonds to investors and raises debt-servicing costs for emerging markets with U.S. dollar-denominated debt to service.

Optimists say economic fundamentals are good in many developing nations, and the reliance on external investment, as measured by current-account deficits, has declined. Likewise, earnings growth is still strong, and falling prices make valuations more attractive.

"While the markets may be pricing in fear and uncertainty, many emerging economies appear to us to be in much better shape than they were during other corrective periods," said Chetan Sehgal, portfolio manager at the Templeton Emerging Markets Investment Trust.

Copper Bounces From Lows

BY DAVID HODARI AND AMRITH RAMKUMAR

Copper prices rebounded Thursday after entering bear-market territory for the first time since November 2016 a day earlier, boosted by signs of easing trade tensions.

Front-month copper for August delivery rose 2.2% to \$2.6135 a

COMMODITIES pound on the Comex division of the New York Mercantile Exchange, snapping a four-session losing streak. Prices are down 21% from their June four-year highs, hurt by worries that protectionism will slow the global economy and lower demand for materials used in construction and manufacturing.

But on Thursday, China and the U.S. reached a modest breakthrough in their standoff over trade, saying they would hold lower-level talks later this month on the spiraling dispute.

Copper and other industrial metals have been particularly sensitive to weak economic signals from China, which accounts for about half of the world's demand for many materials.

Analysts have said selling has accelerated, with metals moving through key technical



Gold futures prices settled at their lowest since January 2017. Sheets of refined gold are placed into a furnace in Australia.

CARLA GOTTMAN/BLOOMBERG NEWS

levels, so some expect volatility to continue on the latest trade news.

"People argue that selling is premature, but whether or not it's oversold it seems that these selling factors could linger for a couple of days or even weeks," said Xiao Fu,

head of commodities research at BOCI Global Commodities.

Easing trade signals also hurt the dollar Thursday, reversing a recent market trend that has punished commodities. A stronger dollar makes materials denominated in the U.S. currency more expensive

for overseas buyers.

The WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies and recently hit its highest level since May 2017, dropped 0.2% Thursday.

Among precious metals, front-month gold for August

delivery edged down 0.1% to \$1,176.20 a troy ounce.

The dollar's strength and worries that higher yields on Treasurys will make the precious metal less attractive to some investors have sent prices to their lowest levels since January 2017.

Dollar Falls Against Peso, Turkish Lira

BY IRA IOSEBASHVILI

Emerging-market currencies rebounded against the dollar Thursday, as investors cheered signs of progress in trade talks between the U.S. and China.

In late New York trading, the dollar was down 0.8% against the Mexican peso on the day and lost 0.6% against

CURRENCIES the Korean won, while also slipping against a broad range of other emerging-market currencies.

Officials in China and the U.S. signaled Thursday that the two countries would hold lower-level talks on trade later this month.

The discussions would be the first since May, when talks fell through and both sides later slapped penalties on tens of billions of dollars in each

other's goods.

The dollar lost 2.7% against the Turkish lira after Qatar said it would inject \$15 billion into Turkey with a package that includes direct investments and deposits.

The lira's rally gave Turkey's currency its third

straight day of gains after Monday's sharp decline.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, dropped 0.2% Thursday to 90.09. The index has dropped for three sessions in a row.

The lira gained for a third consecutive day after a sharp decline on Monday.

Oil Gains but Worries Remain

BY BENJAMIN PARKIN AND SARAH MCFARLANE

Oil prices rose, recouping some of their losses after concerns about a global economic slowdown sparked a rout earlier this week.

Light, sweet crude-oil futures rose 0.7% to \$65.46 a barrel at the New York Mercantile Exchange.

Brent crude, the global benchmark, climbed 0.9% to \$71.43 a barrel on London's ICE Futures exchange.

U.S. crude prices are still down about 3% this week, with commodities such as copper and gold also lower. A plunge in Turkey's currency had concerned investors about contagion into other emerging-market currencies, while weak economic data from China and a stronger U.S. dollar also weighed down markets.

Buyers returned to equity and commodities markets on

Thursday, however, after the U.S. and China said they planned to resume talks over trade after more than two months of deadlock.

A weaker dollar—which makes commodities more attractive to investors—strong corporate earnings in the U.S. and plans by Qatar to bolster Turkey's economy with a multi-billion-dollar injection all helped, analysts said. The WSJ Dollar Index fell 0.2% Thursday.

Oil traders' appetite for buying was nevertheless limited, with prices dipping lower at various points through the session.

"Oil prices are trying to hang on," said analysts from TAC Energy in a morning note. Wednesday's selling "pushed them back to the edge of a technical cliff" at their 200-day moving average. A drop below that, they said, could spark further selling.

Longer-term concerns about global demand for crude also capped gains. Last week, the

International Energy Agency forecast global oil demand would grow 1.4 million barrels a day in 2018, down slightly from 1.5 million barrels the previous year. Analysts said that if the currency crisis in Turkey spreads, this number could be revised lower.

"Fears of an emerging-market crisis and a slowdown in China sent shock waves through financial markets," said Carsten Menke, commodities research analyst at Julius Baer.

Weekly U.S. oil stocks and production data published by the Energy Information Administration on Wednesday showed rising supplies, which also weighed on prices.

Concerns that the escalating trade tensions between the U.S. and China could slow future Chinese economic growth have also troubled investors in recent weeks. China is a crucial importer of commodities.

Gasoline futures declined 0.5% to \$1.9874 a gallon, the lowest in four months.

Treasury Auctions

The U.S. Treasury Department will auction \$110 billion in securities next week. Details (all with minimum denominations of \$100):

◆ **Monday:** \$51 billion in 13-week bills, a reopening of an issue first sold on May 24, 2018, maturing Nov. 23, 2018. Cusip number: 912796QK8.

Also, \$45 billion in 26-week bills, dated Aug. 23, 2018, maturing Feb. 21, 2019. Cusip number: 912796QY8.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

◆ **Thursday:** \$14 billion in four-year, eight-month 0.625% Treasury inflation-protected securities, a reopening of an issue first sold on April 30, 2018, maturing April 15, 2023. Cusip number: 9128284H0.

Noncompetitive tenders must be received by noon Thursday; competitive tenders, by 1 p.m.

MARKETS

Consumer-Staples Rally Shows Caution

BY AKANE OTANI

Shares of companies selling everyday household goods such as laundry detergent, cereal and razors are climbing, suggesting that even as the S&P 500 inches toward new highs, investors are hedging their bets through what they see as a safe corner of the market.

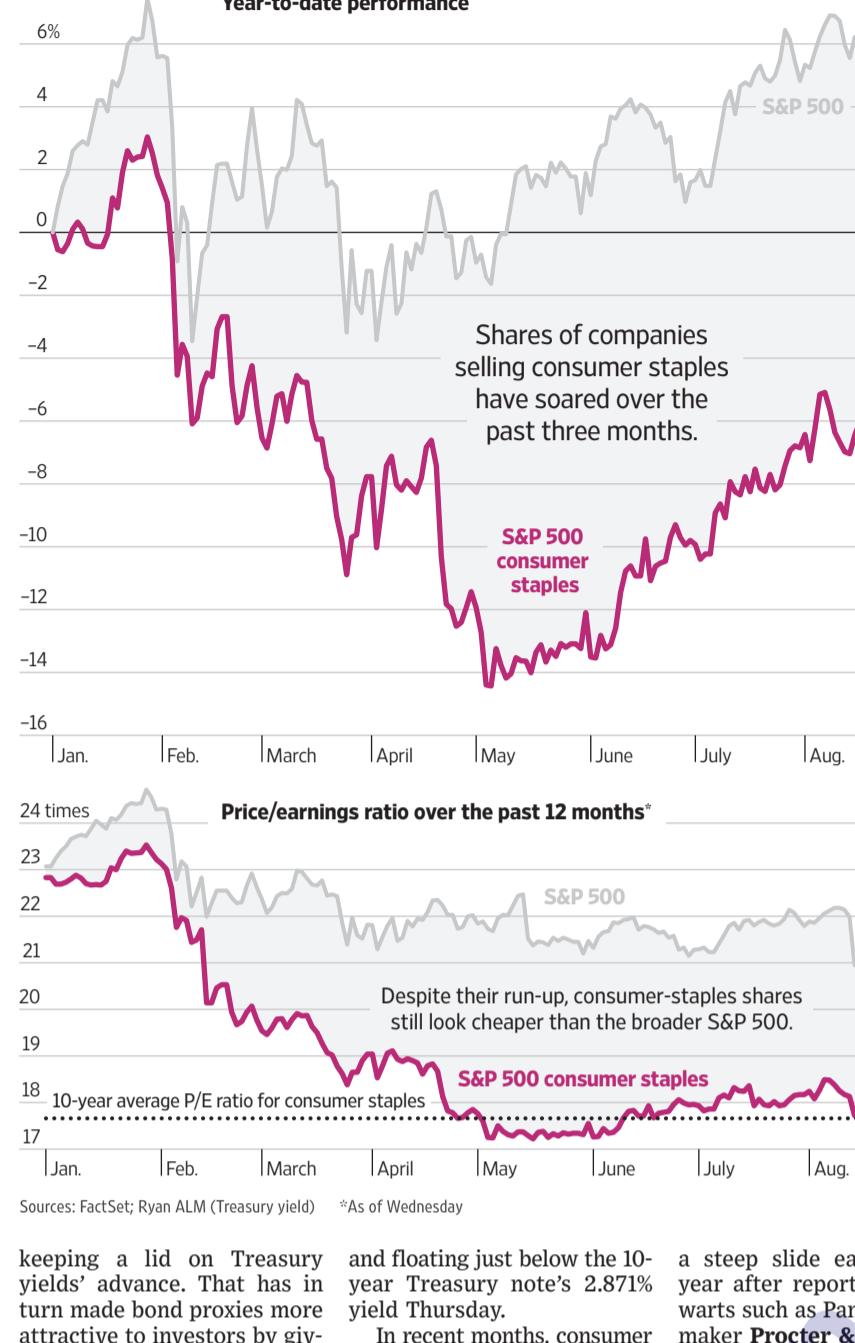
The S&P 500 consumer-staples sector has jumped 10% over the past three months, outpacing the S&P 500's 4.3% gain over the same period.

The sector's rally has helped it chip away at its loss for the year, although it still trails the S&P 500's 6.2% gain and remains the index's second-worst-performing sector in 2018.

To some analysts, the group's comeback is the latest example of investors paying up for protection against unexpected pullbacks. Investors often flock to shares of consumer staples during bouts of market volatility, both because of their relatively generous dividend payouts and because of the slow and steady nature of their businesses. Since consumers usually continue buying the products that staples firms sell regardless of market or economic conditions, investors tend to view the sector as a haven—somewhere to flock to when they are wary of threats such as rising interest rates and increasingly restrictive trade policies between the U.S. and the rest of the world.

"If you're predisposed to being defensive, staples over the last three months have looked like [a] great value," said Art Hogan, chief market strategist at B. Riley FBR.

Part of staples' allure has stemmed from their dividend payouts, which have become increasingly attractive to investors as the yield on the 10-year Treasury note has fallen off its May high. Worries about trade tensions buffeting the markets have stoked demand for government bonds,



Sources: FactSet; Ryan ALM (Treasury yield)

*As of Wednesday

Year-to-date performance

Shares of companies selling consumer staples have soared over the past three months.

Price/earnings ratio over the past 12 months*

Despite their run-up, consumer-staples shares still look cheaper than the broader S&P 500.

and floating just below the 10-year Treasury note's 2.871% yield Thursday.

In recent months, consumer staples also have benefited from a relatively upbeat round of earnings results that suggests the industry is regaining ground following a tumultuous start to the year.

The S&P 500 consumer-staples sector recently carried a dividend yield of around 2.85%, exceeding the broader S&P 500's 1.79% dividend yield

keeping a lid on Treasury yields' advance. That has in turn made bond proxies more attractive to investors by giving them a way to earn income in the stock market with relatively low levels of risk.

Shares of companies offering household basics suffered

a steep slide earlier in the year after reports from stalwarts such as Pampers diaper maker Procter & Gamble Co. and Kleenex maker Kimberly-Clark Co. showed the group struggling to fend off rising costs and competition from discount retailers.

But the latest batch of earnings reports have been more sanguine, helping revive investors' interest in staples companies.

Walmart Inc. shares soared Thursday after the company reported sales grew at the fastest pace in over a decade for the most recent quarter, while **Kroger** shares rallied after the firm in June posted stronger-than-expected earnings and sales and said it was cutting prices on some groceries in an effort to com-

pete with e-commerce giants like **Amazon.com** Inc. Companies also have signaled a willingness to boost prices on their core products—something that executives hope will lift sales down the line. P&G said in July that it would increase prices on its Pampers products in North America, as well as its Bounty, Charmin and Puffs products, while rival **Colgate-Palmolive** Co. said it would lift prices in the second half of the year to help offset rising raw-materials costs.

Year-to-date performance of the five best- and worst-performing S&P 500 consumer-staples stocks

Archer Daniels Midland	25.1%
McCormick	23.0%
Sysco	21.7%
Costco	19.9%
Church & Dwight	13.3%
Philip Morris International	-19.9%
General Mills	-21.4%
Kraft Heinz	-22.8%
Tyson Foods	-24.8%
Coty	-42.3%

The consumer-staples sector offers more yield for income-seeking investors than the S&P 500 and almost as much yield as 10-year Treasurys.

Yield

10-year Treasury	2.87%
S&P 500 consumer-staples dividend	2.85%
S&P 500 dividend	1.79%

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shares of companies selling consumer staples have soared over the past three months.

Despite their run-up, consumer-staples shares still look cheaper than the broader S&P 500.

Sources: FactSet; Ryan ALM (Treasury yield)

*As of Wednesday

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

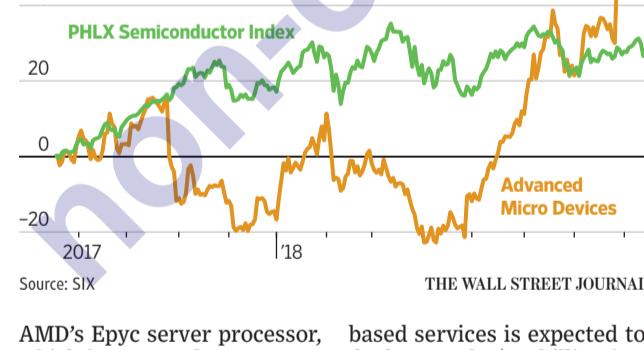
WSJ.com/Heard

Email: heard@wsj.com

AMD Muscles Onto Intel's Turf

Cloud Lift

Share-price performance, past 12 months



Source: SIX

THE WALL STREET JOURNAL.

AMD's Epyc server processor, which is expected to start shipping in volume next year. Intel doesn't intend to launch a server chip based on its newest production process until sometime in 2020.

That gives AMD at least a year's head start in what has become the most important market for the semiconductor industry. A group of 19 tech companies tracked by RBC Capital that build large data centers to power cloud

based services is expected to deploy nearly \$93 billion in total capital spending this year, up 42% from last year. Four of the largest—Google, Amazon, Microsoft and Facebook—spent a total of \$18.3 billion in the second quarter alone, up 48% year over year.

Intel has acknowledged that its days of 99% market share are over for now. Before he resigned in June, former Intel Chief Executive Brian Krzanich told Nomura

Instinet analyst Romit Shah that he expected to lose share to AMD in the server market. He said his main job was keeping the company's longtime rival from capturing 15% to 20% of the market. AMD's top line would have jumped by 33% if it had grabbed just 10% of Intel's data-center sales over the past 12 months. Mr. Shah, who doesn't cover AMD, now expects Intel's data-center business to record virtually no growth next year.

This hasn't been completely lost on the market. AMD's share price has jumped 57% in the past 12 months and the stock currently trades about 41 times forward earnings. But chip maker Nvidia was trading at 33 times forward earnings two years ago before its stock price began to surge, thanks mostly to the growth of its own data-center business. Its market value has quadrupled since, showing that investors don't need to find a cheap stock to make big profits from the cloud.

—Dan Gallagher

OVERHEARD

"Nacho Old Chipotle" is what Morgan Stanley analysts titled an upbeat report on **Chipotle Mexican Grill** on Wednesday. Taco about bad timing.

In their report upgrading their rating on Chipotle to "overweight," the analysts said the company's new management is delivering, with easy opportunities and a benign competitive environment making its shares primed for gains. One caveat: If the persistent food-safety issues that kept customers away from the burrito chain in recent years recurs, there could be trouble.

Caveats can come at you fast. On Thursday, local health officials said tests showed that people sickened after eating at an Ohio Chipotle restaurant had been infected by food-borne bacteria. Chipotle announced it will retrain its restaurant workers nationwide on food safety starting next week. Its stock fell 4.2%.

New management did deliver, just not exactly what the analysts expected.

For Nvidia, Crypto Isn't Everything

Nvidia has long understood that the cryptocurrency business is one of easy come, easy go. But the last part still smarts a little.

The chip maker began experiencing a run on its graphics processors last year, as booming value of cryptocurrencies sparked a rush to build devices to "mine" them. But that demand has fallen off sharply. Nvidia said sales of crypto-specific products totaled just \$18 million for its second fiscal quarter ended July 29, down from \$289 million in the previous period.

That colored the company's outlook issued Thursday with its second-quarter results. Nvidia projected revenue of \$3.25 billion for the third quarter, which was about 3% shy of Wall Street's estimates. The company said it now assumes no crypto-related sales going forward. Nvidia's shares slipped 4% after hours following the report, after having run up 33% this year already.

Investors should take the change in stride. Crypto was never going to be a stable long-term business for Nvidia. And its impact is small relative to the company's much larger—and better-performing—endeavors.

The company's flagship gaming segment posted a 52% year-over-year jump in revenue to a record \$1.8 billion, while revenue for data centers, a far more important new business for Nvidia than crypto, surged 83%, accelerating from the previous quarter to \$760 million.

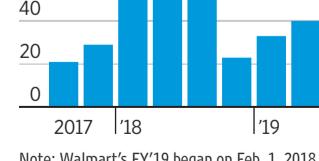
Nvidia's outlook still projects strong double-digit growth ahead. Crypto was a nice boost while it lasted, but investors are better advised to see the bigger picture.

—Dan Gallagher

Walmart's Strong Quarter Isn't Just About the Economy

Heating Back Up

Walmart's e-commerce sales growth, quarterly



Note: Walmart's FY'19 began on Feb. 1, 2018.

Source: The company

THE WALL STREET JOURNAL.

estimates of \$126 billion. Same-store sales increased 4.5%. Analysts had expected an increase of only 2.4%. That sent the stock up more than 9% Thursday.

The company said more consumers were visiting its stores and spending more per trip. True, Walmart has freshened up stores, but a large proportion of the quarter's gain can be attributed to the economy.

Walmart does get credit for strong e-commerce numbers. In a call with analysts, Marc Lore, head of Walmart's U.S. e-commerce business, said the company has redesigned its website, which improved navigation and drove up traffic. Walmart expects a 40% increase in e-commerce sales this year.

The company raised its earnings outlook for the year

to between \$4.90 and \$5.05 a share, from a range of \$4.75 to \$5 a share. That excludes any impact from its pending acquisition of **Flipkart**, the Indian e-commerce company.

The combination of a good economy and strong e-commerce sales should keep the shares aloft, at least for now. Retail stocks have been volatile as investors struggle to make sense of the sector. In just the past two days, Walmart shares had one of their best days in a decade, **Macy's**, which also had good numbers, had its third-worst day on record, and **J.C. Penney**, which didn't do so well, suffered its worst fall since

at least 1972, according to Dow Jones Market Data.

Walmart and Macy's show an important contrast: Walmart was down all year and rose on good numbers, Macy's was up significantly this year and fell on good numbers. Investors are clearly jumping on what they see as the next big growth story.

The risk to Walmart is investors get too excited about growth. Or rising prices cut into profits despite rising sales. Walmart's expenses, particularly its purchase of Flipkart, may weigh on the stock. But those are worries for another day.

—Elizabeth Winkler



R.L. Stine
The author turned fear into a career **M12**

HOMES | MARKETS | PEOPLE | REDOS | SALES

MANSION

THE WALL STREET JOURNAL.

London Redo
The \$1 million makeover **M4**



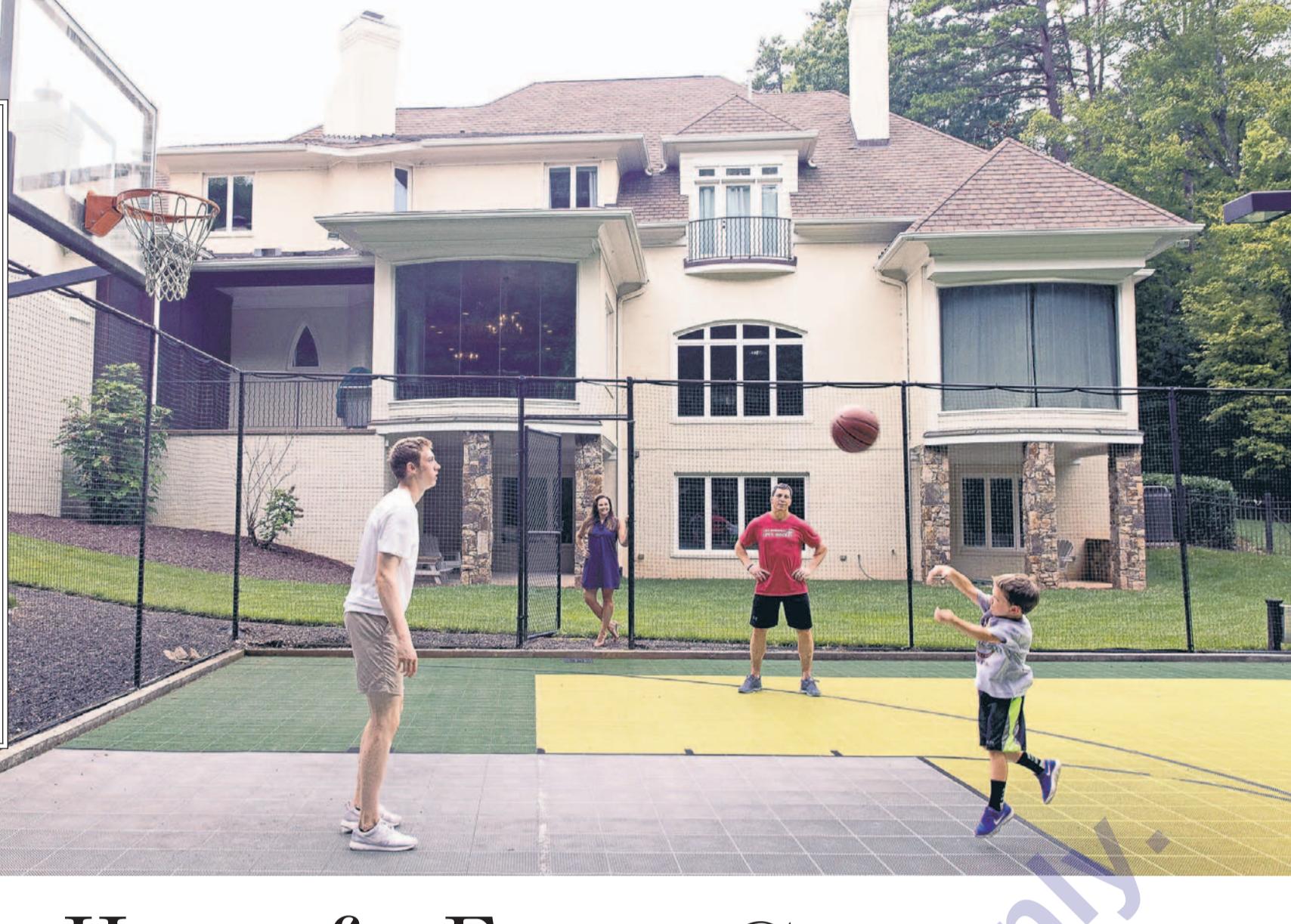
Friday, August 17, 2018 | **M1**

At right and below, Carolina Hurricanes head coach Rod Brind'Amour, in red shirt, with his family on the athletic courts of their Raleigh, N.C., home, which is listed for \$3 million.

WHAT IT COSTS

A basketball/hockey/volleyball facility—with a baseball batting cage and small putting green

Cost: \$80,000



ANDREW SHERMAN FOR THE WALL STREET JOURNAL (2); DYLAN THOMAS FOR THE WALL STREET JOURNAL (LONDON)

Homes for Future MVPs

To give their children a competitive edge, some parents spend thousands on backyard sports facilities—regulation hockey rinks, pro-caliber soccer fields and fully equipped gyms.

By Katy McLaughlin



Sam Schoensee, a 14-year-old in Cape Coral, Fla., has a hectic soccer schedule packed with club practices, tournaments and one-on-one coaching. But his thrice-weekly, 7:30 a.m. training sessions before school are a breeze.

That's because they take place in his backyard, where his parents, Kevin and Nicole Schoensee, spent roughly \$120,000 to build a 93-by-40-foot professional-quality turf soccer pitch behind their 8,135-square-foot home, purchased in 2013 for \$713,000 and renovated for another \$700,000. There, a professional youth soccer coach leads Sam and about five other players his age in drills and other training.

For the Schoensees, the turf field has not only helped Sam become "a ridiculously talented soccer player," according to his dad, it has become a cornerstone of their social life. After training, Sam and his friends all walk to school together. In the evening, "the parents have cocktails while the kids play on the field," said Mr. Schoensee, the 55-year-old owner of an equipment-repair company and commercial real-estate investor.

The Schoensees are part of a trend in youth sports in which wealthy parents build quasi-professional sports facilities at their homes—in some cases because they believe their children have the potential to become college or professional players and they want to do everything they can to help them get there. While tennis courts and swimming pools have long been de rigueur in high-end real estate, more families are building gyms, rinks and courts to help advance their child-athlete's aspirations. Parents say their backyard training facilities cut down on driving young athletes around and give them the extra opportunities for development they need to be on top of their game.

It's happening at a time when celebrities, executives and pro athletes are increasingly vocal

Please see page M6

BEST SHOT

\$320 million was spent on private sports facilities in 2017. Here's an estimate of spending in some major sports:

Football
\$92.9 million

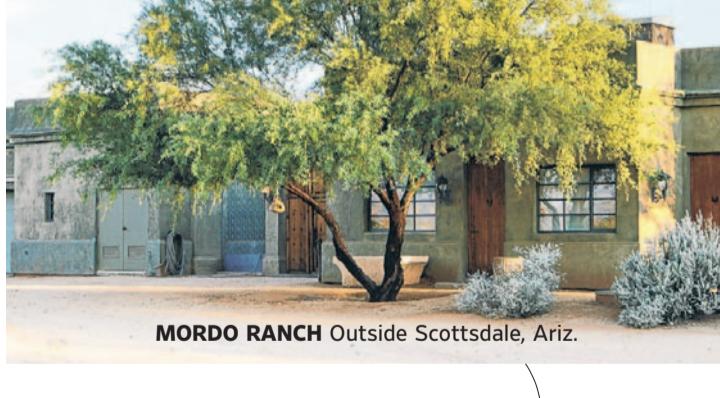
Baseball
\$60.8 million

Hockey
\$28.8 million

Basketball
\$22.4 million

Soccer
\$9.6 million

Source: WinterGreen Research



MORDO RANCH Outside Scottsdale, Ariz.

PRIVATE PROPERTIES

Two Ranches For Big Buckaroos

By Candace Taylor



HORSETHIEF BASIN Outside Lewistown, Mont.

WALT DANLEY REALTY (4)

FOR \$50 MILLION, aspiring cowboys can buy two Western ranches—in different states—listed together as a "Cowboy Life-style" package.

Financier Mort Fleischer and his wife, Donna, are looking to simultaneously unload both of their homes: a nearly 100-acre Arizona ranch outside Scottsdale, and a roughly 7,000-acre property in Montana. In an unusual move, Mr. Fleischer is listing the properties together. "This is a package," he said, "and it's all ready for a buyer to come and say 'OK, I'd like to live like Mort and Donna.'"

Mr. Fleischer, co-founder of the real-estate investment trust Store Capital Corp., said he loved watching cowboy movies as a child. "I always wanted to be a rancher," he said.

The couple travels between the two properties by private plane. Mr. Flei-



Nearly 100 acres set in the Sonoran desert
Roughly 8,700-square-foot Argentine Estancia-style house built in the 1990s
Antler chandeliers, taxidermy, stone fireplace, saddle and gun room to display Western memorabilia
15 horses
A separate structure houses California Impressionism and Russian art
Outdoor shooting range, sauna/steam room; swimming pool; tennis court

PROPERTY SIZE

ARCHITECTURAL STYLE

DECOR

ANIMALS

NOTABLE OUTBUILDINGS

SPORTING AMENITIES

About 7,000 acres set amid grasslands and forest

Roughly 8,000-square-foot log cabin built in the early 2000s

Antler chandeliers, taxidermy, stone fireplace, saddle and gun room to display Western memorabilia

About 500 head of cattle

Two guest houses

Outdoor shooting range, sauna/steam room; trophy game hunting

scher said they've enjoyed the combination of proximity to Scottsdale—with its shopping, golf and other amenities—and an area of Montana that feels like the Old West.

The Arizona ranch, MorDo, is a combination of the couple's names, "and the joke was you had to have more dough to buy it," Mr. Fleischer said. Horsethief Basin Ranch is about 180 miles from Bozeman outside the small town of Lewistown, which Mr. Fleischer said looks like it's "out of a Western movie." Mr. Fleischer said they are selling because at age 81, he's no longer able to "chase cows and herd cattle." The Fleischers plan to relocate to another home in Scottsdale.

The offering is being listed by Christie's International Real Estate and its exclusive affiliates Walt Danley Realty in Scottsdale and PureWest Real Estate in Bozeman.

Please see page M10 for more photos

PRIVATE PROPERTIES

Former Ballplayer Wally Joyner Lists Utah Property for \$7.9 Million

AFTER RETIRING FROM Major League Baseball in 2001, first-baseman Wally Joyner built a Utah home devoted to a very different sport: horseback riding. His equestrian estate includes a combination house and horse barn spanning some 45,000 square feet.

Now Mr. Joyner is looking to ride off into the sunset, putting the 40-acre property on the market for \$7.9 million.

This Wally World is located in the small city of Mapleton, about an hour's drive from Salt Lake City. Mr. Joyner and his wife, Lesley, a horse enthusiast, built the home in 2002 after moving from San Diego, where Mr. Joyner had played for the Padres. At the front of the structure are the living quarters, measuring about 7,300 square feet with three bedrooms. In back are the equestrian facilities, including 22 stalls and a roughly 18,600-square-foot indoor riding ring, plus an office and kitchen. Outside there's another riding arena, plus various corrals and pastures.

Ms. Joyner is a competitive rider, and the couple's four daughters also grew up participating in the sport. As for Mr. Joyner, he said he loves horses but doesn't ride, although he has used the indoor arena to play



Wiffle ball, and can also be found hitting golf balls in the pasture. Right now the Joyners have four horses on the property, which also has riding trails.

The Joyners combined the barn and house into one structure for zoning reasons, but he said the arrangement is beneficial in rain or snow. The horses themselves also avoid exposure to the elements by exercising in the indoor arena.

"We can close everything and not see the snow or cold," Mr. Joyner said. "We could stay in that building for three months if we wanted to."

Listing agent Kerry Oman of Summit Sotheby's International Realty said it's unusual for a home and horse facilities to be under the same roof. But when inside the Joyner home, "you don't realize you're next to an indoor horse facility" and "you can't smell anything."

Inside the house, there's a large gym where several of Mr. Joyner's jerseys are on display. Photos and memorabilia from his baseball career also line the walls of his office. A game room has a wet bar and window for observing the indoor horse arena. Outdoors, the property has a fire pit, barbecue and a hot tub located outside the gym. "It's fun to jump into the Jacuzzi when it's



snowing," Mr. Joyner said.

There are two man-made ponds, one with a waterfall.

The property is located at the foot of Maple Mountain and abuts Forest Service land, which provides easy access to nature trails for hiking and horseback riding.

With their daughters grown, the Joyners want to downsize, said Mr. Joyner. They have a winter home in Cabo San Lucas, Mexico, but will spend much of the year in Utah. He added

they'll still have the horses at the new property. "It'll just be a smaller version of what we have," he said. "I think my wife would board me before she would board the horses."

Mr. Joyner, 56, played in the major leagues for 16 years, becoming an All-Star for the California Angels in 1986. He has since worked as a coach and been involved in a number of business ventures, including the equipment-leasing company Onset Financial.

—Candace Taylor

FROM LEFT: JOHN RAOIX/ASSOCIATED PRESS; SUMMIT SOTHEBY'S INTERNATIONAL REALTY

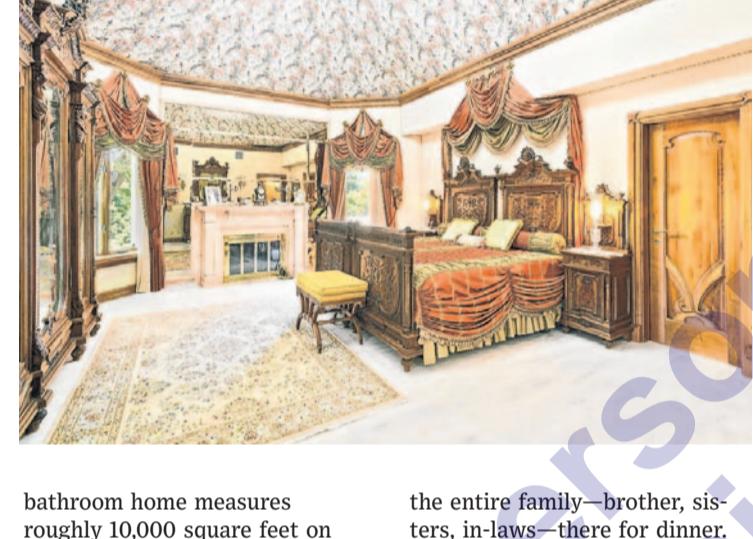
Brooklyn Mansion Seeks \$15 Million

AN ITALIAN-INSPIRED home in Brooklyn is coming on the market for \$15 million, making it one of the most expensive properties ever listed in the New York City borough.

Located on Shore Road in Bay Ridge, the home is owned by Sicilian immigrant Carmelo Giuffre, 83, founder and CEO of Bram Auto Group, which operates 21 auto dealerships in Brooklyn and New Jersey.

The story of his purchase of the home is Giuffre family legend, according to his son, John Giuffre. When his mother, Marianna Giuffre, and father first arrived in Brooklyn in the 1950s, Mrs. Giuffre marveled at the home as they walked by it during a day at the shore. Years later in 1983, after Mr. Giuffre had built his auto dealership business, he secretly approached the owner to buy the house, then handed the keys to his wife as a surprise. "It's really the American dream," their son said. He declined to say how much his father paid for the home.

The seven-bedroom, seven-



RISE MEDIA

bathroom home measures roughly 10,000 square feet on about half an acre, with views of the Hudson River as well as the Verrazano-Narrows Bridge.

The Giuffres brought artisans from Italy to paint murals depicting classical scenes on the ceilings and lay marble for the window sills and latticed balconies. The woodwork and the fabrics covering the walls were imported from Italy, Mr. Giuffre said. The grounds include a 50-foot gunite pool and a bar area with a full kitchen.

Mr. Giuffre said his parents are selling because they've been spending more time in Florida and don't need such a large home in New York. He said the sale will be bittersweet.

"Every single Sunday, we have

the entire family—brother, sisters, in-laws—there for dinner. My wonderful mom cooks up a storm. You can't go to a restaurant anywhere in the world and have better food."

If the property sells for its full asking price, it would tie as the third most expensive home ever sold in Brooklyn. The record price for a Brooklyn home is \$15.5 million; that benchmark has been hit twice, once by the sale of a Brooklyn Heights townhouse to actors Jennifer Connolly and Paul Bettany earlier this year, and in 2015 by the sale of a home on Pacific Street.

Evan Church, Chris Cavorti and Marvin Chu of the Corcoran Group's Forray Group have the listing.

—Katherine Clarke

DJ David Guetta Buys Miami Beach Condo for \$9.5 Million

FRENCH DJ AND music producer David Guetta has purchased a \$9.5 million Miami Beach condo, according to his real-estate agent, Michael Wiesenfeld of Barnes International Realty.

Public records show the previous owner was New York real-estate billionaire Richard LeFrak. Mr. Guetta bought the unit in an off-market deal that closed in June, according to Mr. Wiesenfeld.

The three-bedroom, three-bath condominium is located on the 37th floor of the Setai Hotel & Residences, a 40-story high-rise with panoramic views of the Miami skyline and the ocean. Mr. LeFrak paid \$6.75 million for the unit in 2012, property records show.

When Mr. Guetta couldn't find exactly what he wanted on the market, he made offers to several people who lived in units with similar vantage points to Mr. LeFrak's at the Setai, according to Mr. Wiesenfeld.

Mr. Guetta, 50, liked that the 2,521-square-foot unit had three exposures, meaning he could see the lights of the city at night and

the ocean during the day, his agent said.

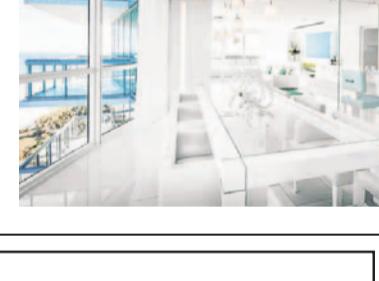
Since the DJ will only be using the home a few weeks a year, he will be renting it out most of the time, Mr. Wiesenfeld said.

The Setai allows short-term rentals and extended stays, and Mr. Guetta's unit will be available for rent throughout the year for \$10,000 to \$28,000 a week, or \$25,000 to \$50,000 a month depending on the time of the year, he said.

Mr. Guetta wasn't immediately available for comment, and a spokesman for Mr. LeFrak declined to comment.

Lourdes Gutierrez of Compass represented Mr. LeFrak.

—Katherine Clarke



FROM TOP: RUNE HELLESTAD/GETTY IMAGES; EMILIO COLLAVINO

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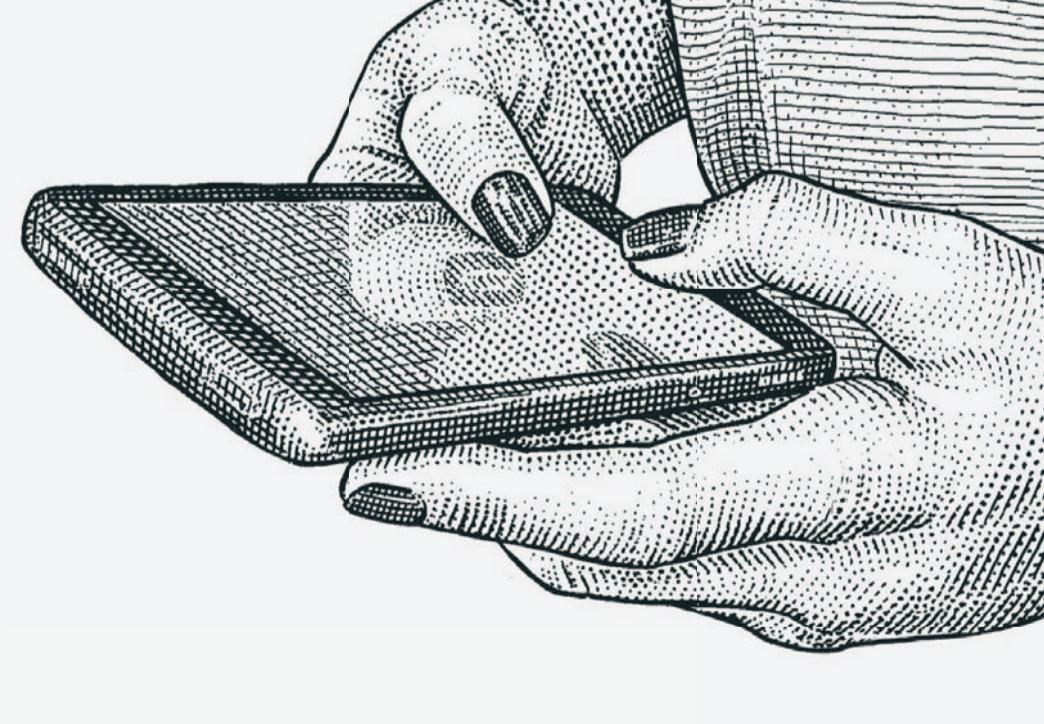
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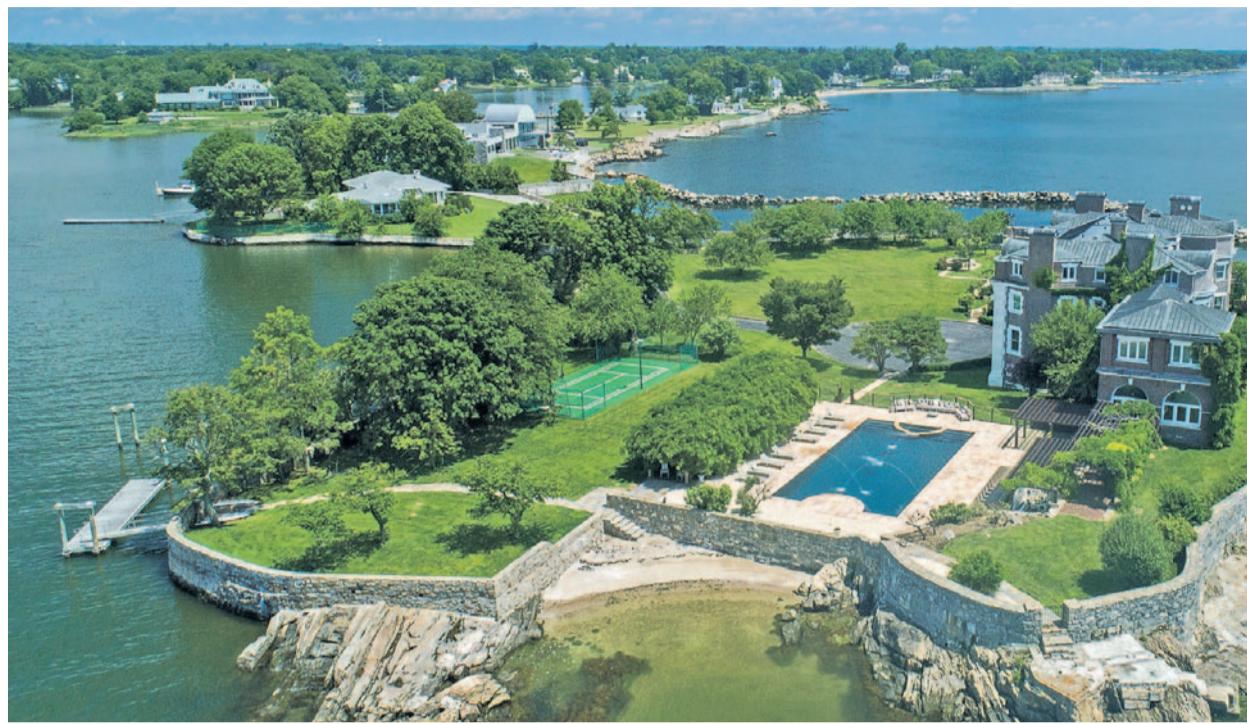
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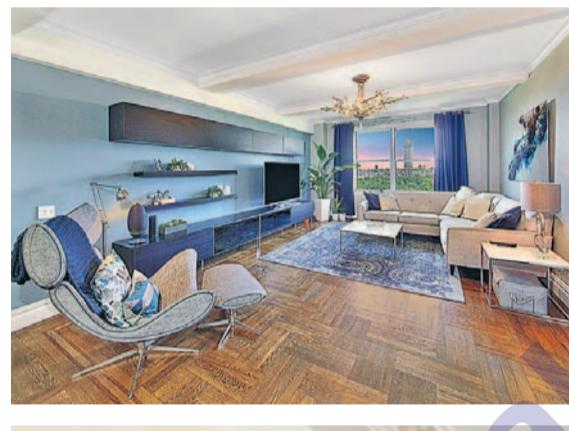


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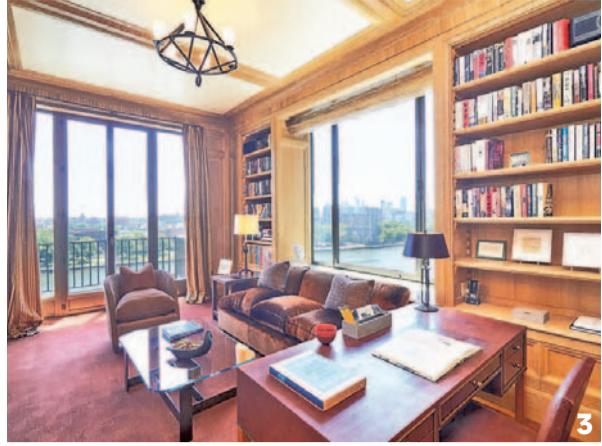
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Joanne Greene 212-906-9341



15. Grand Italianate on S Portland
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16. Beautiful Historic Townhouse
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ANNOTATED ROOM

Plunge Into a Warm Bath

Designer Cynthia Hart created a 'hers' master bathroom in her home using contrasting Carrara patterns that show off the view

By LISA SELIN DAVIS

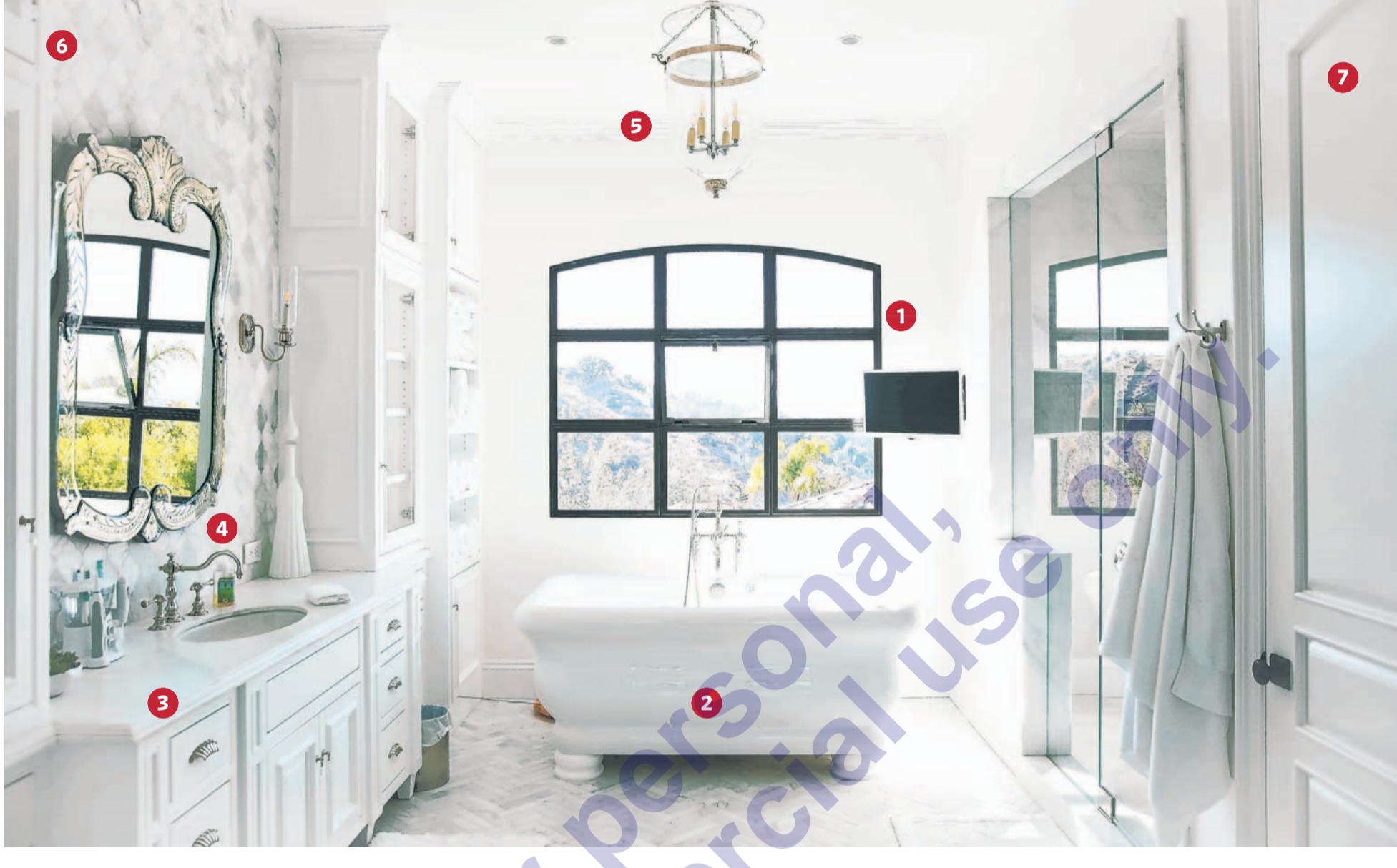
Los Angeles-based designer Cynthia Hart has been reinventing homes for clients for the past 25 years, but every once in a while she does a little something for herself. In 2014, she and her husband, Robert, founder, president and CEO of TruAmerica Multifamily, purchased a 7,500-square-foot 1980 house in the Mulholland Estates Community of Beverly Hills that they reconfigured into a four-bedroom, eight-bath home. It had a beautiful view, an incredible location and an unfortunate aesthetic.

"It was a poor mix of architectural styles," said Ms. Hart. "It was

traditional Tuscan and French all jumbled up into one structure. I had to re-create the look of the house entirely."

One room she took as her own: the 235-square-foot "hers" master bath. Her husband has his own. "It's got everything that I think would be in the ultimate bathroom," said Ms. Hart. "It's bright, it's white and clean, but it's soft. It's not cold in any way." The cost was about \$75,000.

She described the home overall as "Santa Barbara meets Beverly Hills" since its renovation. "It's a Spanish Mission-style home, which is elegant but not opulent, with clean lines," she said. The look is intended to be timeless, easily accented to shift the aesthetic. "The design would fit into anybody's day-to-day," she said.



YANIRA SCALISE

1. Because the view was the room's best asset, Ms. Hart replaced the original window with a 68-by-56 steel window with an oil-rubbed bronze finish, custom-made by Riviera Bronze company. "There's a lot of nature and natural light that comes through," she said. "That is the room's backdrop. I was inspired by a luxurious, Zen feel from the view you would face every day and put you in a good mood." She chose not to add window treatments.

Price: \$12,000

2. The white Donatello Maestro free-floating tub is positioned to allow the bather to enjoy the view. It is paired with Amelie High Profile

lever faucets in nickel finish by Waterworks. The same fixtures are in the sink and shower.

Prices: Tub, \$8,000; fixtures, \$5,000 to \$8,000

3. Set in a white lacquer vanity by Simi Valley's S.J.S Cabinets, the sink is a Kohler Caxton oval undermount in white. The German silver shell-design drawer pulls and crystal knobs are from Klaffs.

Prices: Sink, \$300; vanity, about \$25,000; pulls, \$5 to \$8 each

4. "I used an antique Venetian mirror to soften things," said Ms. Hart. The 4-by-3-

foot piece from the 1950s came from North Hollywood's Castle Antiques and has "scrolling carvings and etchings, with beveled mirrored overlays," Ms. Hart said.

Price: \$3,000

5. The light fixtures are from Remains Lighting. The custom-made Hurricane chandelier is based on the company's Bell Jar design. The custom, limited-edition sconces in German silver finish are inspired by, and made from, a faceted antique mirror and have a solid brass backplate.

Prices: Chandelier, \$3,000; sconces, \$2,500 each

6. Carrara marble covers the counters, walls and floors, with each surface cut into a different pattern that takes advantage of the natural variations of the stone. The tiles were cut to Ms. Hart's specifications by Mission Tile in Pasadena, Calif. The wall tiles have an arabesque design, while the floor has a honed herringbone. "It's very soft and almost looks like a carpet," said Ms. Hart.

Price: About \$25 to \$30 per square foot, depending on the pattern

7. Ms. Hart painted the room in Farrow & Ball's Wimborne White.

Price: \$110 a gallon

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A Townhouse's Best Feature: Its Location

Smitten with the London neighborhood of Camden Town, a couple bought a dilapidated Georgian property and spent over \$1 million—and three years—to enlarge and update it inside and out

BY RUTH BLOOMFIELD

Angie and Neil Morgan often socialize in central London. But, with a home 50 miles away, their evenings often ended with a frustrating dash to catch the last train home.

Their solution was to buy a getaway in the British capital, an investment that also checked off an important bucket-list box for Mrs. Morgan. "I have never lived in London before, and I wanted to experience it," she said.

The couple was also ready to change things up. With their family grown up—between them they have four 20-something children—they were no longer tied quite so tightly to their home in the market town of Thame, west of London.

In 2014 the Morgans bought a two-bedroom, one-bathroom apartment in the Marylebone neighborhood of central London. But they didn't adapt well to apartment living; in particular the lack of a backyard. "The problem was that we had this apartment but I never really wanted to go there because our other house was so much nicer," said Mrs. Morgan.

The solution was to trade up, buying a grand but rundown townhouse that they have spent the past three years restoring.

They chose the house, in part, because they loved its location in the lively Camden Town neighborhood, 2 miles north of the city center. And it possessed the two hallmarks of Georgian architecture: huge windows and high ceilings.

The property, built in 1845, had been owned by the same family for several decades, however, and was very dilapidated. The basement was damp, walls were cracked, and the kitchen appeared to date from the 1970s.

Nonetheless, in 2015, they paid \$2.68 million for the 2,039-square-foot property, which had two bedrooms and one bathroom set over three stories, plus a backyard. The property came with a self-contained one-bedroom, one-bathroom apartment at basement level, which was a major attraction. "It is very unusual to find a whole house like this, where you can control who is living below you," said Mr. Morgan.

At the start of 2016, Mr. and Mrs. Morgan, who are 58 and 57, engaged the services of InsideOut architects to help bring the house back up to date. As well cosmetic improvements they hoped to increase the size of the ground floor—where the kitchen and living room are located—and open up the back of the house to improve access into the backyard.

Because of the age of the heritage house, obtaining building permits was a slow, circuitous process. It wasn't until May 2017 that the nine-month project—which cost over \$1 million and has increased the size of the property to 2,295 square feet—could begin.

The main structural work was carried out underground. The basement apartment was extended to create space for a second bedroom and bathroom by excavating outward into both the backyard and beneath the sidewalk. The back of the house was reconfigured to allow more light down into the basement apartment's light well, and a rear addition with sliding glass doors was built to create more communal space.

The couple, who are directors of engineering firm Good Fabrications, which builds high-performance exhaust systems for race cars, and James Barrett, project architect, were eager to expose as much of the original house as possible. Original floorboards were sanded, stripped, painted and oiled, resulting in a soft white hue with the grain of the wood subtly showing through.

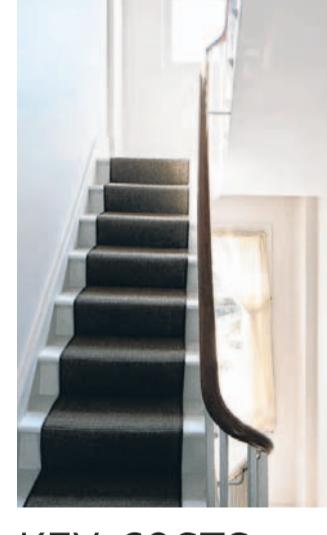
The addition was built using a pale Danish brick, which echoes the original brickwork of the house and remains exposed within the addition. "The idea is that you can still read the original building," said Mr. Barrett.

The retro kitchen was removed, and new cabinets have been painted in an almost-black, which contrasts with the white quartz counter-tops and pale-gray walls.

The entire first floor, previously used as living rooms, is now taken up by the master bedroom. Renovating this space brought up



DYLAN THOMAS FOR THE WALL STREET JOURNAL (7)



KEY COSTS

Site prep, foundation, demolition

\$60,000

Roof, ceiling repairs

\$40,500

Basement waterproofing

\$26,000

Addition

\$33,500

Framing, carpentry, walls and floors

\$101,000

Kitchens

\$22,500

Wiring and lighting

\$87,000

Fireplace and surround

\$9,500

Windows and window treatments

\$68,500

Landscaping

\$29,000

Fees and insurance

\$184,000

Misc. / taxes

\$345,000



From the top, Angie Morgan in the backyard; a row of Georgian townhouses; one of the home's five bedrooms; quartzite countertops in the kitchen. Insets, the original staircase, a bathroom and the Morgans on the terrace.

some happy discoveries. Not only had the original cornicing survived but so had the wooden window shutters. Workmen also restored a marble fireplace that had, inexplicably, been painted over.

The master bathroom is pure drama, with a black feature wall and the shower and contemporary oval free-standing bathtub set side by side upon a white marble plinth.

The top floor has space for two guest bedrooms plus a second bathroom which, when the basement apartment is added in, means the property now has five bedrooms and four

bathrooms. The couple will shortly be joined in London by one of their daughters, who has just landed a teaching job and will move into the basement.

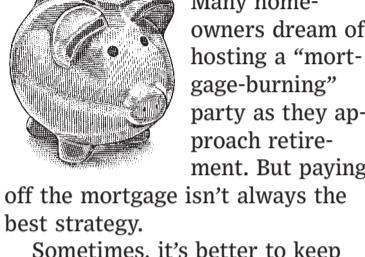
Despite the improvements, Mr. Morgan is pessimistic about whether the house is worth what has been spent on it. "The market has been so slow over the past few years that I doubt even a developer would have been able to make any money out of it," he said. "It doesn't matter, of course, because we aren't developers. We wanted a house in London which suited us and we now have it."

MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

When Should Retirees Pay Off The Mortgage?

Many people dream of getting rid of their mortgages as they retire. But it's not always the best idea. Here's how to decide what to do.



Many homeowners dream of hosting a "mortgage-burning" party as they approach retirement. But paying off the mortgage isn't always the best strategy.

Sometimes, it's better to keep that money in the bank for other purposes, such as building retirement savings or paying down higher-interest debt. In other cases, paying off a mortgage makes sense, especially when you have ample retirement savings and plan to stay in the home for a while. The analysis depends on the terms of your mortgage, the amount of your savings and your expected retirement income.

"It's absolutely imperative to run the numbers," says Catherine Collinson, president of Transamerica

Center for Retirement Studies, a division of Transamerica Institute, a nonprofit private foundation funded by Transamerica Life Insurance Co. "Every case is a little different."

An increasing number of Americans are facing decisions about what to do with their mortgages as they retire. Baby boomers are swelling the ranks of retirees, and more older homeowners are carrying mortgage debt than in the past. More than 40% of homeowners 65 and older had mortgage debt on their primary residences in 2016, up from 22% in 1995, according to the Joint Center for Housing Studies of Harvard University.

The change has happened for a number of reasons, experts say. Baby boomers as a generation have tended to be less debt-averse than their Depression-scarred parents, says Jennifer Molinsky, Ph.D., a senior research associate at the



Joint Center. And, of course, while interest rates are rising, they are still low by historical standards.

"Holding debt in the 1980s when rates were in the teens is a lot different than holding it now," Ms. Molinsky says.

So how should homeowners approaching retirement evaluate whether to pay off their mort-

gages? Experts point to several considerations.

If you plan to live in your home for a while or to age in place, then paying off your mortgage can bring peace of mind. "If you're able to afford to pay off the mortgage, and you'll have all the retirement assets you'll need, you might just feel better paying off the

mortgage, and that's OK," says Jamie Hopkins, director of the Retirement Income Program at the American College of Financial Services. "There are benefits because it does help with cash flow."

That's especially true if the interest rate on your mortgage is much higher than the return you're getting on your investments. For example, if you're investing in certificates of deposit earning an interest rate of 2%, it makes more sense to use that money to pay off your mortgage if the interest rate is higher, Mr. Hopkins says.

However, if your retirement plans are not fully funded or you lack sufficient savings or emergency funds, keep that cash in the bank and leave the mortgage as is. If you're not sure you have enough stashed away, consult a financial adviser.

"Most people are better off saving in a tax-deferred vehicle, such as an IRA or 401(k)," Mr. Hopkins says. "The tax deductions are better that way too."

TIPS | WHAT SOON-TO-BE RETIREES SHOULD CONSIDER

Make a plan

According to the Transamerica Center for Retirement Studies, only 11% of workers over age 65 have a written strategy or financial plan for retirement. "The fact that so few people have a written financial strategy is quite alarming," Ms. Collinson says. "Once you enter retirement, if you find out you don't have the income you expected or have some surprise financial shock, it's extremely difficult to get back into the workforce." A written financial plan for retirement is like a reality check to ensure you're financially ready to retire. Other-

wise, you risk outliving your savings.

Explore refinancing

If you'd like to reduce your mortgage payment, but not pay off the mortgage entirely, you can lower your monthly payments by refinancing and extending the life of the loan. You may be able to lock in a lower interest rate.

Don't touch retirement funds

While it's not a bad idea to use low-earning savings to pay off a higher-interest mortgage, that only applies if you have more than

you need for retirement and emergencies. It does not apply to retirement accounts such as IRAs or 401(k) plans. "Most Americans generate their income in retirement from social security, a 401(k) or IRA," Mr. Hopkins says. "Should we be taking large withdrawals from them to pay down a mortgage? The answer is no." That's because you may be subject to a tax penalty of 10% for early withdrawal if you take funds out of an IRA to pay off your mortgage before you turn 59½. And, of course, you'll be depleting your retirement fund.

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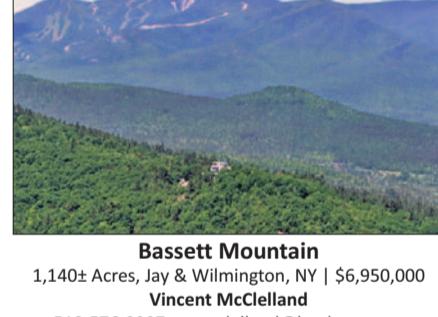
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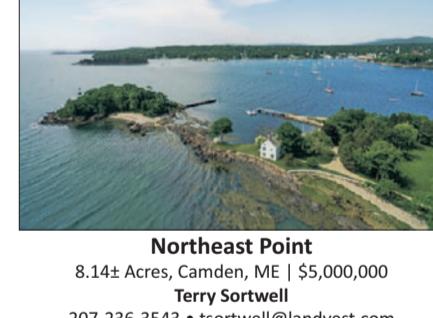
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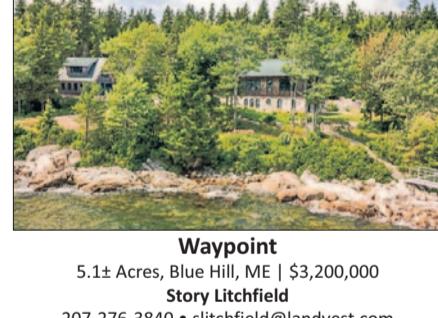
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Continued from page M1
about their ambitions for their children in sports. Technology executive Scott McNealy listed his Palo Alto, Calif., estate for nearly \$100 million in June, touting the home's enclosed ice-hockey rink, 110-yard golf green and indoor gym that he says helped develop his four sons into top college and professional athletes.

Rod Brind'Amour, head coach of the Carolina Hurricanes who played 20 seasons in the NHL, spent roughly \$80,000 to install a volleyball/basketball/hockey facility—with a baseball batting cage and small putting green—in the backyard of his custom home in Raleigh, N.C., about 10 years ago.

The volleyball court was installed for his daughter, Briley, who is now 20 and plays volleyball at James Madison University. A hockey portion has synthetic ice—not freezing arenas here—and allows Mr. Brind'Amour's oldest son, Skyler, to practice shooting when he is home. (Skyler Brind'Amour, 19, was selected by the Edmonton Oilers in the 2017 NHL draft.) The youngest child, 6-year-old Brooks, horses around

Family-friendly features like the gym could actually help at resale in some neighborhoods.

on all the equipment. Only 17-year-old Reece is not into sports, said Mr. Brind'Amour, who is 47.

The Brind'Amours are looking to downsize as the older children leave home, and they listed the 11,884-square-foot house in May for \$3 million. In their next home, Mr. Brind'Amour said "100% we will do a facility like this again," geared to whatever sports Brooks becomes interested in.

Youth sports facilities spending in the U.S. and Canada hit \$3.6 billion in 2017, with \$320 million of that spent on private facilities in private homes and residential communities, according to WinterGreen Research, a market-research firm in Lexington, Mass.

"This is a huge, huge thing for rich people to build for their kids," said WinterGreen's president Susan Eustis.

Demand for at-home practice facilities has created a lucrative



niche for brands like UltraBaseSystems in St. Petersburg, Fla. These permeable, interlocking panels create a shock-absorbing base under turf. President David Barlow said in the past couple of years, he has provided panels for roughly 12 private homeowners building soccer or lacrosse pitches. One of his designers, Joe DeShayes, owner of DeShayes Dream Courts in Cherry Hill, N.J., builds about 55 courts and 12 golf greens a year. Another designer built a \$150,000, 2,000-square-foot golf green for a client's 12-year-old son, he said.

Custom Ice in Burlington, Ontario, said some customers have spent \$2.5 million to \$4 million to build enclosed, regulation-size hockey rinks. "I call sports today 'high-school pro,'" said vice president Glenn Winder.

Real-estate agents often say that owners who put highly individualized or specialty features in their homes risk losing money when it comes time to sell.

Abby and Mason Phelps thought about this while including a basketball gym in their roughly 12,000-square-foot home in Chicago's Lincoln Park neighborhood. "We made sure the dimensions of the court are bigger than a racquetball or squash court so it can be reformed," said Mr. Phelps, 39, a derivatives trader who played volleyball in college.

Jill Silverstein, a real-estate agent who specializes in luxury homes with Dream Town Realty, said that a family friendly-feature like the gym could actually help at resale in this neighborhood. Elissa Morgante and Fred Wilson, the architects who designed the Phelps home, said the gym accounted for roughly \$350,000 of construction costs in 2014. Ms. Silverstein, who hasn't been inside the Phelps house, estimated that a comparable home could sell for roughly \$6.5 million to \$7 million if it were listed today.

The couple didn't even have children when they began designing the home, but today they have three. Ms. Phelps, 38, who owns two Pilates studios, said sports are important to both her and her husband, but it remains to be seen if their children will embrace them.

"When we first put our 2-year-old down there, she walked to the free-throw line and read a book," said Mr. Phelps with a chuckle. "But we're still hoping that they grow into athletes."

CLOCKWISE FROM TOP: ALEXIA FODERE FOR THE WALL STREET JOURNAL (3); FLORIDA: BOB STOJO FOR THE WALL STREET JOURNAL (3); ILLINOIS: ANDREW SHERMAN FOR THE WALL STREET JOURNAL (6)

Training mode

Sam Schoensee, 14, third from the left, works out with three fellow players at his family's Cape Coral, Fla., home. The field hosts regular training sessions.

What it cost

Their 93-by-40-foot professional-quality turf soccer pitch cost \$120,000



Kevin and Nicole Schoensee's home in Cape Coral, Fla., above, with a soccer pitch in the backyard. Soccer players' parents often hang out at the pool, below, while the kids train.



Courtside

Abby Phelps, with Madeleine, Audrey and Miller, watch practice from a playroom, left. Above, Ms. Phelps and the children on the court.

What it cost

Indoor basketball gym cost roughly \$350,000 in 2014



Home gym

Mason and Abby Phelps have a gymnasium in their roughly 12,000-square-foot home in the Lincoln Park neighborhood of Chicago, right.

If a comparable home were to go on the market today, it would list from \$6.5 million to \$7 million, one agent estimates.



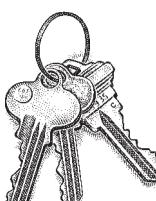
Ready to play

Rod Brind'Amour's Raleigh, N.C., home, top, was custom built in 2002. Above, the kitchen and one of the children's bedrooms. Left, a spiral staircase overlooks the foyer.

The 11,884-square-foot home is on the market for \$3 million.



MANSION



Research has shown that property next to power lines comes at a discount. Just how much of a discount, though, is a little shocking.

A recent study in the Journal of Real Estate Research by College of Charleston assistant professors Chris Mothorpe and David Wyman, finds that vacant lots adjacent to high-voltage transmission lines sell for 45% less than equivalent lots not located near transmission lines. Non-adjacent lots located within 1,000 feet of transmission lines sell at a discount of 18%.

Previous studies have similarly found that proximity to power lines lowers real-estate values, but Prof. Mothorpe says most of these analyses have looked at lots with homes already built, which, he notes, complicates the question.

"You could have similar lots with similar views but different houses, and the pricing impact would be different because the housing structures would be different," he says. "So by just focusing on vacant land, we were able to not have to deal with those kind of issues."

Assuming a market where land represents 20% of a home's overall value, the 45% decrease translates to a drop in total property value of around 9%, the authors note.

The researchers also developed a "Tower Visibility Index" that Prof. Mothorpe says accounts for not only a lot's proximity to a transmission line but also whether features like trees or hills hide the line from view.

"Even if the tower is within 1,000 feet, if it's behind a big hill, I might not even know it's there," he says, which would lessen the tower's impact on a property's value. "There's that idea of out of sight, out of mind."

For their analysis, the professors used sales data from 5,455 vacant lots sold between 2000 and 2016 in Pickens County, S.C., where a network of high-voltage lines transmits electricity from the Oconee Nuclear Station.

Prof. Mothorpe suggests three main factors driving the discount: health concerns associated with proximity to high-voltage lines (though, as the authors note, researchers have not established solid links between proximity to power lines and health issues); the unattractive views; and, for properties very close to the lines, the humming sound they produce.

"It's hard [based on the study data] to distinguish between the three," he says. "But my intuition tells me the visual [component] is the largest of the three."

At almost 50% off, maybe it's worth just looking the other way.

SPREAD SHEET | ADAM BONISLAWSKI

How Power Lines Can Fry Property Values

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KERRY HYNDMAN

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decrease in overall property value of a house adjacent a power line

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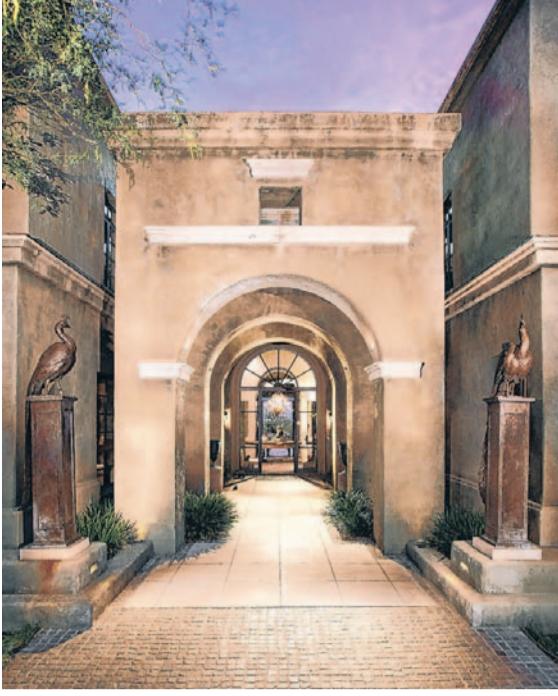
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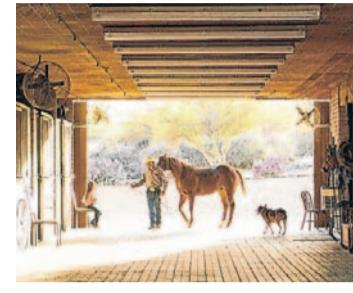
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The front of the Arizona ranch, left. Below, the ranch currently has about 15 horses on it.



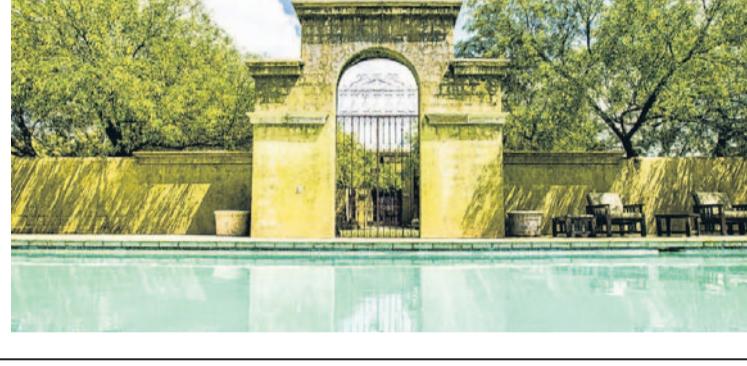
Two Ranches For Big Buckaroos

Continued from page M1



HORSE-THIEF BASIN

The 7,000-acre Montana ranch is set in grasslands. Also pictured, the main house and the stone fireplace.



The Arizona ranch was built in the 1990s in the Argentine Estancia style. At right, the pool, which is located next to the tennis court.



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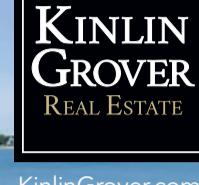
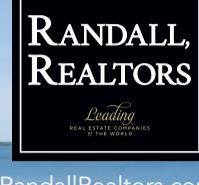
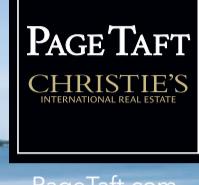
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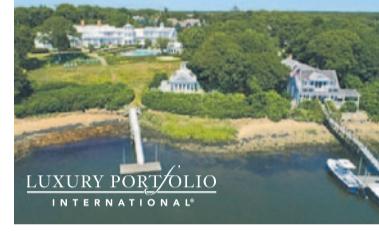
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HOUSE CALL | R. L. STINE

A Lifetime of Goosebumps and Laughs

The author of children's horror fiction spent his Ohio youth writing funny stories and reading scary comics

I was a fearful kid. We had this meat freezer in the basement of our house. It was white enamel and long, like a coffin. I dreaded being asked to go down to bring up some lamb chops. I was afraid I'd find a frozen corpse in there.

I was scared of a lot of things growing up in Bexley, Ohio. I was always afraid something or someone was lurking in a closet or the garage. It was a horrible way to grow up.

My fear had a lot to do with my parents. They constantly warned me not to do things. They'd say that if I went swimming, I'd drown. Or if I played sports, I'd break a leg.

We lived in a tiny white brick house. Most of the people in the area were rich and lived in mansions. We were unbelievably poor. We lived on the last block in town, near the railroad tracks.

We had no money of any kind. My father, Lewis, loaded and unloaded boxes from trucks at a local factory. I had to wear my cousins' hand-me-downs to school. I had some friends, but I was very shy.

My wife, Jane, says I was an only child who had a brother and sister. I was the oldest and didn't notice them too much. My brother, Bill, is three years younger than me. We shared a room that my dad had added at the top of the house. The eaves were so low we couldn't stand up straight in there.

Humor kept me out of trouble with bullies, but the teachers thought I was a smartass. Teachers didn't encourage me. They begged me to stop.

Bill and I had beds on either side of the room. At night, we used to tell each other scary stories. When it was my turn, I'd get to the scariest part and say, "OK, that's enough for tonight." He'd be furious.

My father worked all the time. When he was home, he didn't pay much attention to us. Later, he never read a word I wrote. My mother, Anne, worshiped me, but she was off the wall. When I was in junior high school, I realized I was the adult.

I loved horror comic books. At first I'd buy issues of "Tales From the Crypt," "The Vault of Horror" and "Witch's Cauldron" off the rack at the nearby drugstore. But my mother wouldn't let me bring them into the house. So I'd get a haircut every Saturday and read the barbershop's scary comics. I wound up with less hair than I have now.

When I was 9, I was in our attic and discovered a Remington typewriter. I lugged it down to my room and began writing funny stories. I'd be in there all the time typing stories. My parents didn't understand that. Finally, my mother demanded I go outside and play.

I only cared about being funny. In school, I passed around my little comic books: "From Here to Insanity," "The Giggle Book" and "Whammy." Humor kept me out of trouble with bullies, but the teachers thought I was a smartass. Teachers didn't encourage me. They begged me to stop.

After graduating from Ohio State, I drove to Manhattan in my white Corvair. I sold it for \$400 as soon as I arrived and moved into an apartment in Greenwich Village.

My first job was writing fake celebrity news for a woman who published six movie magazines at her townhouse on West 95th Street. I never saw her out of her brown bathrobe. Three of us came each day to write. She'd tell me to write an interview with Jane Fonda or Diana Ross. There never were any interviews. We were expected to make it all up.

After a long string of writing jobs, I wound up at Scholastic. The publisher had launched Dynamite, a magazine for kids. It was so successful I was asked in 1975 to launch Bananas, a humor magazine for teens.

In 1984, when Bananas folded, I began freelancing. I wrote Bazooka Bubble Gum jokes for \$25 a shot. I also wrote all kinds of joke and adventure books. One day in 1986, I had lunch with an editor who arrived angry. She had a fight with an author. She urged me to go home and write a scary book for teens called "Blind Date." I finished it in three months. When the book came out, it was a No. 1 children's best-seller. My second, "Twisted," also went to No. 1.

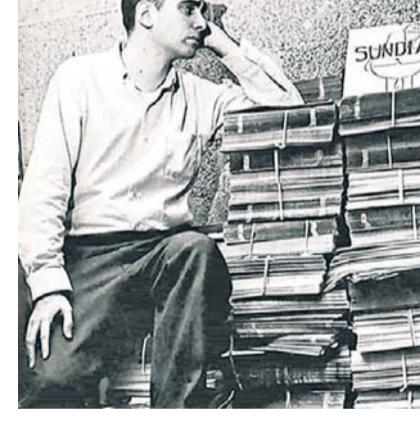
I began writing the Fear Street series for teens at Parachute Publishing, an imprint my wife, Jane, and her business partner, Joan Waricha, co-founded. Jane and I had married in 1969, and she was my editor.

One day, Jane and Joan suggested I write a horror series for kids between the ages of 7 and 12, which hadn't been done before.

I was afraid of screwing up my Fear Street series. I said if I could think of a good series name, I'd try a couple. Not long after, in 1992, I was reading TV



R.L. Stine in his Manhattan home office in 2015, above. Below from left: with his mother, Anne, in 1943; in a school photo at about age 9, when he started writing funny stories; at Ohio State University in 1964, when he was editor of the Sundial humor magazine; and with Jane Waldhorn at their wedding on Long Island, N.Y., in 1969.



Guide. On the bottom of a TV-listings page I saw an ad that said, "It's Goosebumps Week on channel 11." So I went with Goosebumps.

Today, Jane, and I live on Manhattan's Upper West Side. We moved into our sizable Manhattan apartment 20 years ago after doing a total renovation.

I write in my office on a laptop, but I outline books on a yellow

low pad. I'm not sure why I can't outline on my computer.

We also have a house in Sag Harbor, N.Y., so we can barbecue. We grill every night. We also have a swimming pool shaped like a pond. It fools ducks. There's a three-tiered waterfall and a 30-foot waterslide. I go down it once every five years.

I'm happier just sitting in the backyard looking at the pool. I

still can't get over how lucky I've been.

—As told to Marc Myers

R.L. Stine, 74, is a novelist and author of the *Goosebumps* and *Fear Street* series of horror fiction for preteens and teens. His latest books are *"R.L. Stine Presents Scream and Scream Again"* (Harper) and *"You May Now Kill the Bride"* (Harper Teen).



R.L. STINE | BY THE NUMBERS

Titles in print: more than 300

Books published over the past 12 months: 5

Total U.S. books sold: More than 400 million

First book published: "How to Be

Gross earnings for "Goosebumps" movie (2015): \$158 million ▼

