

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, AUGUST 22, 2018 ~ VOL. CCLXXII NO. 44

WSJ.com

★★★★ \$4.00

DJIA 25822.29 ▲ 63.60 0.2%

NASDAQ 7859.17 ▲ 0.5%

STOXX 600 384.15 ▲ 0.2%

10-YR. TREAS. ▼ 7/32, yield 2.846%

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GOLD \$1,192.60 ▲ \$5.80

EURO \$1.1571

YEN 110.30

What's News

Business & Finance

U.S. stocks are on the verge of surpassing their longest-running rally, ratifying a market rebound that began in the ashes of the financial crisis. **A1, B11**

◆ **The S&P 500** rose Tuesday, closing 0.3% below its January record. The Dow advanced 63.60 points to 25822.29. **B11**

◆ **Toll Brothers** reported a 30% jump in profit, as the builder of high-end homes bucked weakness in the broader housing market. **A1**

◆ **JPMorgan** is boosting its digital investing service with free trades for customers, a move that shook the world of online brokerages. **B1**

◆ **American Airlines** is cutting some unprofitable international flights, as U.S. carriers adjust their plans to reflect higher fuel prices. **B1**

◆ **Fed officials** are starting to debate what the future mix of Treasuries in the central bank's portfolio should be. **B10**

◆ **Chinese banks** are taking on new risks as they try to lure savers, turning a previously obscure line of business into a \$1 trillion industry. **B10**

◆ **Uber** named its first finance chief in more than three years, with the firm's planned IPO targeted for 2019. **B5**

◆ **Retailers** extended a run of good news, with Kohl's and the parent of T.J. Maxx reporting strong results. **B3**

◆ **Slack** raised a new round of financing that values the firm at over \$7.1 billion. **B4**

◆ **PepsiCo's Frito-Lay**, the maker of Cheetos, has accused a rival snack called Peatas of trademark violations. **B3**

World-Wide

◆ **Cohen**, pleading guilty to eight criminal charges, told a judge that Trump had directed him during the 2016 campaign to buy the silence of two women who said they had affairs with Trump. **A1, A4**

◆ **Manafort was convicted** of eight charges related to bank and tax fraud, in the first trial to stem from Mueller's investigation. **A1, A4, A6**

◆ **Facebook** dismantled a new set of influence campaigns originating in Iran and Russia designed to sow division in global politics. **A3**

◆ **The Trump administration** set new sanctions against Russia, escalating pressure on Moscow as lawmakers push for even tougher measures. **A3**

◆ **GOP Sen. Collins** said Supreme Court nominee Kavanaugh told her he considered the Roe v. Wade abortion decision "settled law." **A3**

◆ **The administration** is likely pushing back its timetable for placing tariffs on auto imports, easing concerns of many in the industry. **A2**

◆ **Rep. Duncan Hunter** (R., Calif.) and his wife were indicted on charges of misusing campaign funds. **A3**

◆ **Venezuela's latest** economic overhaul, which includes a new, highly devalued currency, was greeted with confusion and anger. **A8**

◆ **Malaysia's prime minister** said he plans to defer or cancel some \$22 billion worth of Chinese-backed infrastructure projects. **A9**

◆ **The U.K.'s top diplomat** defended Britain's support for the Iran nuclear deal. **A7**

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WEDNESDAY, AUGUST 22, 2018 ~ VOL. CCLXXII NO. 44

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Former Trump Advisers Guilty

Manafort Is Convicted In Key Test for Mueller

ALEXANDRIA, Va.—Former Trump campaign chairman Paul Manafort was convicted Tuesday of eight charges related to bank and tax fraud, in the first trial to stem from special counsel Robert Mueller's investigation.

By Aruna Viswanatha,
Sadie Gurman
and Julie Bykowicz

The 12-member Virginia jury reached the guilty verdict on eight counts after four days of deliberations, but couldn't agree on 10 additional counts of bank fraud and reporting violations Mr. Manafort faced. U.S. District Judge T.S. Ellis declared a mistrial on those counts.

Mr. Manafort was convicted

of not paying taxes on more than \$16 million in income and lying to two banks when he sought millions of dollars in loans.

The onetime Trump campaign chief looked toward the jury and stood silently in court as the verdict was read aloud. He was flanked by his lawyers and expressed little emotion.

Mr. Mueller was directed to investigate alleged Russian interference in the 2016 election, including possible links to the Trump campaign. While Mr. Manafort's conviction wasn't related to those matters, Mr. Mueller was given license to pursue other charges that arose from his investigation.

Mr. Manafort's conviction

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MARY ALTAFFER/ASSOCIATED PRESS

Michael Cohen leaving court.

Court Fallout

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- ◆ After verdict, president calls probe 'witch hunt'... A6
- ◆ For additional coverage, go to WSJ.com

Cohen Says President Told Him to Pay Women

NEW YORK—Michael Cohen, the president's former personal lawyer, told a federal judge that Donald Trump had directed him during the 2016 campaign to buy the silence of two women who said they had affairs with Mr. Trump.

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

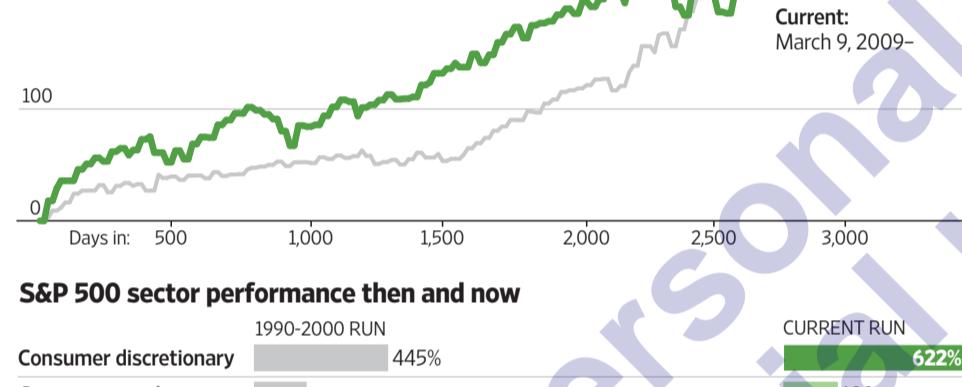
Mr. Cohen made the statement as he pleaded guilty Tuesday to eight criminal charges, including campaign-finance violations. He said he paid \$130,000 to adult-film actress Stephanie Clifford, known professionally as Stormy Daniels, and coordi-

nated a \$150,000 payment by the publisher of the National Enquirer to former Playboy model Karen McDougal.

Mr. Cohen, who has described himself as Mr. Trump's "fixer," said he made both payments "for the purpose of influencing the election" and acted at the direction of "the candidate," referring to Mr. Trump. That was the first time Mr. Cohen has admitted to coordinating with the president on the hush-money deals with women, both of which were first reported by The Wall Street Journal.

The surprising admission by Mr. Cohen directly implicated Mr. Trump in a federal crime, escalating pressure on the president. Three other Please turn to page A4

The longest bull market ever in the S&P 500 has featured widespread gains, in contrast to the technology-led boom of the 1990s.



S&P 500 sector performance then and now



Sources: Dow Jones Market Data (S&P 500); FactSet (sectors)

Other bulls



THE WALL STREET JOURNAL.

Pricey Houses See Ready Buyers

BY LAURA KUSISTO
AND HARRIET TORY

One of the nation's largest builders of high-end homes rode strong sales to a 30% jump in quarterly profit, bucking weakness in the broader U.S. housing market and bolstering evidence that the wealthiest Americans are spending big as the economy strengthens.

Toll Brothers Inc. said the profit surge came as its revenue for the quarter ended July 31 climbed 27% to \$1.91 billion. Customers of the Horsham, Pa., company added \$165,000 on average toward the customization and design of their houses in the period, Chief Executive Douglas Yearley Jr. said on a call with investors.

High-end retailers also have reported robust results, another sign that many wealthier Americans feel flush. Nordstrom Inc. said sales were up 7% in its most recent quarter, and Coach, which is owned by Tapestry Inc., reported a 5% increase.

Analysts expect strong results from Tiffany & Co. when it reports earnings next week. Kering, owner of Gucci, Saint Laurent and other luxury brands, said first-half revenue in North America surged 45%.

While U.S. consumer sentiment slid in early August, it remains strong among top-earning households, said Richard Curtin, chief economist for the University of Michigan's

Please turn to page A2

Bull Market Set to Become Longest

By MICHAEL WURSTHORN
AND AKANE OTANI

U.S. stocks are on the verge of surpassing their longest-running rally, ratifying a market rebound that began in the ashes of the financial crisis and defying those who have questioned its staying power.

Wednesday will mark 3,453 days since the S&P 500 hit its low of 666 on March 9, 2009. Since then, the broadest U.S. blue-chip index has more than

quadrupled in price terms, creeping within striking distance of its January record and outpacing most rival major global indexes.

The S&P tied the length of the longest bull run—set between 1990 and 2000—on Tuesday after the index rose to its first intraday record in nearly seven months. The S&P pared those gains later in the session to close up 0.2% at 2862.96, putting it just 0.3% from its previous closing high, 2872.87, set Jan. 26. The Dow Jones Industrial Average rose 63.6 points, or 0.2%, to 2822.29.

Tuesday's intraday S&P record shows the U.S. stock advance remains intact after nearly seven months of mostly sideways trading, traders and analysts said. The latest leg of the bull run for the S&P has been driven by booming economic growth in the U.S., as well as renewed strength in quarterly corporate earnings.

Investors have also bet that the global economy will continue to expand at a steady pace even amid turbulence in some emerging markets such as Turkey and Venezuela.

The largest advances in recent months and years have been concentrated in the U.S.

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◆ Jason Zweig: If you pull back from risk, take baby steps... B1
◆ JPMorgan rolls out free trades..... B1

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Boomers Become Housemates

Sharing doesn't get easier with age; too many cats

By CHRISTINA REXRODE
AND LAURA KUSISTO

Rika Mead got divorced a few years back, but didn't want to give up the dream home she'd bought outside Denver. So she forged a solution she hadn't considered in decades: She got a roommate.

Ms. Mead, 71 years old, has honed her criteria for cohabitants since then. A housemate may not own dogs, but must love Ms. Mead's two dogs, Bindu and Baku. They must not try to convert her to their religion. (It's happened.) And while Ms. Mead is no prude, she's at a point in life where men aren't welcome overnight. "I want my

Please turn to page A10

What Does Knee Surgery Really Cost?

Few know, and that's a problem for health spending

By MELANIE EVANS

For nearly a decade, Gundersen Health System's hospital in La Crosse, Wis., boosted the price of knee-replacement surgery an average of 3% a year. By 2016, the average list price was more than \$50,000, including the surgeon and anesthesiologist.

Yet even as administrators raised the price, they had no real idea what it cost to perform the surgery. They set a price using a combination of educated guesswork and a canny assessment of market opportunity.

Prompted by rumblings from Medicare and private insurers over potential changes to payments, Gundersen decided to nail down the numbers

U.S. NEWS

Prospect of Auto Tariffs in the Near Term Fades

By JACOB M. SCHLESINGER
AND CHESTER DAWSON

The Trump administration is likely pushing back its timetable for putting tariffs on auto imports, easing concerns of many in the industry who have widely opposed the duties.

The move, signaled in comments by Commerce Secretary Wilbur Ross, came as administration officials are seeking to negotiate agreements with some of the world's largest car-exporting countries. The auto industry took the development as evidence of progress in those negotiations.

Mr. Ross told reporters in late July that he would complete his study and recommend-

dations on whether car imports could be seen as a threat to national security "probably sometime in the month of August." The government must first publish a report before imposing tariffs.

In an interview, Mr. Ross said that while the Commerce Department will continue its investigation, it is "not clear the report will be out at the end of the month." He said the delay was "in view of the negotiations" going on with the European Commission, as well as with Mexico and Canada, signatories to the North American Free Trade Agreement, which is under renegotiation.

Mr. Ross also suggested it would take longer than anticip-

pated to sift through the material submitted by auto makers in opposition to the prospect of new tariffs, which says the duties would push up the costs to consumers and disrupt global supply chains.

Representatives for major auto and auto-parts suppliers welcomed the commerce secretary's comments. We "see it as a promising sign that there may be a breakthrough that would avoid tariffs," the Alliance of Automobile Manufacturers, a lobby for a dozen of the largest domestic and foreign auto makers with operations in the U.S., said in a statement.

President Trump said in May he was directing the Commerce

Mr. Trump's threat of across-the-board auto tariffs drew wide industry criticism.

Department to investigate whether auto imports could be deemed a national security threat warranting across-the-board tariffs. The study was similar to one opened a year earlier into steel and aluminum that ultimately led to broad duties on those imports this year.

In contrast with the steel tariffs, which drew support from the domestic steel indus-

try, Mr. Trump's threat of across-the-board auto tariffs drew wide industry criticism. Global auto makers have invested heavily in supply chains that are predicated on existing tariff levels on autos and auto parts, and they say new tariffs would disrupt those operations.

Toyota Motor Corp., the single-largest vehicle importer to the U.S., has said the proposed tariffs would increase costs for all of its vehicles, including those built in the U.S. using foreign-sourced parts. The Japanese car maker estimates the cost of a Kentucky-made Camry sedan could rise by \$1,800 per vehicle if tariffs are imposed.

Mr. Ross said the notion that the automotive report would be released in August "came before we were making progress with Nafta" and with Europe.

Asked when the report would be completed, Mr. Ross declined to give a new date, adding that the 1962 national-security tariff law being used to justify the probe "gives us 270 days from when we started, which gets us into next year." The legal deadline for a report is mid-February.

—Mike Colias contributed to this article.

◆ Mexico's president-elect adds new risk to Nafta talks..... A8

U.S. WATCH

WYOMING

Barrasso Is Victor In GOP Senate Vote

U.S. Sen. John Barrasso on Tuesday fended off a well-funded challenger in Wyoming's Republican primary.

He beat five opponents, including investor and Stanford University lecturer Dave Dodson of Jackson Hole.

Mr. Barrasso faces Wilson businessman Gary Trauner in the general election. Mr. Trauner ran unopposed for the Democratic nomination.

In the gubernatorial race, former Wyoming state Rep. Mary Throne won the Democratic primary to replace outgoing incumbent Matt Mead. She faces a tough fight in heavily Republican Wyoming to become the state's first Democratic governor since 2011. The race for the GOP gubernatorial nomination was too close to call in early returns among six candidates.

—Associated Press

IOWA

Murder Charge Filed In Death of Student

Authorities in Iowa have charged an illegal immigrant with the murder of a college student who disappeared more than a month ago while out jogging in Brooklyn, Iowa.

Cristian Rivera, 24 years old, was charged Tuesday with first-degree murder. He is being held on \$1 million bond.

Mollie Tibbetts, 20, was last seen jogging on July 18, setting off a multiagency search, said Rick Rahn, a special agent with the Iowa Division of Criminal Investigation. He said a neighbor had turned in footage from a security camera that showed a black Malibu belonging to Mr. Rivera passing by several times, as well as Ms. Tibbetts on her jog.

Mr. Rivera, who was taken in for questioning Monday, told au-

thorities he followed Ms. Tibbetts in his car and then began jogging beside and behind her, according to an arrest warrant filed in Poweshiek County district court.

When Ms. Tibbetts took out her phone and threatened to call authorities, Mr. Rivera got angry and panicked, according to the document. He said he blacked out and eventually came to in his car, with an earbud from a cellphone on his lap. He said he then checked his trunk and found Ms. Tibbetts's body, with blood on the side of her head, according to the document. He dragged her body about 20 yards into a cornfield and covered it with stalks, it also said.

It wasn't known Tuesday if Mr. Rivera has an attorney.

—Joe Barrett

3-D PRINTING

States Aim to Stop Internet Gun Plans

A federal judge in Seattle hearing arguments over a settlement that allows a Texas company to post online plans for printing 3-D guns said Tuesday the overall issue of such untraceable plastic weapons should be decided by the president or Congress.

U.S. District Judge Robert Lasnik said he would rule by Monday on the legal issues involving the settlement between the company and the Trump administration. He added, however, that "a solution to the greater problem is so much better suited to the other two branches of government."

Nineteen states and the District of Columbia sued the federal government, alleging it reached a "covert" settlement with the company, Defense Distributed, without notifying Congress or the Department of Defense about changes it made to an export act that prohibited 3-D gun plans from being posted online.

—Associated Press

THE MISSION ENDED.

BUT THE JOURNEY HAD JUST BEGUN.

For 59 days, 11 hours, 9 minutes and 1 second, he chased the sun. All for the betterment of humankind. He pioneered solar research and uncovered the mysteries of magnetism. Not a second wasted to explore the unknown. To float on the imagination of millions.

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To become a heavyweight in the realm of weightlessness.

To be Owen Garriott.

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Pricey Houses See Demand

Continued from Page One

Surveys of Consumers. Households in the top third of income distribution—who make up half of all retail spending—"are well positioned," he said.

Those households reported greater income gains and believe their wealth will rise over the coming year. Top earners expect wage gains of 3% in the coming year, according to Mr. Curtin, while households in the bottom third of income distribution expect a pay raise of just 0.5%.

Toll Brothers said it expects the average price for its homes in the current fiscal year to be \$835,000 to \$860,000, raising the low end of its previous guidance by \$5,000. Toll Brothers' share price surged nearly 14% Tuesday.

The builder's strong results contrast with weakness in the broader housing market. Rising prices, higher mortgage rates and a lack of inventory have pushed many less wealthy buyers out of the market. Sales of previously owned homes fell 2.2% in June from a year earlier, the fifth time in six months they declined on a year-over-year basis.

Affluent buyers are more easily able to shrug off higher mortgage rates and home prices than middle-class purchasers, analysts said.

U.S. household net worth

passed \$100 trillion in the first quarter, thanks in part to rising home values, according to a Federal Reserve report.

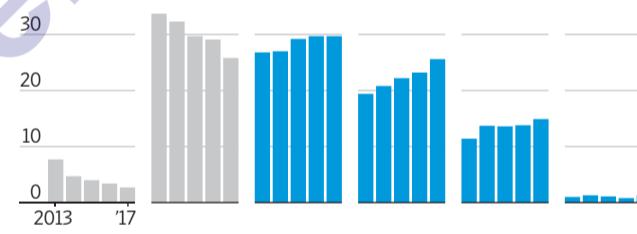
Much of that is concentrated among high-end households.

"There's confidence in the economy," said Jack Micenko, a

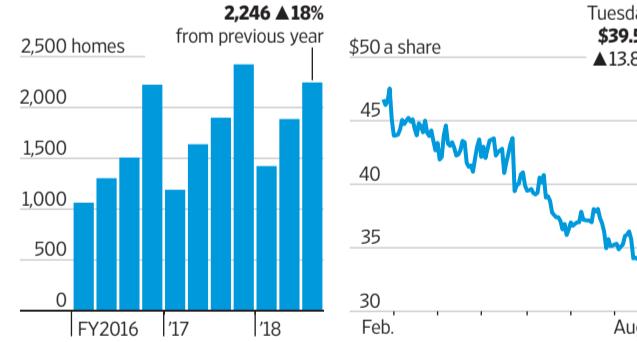
Building Up

Construction of U.S. homes in the higher price categories rose in 2017. That trend helped Toll Brothers in its latest quarter, boosting home deliveries and the company's stock price.

Share of for-sale new homes started in the U.S., by price range



Toll Brothers homes built



Sources: National Association of Home Builders (prices); the company (deliveries); SIX (share price)

Toll Brothers daily share price

Tuesday \$39.52 ▲13.8%

Feb. Aug.

THE WALL STREET JOURNAL.

and on Tuesday the S&P 500 stock index rose to its first intraday record since January.

This has given many wealthy consumers the confidence to spend on big-ticket items like homes, despite a number of developments that economists say could derail the long expansion. The prospect of a trade war between the U.S. and major trading partners such as China and Europe is already slowing some business spending, and rising interest rates could slow borrowing and growth.

But executives at Toll said on an analyst call they see little evidence that rising rates are forcing their buyers to stretch financially. Buyers' loan-to-value ratio in the company's fiscal third quarter dropped to 67% from a more typical level of 70%. All-cash buyers jumped to 24% of all customers this year from a more typical 20%. Both metrics indicate that Toll buyers aren't straining and taking on more debt to afford houses.

Mr. Yearley said buyers are more willing to pay a bigger premium for a brand-new home than he has seen in his 28-year career.

Meantime, the market for \$5 million-plus homes in New York City has slowed. Sales of apartments in that category fell 31% in the year's first half, compared with the 2017 period, according to a report by real-estate firm Stribling.

The top end of the market attracts foreign investors and ultra-high-net-worth individuals, and a slowdown doesn't necessarily portend trouble for Toll Brothers or less-wealthy buyers.

On Wednesday, economists will be looking to data from the Realtors on July existing-home sales for more clues on the market's direction.

—Kimberly Chin contributed to this article.

CORRECTIONS & AMPLIFICATIONS

A graphic with a Page One article Friday about recovery efforts after Hurricane Harvey showed estimated inflation-adjusted damage caused by various storms. The graphic lacked a footnote saying the figures were adjusted for inflation. Also, the source of the data, NOAA National Centers for Environmental Information, incorrectly was called NOAA National Center for En-

vironmental Information.

Florida Gov. Rick Scott this year signed legislation increasing the minimum age to buy a firearm to 21 from 18, with some exceptions. An Aug. 10 Page One article about how gun control is figuring into congressional races incorrectly said the Florida law raised the minimum age to buy a handgun.

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

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GOT A T

U.S. NEWS

Nominee Says Roe v. Wade 'Settled Law'

Supreme Court pick Kavanaugh seeks to reassure GOP's Collins on abortion rights

BY NATALIE ANDREWS
AND BYRON TAU

WASHINGTON—A Republican senator said Supreme Court nominee Brett Kavanaugh told her Tuesday he considered the landmark Roe v. Wade abortion decision "settled law," addressing what is expected to be a contentious issue in his confirmation hearings.

Judge Kavanaugh's remark on the 1973 Supreme Court case was an effort to reassure Sen. Susan Collins of Maine, a centrist Republican who says she remains undecided on whether to support his confirmation.

"We talked about whether he considered Roe to be settled law," Ms. Collins said after the closed-door meeting. "He said that he agreed with what [Chief Justice John] Roberts said at his nomination hearing, in which he said that it was settled law."

Ms. Collins met with Judge Kavanaugh, whom President Trump nominated to the high court last month, for more than two hours in a discussion that she said covered his thoughts on executive power, the Second Amendment and abortion rights.

The White House declined to comment.

Few if any Supreme Court cases illustrate the political divide in the U.S. more than Roe v. Wade. Most Democrats and liberals support preserving the access to abortion rights that the case permits, while many conservatives and Republicans support overturning it to enable states to further restrict or ban the procedure.

Ms. Collins, along with Sen. Lisa Murkowski (R., Alaska), is one of the few Republicans on Capitol Hill who broadly sup-

port a woman's right to an abortion. Judge Kavanaugh was set to meet with Ms. Murkowski on Thursday. In a brief interview Tuesday, Ms. Murkowski said she hadn't seen anything yet from him that would be disqualifying.

Judge Kavanaugh's comments, as reported by Ms. Collins, echo how other Republican nominees have handled the issue of abortion during confirmation battles. Chief Justice Roberts said at his 2005 confirmation hearing that Roe v. Wade was precedent and "it is not enough that you may think the prior decision was wrongly decided" to reopen a case.

However, Chief Justice Roberts has supported past decisions that enabled states to limit access, such as Planned Parenthood v. Casey of 1992, and is open to further limits on abortion. The court has occasionally overturned long-settled legal doctrines, such as a June decision that upended a 1977 high-court precedent on public-employee union contracts.

Judge Kavanaugh's record on abortion has been under

scrutiny on Capitol Hill.

As a judge on the influential U.S. Court of Appeals for the District of Columbia Circuit, Judge Kavanaugh has had no choice but to follow law as set by the Supreme Court.

But in October, Judge Kavanaugh dissented from the D.C. Circuit's decision allowing a 17-year-old illegal immigrant in government custody to obtain an abortion. He wrote that the Supreme Court's "existing" precedents "dictated" that lower courts "assume" she had a right to the procedure, but stressed that case law also held "that the Government has permissible interests in favoring fetal life, protecting the best interests of a minor, and refraining from facilitating abortion."

—Joshua Jamerson contributed to this article.



Supreme Court nominee Judge Brett Kavanaugh has met with, clockwise from top, Republican Sen. Susan Collins of Maine, Democratic Sen. Joe Manchin of West Virginia, GOP Sen. Ted Cruz of Texas and Florida Republican Sen. Marco Rubio.

CLOCKWISE FROM TOP: ALEX WROBLEWSKI/REUTERS; JOHN H. KLEMMER JR.; CHIP SOMODEVILLA/GETTY IMAGES; JACQUELYN MARTIN/ASSOCIATED PRESS

Congressman and Wife Charged With Fund Misuse

BY KRISTINA PETERSON

WASHINGTON—A federal grand jury indicted Rep. Duncan Hunter (R., Calif.) and his wife Tuesday on charges they had used campaign funds to pay for personal expenses and filed false campaign records, the Justice Department said.

Between 2009 and 2016, Mr. Hunter and his wife, Margaret, allegedly used more than \$250,000 in campaign funds to

pay for expenses they wouldn't otherwise be able to afford, including family vacations, school tuition, dental work and theater tickets, the Justice Department said.

They then allegedly mischaracterized the purchases as campaign-related in filings with the Federal Election Commission, the department said.

House Speaker Paul Ryan (R., Wis.) removed Mr. Hunter from his committee assign-

ments Tuesday night.

"The charges against Rep. Hunter are deeply serious," Mr. Ryan said.

Mr. Hunter pushed back against the charges, acknowledging that while funds from his campaign had been improperly used, he hadn't been responsible for it.

"This is all politics," said Mr. Hunter, one of the earliest supporters of President Trump, in an interview following the

indictment. "Campaign money was misspent out of my campaign—I did not misspend it."

He declined to say who was responsible for the payments but said he had repaid the funds.

The indictment details a lavish lifestyle in which the Hunters allegedly spent money on extravagant vacations, expensive restaurant meals and goods including videogames that were paid for by cam-

paign funds when their personal accounts had run low. During this seven-year period, the couple overdrew their bank account more than 1,100 times, generating almost \$38,000 in "overdraft" and other bank fees, the indictment states.

In March 2017, the House Ethics Committee paused its investigation into Mr. Hunter's finances after the Justice Department began its probe.

Mr. Hunter's campaign called earlier Tuesday for the recusal of two assistant U.S. attorneys involved in the investigation, who they said attended a fundraiser for Democratic presidential nominee Hillary Clinton. "They've exposed themselves frankly by being so crazily, vociferously against Trump," Mr. Hunter said of the Justice Department. The Department didn't respond to a request for comment.

U.S. Increases Sanctions on Moscow

BY IAN TALLEY
AND COURTNEY MCBRIDE

WASHINGTON—The Trump administration imposed new sanctions against Russia, escalating U.S. diplomatic pressure on Moscow as the White House tries to fend off a push by lawmakers to deploy even-more-potent tools to cripple the Russian economy.

In two separate actions on Tuesday, the Treasury Department blacklisted several firms and individuals it accused of violating bans on energy trade with North Korea and breaking U.S. laws against cooperation with Russia's intelligence arm, the Federal Security Service.

Combined, the sanctions underscore a recent escalation in U.S. economic pressure against Moscow as U.S. agencies try to force Russia to stop its election-tampering, cyberattacks and other activities, and show a commitment to challenging the Kremlin.

But many lawmakers, wary that the administration is pulling its punches with Russia, are advocating legislation that could force the White House to levy even-tougher economic penalties.

Fueling those concerns are a federal investigation of the election interference, President Trump's overtures to Russian leader Vladimir Putin, and repeated presidential questioning of U.S. intelligence assessments

about the election hacking.

Administration officials contend that they are confronting Moscow, imposing sanctions on more than 200 Russian companies, banks, individuals, government officials and institutions, including some of Mr. Putin's closest allies and the country's richest oligarchs. Administration officials say they must also balance confrontation with the need for Russian cooperation issues such as Iran, Syria or North Korea.

The International Atomic Energy Agency this week said North Korea is continuing to develop its nuclear program, despite an agreement between Washington and Pyongyang to

denuclearize the Korean Peninsula.

The tensions surrounding Mr. Trump's approach to Mr. Putin, the U.S. sanctions and congressional concerns were on display in a pair of Senate hearings on Tuesday.

Sigal Mandelker, a Treasury official who is Mr. Trump's sanctions chief, told the Senate Banking Committee that more actions are coming and that current authorities are sufficient.

"Though Russia's malign activities continue, we believe its adventurism undoubtedly has been checked by the knowledge that we can bring much more economic pain to bear," said Ms.

Mandelker, Treasury undersecretary of terrorism and financial intelligence. "We will not hesitate to do so if its conduct does not demonstrably and significantly change."

At a separate hearing before the Senate Foreign Relations Committee, A. Wess Mitchell, assistant secretary of state in the bureau of European and Eurasian affairs, said the administration's Russia policy is designed to "continue raising the cost until Russian aggression ceases, while keeping the door open to dialogue."

Foreign direct investment into Russia has tumbled over the past several years, and the ruble has often plummeted amid new rounds of sanctions. Action in early April targeting some of Mr. Putin's closest allies hit one of the largest aluminum producers in the world, sent Russian stocks into a temporary nose-dive and cut the market value of Russia's elite by tens of billions of dollars.

Still, many in Congress question whether the White House is using all its sanction powers and dispute the effectiveness of the current sanctions program.

"They have not changed their behavior," said Sen. Joe Donnelly (D., Ind.). "The fact is that Russia is still in Syria....They're still in Ukraine, they're still using cyberattacks, they're still meddling in elections, they are preparing to meddle in the upcoming elections," he said.

Facebook Pulls Fake Iran, Russia Pages

BY DEEPA SEETHARAMAN
AND DUSTIN VOLZ

Facebook Inc. dismantled a new set of influence campaigns originating in Iran and Russia designed to sow division in global politics, part of the social-media company's broader purge of bad actors on its site.

Facebook said some of the pages and accounts originated in Iran and others in Russia. Those originating in Iran, a total of 652 pages and accounts, were flagged for "coordinated inauthentic behavior" and targeted internet services in the U.S., Middle East, U.K. and Latin America. The activity appears to reflect increasing attempts by the Iranian regime to push its geopolitical agenda through online subterfuge.

Facebook separately took down an unspecified number of accounts and pages that it said originated in Russia.

While much of Russia's alleged activity on Facebook in the past has centered on U.S. social issues, the bad actors identified in the latest purge were focused on politics in Syria and Ukraine.

Facebook said it found no evidence the campaigns by Russia and Iran were connected.

"We've been investigating some of these campaigns for months now, which highlights the tension we face in every investigation between removing bad actors quickly and improving our defenses over time," Chief Executive Mark Zuckerberg said during a hastily scheduled conference call with reporters. "Because if we remove them too early, it's harder to understand their playbook and the extent of their network. It can also make it harder for law enforcement."

Facebook first learned about a network of bogus Iranian pages from U.S.-based cybersecurity firm FireEye Inc. Using FireEye's tip, Facebook said it was able to identify additional accounts and pages that were spreading disinformation and link the activity to Iranian state media by checking against website registration information, among other indicators.

FireEye said it also identified suspicious behavior on the Twitter Inc. site. In a tweet, Twitter said it has suspended 284 accounts "for engaging in coordinated manipulation." It "appears many of these accounts originated from Iran," the Twitter message states.

—Robert McMillan contributed to this article.

Treasury official Sigal Mandelker, who is President Trump's sanctions chief, said Russia's 'adventurism' has been checked.

ANDREW HARRER/BLOOMBERG NEWS

U.S. NEWS

Onetime Ally Now a Major Problem

**CAPITAL JOURNAL**

By Gerald F. Seib

Of all the characters who floated around the Trump presidential campaign in 2016—a mixed bag of hired hands, hangers-on, latecomers and a small group of core loyalists—the one who seemed least likely to cause a problem for the boss was Michael Cohen.

Yet, on Tuesday, the darkest day of the Trump presidency so far, it was Mr. Cohen who dealt the most grievous blow. The longtime personal lawyer who flew below the radar line directly implicated the president in a federal crime, making undisclosed hush payments to two women in the closing stages of the presidential race in violation of federal campaign-finance law.

With that step, Mr. Cohen not only named the president but undercut the belief that if President Trump could show there was no collusion between his campaign and Russian operatives in 2016, his legal problems would crumble and the investigations swirling around him would evaporate.

In fact, at least on Tuesday, Mr. Trump's problems spread well beyond the collusion question. The conviction of his former campaign chairman Paul Manafort on tax-evasion and bank-fraud charges undercut Mr. Trump's assertion that his was a campaign and a presidency that would "drain the swamp" of the unsavory professional political class.

Mr. Manafort was and is



Michael Cohen, former personal lawyer to President Trump, leaving federal court in New York City on Tuesday.

of precisely that political class. The actions for which he was convicted had nothing to do with his work for the president, yet the optics are, to say the least, unhelpful for Mr. Trump.

Mr. Trump can and will distance himself from both Mr. Manafort and the felonies of which he now has been convicted. Indeed, after landing in West Virginia for a campaign rally, Mr. Trump expressed sympathy for Mr. Manafort but said "this has nothing to do with Russian collusion." He continued to describe the hunt for a Russian connection as a "witch hunt."

It will be much harder to create distance from Mr. Cohen.

With just a few words in a federal courtroom, Mr. Cohen asserted that he acted at the behest of the president in directing money to a

porn star and a Playboy model to buy their silence about alleged affairs with Mr. Trump as part of the effort to win the 2016 presidential campaign. The money wasn't disclosed, and that makes it a violation of campaign laws.

For Mr. Trump and his presidency, there are a few silver linings in that dark cloud. One is that Mr. Cohen apparently doesn't have an agreement to cooperate with prosecutors or special counsel Robert Mueller. So his brief statement in court may be all that is heard on the matter.

The second is that, by agreeing to a plea deal, Mr. Cohen guaranteed there won't be a trial in which his assertion can be hashed out in detail and in full public view.

Finally, campaign-finance violations can seem to vot-

ers to be obscure and of concern mostly to the distant political class.

Yet the contours of the story Mr. Cohen obliquely referred to—payoffs to two young women who alleged extramarital affairs with Mr. Trump—are hard to understand. Some in Mr. Trump's orbit had long worried that his exposure on that front, legally and politically, could well turn out to be higher than his exposure to the Russian collusion charge. On Tuesday, at least, that appeared to be true.

Politically, the results now will be twofold. Republicans in Congress will have to decide whether the Manafort and Cohen court proceedings affect their willingness to protect the president. Odds are they won't, at least for now.

Yet the Cohen charge now figures to be wrapped

into whatever report Mr. Mueller prepares at the end of his investigation, at which point the question will become whether prosecutors have uncovered any actions that could result in impeachment.

And at that point, Democrats hope they will have taken control of Congress and will be in position to make the decision. Ironically, Mr. Trump was in West Virginia trying to ensure that Democratic takeover doesn't happen.

Meanwhile, and mostly by coincidence, Democratic Sen. Elizabeth Warren on Tuesday also unveiled proposed legislation that she billed as an effort to attack corruption and increase integrity in political life. One thing is certain: Mr. Cohen's plea and Sen. Warren's proposal now will become intertwined in this fall's political debate.

Pardoning Powers Put in Spotlight

BY BYRON TAU

The guilty plea of Michael Cohen and conviction of Paul Manafort raised the question of whether President Trump would use his authority to grant clemency or a pardon to the two former advisers or any of his other former confidants facing legal troubles.

Traditionally, presidents have tried to depoliticize the pardon and clemency process by insisting that most requests go through a special office in the Justice Department. But Mr. Trump has shown he is willing to bypass the DOJ review when he feels it is necessary. He has issued a number of pardons to popular conservative figures such as Dinesh D'Souza and Joe Arpaio.

Mr. Arpaio, a former Arizona sheriff known for his harsh treatment of illegal immigrants, was found guilty of contempt of court, while Mr. D'Souza, a conservative intellectual, was found guilty of illegal campaign contributions. Mr. Trump also issued a pardon to Scooter Libby, an aide to Vice President Dick Cheney who was convicted of obstruction of justice and perjury.

The Constitution gives the president an unreviewable pardon authority—authority that has been upheld by the courts in several cases that have found that even Congress can't put restraints or limits on the power to pardon or commute sentences. The right is so expansive under the Constitution that legal experts are divided on whether a president can issue a self-pardon.

"That doesn't mean that Congress can't punish a president in other ways for perceived abuses of the pardon power," said Stephen Vladeck, a professor at the University of Texas School of Law. He added that such censure could include impeachment and removal from office.

Cohen's Plea Lands Trump In Glare of Legal Scrutiny

BY JULIE BYKOWICZ

Michael Cohen's assertion that President Trump directed him to violate campaign-finance laws through payments to two women who claimed to have had affairs with Mr. Trump has thrust the president closer than ever to legal scrutiny.

New York federal court Tuesday, Mr. Cohen admitted he violated the law by paying \$130,000 to Stephanie Clifford, a former adult-film star professionally known as Stormy Daniels, a month before the election. Mr. Cohen also said he arranged for the payment of \$150,000 to the second woman, an apparent reference to former Playmate Karen McDougal. Mr. Trump denies having affairs with either woman.

Mr. Cohen said the payments to the women were "at the direction of the candidate," an apparent reference

to Mr. Trump.

Individual campaign contributions are limited to a total of \$5,400 for each election cycle, including primary and general election votes. The individual limit also applies to "in-kind" contributions, donations of goods and other services intended to help boost the campaign.

Prosecutors in the Cohen case found the payments were "for the purpose of influencing the election" by silencing the women and preventing their potentially damaging allegations to be aired just weeks before voters were going to the polls.

Tom Fitton, president of Judicial Watch and a supporter of Mr. Trump, said that "the exposure to President Trump is almost nonexistent" because prosecutors would have to show the payments were made for no other reason than the campaign. Mr. Fitton said non-

disclosure agreements such as the ones at issue are "extremely common among public figures," such as Mr. Trump.

Paul Seamus Ryan, a vice president at Common Cause, a Washington-based group that had filed a complaint with the Justice Department about the payments, said: "The simple fact that a sitting president is implicated is pretty astounding and something we haven't seen in decades, if ever."

A challenge for prosecutors would be showing that Mr. Trump knew he was breaking the law when he directed the payments, Mr. Ryan said.

Mr. Trump has repeatedly denied knowledge of the payments. Asked in April whether he had known about the payment to Ms. Clifford at the time it was made, Mr. Trump responded: "No." Asked why Mr. Cohen had made it, the president responded: "You'll

have to ask Michael Cohen. Michael is my attorney. You'll have to ask Michael."

Mr. Giuliani later said Mr. Trump had reimbursed Mr. Cohen for the payment.

Legal experts cautioned that a campaign-finance case against Mr. Trump would be difficult to build, both because

of questions about whether a president can be indicted and the proof needed to convince a jury of a "knowing and willful" violation of the law.

Charlie Spies, a longtime Republican campaign attorney, said Mr. Cohen's guilty plea shouldn't be interpreted to mean that prosecutors neces-

sarily possess enough to prove to a jury that Mr. Cohen broke campaign-finance law.

"From everything I've seen, there are good defenses that the payments made by Mr. Cohen were made irrespective of Mr. Trump's candidacy," he said.

—Rebecca Ballhaus contributed to this article.

President Trump speaks to the media Tuesday in Charleston, W.Va. He has repeatedly denied knowing about payments to silence two women late in the 2016 election campaign.

President Implicated By 'Fixer'

Continued from Page One

Trump associates have been charged with felonies and a fourth was convicted by a jury on Tuesday.

Mr. Trump and his representatives previously denied he knew about the payments at the time they were made.

Mr. Cohen "worked to pay money to silence two women who he believed would be detrimental to" Mr. Trump and his campaign, said Robert Khuzami, the deputy U.S. attorney in Manhattan, at a news conference. "For that, he is going to pay a very, very serious price."

Mr. Cohen, 51 years old, pleaded guilty to a total of eight criminal counts: two counts of illegal campaign contributions related to payments to women; five counts of evading personal income taxes from

2012 to 2016; and one count of making false statements to a financial institution. The charges stem from a grand jury investigation led by the U.S. attorney's office for the Southern District of New York and the Federal Bureau of Investigation.

The plea agreement doesn't require Mr. Cohen to cooperate with prosecutors. That doesn't preclude him from providing information later to the government, including to special counsel Robert Mueller's investigation into whether Mr. Trump's associates colluded with Russia in the 2016 campaign.

Under the plea deal, Mr. Cohen and the government agreed to a sentence of between about four years and five years in prison, with a fine of \$20,000 to \$1 million. Mr. Cohen was released on \$500,000 bond.

Charging documents filed Tuesday revealed new details about the payments to the women, including disputes with the National Enquirer's publisher over how to pay Ms. McDougal and a sham invoice Mr. Cohen filed with the Trump Organization to receive reimbursement

for paying Ms. Clifford. Under federal law, individual campaign contributions are limited to a total of \$5,400 for each election cycle, including primary and general election votes, and corporate contributions are barred. Conspiring to cause an excessive campaign contribution of more than \$25,000 is an indictable offense and a felony. Sitting presidents cannot be

indicted under Department of Justice policy.

that Mr. Cohen "stood up and testified under oath that Donald Trump directed him to commit a crime by making payments to two women for the principal purpose of influencing an election."

"If those payments were a crime for Michael Cohen, then why wouldn't they be a crime for Donald Trump?" he said.

In an MSNBC interview later Tuesday, Mr. Davis suggested his client was willing to keep talking. He said Mr. Cohen would be "more than happy" to tell the special counsel "all that he knows about the obvious possibility of a conspiracy to collude and corrupt the American democracy system in the 2016 election."

Mr. Davis said Mr. Cohen had knowledge of whether Mr. Trump had advance knowledge that Russia had hacked emails from Democratic servers that were later published by WikiLeaks, which Mr. Trump has said he didn't.

The guilty plea cemented the break between the Republican president and his former long-time lawyer, who for years has

touted his close relationship with Mr. Trump and once said he would "take a bullet" for the president.

Rudy Giuliani, a lawyer for Mr. Trump, said there was "no allegation of any wrongdoing against the president" in the charges against Mr. Cohen. Mr. Giuliani also attacked Mr. Cohen, adding: "It is clear that, as the prosecutor noted, Mr. Cohen's actions reflect a pattern of lies and dishonesty over a significant period of time."

In a statement read before U.S. District Judge William H. Pauley III, Mr. Cohen admitted to making an illegal campaign contribution a month before the 2016 election when he paid \$130,000 to Ms. Clifford to prohibit her from publicly discussing an alleged sexual encounter with Mr. Trump. He said he worked "with and at the direction of the candidate" to keep Ms. McDougal from talking.

Mr. Pecker agreed to purchase Ms. McDougal's story at Mr. Cohen's "urging" and only after Mr. Cohen promised he would reimburse the company, prosecutors said. The publisher has previously said it purchased Ms. McDougal's story for editorial reasons, not to benefit Mr. Trump's campaign.

Mr. Trump has privately asked aides about his ability to issue pardons in the investigations of his associates, according to people familiar with the discussions.

Disembarking Air Force One on Tuesday, the president declined to answer questions about his former lawyer.

Mr. Cohen said he coordinated the August 2016 payment with "the CEO of a media company," referring to David Pecker, the chief executive of American Media who is a longtime friend of Messrs. Trump and Cohen. Mr. Cohen said the payment was made "at the request of the candidate" to keep Ms. McDougal from talking.

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Mr. Cohen said he paid Stormy Daniels at the direction of "the candidate," referring to Mr. Trump.

dicted under Department of Justice policy.

Rick Hasen, a professor of law at the University of California, Irvine, said Mr. Cohen's admission could amount to an "impeachable offense," particularly if Democrats retake the majority in the House this fall. Lanny Davis, a lawyer for Mr. Cohen, said in a statement

for her exclusive story of an alleged extramarital affair she had with Mr. Trump.

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U.S. NEWS

Manafort Convicted Of 8 Counts

Continued from Page One
 amounts to a fall from grace for the onetime high-living political operative who earned some \$60 million as a star political consultant in Ukraine. He joined Mr. Trump's campaign in March 2016 and departed by August. Over the years, he worked for other Republican presidents including Ronald Reagan and Gerald Ford.

Based on the maximum possible sentence for each count, Mr. Manafort could in theory face up to 80 years in prison. But previous government guidance in the case and legal experts suggested he was more likely to face between about eight and 10 years. He remained in federal custody Tuesday.

In comments to reporters after arriving in West Virginia for a campaign rally, President Trump expressed sadness for Mr. Manafort's convictions. He said the matter had nothing to do with him and didn't show any collusion between his campaign and Russia during the 2016 presidential race.

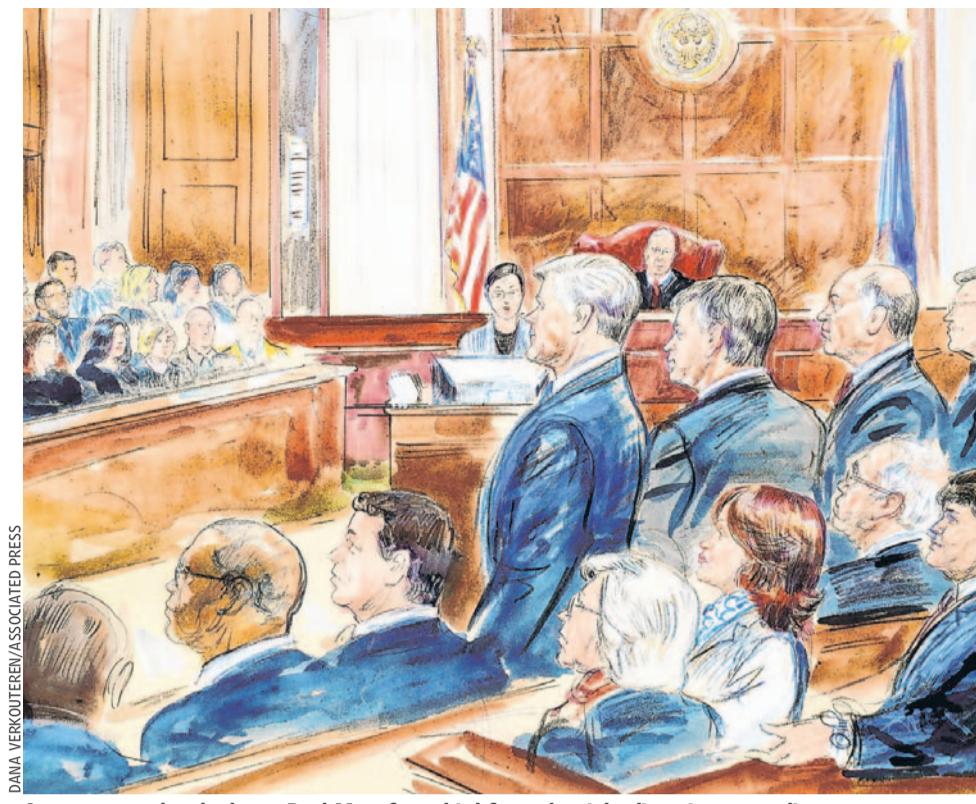
Mr. Trump repeated Tuesday that there was no collusion and termed the probe a "witch hunt." Moscow has denied interfering in the election.

Mr. Trump didn't address questions from reporters about a separate legal development Tuesday, the guilty plea by Michael Cohen in federal court.

The former Trump lawyer pleaded guilty to criminal charges related to payments he arranged before the 2016 election to silence two women who alleged affairs with Mr. Trump.

Outside the Alexandria courthouse, an attorney for Mr. Manafort, Kevin Downing, said: "Mr. Manafort is disappointed at not getting acquittals all the way through, or a complete hung jury on all counts, however he would like to thank Judge Ellis for granting him a fair trial and the jury for its hard-fought deliberation."

Mr. Downing said Mr.



A courtroom sketch shows Paul Manafort, third from the right, listening to verdicts.

Manafort is evaluating all his options. A spokesman for Mr. Mueller's office declined to comment on the verdict.

Prosecutors said in court they needed one week to decide if they wanted to retry Mr. Manafort on the counts on which the jury couldn't reach a verdict.

Before the verdict was announced, Judge Ellis quizzed the jury of six men and six women, whose names he agreed to keep private, about those 10 counts. Most of those charges were similar to those on which Mr. Manafort was convicted, though four had to do with \$16 million in loans he secured from a bank whose CEO allegedly wanted a position in the Trump administration.

"I want to know whether each of you believe that there is any reasonable possibility you could reach agreement if you continue your deliberations?" he asked.

"No," each juror responded.

Mr. Manafort still faces a second criminal trial on related charges next month in Washington, D.C.

Mr. Trump's presidential

campaign came up only a few times during the trial, as did Mr. Trump himself. Instead, the trial focused on Mr. Manafort's prior consulting work, how he paid for personal high-end expenses from foreign accounts and the documents he provided banks as he applied for loans.

Over two weeks at the trial, prosecutors called more than two-dozen witnesses and presented hundreds of emails, memos and financial documents that showed Mr. Manafort hadn't paid taxes on some \$16 million in income he earned as a political consultant in Ukraine between 2010 and 2014.

Prosecutors also accused Mr. Manafort of misleading multiple U.S. banks to obtain millions of dollars in loans in 2016 after that income dried up. He was convicted of committing bank fraud when he sought loans from Citizens Bank, based in Providence, R.I., and Banc of California, based in Santa Ana, Calif., but the jury didn't reach a verdict on conspiracy counts related to those loans or on fraud charges related to two other loans he got from Federal Savings Bank, which is based in Chicago.

The jury also convicted Mr. Manafort of not filing a report on foreign bank accounts in 2012, but didn't reach a conclusion on identical charges for 2011, 2013, and 2014.

"Mr. Manafort lied to keep more money when he had it and he lied to get more money when he didn't," prosecutor Greg Andres said last week as he summed up the case for the jury. "When you follow the trail of Mr. Manafort's money, it is littered with lies."

Mr. Manafort's lawyers had argued that prosecutors were "selectively pulling" information to create a misleading picture—and had relied too much on testimony from Mr. Manafort's former deputy, Richard Gates. Mr. Gates admitted to a litany of misconduct over three days of testimony, including that he had embezzled hundreds of thousands of dollars from Mr. Manafort.

Defense attorneys also showed that Mr. Manafort had paid \$8.3 million in taxes between 2005 and 2015 and had been open about his financial dealings.

—Alexa Corse contributed to this article.

Trump Again Calls Probe 'Witch Hunt'

By ANDREW DUEHREN

President Trump dismissed the conviction of former campaign chairman Paul Manafort on eight criminal counts Tuesday as a "witch hunt," reiterating a line of attack he has used for months to criticize special counsel Robert Mueller's investigation of Russian election interference.

"This has nothing to do with Russian collusion," Mr. Trump told reporters in Charleston, W.Va. "This started as Russian collusion...this is a witch hunt that ends in disgrace. But this has nothing to do [with] what they started out, looking for Russians involved in our campaign."

"I must tell you that Paul Manafort's a good man," he said.

Mr. Trump didn't comment on the decision of his former personal attorney, Michael Cohen, to plead guilty to eight criminal charges, and the White House directed questions about Mr. Cohen to Mr. Trump's personal lawyer, Rudy Giuliani. Mr. Giuliani said in a statement that "there is no allegation of any wrongdoing against the President in the government's charges against Mr. Cohen."

At a rally later Tuesday evening, the president made no mention of his two former associates. His only reference to the day's events came in a brief comment on the investigation into collusion between his associates and Russia in the 2016 election, which he has denied. "Where is the collusion?" he asked. "Find some collusion."

For much of the rally, he focused on topics he typically uses to rally his base, including criticizing NFL players for kneeling during the national anthem, touting what he said was growth in the U.S. steel industry and his positive effect on Republican congressional candidates' campaigns.

At one point during the

rally, which came just hours after Mr. Manafort's conviction and Mr. Cohen's guilty plea, the crowd erupted in chants of "Lock her up!" and "Drain that swamp."

Reactions to the twin legal developments were largely divided along partisan lines. To Democrats, Mr. Cohen's guilty plea and Mr. Manafort's conviction reinforced the importance of Mr. Mueller's investigation, while Republicans noted that they were unrelated to the Russia probe. Mr. Mueller is investigating, among other matters, whether any members of the Trump campaign colluded with the Russian government to influence the results of the 2016 election.

'This has nothing to do with Russian collusion,' Mr. Trump told reporters.

Rep. Adam Schiff of California, the top Democrat on the House Intelligence Committee, said Tuesday's news bolsters the legitimacy of Mr. Mueller's probe. "These convictions demonstrate that Mueller's investigation is far from a 'witch hunt,' as the President falsely repeats as a mantra," Mr. Schiff said. "Instead, it shows that Mueller and prosecutors in New York are conducting a professional investigation."

Sen. John Cornyn of Texas, the No. 2 Republican in the Senate, said both developments are separate from Mr. Mueller's investigation into Russian interference in the 2016 presidential election. "People who do bad things who break the law need to be held accountable, but this doesn't add anything to the allegations of misconduct relative to the Russia investigation," he said.

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WORLD NEWS

Greek Bailout Ends, but Problems Don't

Issues still bedeviling economy include red tape, unclear property rights, judicial inertia

By NEKTARIA STAMOULI

ITHACA, Greece—Prime Minister Alexis Tsipras declared the end of Greece's bailout on Tuesday from this island freighted with symbolism: where legend has it Odysseus landed on home soil after an arduous decade-long journey.

"This is a day of liberation," Mr. Tsipras said, following years of tutelage by international creditors.

In reality, little has changed. Greece still owes billions to creditors who will continue to regularly review progress in the nation's economic overhaul. Mr. Tsipras warned that Greece still has work to do and is far from prosperous.

"We will not commit the hubris of ignoring the lessons of the bailout for Greece," he said.

Greece has made significant overhauls during its eight-year bailout period. It balanced its budget, turning a 15.1% deficit in 2008 into a 0.8% surplus last year. It cut wages to help boost competitiveness of exports. It revamped the pension system, created an independent tax collector, and introduced an electronic drug-precription system.

But neither Greece's politicians nor its lenders have so far shown that they can fix the underlying problems that have bedeviled the country's economy, and that led it into the most severe debt crisis of modern times.

The business environment remains mired in red tape, with bureaucracy tying up commercial investment plans sometimes for decades. The chaotic public sector's staffing level has shrunk considerably



'This is a day of liberation.' But 'we will not commit the hubris of ignoring the lessons of the bailout for Greece.'

Prime Minister Alexis Tsipras, speaking in Ithaca on Tuesday

under the diktat of technocrats from the European Union and the International Monetary Fund. But it hasn't become more efficient.

A combination of a political patronage and rigidly centralized decision making continues to render the Greek state ineffectual and unresponsive, said public administration professor Panagiotis Karkatsoulis, a professor at the National School of Public Administration in Athens. "The bureaucracy in Greece has re-

mained intact because the mechanism that produces it didn't change," he said.

"This was an epic failure by Greek governments and creditors to deal with the country's main problem and create a functional state. I'm afraid that whatever has been achieved up to now could collapse because of that," Mr. Karkatsoulis said.

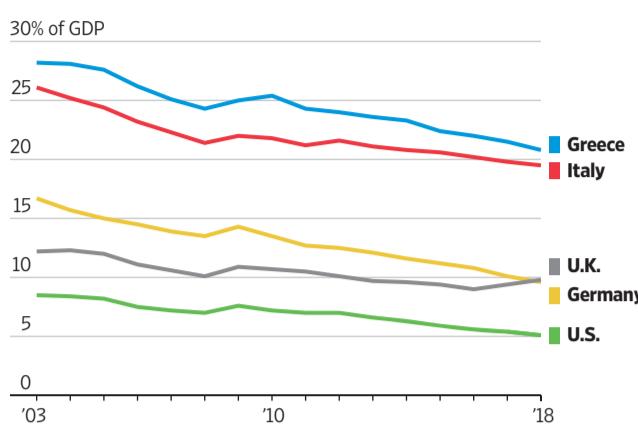
An emblematic investment under the bailout program was supposed to be the redevelopment of Athens's former air-

port, now disused. But the project, planned since 2012, has been held up by one public body after another, including the authorities for archaeology, forestry and land registry, as well as slow-moving judicial proceedings to consider challenges from local residents.

Bureaucracy, unclear property rights, and political and judicial obstacles have impeded Greece's attempt, at Germany and other lenders' behest, to privatize some €50 billion (\$57.7 billion) of state-

In the Shadows

Successive Greek governments have failed to adequately stem tax evasion. The shadow economy of selected countries:



Note: 2016-2018 are forecasts
Source: University of Tübingen and University of Linz

THE WALL STREET JOURNAL.

owned land and other assets. Only around €6 billion of privatization revenue has been collected since the privatization drive was launched in 2011.

"Bureaucracy is more powerful than people understand," said Christopher Egleton, chairman of U.K.-based tourism company Minoan, which recently won consent to build a holiday resort in eastern Crete after 20 years of applying. The company has fought its way through Greek courts to clarify who owned the land, whether the investment was permissible, and later for environmental and other concerns.

Greece remains the only EU country without a computerized land registry. Ownership and zoning remain opaque, hazy or disputed for much of Greece's territory, making investments a legal minefield.

Yianna Balafouti, an entrepreneur in Athens, decided that doing business here isn't worth the effort. Bureaucracy, along with economic depression and the absence of bank credit led her this year to shut down her delicatessen.

For years while she ran her business, authorities didn't know how to categorize it. Her

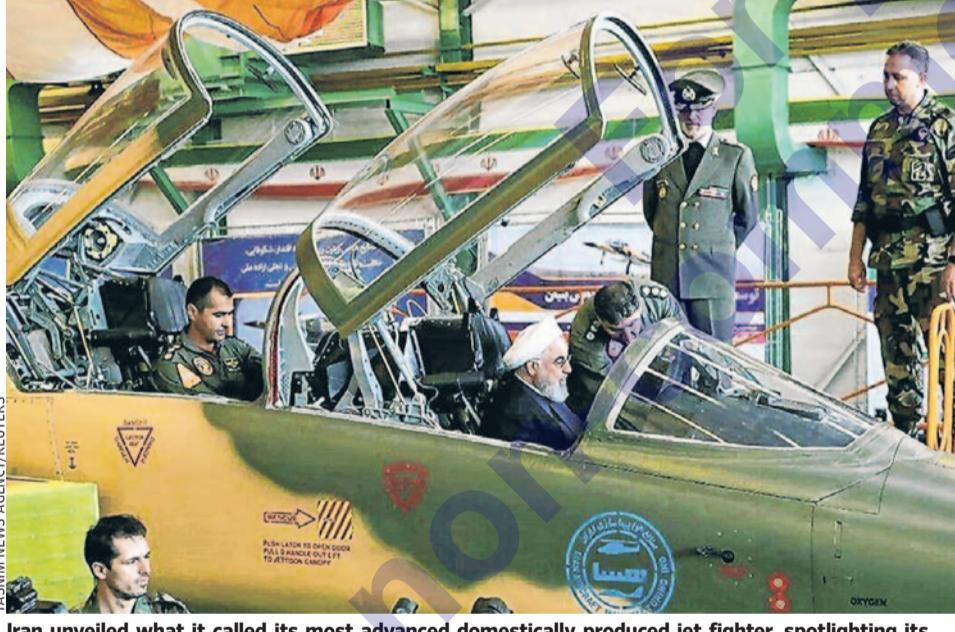
applications for approval of different food products were frequently returned because civil servants couldn't figure out which regulatory codes to use. In the end, she said, she felt powerless to fight, lost all pleasure in running her business and closed it.

Another sector that proved immune to reforms is Greece's justice system, still one of Europe's slowest and most inefficient, and often swayed by political interventions.

Greece has been repeatedly fined by European courts for long delays in reaching judicial rulings, and is considered Europe's worst offender. Enforcing contracts in Greek courts takes more than four years on average, according to the World Bank, a year longer even in notoriously slow Italy. Insolvency proceedings take on average 3.5 years in Greece, compared with 1.2 in Germany and 1.9 in France.

"There has been no progress in the Greek justice system despite the successive pieces of legislation," said Vasilis Hirdaris, a lawyer who has represented Greek clients who turned to European courts against the judicial delays.

Tehran Shows Off Its Latest Jet Fighter



Iran unveiled what it called its most advanced domestically produced jet fighter, spotlighting its military as the U.S. tries to corner Tehran economically and militarily. President Hassan Rouhani, above, on Tuesday sat in the front seat of the jet, called the Kowsar, which supplements a fleet estimated at around 150 mostly Russian and U.S. jet fighters built before the Iranian Revolution.

Top British Envoy Breaks With U.S. Over Iran Policy

By JESSICA DONATI

WASHINGTON—The U.K.'s top diplomat defended Britain's support for the Iran deal during his first trip to Washington, taking on an issue that is emerging as a major source of contention in the relationship between the two allies.

The Trump administration withdrew from the Iran deal in May, alleging the accord allowed Tehran to increase support to the U.S.-designated terrorist organization Hezbollah and expand its alleged terrorist activities around the world, while failing to sufficiently restrict its nuclear activities.

But Jeremy Hunt, the U.K.'s new foreign secretary, signaled on Tuesday that his country's view remains unchanged and said the 2015 nuclear accord negotiated by the Obama administration and other world powers was the best way to contain the threat from Iran.

"We do have a genuine dif-

ference of opinion because we think the best way to stop Iran from developing nuclear weapons is to stick with the nuclear deal," Mr. Hunt told an audience at the United States Institute of Peace. "The administration has a different view."

State Department officials didn't respond to a request to comment.

Mr. Hunt assumed the foreign minister's post last month following the resignation of Boris Johnson. On his visit to Washington this week, Mr. Hunt is expected to meet with Secretary of State Mike Pompeo and other senior U.S. officials to discuss foreign-policy concerns.

When asked by The Wall Street Journal, Mr. Hunt declined to address how the U.K.'s effort alongside France and Germany to keep trade with Iran alive might affect trade talks with the Trump administration.

The European push to save Iran from economic isolation and preserve the nuclear deal

runs counter to one of the U.S.'s foremost foreign-policy objectives. In recent weeks, the U.S. has redoubled efforts to persuade European countries to cut ties with Iran, with a slate of investigations into alleged Iran-backed terror plots targeting Iranian dissidents in Europe.

The U.K. is in the midst of negotiating a messy exit from the European Union and it is hoping to negotiate a bilateral trade deal with the U.S.

Even as the U.K. is seeking to withdraw from the EU, becoming the first country to exit from the union, Mr. Hunt in his speech focused on the importance of upholding the current world order and presenting a unified front, particularly to counter Russia.

Mr. Hunt called on allies to "go further" in implementing comprehensive sanctions against Russia, and for the EU and the U.S. to stand "shoulder to shoulder" when faced with threats from Moscow.

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WORLD NEWS

Venezuelans Doubt Economic Overhaul

Confusion, anger greet rollout of new currency, other measures aimed at easing hyperinflation

CARACAS, Venezuela—When Henrique Rosales got to the automated-teller machine on Tuesday to withdraw Venezuela's new currency, he found it dispensed a maximum of 10 sovereign bolivars a day, the equivalent of 15 U.S. cents.

*By Kejal Vyas,
Maolis Castro
and Juan Forero*

"This money is going to disappear out of my hands in no time," said the 29-year-old waiter, who said he hasn't seen cash in five months. He hasn't been able to pay for bus fare and walks several miles a day from his hilltop slum to the seafood eatery where he works. "I'm realizing the government has no plan to get us out of this nightmare. What a disaster."

Mr. Rosales was among many Venezuelans engulfed in confusion and anger as the government of President Nicolás Maduro rolled out its latest economic overhaul as part of its struggle to keep up with hyperinflation. Mr. Maduro called the measures "a really impressive magical formula" intended to stabilize the economy, including a new, highly devalued currency as well as tax and wage increases.

The sovereign bolívar is almost the same as the old currency, named the strong bolívar, except the new bills are missing five zeros. This was the government's answer to a broken economic model that has seen prices double every few weeks.

Many shopkeepers said they had no idea how much to charge customers, while others, like construction worker Pablo Delgado, 44, doubted that a country suffering through dire food shortages and faltering public services would soon see a return to stability.

"For me," he said, "none of this is going to make any difference. Maduro says prices aren't going to rise. But three days af-



People lined up at a bank in Caracas on Tuesday, when a new currency was rolled out. The move failed to ease misgivings about the economy.

launched by Venezuela this year that doesn't even circulate. The U.S. Treasury has banned the petro, calling it an effort to defraud investors.

Many economists say Mr. Maduro's program will only exacerbate inflation that the International Monetary Fund says will top 1,000,000% by year's end.

"The program is likely to flounder on credibility problems," said Francisco Rodriguez, chief economist at the New York investment bank Torino Capital.

In recent years, Venezuela's government had spent hundreds of millions of dollars annually to import its old bolívars from large commercial printers like the U.K.'s De La Rue and Boston-based Crane Currency, supplier to the U.S. Federal Reserve. But now, many of those bills could be seen muddied and crumpled up on the street, so worthless that not even street beggars picked them up.

The new bolívar notes bear printing dates of January 2018, suggesting the Maduro administration had been planning the monetary conversion long before it was announced. Calls to a central-bank spokeswoman went unanswered.

An ineffective and disjointed opposition had called for a national strike on Tuesday, in response to the government's economic measures. But with so many businesses closing amid the economic malaise, it was hard to tell who was participating in the protest.

Some shopkeepers, like 63-year-old butcher Jesus Montes, said he just couldn't take part. "I didn't want to partake because my products would go bad and also because of my employees," he said, noting that they needed to work and earn. "After my products are all gone, I don't know what I'm going to do."

Others were resigned that things would just get worse.

"We are on a dead-end street," said Vanessa Suárez, an accountant in Caracas. "Maduro's measures are improvised. You buy what you can because you don't know if there will be anything tomorrow."

ter his announcement, we have seen that they're rising."

On Friday night, Mr. Maduro, promising to harness inflation that has made pensions and savings nearly worthless, announcing that he would introduce the new currency. Banks, opening after a long holiday weekend, made them available on Tuesday. While ATMs appeared to have a daily withdrawal limit of 10 sovereign bolívars, bank tellers were willing to hand over 50, still less than \$1 a day.

By midmorning, many ATMs in east Caracas were out of cash. Those standing in line to see a teller used their phone calculators to figure out how much money they could withdraw.

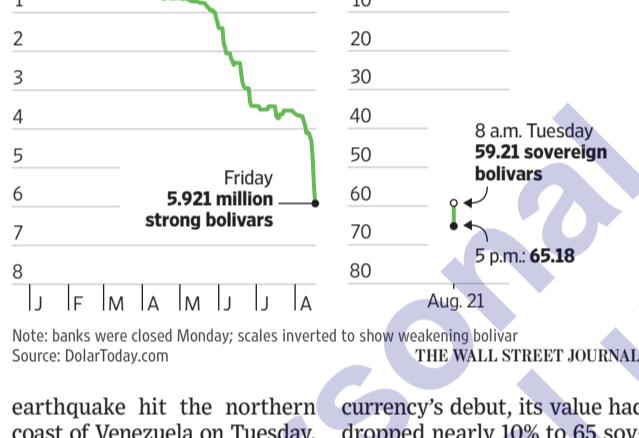
Since 2003, Venezuela has maintained rigid currency controls restricting access to dollars and holds a fixed exchange rate with it. Amid falling oil production, the government has been unable to provide enough dollars to Venezuelans, who then seek them on the black market.

Meanwhile, a magnitude-7.3

Currency Debut

Venezuela's new devalued currency is almost the same as the old, but missing five zeros. It continues to weaken against the dollar.

How many bolívars one dollar buys, black market exchange rate



earthquake hit the northern coast of Venezuela on Tuesday, the U.S. Geological Survey said, a tremor that could be felt in the capital Caracas and the Colombian capital of Bogotá.

Within hours of the new

mum wage to go up to about \$30 a month from the less than \$1 a month workers now make—a decision many battered businesses say would bankrupt them. The government said it would help small business make those payments by shelling out more bolívars, while auctioning dollars three times a week to maintain a stable exchange rate.

There is little in the plan to suggest the Socialist government would loosen its grip on the economy. Mr. Maduro was expected to announce new price caps on 50 basic products, extending a system of controls many economists say have choked the private sector. Venezuela is in default of \$6 billion in debt, can't pay to keep up its once-vaunted oil sector and is unable to reliably provide services like water and transportation.

Many Venezuelans doubt businesses will receive the relief Mr. Maduro has pledged. The president is pegging the new currency to the petro, an oil-backed cryptocurrency

sues in the treaty before Canadian negotiators rejoin talks, possibly in coming days.

Mr. López Obrador's team isn't part of the formal Mexican negotiating team, but current officials are consulting on trade with the president-elect's aides.

A spokesman for Mexico's Economy Ministry declined to comment. Officials of Mr. López Obrador's trade team weren't available to comment.

Mexican and U.S. officials

have said that the inclusion of an energy chapter in Nafta seeks to cement North America's energy integration.

It would also allow the Trump administration to claim a big victory and help in selling any Nafta deal to Congress, where lawmakers may object to other parts of the Trump agenda, including weakening or eliminating arbitration panels for U.S. businesses that invest in Mexico.

Mexico's President-Elect Raises a Hurdle in Nafta Talks

BY DAVID LUHNOW
AND SANTIAGO PÉREZ

MEXICO CITY—A split has emerged among Mexico's incoming and outgoing administrations over how to handle the subject of energy in ongoing talks to revamp the North American Free Trade Agreement, possibly complicating attempts to reach a deal.

The incoming government of President-elect Andrés Manuel

López Obrador wants to prevent a new chapter on energy investment from being included in the pact, something the current Mexican team and its U.S. and Canadian counterparts had already agreed upon, say people with knowledge of the talks.

Energy wasn't included in the original 1994 trade deal because Mexico at the time had a state monopoly in oil and its constitution forbade any private investment in the sector.

But in 2013, the government of President Enrique Peña Nieto overhauled the charter to open the industry to private and foreign investment. Mr. López Obrador was against the changes.

Since then, dozens of foreign oil companies, including major U.S. ones, have won the rights to drill for oil and gas in Mexico, pledging billions of dollars in investment. The incoming administration has said it doesn't plan to roll

back the changes, but it remains unclear if it will press ahead with any new auctions.

Negotiators from the U.S. and Mexico are meeting this week in Washington, in a last-minute dash to get a deal done before the end of this month,

giving enough time for lawmakers in Mexico to give approval before Mr. López Obrador takes office in December. Trade negotiators from both countries want to sort bilateral trade is-

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Depression. A decade ago, storied investment firms like Bear Stearns and Lehman Brothers disappeared, while others including Merrill Lynch were sold under intense market pressure. Many analysts and investors believed in March 2009 that, even with broad market indexes down 40% and more from their peaks 18 months earlier, worse tides were yet to come.

Instead, the economy struggled back to its feet over a period of years. Investment flows inevitably shifted away from a hamstrung financial industry toward fast-growing, consumer-facing technology companies that were devising products that managed to change everything from the ways people shopped for clothes to how they communicated with one another. One investor favorite of the current rally, Facebook Inc., didn't enter public markets until 2012. Its shares are up nearly five-fold since its market debut.

The current rally isn't the hottest. The previous record S&P bull market that ended with the tech bust in March 2000 rose 417% over 3,452 days—far above the current rally's 323%. The current rally is the third-longest in the Dow industrials, after bull markets that ended in 1961 and 1929, according to Dow Jones Market Data.

"Companies are tearing it up," said Don Townswick, director of equity strategies at Conning & Co. "It's quite possible to see the market continue to do well."

Few investors would have bet that the longest bull market in U.S. history would follow on the heels of the worst financial crisis since the Great

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WORLD NEWS

Taiwan Loses a Partner in Diplomacy

By JOSH CHIN

BELJING—China established formal relations with El Salvador, wresting away yet another country from Taiwan's diminishing pool of diplomatic partners as part of an intensifying campaign to undermine Taiwanese President Tsai Ing-wen.

Tuesday's announcement was made at a signing ceremony by the Chinese and Salvadoran foreign ministers in Beijing. It came on the heels of a trip to Central and South America with unusually high-profile stopoffs in the U.S. by Ms. Tsai, whom China's leaders want shunned for resisting Chinese appeals for reunification between the island and mainland.

With El Salvador's switching of ties, the number of governments that recognize Taiwan as an independent country drops to 17 and marks the third time China has successfully wooed a Taiwanese diplomatic partner this year.

Taiwan reacted angrily, with Ms. Tsai calling the diplomatic maneuvering part of a series of scare tactics by Beijing. "Taiwan won't yield to pressure," she said in a statement. Taiwan's Foreign Ministry suggested that Beijing is engaging in dollar diplomacy, saying El Salvador had been insisting that Taiwan provide a large sum of money for an investment project that a Taiwanese inspection team determined was too risky.

"The establishment of diplomatic relations between China and El Salvador is a political decision. It is by no means the so-called trade bar-

gaining chip imagined by some people in Taiwan," Chinese Foreign Ministry spokesman Lu Kang said at a regular news briefing in Beijing on Tuesday.

Chinese Foreign Minister Wang Yi and his Salvadoran counterpart Carlos Castaneda described the establishing of ties as a strategic decision that would benefit both countries, according to China's state-run Xinhua News Agency.

Beijing has refused to diplomatically recognize any nation that recognizes Taiwan since the two sides split following a civil war in 1949. For decades each side offered generous aid to attract allies among developing countries, though as Taiwan has developed into a flourishing democracy in recent decades, it has scaled back such overseas largess.

China stopped poaching Taiwan's diplomatic partners during the eight-year Kuomintang administration under President Ma Ying-jeou, which ended in 2016 when Taiwan elected Ms. Tsai, whose Democratic Progressive Party favors formal independence from China.

Over the past year, the Chinese government has been aggressively switching between carrots and sticks in a bid to undermine Ms. Tsai and her party, according to Lin Chong-ping, a former Taiwan deputy defense minister.

Malaysia Dials Down China Deals

By CHUN HAN WONG

BELJING—Malaysian Prime Minister Mahathir Mohamad said he plans to defer or cancel some \$22 billion worth of Chinese-backed infrastructure projects, after explaining his objections to China's leaders.

At a Tuesday media briefing at the end of a five-day China trip, Mr. Mahathir said he told President Xi Jinping and other Chinese leaders that Malaysia needs to cut its debt burden and isn't able to afford those projects, at least for now.

"They see our point of view," the prime minister told reporters in televised remarks. "They understand our problem. They understand why we have to reduce our debt."

Mr. Mahathir's China visit was his first since he was elected in May.

During the campaign and since, he has criticized the high-profile Chinese projects in Malaysia, as well as Beijing's efforts to assert territorial claims in the South China Sea, forming a fraught undercurrent to his meetings with Chinese leaders.

Official Chinese accounts of Mr. Mahathir's meetings with Mr. Xi and Premier Li Keqiang didn't mention any discussion of the Chinese infrastructure deals.



Prime Minister Mahathir Mohamad, second from left, told President Xi Jinping, right, that Malaysia needs to cut its debt.

Asked by reporters about Mr. Mahathir's comments, Chinese Foreign Ministry spokesman Lu Kang said, "It's unavoidable for some problems and differences of opinion to emerge as two countries cooperate together." He said that Mr. Mahathir and Chinese leaders agreed to resolve their differences through friendly consultations.

Mr. Mahathir's government has frozen China-backed projects to build a \$20 billion railway line and two energy pipelines in Malaysia that are part of Mr. Xi's signature Belt and Road initiative, citing inflated contract values and excessive

borrowings. Those deals were agreed to in 2016 with the government of Najib Razak, who stepped down as prime minister after a stunning electoral loss in May to Mr. Mahathir's opposition coalition.

Mr. Mahathir's government is investigating whether some of the funds for the Chinese-backed contracts were diverted to pay debt owed by a state investment fund, IMALAYSIA Development Bhd., or IMDB.

Malaysian officials believe a central figure in the IMDB scandal, Malaysian financier Jho Low, is living in China to evade arrest. At Tuesday's

briefing, Mr. Mahathir said he didn't press China for the extradition of Mr. Low, something he had been expected to raise.

Mr. Low maintains his innocence, representatives for his lawyers said this month.

During his trip, Mr. Mahathir struck a largely conciliatory tone with his Chinese hosts, telling officials and businessmen that Chinese investments are welcome as long as they benefit Malaysia's economy, even as his government scraps deals it deems unviable.

"It is all about borrowing too much money which we

cannot afford, we cannot repay," Mr. Mahathir said. "So we must find a way to exit these projects and at the lowest cost possible."

Malaysia could revive the projects if they become viable in the future, Mr. Mahathir said. Its government expects to pay a "quite substantial" amount in compensation for scrapping the railway project, he said.

On Monday, Mr. Mahathir and Mr. Li agreed to strengthen bilateral cooperation and boost two-way trade, such as by increasing Chinese purchases of Malaysian agricultural goods like palm oil.

New Challenge to 'Abenomics' Rises in Japan

By MEGUMI FUJIKAWA

TOKYO—Prime Minister Shinzo Abe's policies have benefited the titans of business with whom he likes to play golf but have left millions of people behind, said a former defense minister who is making a long-shot bid to lead the ruling party.

Shigeru Ishiba doesn't have much of a chance of dethroning Mr. Abe. But he speaks for a larger group—including some people in ruling circles—who play down the healthy economic indicators under Mr. Abe and see risks in his "Abenomics" policies, including cheap money and robust government spending.

"Exporters made money on the cheap yen and monetary easing, and they're all having fun playing golf at Mr. Abe's vacation home," said Mr. Ishiba in an interview in his office in Tokyo, which is filled with model planes and books on military and economic policy.

"Those people are happy but there are many people who aren't. This country's economy isn't sustainable unless we bring happiness to all those other people," he said.

Mr. Abe, an avid golfer, often plays with executives of companies such as Canon Inc. and Fujifilm Holdings Corp., and has hit the links three times with a former American businessman, U.S. President Trump.

Mr. Ishiba, 61 years old, is challenging Mr. Abe, 63, to lead the ruling Liberal Democratic Party in an election on Sept. 20. The head of the LDP traditionally becomes prime minister when the party controls parliament—as it does



Shigeru Ishiba says cheap-money policies have left millions behind.

now—so Mr. Ishiba is effectively bidding to lead the nation. Mr. Abe has locked up support from most LDP members of parliament.

Since Mr. Abe took office in December 2012, his policies and Bank of Japan Gov. Haruhiko Kuroda's easing have contributed to record corporate earnings and helped create the tightest labor market in decades. Growth has been steady in the past two years and the economy expanded at an annualized pace of 1.9% in the April-June quarter.

At a news conference in

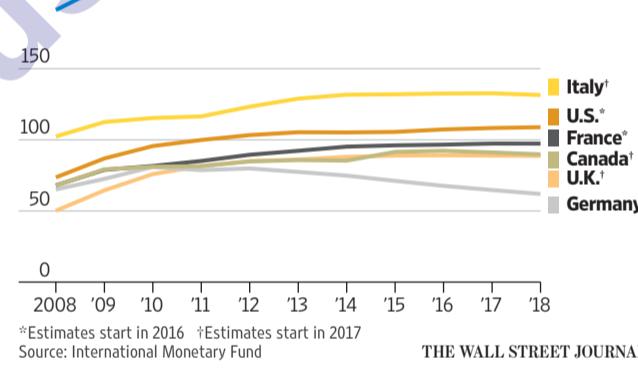
July, Mr. Abe reeled off favorable numbers including the results of a survey that showed wage growth at small and mid-size companies at its highest level in 20 years. "The Japanese economy is making sure and steady progress," he said.

Voters aren't so sure. In a poll released this week by All-Nippon News Network, only 23% of voters thought Abenomics was going well and 57% thought it wasn't. The same poll, which didn't provide a margin of error, showed the general public slightly favored Mr. Ishiba over Mr. Abe.

In Debt

Japan's debt-to-GDP ratio is the highest among advanced nations.

General government gross debt, as a percentage of GDP



*Estimates start in 2016 *Estimates start in 2017

Source: International Monetary Fund

THE WALL STREET JOURNAL.

In the slow recovery since the global financial crisis, many politicians have found that improved economic data don't necessarily translate into robust popularity.

Democrats in the U.S. lost control of the Senate in 2014 and the White House in 2016. German Chancellor Angela Merkel's party last year recorded its worst result since 1949 in national elections despite strong growth, low unemployment and a budget surplus.

Mr. Ishiba said he wasn't asking the Bank of Japan to stop its easing policy right away, but he said the policy came with "lots of shadows."

Mr. Kuroda, the central-bank chief, in 2013 launched what were widely called his "bazookas," including large purchases of government bonds to drive down interest rates. Mr. Ishiba said Japan should look for ways to trim

its national debt, which stands above a quadrillion yen or nearly \$10 trillion, before it is too late, stressing a subject that Mr. Abe avoids.

While the debt is mostly held domestically, the day may come when Japanese people's savings are tapped out and Japan has to borrow more from foreigners, Mr. Ishiba said. Then interest rates could rise sharply, he said. "It is important to think of ways to bring in more, while we still have the ability to borrow money," he said.

Comments like these tap into a growing line of thinking in the ruling party, although most lawmakers hesitate to challenge Mr. Abe directly. Former Foreign Minister Fumio Kishida, seen as a potential future prime minister, led a group of lawmakers this year in proposing more steps to control spending.

Insurgents Hit Kabul With Mortar Barrage

By CRAIG NELSON

KABUL—Suspected militants unleashed a barrage of mortars near the presidential palace and Defense Ministry in the Afghan capital on Tuesday, as President Ashraf Ghani delivered a speech marking the start of the Muslim holiday of Eid al-Adha.

In a multipronged strike carried out by nine insurgents, some 40 mortar rounds were fired from improvised launchers mounted in the beds of two pickup trucks parked near a mosque in central Kabul, said U.S. Army Lt. Col. Martin O'Donnell, spokesman for the U.S.-led international coalition here.

There was no claim of responsibility for the attack and no immediate reports of casualties among security forces or civilians.

But the timing of the assault signaled the myriad challenges that face Mr. Ghani and his U.S. allies in negotiating an end to the 17-year war between the U.S.-backed govern-

ment and the Taliban, the country's largest insurgency.

On Sunday, Mr. Ghani offered the Taliban a conditional three-month cease-fire, hoping to replicate the success of one during a previous Muslim holiday in June and to build momentum for a resumption of peace talks.

In recent days, Taliban leaders said they would observe an informal truce, but haven't accepted Mr. Ghani's offer.

A number of Islamist militant groups—led by the Taliban, Islamic State's local affiliate and the Haqqani network—are fighting to destabilize the Afghan government and force out the U.S.-led coalition.

As explosions resounded through the city Tuesday morning, Mr. Ghani said the country wouldn't be cowed by violence.

An Afghan military helicopter attacked and destroyed one of the pickup trucks, Col. O'Donnell said. Five of the attackers surrendered to Afghan security forces, while the others were killed, he said.

WORLD WATCH

GERMANY

Last Known Nazi Collaborator Deported

The last known Nazi collaborator living in the U.S. was deported to Germany following a personal intervention by President Trump.

Jakiw Palij, a former member of the SS in German-occupied Poland and a postwar resident of Queens, N.Y., arrived in Germany on Tuesday on a U.S. government flight. He was the last of nine Nazi collaborators under deportation orders in the U.S., eight of whom have died in the past decade.

Berlin had long resisted receiving Mr. Palij, now 95 years old, because he wasn't a German citizen and hadn't been charged with any crime in Germany. Even now, experts said it is highly unlikely that he would face prosecution.

A Polish national, Mr. Palij was trained by the SS at the age of 18 at its Trawniki camp in occupied Poland. The U.S. alleges he served as an armed guard in the adjacent slave labor camp, where inmates were

worked to death and sometimes shot. He has acknowledged being a guard but denies being involved in anyone's murder.

Mr. Palij entered the U.S. in 1949 and was naturalized in 1957. In 2003 he was stripped of his U.S. citizenship after authorities established he had lied about his Nazi past in his original application and failed to mention his SS training.

—Bojan Pancevski

and Rebecca Ballhaus

the government to let the migrants off the ship for humanitarian and medical reasons.

The Italian coast guard ship Diciotti arrived in Catania late Monday, but the Italian government won't let them off the ship until it has pledges from other European countries to take them, in the latest standoff over migrants being rescued at sea.

US DEPARTMENT OF JUSTICE/ASSOCIATED PRESS



Jakiw Palij, a former member of the SS pictured here in a 1949 visa photo, arrived in Germany on Tuesday on a U.S. government flight.

IAD Groups Urge Safe Passage for Migrants

Humanitarian groups urged the Italian government to allow 177 migrants aboard an Italian coast guard ship docked at the Sicilian port of Catania to be permitted to disembark.

Doctors Without Borders, the U.N. refugee agency and Save the Children have all appealed to

Giovanna Benedetta of Save the Children noted that many of the migrants aboard the ship had been detained in Libya for months before passage on overcrowded smugglers' ships and were traumatized. Twenty-eight are unaccompanied minors.

Carlotta Sami of the U.N. High Commissioner for Refugees tweeted that "they have an urgent need to receive assistance and to ask for asylum. It is a fundamental right, not a crime."

Italy has asked the EU to work out a solution.

—Associated Press

FROM PAGE ONE

Pinpointing The Cost of Knee Surgery

Continued from Page One
ance, often don't know the price of a procedure and rarely shop around.

This dynamic is a driving force in the explosion in health-care spending in the U.S., which will soon reach close to 20% of GDP. Americans spend more per capita on health care than any other developed nation, even though they aren't buying more health care overall. The rise in hospital prices has outpaced economywide inflation for decades. "When price isn't tightly linked to cost, that is a sign that the market isn't competitive," said Harvard economist Leemore Dafny.

Hospitals can be shielded from the competition that forces other industries to wring out expenses and slash prices. Hospital list prices are a starting point for negotiations with insurance companies over what they will actually pay, and those deals are confidential. Consolidation has given hospitals greater pricing power in many markets, according to health-economics researchers.

"Being cost effective was not an imperative in that type of market dynamic," said Derek Haas, chief executive officer of Avant-garde Health, a health-care cost and quality analytics company that worked with Gundersen.

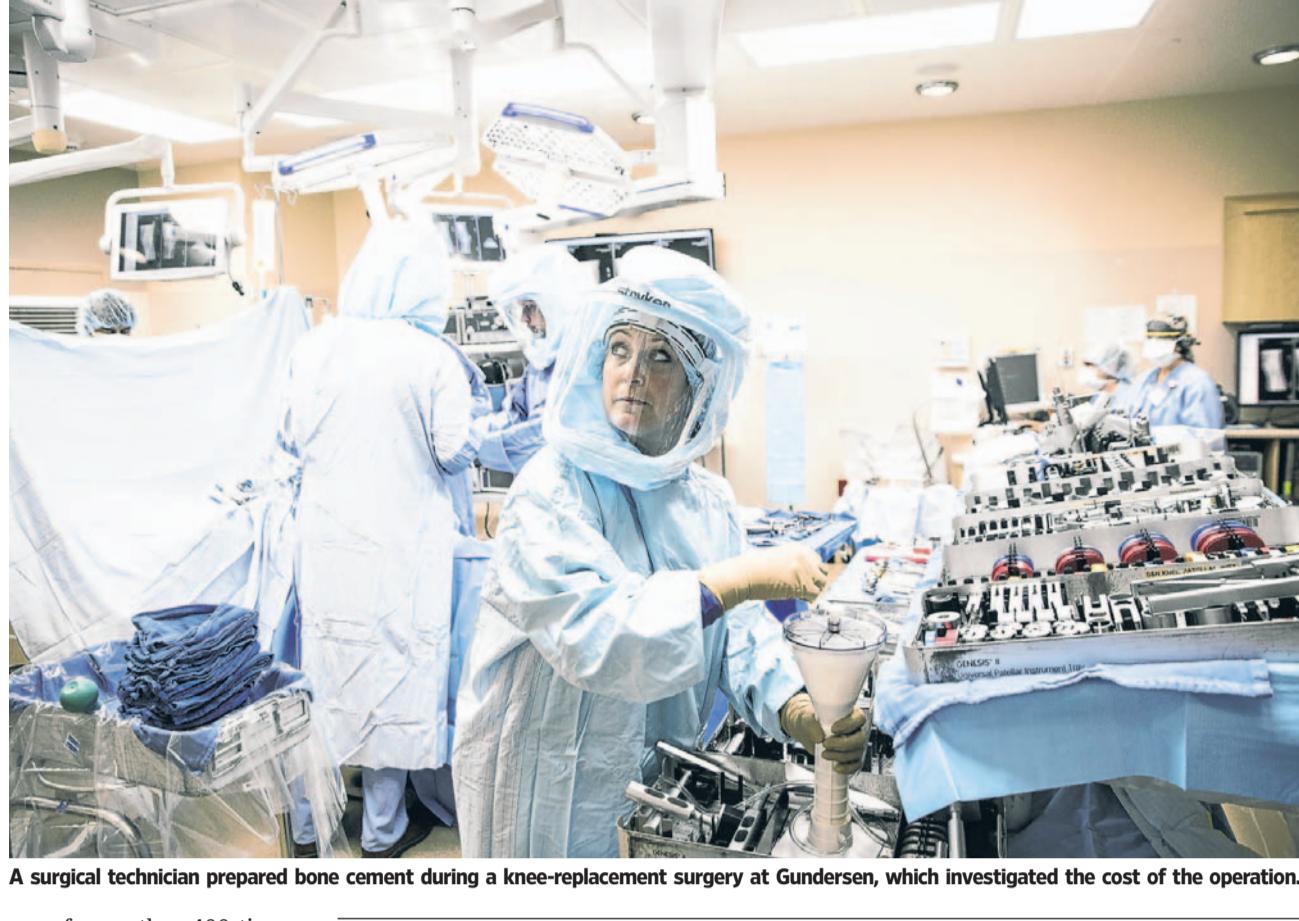
On knee-replacement surgery, higher-cost hospitals spent almost twice the amount lower-cost hospitals spent, despite largely similar quality and roughly comparable patients, research by Mr. Haas and Harvard Business School Professor Robert Kaplan showed.

"It's a standard procedure" that doesn't vary much from one hospital to another, and nor should its costs, Mr. Kaplan said. "Carve out the old knee and put in a new joint."

No estimate

For consumers, the prices paid for the surgery at some hospitals in the U.S. were more than double the prices at others, according to an analysis of 88 million privately insured people to be published in the Quarterly Journal of Economics.

Before 2016, Gundersen Lutheran Medical Center, one of the Gundersen system's six hospitals, lacked even an estimated cost for knee-replacement surgery, which it performs an aver-



A surgical technician prepared bone cement during a knee-replacement surgery at Gundersen, which investigated the cost of the operation.

Mr. Spolum, who had tossed hay bales at his hobby farm with his grandchildren the week before surgery, returned home the next day. His stay at the hospital was a full day shorter than his last visit to Gundersen in August 2016, when the same surgeon replaced his other knee, said Sherrie Spolum, his wife. "That was just fine with him, he wanted to get home," she said.

Since the knee-surgery investigation, Gundersen has scrutinized the cost of its laboratory services, which other hospitals use under contract. Gundersen squeezed those costs and lowered prices, holding on to business against encroaching national laboratory chains, said Ms. Wied, who is now a vice president of operations for Gundersen Health System.

The more Gundersen wrings from its costs, the more potential profit it earns. Because Gundersen and the majority of U.S. hospitals are charitable corporations, profits don't go to shareholders. Income instead gets poured into new equipment, construction or acquisitions, and is used to subsidize medical care that loses money.

An employer group in Madison, Wis., presented Gundersen with another option: Cut the prices it charges patients.

As Gundersen was concluding its cost evaluations, the group known as the Alliance approached it with an ultimatum. Hospitals elsewhere in Wisconsin with good quality results had cut knee-replacement prices by more than 20% on average to win their business, the employer group said. Gundersen could do the same, or risk losing patients.

The Alliance represents 5,600 people in La Crosse and 88,000 people across three states.

"They had a number they were focused on," said Susan Rochholz, director of managed care for the Gundersen Health System. "We had to figure out if we could live with that."

Executives weighed a price cut by considering new savings from improved efficiency, and factoring in overhead costs, including human resources, maintenance and utilities, while keeping an eye on margins.

Ultimately, Gundersen lowered its price for the Alliance employers. The hospital declined to disclose the price, but said it still makes money on the procedures it does for Alliance members. The Alliance also declined to disclose details. Gundersen's list price for the knee surgery, not including the surgeon and anesthesiologist, in 2017 dropped 7%, which it attributed to shorter hospital stays.

"I don't think we would say we were wildly overcharging," said Dr. Scott Rathgaber, chief executive officer of Gundersen Health System, of the previous price paid by patients. "We were inefficient. We didn't know it."

At Wieser Brothers, a general contractor nearby in La Crescent, Minn., that is part of the Alliance, the deal with Gundersen will reduce the price of knee surgery for its employees. It expects the discount to be greater than 30% off the list price.

Co-founder Jeff Wieser said the company tracks its own costs in minute detail—down to the expenses for fire extinguishers and phones it would need to compete for jobs such as a recent one to remodel a Minnesota high school. Wieser uses software to track labor; solicits competing bids from subcontractors; and itemizes supplies.

"There's no reason they can't run a business like we do," said Mr. Wieser.

age of more than 400 times a year. The hospital long set its price, with help from consultants, to be on par with other hospitals, and to sustain the orthopedic department's margin. Cost approximations, such as those used by Medicare to value a physician's time, are a starting point for many hospitals.

The project to nail down a cost was initiated in 2013 by Lisa Wied, who then oversaw Gundersen's orthopedic department. She had stumbled across an initiative by the Institute for Healthcare Improvement, a Boston-based health-quality nonprofit, to dig into hospital joint-replacement costs. "It hit home," said Ms. Wied, who previously worked in manufacturing, an industry that more scrupulously tracks its costs.

Ms. Wied dispatched a nurse and an efficiency expert with stopwatches to trail patients into exam rooms and surgical suites. They mingled with technicians, doctors and physical therapists, measuring time spent and supplies used.

On average, a certified nurse assistant needed 10 minutes to collect personal items such as glasses or dentures from patients before surgery. A technician took another 20 minutes to insert an IV into patients awaiting the operation. Time spent in Gundersen's operating room—the most expensive minutes of a patient's hospital visit—averaged 95 to 105 minutes.

The biggest revelations came after patients left surgery. Ken-

What Does a New Knee Cost?

Gundersen Health System in La Crosse, Wis., for the first time measured the minute-by-minute cost for it to perform knee replacement surgery, revealing an average cost of \$7,300 to \$10,550 in 2016. The scrutiny then gave it the ability to squeeze out average savings of \$1,850.

NEW PRE-OP COST: \$250-500

Money-saving changes include:

- Shift 'what to expect' education earlier to group classes, instead of one-on-one

Savings vs. 2016: \$50

OPERATING ROOM: \$4,000-5,500

- Operating-room technician positions patients instead of surgical team
- Lower-cost bone cement

Savings: \$1,000

Source: Gundersen Health System; Photos: iStock

dra Reynolds, Gundersen's inpatient orthopedic director, and nurse Beth Krage saw an early map of results, dotted with storm clouds to indicate where the analysis identified potential problems. "It looked like a thunderstorm," said Ms. Krage.

On busy days, the hospital had no available beds for knee-replacement patients after surgery. Patients with nowhere to go remained in temporary post-surgical units for as long as 24 hours, prolonging their recovery. The backlog created confusion among physical therapists, who waited to start recovery until patients transferred to the hospital's orthopedic unit.

Meantime, doctors didn't always order physical therapy to begin quickly even when patients were rapidly transferred to the orthopedic unit. Research shows patients who start moving soon after surgery, often the same day as an operation, have shorter hospital stays, less pain and more strength and mobility than patients who wait.

Nurses spent significant time preparing patients to go home, wheeling televisions and VCRs to patients' bedside to play educational videos, before coaching patients one-on-one on what to expect next. It was time-consuming and could be done more effectively in a group class at a clinic before surgery.

"We didn't know it was a problem until it was down on paper," Ms. Krage said.

Armed with the new infor-

mation, Gundersen was able to pinpoint waste, and it set out to cut inefficiencies. Changes to the process mean the knee surgery now costs the hospital an average \$8,700 at most to perform, an 18% savings.

The new process was on display one day this June. Gundersen orthopedic surgeon Mark Topolski and his team prepared for a knee replacement on patient Walter Spolum, a 75-year-old retired railroad blacksmith from Tomah, Wis.

Mr. Spolum's arms and healthy knee had been gently fastened to the operating table with protective padding, with help from perioperative technician Billy Ortiz.

Before the cost investigation, the surgical team was responsible for positioning the patient for surgery, but Gundersen's analysis showed that distracted and slowed them as they readied the operating room. Bringing in Mr. Ortiz helped reduce time in the OR by 5 to 10 minutes, lowering the cost.

Dr. Topolski swiftly moves through the procedure. After a neat incision, he works with a surgical assistant and nurse practitioner to clear damaged tissue from the patient's knee, shaving away bone where they will attach the new one.

To secure the artificial joint to the bone, Dr. Topolski calls for a technician to prepare a strong adhesive known as bone cement. On a nearby table, a technician churns the mixture

by hand, then assembles what resembles a caulk gun loaded with cement, which she hands to the surgeon.

Gundersen's analysis found that the hospital had been exclusively using brand-name cement, premixed with antibiotics.

The hospital slashed its cement costs by 57% by switching to a generic, which research shows can be used in most cases with the same results. Staff can hand-mix antibiotics into generic cement when needed.

It isn't clear how the orthopedics department came to use the brand-name cement, said hospital staff. Dr. Topolski, in an interview before the surgery, said he was perplexed when the analysis uncovered it.

"When you're in the OR, you just want your cement when you want your cement," he said. He used generic as a military surgeon with "no problem," he said. "Why are we paying so much?"

Added position

After the surgery, nurse Emily McGrath visited Mr. Spolum on the orthopedic unit. Gundersen created Ms. McGrath's job to prevent the treatment delays uncovered during the review. She steps in "wherever I'm needed," she said.

She tested Mr. Spolum's mobility and urged him to eat. That same day, a physical therapist appeared to help him take his first post-surgery walk.

Creating a companionable home that can be shared," she said. "People have said to me, 'I want a 'Golden Girls' relationship.'" Ms. Pluhar added, referring to the popular '80s-era TV sitcom.

Hope Dietrich, a 75-year-old former accountant and baker who lives on Roosevelt Island in New York City, is an exception who has had several male roommates. And while she's open to whipping up extra blueberry pancakes for them, she keeps a friendly distance. "We cannot talk about everything," Ms. Dietrich said, "like childbirth."

Sometimes, the secret to living with a roommate at an unexpected period of life is embracing however it turns out.

Michele Fiasca, 66, had a housemate a few years back who couldn't seem to pay rent but did procure wonderful vintage clothes for Ms. Fiasca, who runs a website that connects senior roommates in Oregon and Washington state.

Ms. Fiasca, who doesn't like to shop, was more pleased than bothered. "I still get compliments on all the things she picked out for me," she said.

More New Knees

Knee replacement has become more common in the U.S. while at the same time climbing in price.

Rate of hospital visits for knee-replacement surgery

250 per 100,000 people

225

200

175

150

125

100

2000 05 10

Median hospital list price for knee replacement*

\$50,000

40,000

30,000

20,000

10,000

0

2000 05 10

*Includes physician services; some insurance companies negotiate lower prices from list prices.

Source: Agency for Healthcare Research and Quality

Healthcare Cost and Utilization Project

THE WALL STREET JOURNAL.

make compromises on certain rules. Plus, the stuff she owns now is "a heck of a lot nicer," she said. "There's more to lose."

Kathy Ryan, 64, said she opened her home in Thornton, Colo., to a housemate she found on Craigslist, who then lied about how many cats she was bringing (three, not two) and filled the basement with a hoard of knickknacks, including a doll carriage and a dress she'd last worn when she was 7. When Ms. Ryan asked her to please stop running small loads of laundry on the extra-large setting, the housemate insisted Ms. Ryan explain herself to the housemate's therapist. Ms. Ryan eventually told her she had to leave.

Still, Ms. Ryan, who teaches college math online, has enjoyed other roommates since then. "My lesson is, try to go with someone you already know," she said.

Housemates Karen Bush, 70, and Louise Machinist, 72, share a condo in Sarasota, Fla., but sometimes have aesthetic differences. To avoid hurt feelings over disagreements about furniture or artwork, they developed

a euphemism for when they disliked each other's choices: PSI, for "Personal Space Item." Ms. Machinist's drop-leaf table got PSI-ed to her room, for instance, as did a painting by Ms. Bush's mother. "It's great," Ms. Machinist said, "but the purple magnolias wouldn't be great in our pale walled living room."

About 16% of people 50 and older said they live in a shared household, up from 2% four years ago, according to a recent survey whose full results will be released in coming weeks by AARP. Last year, 1.9 million U.S. households headed by a person 50 or older included a housemate, roommate, boarder or other nonrelative, according to census data analyzed by Veritas Urbis Economics LLC, which provides consulting to developers and home builders.

Sharon Kha, 74, and Deborah Knox, 73, love being roommates but cringe at the term, which they think sounds too juvenile. They instead gave themselves the moniker "POSSSLQ," (pronounced "posse-cue") short for People of Similar Sensibilities Sharing Living Quarters. It's a

nod to a former Census Bureau designation for unmarried couples, "Persons of the Opposite Sex Sharing Living Quarters."

The two women started living together in Tucson, Ariz., a couple of years ago, because Ms. Kha needed help at home and Ms. Knox needed to save money.

They weren't sure they wanted to be POSSSLQs, but decided to

try it after running into each other at a workshop on end-of-life planning. These days, "we are less interested in end-of-life planning and more interested in living life," Ms. Kha said.

Housemates can also find each other on websites, including Roommates4Boomers and Let's Share Housing. The nonprofit New York Foundation for Senior Citizens matched Janice Raiford, 69, and Lillian Otero, 66.

Ms. Raiford decided to get a housemate to help preserve her retirement savings, though she had to persuade her mother and her adult daughter that she wasn't crazy for doing so after some two decades of living alone. "I was very settled," said Ms. Raiford. The two women have been sharing a home in Queens for two years and most of their disagreements are slight. Ms. Raiford likes R&B—Aretha Franklin, Nina Simone and Beyoncé—and doesn't share her roommate's affinity for rap.

Ms. Otero is partial to Jay-Z and 2 Chainz. She keeps the peace by listening with headphones.

One head-scratcher, say shared-housing advocates, is the lack of interest from men. Theories as to why vary.

Annamarie Pluhar, who runs a nonprofit called Sharing Housing Inc., hosted a recent workshop that attracted 26 women and two men. She thinks the gap is partly because women live longer and have less in savings because of pay inequality. "The other thing is, we women are more able to see ourselves

Boomers Become Housemates

Continued from Page One
housemate to get laid from here to Tuscany," she said. "But not in my house."

Living with housemates is challenging at any time. It doesn't get easier with age. Laundry is still an issue. So is music.

Demographic and economic shifts are reshaping what the golden years look like for baby boomers. Many are realizing they haven't saved enough for retirement. They are less likely to be married than in years past. At the same time, a historic shortage of homes is pushing up housing costs.

Ms. Mead acknowledges her house rules would never fly if

GREATER NEW YORK

Lawmaker Calls for Flight Path Changes

Study says noise from LaGuardia route could shave year off lives of some Queens residents

BY PAUL BERGER

A New York state senator is calling for changes to a flight path at LaGuardia Airport after a study found the noise it generates could reduce the lifespans of some Queens residents by about one year.

"That's incredible, and it also shows just how dangerous these numerous flights are," said Sen. Tony Avella, a Democrat who represents residents in affected neighborhoods. "There's a direct health impact—you can't escape that fact."

The study was conducted by researchers at Columbia University's Mailman School of Public Health and published in the Aug. 15 issue of the International Journal of Environmental Research and Public Health.

Until a few years ago, the flight path, known as Tennis Climb, was in effect only during the U.S. Open. The route takes departing planes along a tight corridor to the east of LaGuardia and then north, sparing players and spectators at Arthur Ashe Stadium the roar of jet engines.

But in 2012, with the growing use of GPS-based flight systems, the Federal Aviation Administration made the path a year-round route. Mr. Avella said noise complaints from residents shot up immediately.

The Columbia study is based on an analysis of the hypothetical impact of noise on



A plane prepared to land at LaGuardia Airport in 2017. Researchers estimated the Tennis Climb path affects 83,000 people living in densely populated areas of Queens.

health, rather than on health data from local residents.

According to the study, there are some potential economic benefits to the flight path. Using GPS data, the FAA can optimize flight patterns and reduce flight time, costs and pollution.

But the researchers believe those benefits are outweighed by the cost to residents and the region in terms of in-

creased likelihood of cardiovascular disease and anxiety caused by prolonged exposure to continuous noise exceeding 60 decibels.

Researchers estimated the route affects 83,000 people living in some of the most densely populated areas of eastern and northeastern Queens.

Reverting to use of the flight path only during the U.S. Open would cost the re-

gion \$950 million in lost efficiencies—or about \$10,000 per person for an additional year of healthy life, said Peter Muennig, a professor of health policy at Columbia and a co-author of the study.

He said that is less expensive than screening for breast cancer. "There is almost no better investment you could make if you wanted to prevent disease," he said.

A spokesman for the Port Authority of New York and New Jersey, which operates LaGuardia, declined to comment on the study. A spokesman for the FAA said the agency hasn't had a chance to review the report's findings.

Mr. Avella said he would like to see the study expanded to look at the effect of other flight paths on neighborhoods in Queens. He also wants the

FAA and the Port Authority to consider limiting flights over densely populated areas.

Janet McEneaney, president of Queens Quiet Skies, an advocacy group that provided noise data for the study, said: "The cost of reckless aviation expansion in our metro New York area is too high, as the study demonstrates."

—Katie Honan contributed to this article.

Pals March to Little League World Series

BY MELANIE GRAYCE WEST

Chris Cancel was just 9 months old and cruising across the back of the family's sectional sofa like a cat when his dad predicted he would be "my athlete." And as soon as Gregory Bruno's father found out he would have a son—his wife was just 18 weeks pregnant—he mailed away for a baseball book: "You Go Pro."

Now, both boys, Gregory the pitcher and Chris the catcher, are one win away from advancing with their Staten Island teammates to the U.S. bracket championship game in the Little League World Series. They face off against the team from Honolulu on Wednesday night in South Williamsport, Pa.

The Mid-Island team—which already has captured the hearts of New York City—hasn't lost a game in two years. Part of their magic, parents say, is that the 11 boys have been playing together as a cohesive team for several years. The parents are on the same page about supporting the boys, committing to off-season training and a rigorous work ethic. The boys are all friends.

Some team members, like Gregory and Chris, both 13 years old and born days apart, have been playing together since the age of 6 or 7. The two are very close, even sharing family vacations together.

The boys "know each other like they know themselves," according to Nick Cancel, Chris's father. "My son knows how to



The Mid-Atlantic Region Champion Little League team from Staten Island celebrated a win last week.

read [Gregory's] body language."

Gregory got his first glove at age 2, hit the field at age 5 and started pitching at 8, his parents said. His days are consumed with baseball. In addition to the Mid-Island team, he plays on a travel team, and goes to regular pitching and batting lessons, after-school practice and winter training.

When he isn't playing the game, said his mother, Andrea Bruno, he's watching a game on TV, reviewing plays on his phone and playing baseball videogames. "It's part of his everyday ritual," she said.

Mr. Cancel, a youth baseball coach, said his son joined him on the field at age 3 and over the years developed a "base-

ball IQ," a sort of second nature to anticipate plays. Mr. Cancel converted a family room in his house to a "training facility" to teach his son baseball mechanics. Even as a toddler, said JoAnne Cancel, her son always had a ball in his hand—basketball, football, baseball, it didn't matter.

Pitching coach Joe Tomasulo has been working with Gregory and Chris for years, and said the two have a kind of mental toughness and discipline that can't be taught. The boys are "pros," with a "character that is world class," he said.

"Chris is such a phenomenal catcher," said Mr. Tomasulo. "Greg is just the best young pitcher I have ever coached in

my 20-plus years. He's light years ahead of anyone."

The Brunos and the Cancels say they can hardly handle the anxiety and emotions of watching their boys play.

Mr. Cancel said he cried when he arrived in Pennsylvania. Embracing an Italian superstition, Mrs. Cancel makes sure the boys have red ribbons tied inside their jerseys to ward off the evil eye.

Mr. Bruno said his stomach has been "in knots" as he has watched Gregory pitch in these games.

Mrs. Bruno has had a mixed reaction: pride and nausea. "No mother wants to see their child hurt or to fail," she said. "To me, he's my little boy."

Trump Calls Out Mayor for Slogan

BY KATIE HONAN

not that original," he said.

This wasn't the first time Messrs. Trump and de Blasio have sparred over words.

In 2015, Mr. Trump, then a presidential candidate, tweeted that Mr. de Blasio was "the worst mayor in the U.S. and probably the worst mayor in the history of" New York City, after the mayor called him a "blowhard" in a radio interview.

Since his first term began in 2014, Mr. de Blasio has aspired to become a prominent figure in national politics.

Earlier this month, he launched a federal political-action committee to support progressive candidates across the country. It is his latest attempt to move beyond New York City politics.

In 2015, Mr. de Blasio planned a presidential-candidate forum on income inequality in Iowa, but the debate was canceled after none of the candidates committed to attending.

Two years later, he returned to the state to speak at an event for Progress Iowa, a progressive organization.

Being a target of Mr. Trump's tweet could boost Mr. de Blasio's national profile, political pundits said.

"It just elevates him," Mr. Arzt said. "His own efforts to get himself on the national stage have floundered."

Library's Novel Approach, Posting Books to Instagram

BY CHARLES PASSY

For generations, the New York Public Library has given cardholders the opportunity to head to their local branch and borrow a book. Since 2005, it also has provided them with the option of going online and checking out an e-book.

Now, the library is going a step further and posting classic novels and short stories to its account on Instagram, the Facebook Inc.-owned photo-and-video-sharing platform.

The new service, dubbed "Insta Novels," will be available to all Instagram users

starting Wednesday, regardless of whether they have an NYPL card or live in New York City.

The library is starting with just one offering: Lewis Carroll's "Alice's Adventures in Wonderland." In the months that follow, it plans to add two more: Charlotte Perkins Gilman's short story "The Yellow Wallpaper" and Franz Kafka's novella "The Metamorphosis."

The idea is to use Instagram to promote reading in general and the NYPL brand in particular, library officials said. It also aims to show that libraries are changing

with the times and fully adapting to the digital era.

"We want people to understand that libraries aren't just those brick-and-mortar places full of dusty books," said Christopher Platt, the NYPL's chief branch library officer.

The library joined with Mother in New York, an advertising and creative agency, on the project. The agency donated its staff resources and time.

The technology works in such a way that when readers are on the Instagram app, they hold the page of a book by resting their thumb on the

screen, library officials said. They turn the page by lifting their thumb.

The experience is "unmistakably like reading a paperback novel," Corinna Falusi, Mother in New York's partner and chief creative officer, said in a statement.

The Instagram service cost under \$10,000 to develop, library officials said. The NYPL has an annual budget of \$345.9 million.

The Instagram project is the latest effort by the NYPL to find new ways to engage the public.

Last month, the NYPL joined New York City's other

library systems to introduce Culture Pass, a program that provides free admission to more than 30 museums and other institutions.

The Instagram service has at least one library fan questioning if the NYPL is taking the right approach.

Michael D. D. White, co-founder of Citizens Defending Libraries, a New York City-based watchdog group, said the emphasis on online reading works against the idea of libraries as physical spaces where books are curated and knowledge is shared.

"It diminishes the sense of place and purpose," he said.



NEW YORK PUBLIC LIBRARY

GREATER NEW YORK

METRO MONEY | By Anne Kadet

Cobbler Trade Is Short on New Talent



If you like old-school New York, you've got to love the city's shoe repair shops. Cramped and cluttered, they typically feature layers of dust, peeling linoleum and cardboard price lists updated with masking tape and black marker. The man behind the counter may or may not deign to greet you. But he'll make your old shoes look new.

Are there exceptions? Last week, I visited Cobbler Express, the city's top-rated shoe repair shop on Yelp. Tucked into an obscure corner of a public atrium at 60 Wall St., it looked like every other repair joint, complete with a single striped tie for sale wrapped in cellophane.

Father and son team Rubin and Eduard Shimunov came here in 1993 from Uzbekistan so they could practice their religion, says Rubin Shimunov, the father. In the Soviet Union, he says, many Jews worked in occupations like shoe repair to keep a low profile while maintaining good connections. "If you're a good shoe man, they love you—doctor, governor, everybody!"

While the trade has its downside—10% of customers never retrieve their shoes, for example—business is steady, at least in neighborhoods where residents can afford shoes worth repairing. And it's well compensated.

A \$150 resoling job, for example, might entail \$70 in materials and an hour's labor, says Eduard Shimunov. "If you're good at what you do, you can make six figures," he says. "But you have to work your ass off."

My neighborhood shoe guy, Edward Shamalov, also moved from Uzbekistan in 1993. Trained as a tailor, he worked in garment factories before buying a Brooklyn Heights shop in 1998.



Rubin Shimunov stretched a shoe inside a Cobbler Express in Manhattan. Fewer people are taking up the shoe-repair trade.

The rent, he says rose during the last 20 years from \$1,500 to \$7,000 a month. To keep up, he also offers key duplication, tailoring, costume jewelry, passport photos and watch repair. His Azzuro Shoe Repair & Shine is six businesses in one, and looks it.

I asked Mr. Shamalov how he learned all these skills. "Life!" he replied.

Do not mess with this man. Following a dispute with the barber next door, Mr. Shamalov opened a rival barbershop down the street. And he says he's never lost a small-claims court case except for one instance, 10 years ago, when a dispute with a customer about a damaged jacket was brought before TV's Judge Judy. She ruled for the plaintiff. But Mr. Shamalov got to keep the jacket. He still has it.

Still, after 20 years working 70-hour weeks alone in his small, subterranean shop, he says he's ready for a change.

Who will replace these craftsmen? Nationwide, the number of shoe repair shops fell from 120,000 in 1928 to 5,000 now, says Jim McFarland, president of the Shoe Service Institute of America.

And it isn't due to lack of demand, especially in New York City. "People in New York are wearing nice, expensive shoes and want to take care of them," he says.

The problem? A talent shortage. Trade shows attract few under age 40. "The biggest question in our industry right now is, 'Do you know where I can find a cobbler?'" Mr. McFarland says.

If the shops are dusty, it's because the aging owners, among the finest craftsmen in

the U.S., are focused on shoes. "They don't care much about image and keeping the floor swept up so much," he says.

There are, however, some fresh and spiffy shoe repair shops in the city, Mr. McFarland notes. Among the several he suggested is Leather Spa in Midtown.

The West 55th Street shop may be the only shoe repair joint in town with velvet ropes for crowd control. With its wood paneling, leather tile floors and fresh-cut roses, it looks like a Brooks Brothers. There's sometimes a line out the door at lunch time.

Leather Spa has five additional Manhattan locations. Most repairs are performed at a 20,000-square-foot shop in Queens that employs 50 cobblers. All told, Leather Spa's volume can top 500 repairs a day.

David Mesquita, who runs the business with his father Carlos, says he understands why young people avoid the trade. Every repair job is different, so little can be achieved in terms of efficiencies or economies of scale. It won't be the next Amazon. "Nobody wants to learn it," he says.

And if you did, who would teach you? There's no shoe repair school in New York City—the trade traditionally is passed from father to son.

Keiko Hirose, founder and director of shoemaking school and workspace Brooklyn Shoe Space, says she'd like to offer a repair class, but has yet to find a willing instructor among the city's shoe repair experts. "In their mind," she says, "it'd be taking away business from them."

anne.kadet@wsj.com

GREATER NEW YORK WATCH

AVIATION

Rapper's Jet Makes Emergency Landing

A private jet carrying rapper Post Malone blew two tires during takeoff at a small New Jersey airport on Tuesday but made a safe emergency landing hours later in upstate New York, prompting the rapper to thank fans who prayed for him and diss those who "wished death" on him while he was in the air.

The face-tattooed rapper, who had been headed to England, tweeted, "i landed guys."

Fans had gathered at New York Stewart International Airport in Newburgh, about 70 miles north of New York City, after hearing he was on board, and they cheered when the plane landed just before 4 p.m. The rapper was scheduled to perform at the Reading and Leeds Festival in England over the weekend, according to his website's tour schedule.

The Gulfstream IV was en route from Teterboro to London Luton Airport in Luton, England, when the pilot realized shortly after takeoff that the tires had blown.

—Associated Press

CRIME

Two Are Arrested In Fatal Stabbing

A man and a woman have been arrested in a fatal stabbing in Midtown Manhattan near Times Square, police said.

David Gamble and Chantel Davis were arrested early Tuesday in the death of a man who was found unconscious with a stab wound to the chest on Monday, authorities said.

The victim was pronounced dead at a hospital. His name hasn't been released.

The 54-year-old Mr. Gamble and the 39-year-old Ms. Davis were arrested on murder charges. It wasn't clear if they had attorneys who could speak for them.

—Associated Press

You can help end AIDS

UNAIDS is working to end the AIDS epidemic as a global public health threat by 2030.

Ending AIDS is everybody's business – please join us in leveraging your resources to:

• Protect your workforce

Provide workplace programs for HIV prevention, testing and treatment

• Keep your community healthy

Strengthen health systems and prevention programs and reach people with information

• Innovate solutions

In pharmaceutical, diagnostics, service delivery, finance and tech

Please visit unaids.org or email partner@unaids.org today to create solutions that will realize the vision of ending AIDS.

LIFE & ARTS

ART

Bob Ross Fans Seek Some Happy Little Appreciation

BY KELLY CROW

Herndon, Va.

BOB ROSS achieved pop-culture fame as the bushy-haired public-television host of "The Joy of Painting" in the 1980s. Now artists and fans are attempting to secure a spot in art history for him as well.

Over the past few years, younger artists who aren't as concerned with distinctions between highbrow and lowbrow have started making pieces inspired by Mr. Ross, who died in 1995. Others, who have only now rediscovered him through online reruns, are starting to organize shows of their own to persuade the art establishment to give him a closer look. They have been joined by more than 3,000 "Certified Ross Instructors"—people who have studied his oil-painting methods so they can teach them to the masses.

Even Bob Ross Inc., the artist's warehouse headquarters in Herndon, Va., that lines up the certification workshops, has pivoted from merely selling his paint supplies and approving licenses for T-shirts, wigs and waffle-makers—the batter cooks into the shape of Mr. Ross's head—to making appeals to museums like the Smithsonian's American Art Museum to put his originals on display.

"See these? Aren't they fantastic?" Joan Kowalski, Bob Ross Inc.'s president, said at the warehouse, as she rifled through a stack of the artist's landscapes in an otherwise spartan office. The company moved to an industrial complex called Renaissance Park near Dulles International Airport, a year ago, Ms. Kowalski said, and her workers haven't yet had time to hang them.

These efforts could prompt the art world to reassess the legacy of someone whose work was dismissed as kitsch during his lifetime. At a time when the art world was swept up by early attempts at video and graffiti art, Mr. Ross preferred rendering mountain scenes brimming with wispy clouds, shimmering pools and scrubby trees. His work hasn't been shown by major art museums or sold in auctions outside of eBay, where the going rate for an original is about \$8,000 to \$15,000.

Christie's specialist Vivian Brodie said the artist's democratic approach—the whole point of his show was teaching the public to mimic his style—may have hurt his chances in a marketplace that



Bob Ross hosted 'The Joy of Painting' and created work like 'Untitled (Northern Lights)', above right. Neil Raitt, whose 'Grand Teton (Indigo Falls)', below right, will appear in an exhibition in Portugal this year, was inspired by the late artist.



FROM LEFT: BOB ROSS INC. (2); NEIL RAITT

prizes unique objects. He seemed content with the TV show and didn't insinuate himself into the roiling, 1980s New York art scene where peers could have introduced him to curators.

"Look at the artists history tends to admire—they're addicts or they struggle or they died young," Ms. Brodie said. "The market doesn't like artists happy."

David Arquette, who completed a three-week teacher-certification course at the company's Bob Ross Art Workshop in New Smyrna Beach, Fla., last year, said he would "love to see the art world give Bob Ross a little more credit."

Mr. Arquette said he often watched "The Joy of Painting" when episodes originally aired on PBS between 1983 and 1994, but he recently rediscovered Mr. Ross while browsing Netflix—and got hooked anew. When the streaming-video service Twitch posted an

eight-day marathon of Mr. Ross's show three years ago, more than 5.6 million people tuned in, including younger viewers who had never seen the show before.

All of it has refocused attention on Mr. Ross, who was born in Daytona, Fla., in 1942, and spent 20 years in the U.S. Air Force mainly posted in Alaska, where he learned to paint at a United Service Organizations outpost. Initially, he sold his landscapes to tourists, including scenes he painted on gold-prospecting pans. Later, he traveled the U.S. demonstrating his painting techniques in shopping malls before he caught the eye of a TV station manager in Virginia who offered him a no-frills show on PBS.

Mr. Ross was an instantly recognizable hit. During each episode, he stood before his easel and completed a painting, while murmuring can-do maxims like "Think like a cloud" and "There

world acclaim. For him, TV was the "biggest show around," she said. After he died of lymphatic cancer, Ms. Kowalski said her parents "dreamed of getting him a real exhibit."

Momentum sputtered until a few years ago when emerging and established artists started taking Mr. Ross's work more seriously.

In London, Neil Raitt's signature style is Bob Ross with a twist. Mr. Raitt said he grew up watching "The Joy of Painting" and started collecting Mr. Ross's instructional books while he was in art school.

Los Angeles artist Brendan Lynch mounted a New York gallery show three years ago inspired by Mr. Ross. Later, Mr. Lynch followed it up with another show of his own wall-size paintings of Ross-style landscapes, 11 of which have since sold to collectors for roughly \$17,000 each, he said.

"You can approach a Bob Ross

are no mistakes, only happy accidents."

Ms. Kowalski, whose parents Walt and Annette Kowalski helped Mr. Ross create the show, said he didn't harbor any ambitions of art-

with the same intent and wonder as any landscape you see at the Met," Mr. Lynch said. "Those things have a lot of soul."

Stephanie Stebich, director of the Smithsonian's American Art Museum, said she could envision a history-museum exhibit where Mr. Ross's PBS tenure is juxtaposed with others who taught televised painting classes. But she's not ready to commit him to her museum's collection.

"I love that artists are excavating TV and mining its moment to say their own thing," she said.

For now, Ms. Kowalski plans to ramp up Bob Ross Inc.'s certification program in Florida. She is also organizing mass painting classes at events like South by Southwest and Comic Con.

Doug Hallgren, who has been overseeing the teacher-certification classes in Florida, said the training is rigorous. Students run the gamut from Bram Bevins, a Tennessee bankruptcy lawyer whose wife convinced him to take a "Happy Little Trees" class, to Florida's David Brancato, who didn't think he could paint until he signed up for a Bob Ross class.

It was Mr. Brancato who taught Mr. Arquette to paint and later sold the actor his first portrait.

"It's in my entry way," Mr. Arquette said. "I have to see it every day."

TRAVEL

CRUISING WITH YOUR IDOLS—AND 2,000 SUPERFANS

BY AISHA AL-MUSLIM

ALONGSIDE MORE than 2,000 other superfans, Laura Fu braved seasickness and tropical downpours to take a cruise this May with her 1990s boy band idols, the Backstreet Boys.

One night, she crammed onto the deck of the sold-out cruise for a party and concert, during which band members AJ McLean and Nick Carter jumped into a pool with fans. Kevin Richardson served drinks at the bar. Another night, the band dressed as the Spice Girls for a '90s-themed costume party, calling themselves the "Spice Boys," and taking selfies with fans for hours.

"There was magic last night," said Ms. Fu, 38, of Chapel Hill, N.C. "I felt like I was jamming in their basement on a Saturday night with a couple of beers and just hanging out with them. I mean, how do you put a price on that?"

Fan cruises, in which devotees of everything from bands to sports stars to actors shell out hundreds to thousands of dollars to rub shoulders with their heroes, are a growing part of the cruise business, industry groups say. In recent years, millennials have helped drive much of the growth, as they tend to prefer spending money on



cally organize the cruises, and charter boats from the big cruise lines. Charters available for fan cruises can carry up to about 5,500 passengers on Royal Caribbean and about 3,900 on Carnival.

Melissa Gushnowski, a 41-year-old single mom from Edmonton, Canada, took on two extra jobs to help pay more than \$5,000 for cruise and travel costs for the Backstreet Boys trip. On the boat, she stood for two hours in line for a selfie with Mr. McLean. "It was just a time for me to let go and be myself," she said. "I was not Melissa, the mom, or Melissa, the worker."

The most top-tier artists are unlikely to book cruises. But for musicians in particular, the breakdown of the traditional album-driven revenue model and increased reliance on touring and performances mean that, for many acts, fan cruises are coming to be viewed as just another revenue stream, without as much of the stigma they once might have had.

Cruise organizers have to strike a balance between giving fans enough access to the celebrities to justify the price of the ticket, while also making sure the stars maintain some level of privacy and safety. Damian Williams, CEO of Leadership League, which organizes football fan cruises, says fans

are encouraged to approach players to have conversations, take pictures and play games, but autographs are permitted only during a dedicated session.

Being with fans for so long can be overwhelming at times, says Arthur Moats, 30, a former linebacker for the Pittsburgh Steelers who's now a defensive end for the Arizona Cardinals. He has gone on two cruises for Steeler fans. "I love the personal connection that you are able to have with the fans in that intimate setting," he says, but sometimes he needs a break. When looking for time out, he avoids hot spots, takes the stairs instead of the elevator, or stays in his room.

"You are on a boat in the middle of the water. You can't hide from these people. You can't get away. If you are not a nice person, they are going to know," said Mr. Moats.

Sometimes, fans go overboard. On the Backstreet Boys cruise, some passengers stole cardboard cutouts of the pop stars. Others swiped a giant banner with a picture of the band. It was eventually returned after a loudspeaker announcement warning. "It happens all the time, where people will end up taking something," says Sean Mscisz, event manager for Rose Tours and Travel, which organized the cruise.

LIFE & ARTS



Ellsworth Kelly in his New York City studio in 1968, right; 'Red, White and Blue' (1961), below center; 'White Blue' (1960), below right; 'White Alice' (1960), bottom left; 'Dark Blue/White' (1960), bottom right

ART REVIEW

Ellsworth Kelly Beyond the Beach

An exhibition reveals a bridge between his Matisse- and mathematics-inspired works and his later bold experiments with color

BY ALEXANDRA PEERS

East Hampton, N.Y.

'NATURE' AND 'LOVELINESS' are two words not immediately associated with the art of Ellsworth Kelly, marked as it is by spare, almost ruthless, color-soaked abstraction. Yet the exhibition "Ellsworth Kelly in the Hamptons," at the Guild Hall museum, offers a surprising sense, even sweep, of landscape. On view are Kelly's watercolor of curling green grass, atmospheric photo-

on vacation. What Kelly did during those Hamptons periods (first, in The Springs; then, years later, in Bridgehampton) turns out to have been a genuine departure, a bridge between works he did that were as influenced and informed by Matisse as by mathematics and his later big, bold experiments in form and color.

Kelly's career hit the highlights of 20th-century art, and art-world history: He studied in Paris at the Ecole des Beaux-Arts in the years following World War II. He lived in a loft in Coenties Slip, N.Y., the storied arts neighborhood in Lower Manhattan pioneered by Jasper Johns and Robert Rauschenberg. He showed at blue-chip galleries Betty Parsons, Sidney Janis and Matthew Marks. He became great friends with the Pop artists James Rosenquist and Roy Lichtenstein (whose widow, Dorothy, is a principal sponsor of the exhibition), but famously spurned the inspiration of commercial imagery that marked their art. In 1996, he represented the U.S. at the Venice Biennale. When the Museum of Modern Art reopened in November 2004 after an extensive renovation, there were only two works in the main lobby: an Auguste Rodin and a Kelly. The artist passed away at age 92 in 2015, after decades with his husband, Jack Shear, who now heads the Ellsworth Kelly Foundation.

Now, the fruits of the artist's time on the East End form an intimate three-room show at Guild

More than a showcase of work made by a famous artist on vacation in the Hamptons

graphs of East End potato barns, stark driftwood sculptures outlined in curves of white paint, and delicate, stunning drawings of sea life—all juxtaposed with the vivid paintings and geometric-shaped abstract canvases that later became his trademark.

For stints in 1960 and 1961, Kelly immersed himself in the Hamptons, returning there to work near the end of the decade. But this show, arranged by guest curator Phyllis Tuchman, has ambitions beyond showcasing the fine work made by a famous artist



Hall. It is somewhat bifurcated by topic and medium. Works on paper, collages, studies for paintings, and the small driftwood objects inhabit a gallery to the left. They are flanked by the photographs and a film featuring former MoMA curator and Yale University School of Art professor Robert Storr, a friend and fan of the artist's, speaking about his work. To the right, across the lobby, a handful of Kelly's bright wall-eater paintings hang, grouped together in something of a blockbuster gallery. The exhibi-

tion's divided layout doesn't quite tease out the meditative notes that link the rooms and the bodies of work together, but it's a rich selection.

The show is refreshingly not bereft, as some smaller institutions' exhibitions can be, of the artist's more emblematic paintings. Some are on loan from major institutions such as the Whitney Museum of American Art ("Red, White and Blue," 1961) and the Smithsonian American Art Museum ("Blue on White," 1961). But what's curious, even stunning, is how little this el-

egant presentation needed them. The strikingly personal works in the first gallery are the discoveries, some in private hands since their making. It may be hard to believe that the most beautiful thing in a visit to this lush beachside town is a graphite-on-paper image of a horseshoe crab, but that is the case.

Ellsworth Kelly in the Hamptons
Guild Hall Museum, through Oct. 8

Ms. Peers is editorial director of JingDaily and JingTravel.



SPORTS

THE COUNT

IT'S ALL
OVER BUT
THE CRYING

BY JARED DIAMOND

The Boston Red Sox entered Tuesday on pace to win 113 games, leaving them in position to put together one of the best records in baseball history.

The Baltimore Orioles are also having a historic season—for an entirely different reason. They entered Tuesday on pace to lose 114 games, a display of abject futility hardly seen for decades.

Here's the fun part: The Red Sox and Orioles both play in the American League East, putting them in direct competition with one another. That means if things keep going this way for another 5½ weeks, the division standings will be nothing short of a work of hilarious art.

At this rate, the Red Sox would finish the season a ridiculous 65 games ahead of the Orioles, which would be the biggest discrepancy since the Pittsburgh Pirates (110-42) finished 65½ games ahead of the Boston Doves (45-108) in 1909.

The Red Sox have J.D. Martinez, who would probably win the Triple Crown if not for his teammate, Mookie Betts, keeping him from the batting title. They have Chris Sale, the runaway favorite for Cy Young, and closer Craig Kimbrel, who ranks second in baseball in saves.

As for the Orioles, well, let's put it this way: If you took the top two players on their active 25-man roster in home runs and RBIs—Trey Mancini and Chris Davis—and combined their totals, you'd end up, through Monday, with 32 and 81, respectively. Martinez alone went into Tuesday with 38 homers and 106 RBIs.

But don't worry, Orioles fans. Way back in 1899, the Brooklyn Superbas went 101-47—84 games better than the 20-134 Cleveland Spiders. Clearly, it could always be worse.



Brewers pitcher Josh Hader

STACY REVERE/GETTY IMAGES

MLB

Baseball Tries to Clean Up After Social-Media Fouls

Agents and teams are changing how they vet the histories of young players

BY JARED DIAMOND

When internet sleuths uncovered a batch of racist, misogynist and homophobic tweets that Milwaukee Brewers pitcher Josh Hader had authored while in high school, it raised difficult questions. First among them was: Why did Hader harbor such thoughts, let alone feel empowered to broadcast them publicly?

Only Hader fully knows the answer. After last month's All-Star Game in Washington, the night the messages resurfaced, he said he "was young, immature and stupid" when he wrote those words and insisted they don't reflect his current beliefs.

Major League Baseball mandated that Hader undergo sensitivity training and participate in the league's diversity and inclusion initiatives. The incident has left an indelible mark on his career.

But the situation is also prompting baseball to ask itself: How did Hader's posts live online for so long without his employers seeing them? And what can be done to avoid such embarrassments in the future?

Hader has been in the big leagues for more than a calendar year, quickly emerging as one of the most dominant relievers in the sport. He has been employed by

three different professional organizations, all of whom had the opportunity to fully vet his social-media history. He has been represented by an agent since he was selected in the 19th round of the 2012 draft.

Anyone in Hader's inner circle could have found the tweets years ago and implored him to delete them, which would have ensured that nobody would be further hurt by them and prevented a legacy-tarnishing humiliation. They didn't do that—because they didn't realize they were there, buried deep in his Twitter timeline beneath more benign musings, just waiting to be discovered.

"It was an institutional failure," one player agent said.

The failure continued even after Hader became a cautionary tale. In the weeks that followed, Twitter detectives dredged up old, offensive tweets from Atlanta Braves pitcher Sean Newcomb and Washington Nationals infielder Trea Turner as well. Both players apologized and said they have grown and changed since they were teenagers.

That may be true, which makes it even more surprising that no team or agent had taken steps to ensure that those tweets were never unearthed once the players became celebrities with large followings. After all, while teams and

agents can't stop players from being inappropriate online in their youth, it seems reasonable they would want to know about that behavior before entering into a multimillion-dollar business relationship.

It turns out that before all of this happened, there was no foolproof mechanism in place to preemptively scrub players' social-media accounts. One representative from a large agency said that, "It's not protocol for us to rip through somebody's Facebook account, Twitter account and see everything they've ever said" before signing a client.

"Going forward, will we do that?" this agent said. "100% yes. This is going to be protocol, and we've talked about it as an agency. I would like to think we would have seen something like that ahead of time, but I don't know it would have been a protocol previously."

The Major League Baseball Players Association advises just that. It recently sent a message to all agents "to examine whether anything posted on social media might be considered hurtful or offensive" and, if so, "to strongly consider removing it."

The point, one person with knowledge of the message said, was "to convey that the tweets were reprehensible, they were off-

fensive and they have no place there."

"They hurt people," this person continued. "There are victims here."

The union also expects to address the topic of previous social-media behavior at the agent meetings in the fall and in the rookie career development program this winter.

In light of recent events, at least one agent says it makes sense to go even further than the MLBPA's recommendations.

"My gut reaction on how I would handle this is to literally close all of those accounts and start totally fresh," the agent said. "Get rid of all those freaking accounts from when you're a kid and start a legitimate Twitter account. What do you have? Four hundred followers? Kids from junior high school you were friends with? Just start fresh with a new professional account."

Teams monitor the social-media accounts of potential draft picks and acquisitions, but clearly not intensely enough to find everything.

Top quarterback prospect Josh Allen had some previously unseen racist tweets from high school surface before the NFL draft this spring. Villanova basketball star Donte DiVincenzo deleted his Twitter account after his MVP performance in the national championship game, when users found vulgar messages from his high-school days as well.

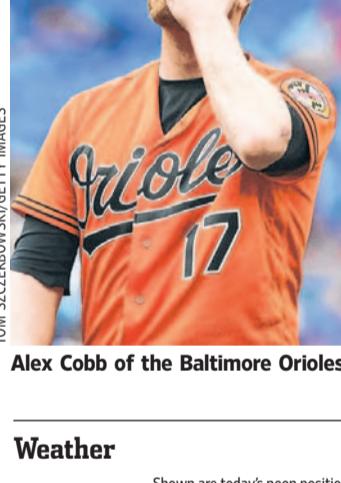
Houston Astros general manager Jeff Luhnow said that the team has been "investigating social-media accounts for players we have interest in for some time." Like most teams, the Astros also hold social-media training in spring training where they "try to stress to them the importance of making sure that what you've written in the past is something you'd be proud to write today."

That said, Hader spent two seasons in the Houston's minor-league system after arriving from the Baltimore Orioles in a 2013 trade, and the Astros didn't know about his past tweets.

"Some of these kids have thousands and thousands of tweets," Luhnow said. "They probably had 10 followers back then. Now they've got 50,000. I think that's the moral of the story: It will be found, and probably at the most inopportune time for the player."

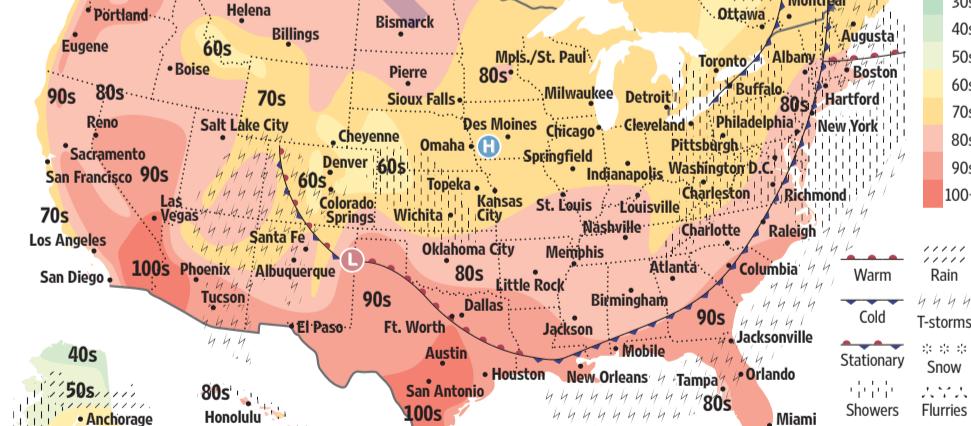
None of this is meant to absolve players for their past social-media lives. Youth, in this case, is not an excuse for using hateful language, even if meant in jest. It is, however, an acknowledgment that people can learn from their mistakes as they get older, which is why Chicago Cubs pitcher Jon Lester recently took to Twitter to offer some sound advice.

"If you're on Twitter, please spend the next 5 minutes it takes to scrub your account of anything you wouldn't want plastered next to your face on the front page of a newspaper," he said. "Better yet, don't say stupid things in the first place."



Alex Cobb of the Baltimore Orioles

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; i...ice

Today Tomorrow

Hi Lo W Hi Lo W

City Anchorage 63 54 c 58 53 sh

Atlanta 85 66 s 84 66 s

Austin 102 73 s 103 73 s

Baltimore 87 63 sh 80 59 s

Boise 88 60 pc 92 59 s

Boston 81 65 t 79 63 s

Burlington 76 55 r 77 60 pc

Charlotte 88 65 s 82 61 s

Chicago 78 60 s 81 64 s

Cleveland 73 56 sh 78 58 s

Dallas 95 75 s 99 79 s

Denver 77 55 s 87 56 pc

Detroit 75 57 pc 80 60 s

Honolulu 90 78 pc 88 77 c

Houston 99 76 s 98 77 s

Indianapolis 76 57 pc 78 59 s

Kansas City 77 61 pc 75 69 s

Las Vegas 101 81 s 102 79 s

Little Rock 86 64 pc 82 65 pc

Los Angeles 83 65 pc 81 64 pc

Miami 91 77 t 90 77 t

Milwaukee 77 60 s 80 65 s

Minneapolis 81 61 s 79 65 s

Nashville 83 61 pc 83 60 pc

New Orleans 92 78 s 91 75 pc

New York City 84 65 t 78 64 s

Oklahoma City 86 67 pc 93 73 s

International

Today Tomorrow

Hi Lo W Hi Lo W

City Amsterdam 76 63 pc 73 56 sh

Athens 89 74 s 90 74 s

Baghdad 111 82 s 110 82 s

Bangkok 93 81 sh 94 80 t

Beijing 86 69 c 91 68 s

Berlin 83 64 s 87 66 s

Brussels 77 61 s 75 55 pc

Buenos Aires 60 49 s 63 50 pc

Dubai 106 89 s 107 92 s

Edinburgh 65 50 r 61 47 c

Edinburgh 66 50 pc 60 46 c

The WSJ Daily Crossword | Edited by Mike Shenk



DISPOSSESSED | By Jim Quinlan

- | Across | Down | |
|--|---|-------------------------------|
| 1 Many a Juilliard student's warm-up | 24 Jeer from a nicotine addict? | 41 Millennial Media purchaser |
| 6 "Conan" carrier | 26 "Feed the kitty" sound | 42 Restless |
| 9 Plays a mean sax | 27 Condition characterized by repetitive rituals, for short | 46 Solar wind bit |
| 14 People hold them in their arms | 48 From, in Frankfurt | 47 LAX scanners |
| 15 Fan sound | 50 Like, in a way | 51 Peeping pastor? |
| 16 Bodily concavity | 52 From, in | 54 Blow Pop core |
| 17 Prepubescent landholder? | 55 They may be called to fix a flat | 56 Coastal inlet |
| 19 Cooper's piece | 57 Seaweed, e.g. | 58 Bucket of bolts |
| 20 Arizona hoopsters | 59 Show of exasperation | 60 Perry Square city |
| 21 Sauna site | 34 Symptom of an apian allergy? | 61 April Fool's Day baby |
| 22 Puts salt on, perhaps | 38 It's just for openers | |
| 23 Tribe that lent its name to a state | | |

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

- | Down | Across |
|--|--|
| 2 Product de Bordeaux | 31 Flag |
| 63 Sleep disrupter | 32 Kenan Thompson venue, familiarly |
| 64 Gift that accompanied gold and frankincense | 33 Scout's group |
| 65 Low USN rank | 35 Soothes |
| 66 Meth clinic clientele | 36 Fly high |
| 67 "Take your time" | 37 Off the wall |
| 68 Enccompass | 38 Encourager of smooching in the stands |
| 69 Hit hard | 39 "Risky hand to go all in on |
| 70 "What's the latest?" | 40 Just when you thought it was safe to go back in the water, e.g. |
| 71 Galloway gal | 41 "Family Guy" patriarch |
| 72 Atty's title | 42 Water hole |
| 73 Canon mount | 43 Egyptian serpents |
| 74 Sharon's predecessor | 44 Cleanup man, often |
| 75 Steinway alternatives | 45 Steinway |
| 76 Separate wheat from chaff | 46 Churchill trademarks |
| 77 "Shimmering stone" | 47 Shimmering |
| 78 Consider appropriate | 48 Family Guy |
| 79 "Semper Fi" org. | 49 Patriarch |
| 80 Amazon Prime Air deliverer | 50 Water hole |
| 81 Hobnail's place | 51 Egyptian serpents |
| 82 Perry Square city | 52 "Family Guy" patriarch |

Previous Puzzle's Solution

VETTE	TRAW	AFTRA
ANWAR	ALLI	SILAS
LOOKING	AT	TENET
AT	NET	SINISE
CHIP	WAITING	MIMIC
WA	FOR	GNAT
TRYING	TOP	SENT
AGEE	SUPINE	ARETHA
ORAL	MERIT	SCUD
SOSCAR	DEFNUDE	TRYING
SOPHIA	LIESL	TOP
ISAID	DOINGHERE	PROVE
SENSE	ANT	AGEE
TRAMS	GONER	SUPINE
BOA	OTTER	TRYING

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

OPINION

The Media Fesses Up

BUSINESS WORLD
By Holman W. Jenkins, Jr.

"After weeks of hype, white supremacists managed to muster just a couple of dozen supporters on Sunday in the nation's capital . . ."

This column has not always praised the New York Times, but let's belatedly credit its lead sentence (to which we've added emphasis) in its story about the sparsely attended Aug. 12 white-power rally in D.C. As the paper made clear, the "hype" it mentions was supplied by the media itself, working off what the Times called a "template."

Here's how it goes: "A group like the Ku Klux Klan announces a rally. Next comes news coverage, fevered and intense. That prompts a huge number of activists, police officers and everyday people to turn out, dwarfing what is often a pathetically small band of extremists in hoods or armbands."

Bingo. And the top practitioner of this left-right symbiosis is Jason Kessler, a 34-year-old University of Virginia graduate. He began as a Barack Obama supporter, then shifted into promoting white identity politics. As well as being the permittee for this month's tiny D.C. rally, he was the permit holder for last year's highly instructive debacle in Charlottesville, Va.

Those Charlottesville events, as a painstaking official report would later document, got out of hand when local police deliberately allowed a violent confrontation to develop between a small group of neo-Nazis and a large number of counterprotesters. The goal was to create a pretext for the state police to declare an emergency and unleash riot forces while local cops stood on the sidelines. A woman would later be killed when a mentally ill neo-Nazi (almost a redundancy) drove his car into a crowd.

To its credit, the New York Times mentions the press's role in fanning racial angst.

Meanwhile, the press has contributed by letting itself be terrorized into silence about the left's predilection for violence. Or else we get sad performances like CNN host Chris Cuomo's last week in which he felt compelled to parse words about who was worse than whom.

Mr. Cuomo did not need to say this. Fear is why he did. But such episodes shouldn't surprise us anymore. It comes not long after a Netflix executive was publicly fired for using the "N-word" in an internal discussion about when it's permissible on TV to use the "N-word."

This is the same Netflix that offers uncountable hours of TV programming in which the "N-word" is heard at frequent intervals.

When people who palpably have no desire to give offense

are being strung up, and their employers are too chicken to defend them, it's no wonder workaday reporters and editors collapse into incoherence. The antifa left is ready to attribute racism to anybody who defends the right of racists to speak. To its discredit, the press has gone along.

Take National Public Radio: In its own excessive coverage in the run-up to this month's D.C. rally, it brought on a First Amendment lawyer who is defending conspiratorialist Alex Jones, and who has defended white racists in the past, to be harangued by an interviewer who seemed unwilling to acknowledge that defending somebody's right to speak is not the same as agreeing with what he says. Ironically, this came the same day that NPR, under attack for interviewing Jason Kessler, issued a plaintive statement insisting that "interviewing the people in the news . . . does not mean NPR is endorsing one view over another."

The point here is not to encourage satisfaction that the left's racial terrorism is now consuming its own. What's bad for Netflix and NPR and CNN is also bad for America. The left's obsession with identity politics was founded not in reason, but in the discovery of its power to induce fear, a power that has proved irresistible and addictive. As with any addiction, recognizing the problem is the first step to addressing it.

BOOKSHELF | By Michael S. Roth

Civil Rights For Schoolchildren

The Lost Education of Horace Tate

By Vanessa Siddle Walker
(New Press, 468 pages, \$32.99)

It's a historian's dream, really: meet someone who played a crucial but mostly unsung role in a major historical development; become that person's confidant; hear firsthand the stories of triumph, frustration and struggle; and then receive a death-bed request to rescue a trove of documents that substantiate those stories, so that future generations can better understand the historical development.

This dream became real for Emory professor Vanessa Siddle Walker, who met Horace Tate (1922-2002) at the end of his long and eventful life and then discovered the archives of the Georgia Teachers and Education Association—the vital organization of black educators that he led for more than a decade. Ms. Walker's "The Lost Education of Horace Tate" tells the story of generations of black teachers and administrators who fought heroically over many decades for equality and justice.

For many, the struggle for civil rights in education centers on the Supreme Court's 1954 *Brown v. Board of Education* decision. Ms. Walker's account makes visible a previously "unseen network of black educators" in Georgia and across the South who had been pushing for change ever since Reconstruction. They had to be persistent because the forces defending white supremacy were intransigent and often dangerous. In 1878 black educators asked for equal funding for black children; in 1920 they requested equal salaries for black teachers. By the 1960s those requests had turned into demands, and still they went unmet.

Horace Tate was born in Elberton, Ga., and became the principal of a high school in nearby Union Point at age 21. He would eventually become the first African-American to earn a doctorate from the University of Kentucky. Throughout Tate's life, Ms. Walker argues, he found ways to channel his anger at everyday indignities into strategies for change. He refused to accept that he was a second-class teacher, or a second-class citizen, and (though it's beyond the time frame of this study) he would go on to serve 16 years in the Georgia state senate.

Ms. Walker's book, which draws on the archives of the Georgia Teachers and Education Association, is an important contribution to our understanding of how ordinary people found the strength to fight for equality for schoolchildren and their teachers. Asking for a bus so your kids could get from your farm to the school? For a gymnasium in which your basketball team could practice? For basic textbooks so your children could learn? Such requests to school-district authorities were generally met with disdain or worse. At times educators faced intimidation, arson, even murder. Tate received death threats and returned home one summer to find the house he rented burned to the ground.

An education reformer who worked tirelessly for black students in his home state of Georgia while fighting stiff resistance along the way.

"The Lost Education of Horace Tate" provides a granular feel for the hopes, fears and frustrations of teachers and school administrators who struggled for basic justice. Unfortunately, sometimes the detail is excessive; too much time is spent on the routine speeches and logistics of professional meetings. We learn more than enough about various officials in different teaching organizations and their subtle disagreements, but very little indeed about Horace Tate's personal life. His first marriage deserves more than a sentence, and his family is much too far in the background for the reader to understand how his life and work were intertwined.

The reader does, however, get a very real sense of how high the stakes were for Tate and his colleagues. They desperately wanted their pupils to enjoy the educational benefits that white students often took for granted. As the federal government increased support for education, many states fought to maintain unequal regimes without giving up federal funding. Tate and his colleagues at every turn resisted these efforts by vigilantly making the case that expenditures for white school children—on everything from plumbing to school supplies—is to be matched by spending on African-American children.

Later, as larger groups of educators took up the mantle of integration, black education networks sometimes had to fight to maintain influence within the movement. "Second-class integration," Tate feared, would marginalize black professionals by making them powerless minorities within larger, mostly white, organizations.

Horace Tate was very good at his job, but this didn't keep him from being forced out of his position as a principal when local officials suspected (rightly) that he was aligning himself with community forces aiming at equality—and, especially, with regional and national groups aiming to ensure African-American citizens could exercise their right to vote. By turning out and being counted at the polls, blacks in the South could gain at least some leverage over politicians, and so there was a concerted effort to deprive them of the franchise. As former Georgia governor Eugene Talmadge put it in 1946: "If you white people love your country, you will challenge" the black people who registered. The sentiment behind these words finds echoes wherever politicians create obstacles to voting.

Ms. Walker's account of Horace Tate's professional life is also the story of his political education, including the ideal of citizenship that he taught his pupils. "Negro children required lessons in democracy," she writes, "so they could see the ways in which America violated its own principles." This disparity between principles and reality is something Horace Tate was confronted with day in and day out, year after year. Now, thanks to Ms. Walker's historical work, his story is no longer a "lost education" but is being preserved and passed on.

Reading her book is a powerful reminder of the link between educators and the struggle for equality and justice in American history. For Horace Tate and his colleagues, teaching the lessons of democracy was never about indoctrination. It was—as it remains today—about deepening students' awareness of the promise of American ideals and how much work is necessary to make them more than a dream.

Mr. Roth is the president of Wesleyan University. Among his books are "Beyond the University: Why Liberal Education Matters" and "Memory, Trauma and History: Essays on Living With the Past."

Today, Truth Itself Can't Be Taken for Granted

POLITICS & IDEAS
By William A. Galston

"What is truth?"—Pontius Pilate

"Truth isn't truth."—Rudy Giuliani

It has come to this: President Trump's personal lawyer went on

"Meet the Press" Sunday and denied a tautology. He offered an example: "Donald Trump says, I didn't talk about Flynn with Comey. Comey says, You did talk about it. So tell me what the truth is."

That's a non sequitur. The existence of contradictory assertions doesn't prove that neither of them is true (let alone that no other proposition about the same subject could be true), but only that the truth often is difficult to ascertain. This is why our legal system employs elaborate procedures to weigh competing claims. Searching for the truth presupposes that there is something to look for. Otherwise, why bother?

Expressing these banal thoughts should be unnecessary. But today the very idea of truth is under assault. What Orwell said of his time applies to ours as well: "We have now sunk to a depth at which the re-statement of the obvious is the first duty of intelligent men." At the risk of boring some of my readers and annoying the rest, this is what I will do.

Statements of fact are one category of truth. Either the crowd gathered on the National Mall to witness Mr. Trump's inauguration was the biggest in history, as the president and his press secretary asserted, or it wasn't, as just about everyone else said.

There is a reason, however, why witnesses swear to tell not only the truth, but also the whole truth and nothing but the truth. An individual fact is usually one strand of a complex ensemble of facts. Stating one fact while leaving others unsaid can distort as much as it reveals. Stating a fact while misrepresenting others is a strategy of concealment. This is what prompted Churchill's famous remark that "in wartime, truth is so precious that she should always be attended by a bodyguard of lies."

Churchill's statement reminds us that there are two ways of misconstruing facts— inadvertent and deliberate. The former is a mistake, the latter a deceit. It's usually not hard to determine the difference. If someone who misstates a fact corrects himself when given compelling evidence, the error is a mistake; if not, a lie—or an article of faith masquerading as an empirical proposition.

No one knows everything, and no one is infallible. This is why public discourse depends on multiple voices engaged in a process of addition and correction. Through the exchange

of assertions and evidence, a body of shared facts emerges that can serve as a basis for decisions.

Beyond statements of fact, there are moral truths. The Declaration of Independence rests on such truths, which are held to be "self-evident." Those who doubt this epistemological claim may embrace these truths on other grounds. But rejecting moral truth altogether weakens the discourse of self-government.

Polarization has put the reliability of facts in doubt. But nations rest on shared beliefs.

This is because public argument rests on a combination of widely held factual and moral propositions. For example, the Declaration states, as a general proposition, that whenever a government attacks the rights of individuals, the people have a collective right—and duty—to reject it and create new institutions that they judge more likely to respect and defend their rights. The main body of the Declaration offers facts to establish that King George III had attacked Americans' rights with the intention of establishing an "absolute tyranny" over them.

Public argument is nothing

like mathematical logic, of course, because both moral and empirical claims are exposed to differences of interpretation.

Some colonists who wanted to avoid an outright break argued that the British Crown and Parliament had made mistakes born of ignorance and distance, damaging in their effects but not malign in their intentions. Patient, evidence-based representations to these authorities eventually would yield the needed reforms, and revolution would be unnecessary.

In our own time, debates rage about the meaning of the right to liberty and the scope of the right to life, as well as the application of concepts such as decency and cruelty to immigration policy. And people who agree on facts may disagree about their causes. General theories are more disputable than specific facts.

To a point, robust debate is a sign of healthy self-government. Some battles must be waged. But viable communities must ultimately be based on widely shared beliefs. Without an agreement on fundamentals, a people will divide into competing tribes. This is why deliberately escalating the culture wars is irresponsible and dangerous.

Leaders have a duty to nurture a core of commonality—to bring "e pluribus unum" closer to reality. In our time, regrettably, this kind of statesmanship is in short supply.

Let Taxpayers Pay the Minimum Wage

By David Neumark

Minimum wages reduce employment of low-skilled workers, yet political support for minimum-wage increases is so strong that they seem inevitable. What to do? I have developed a proposal for a high-wage tax credit. The HWTC preserves the direct benefits of higher minimum wages—namely, higher wages for low-wage workers—while mitigating the harm.

When the government increases the minimum wage, the HWTC would provide a tax credit of 50% of the difference between the prior minimum wage and the new minimum wage for each hour of labor employed. It would phase out at wages above the new minimum wage and, as wage inflation erodes, the value of the new minimum wage.

The HWTC would accomplish three main goals. First, by offsetting part of the cost of higher minimum wages, it would reduce employers' incentives to substitute away from low-skilled workers in

favor of higher-skilled ones and machines. It would also moderate price increases that would otherwise lower product demand.

Second, it would transform the minimum wage into a more sensible redistributive policy. Most redistributive policies transfer money from high-income households to low-income ones via the tax system. The minimum wage,

about alternative policies to combat inequality. Voters think income inequality is too high, and politicians who want to keep their jobs must respond. Raising the minimum wage sounds like a good way to reduce income inequality, even if other policies, such as the Earned Income Tax Credit, do more to help the poor. By shifting some of the cost of higher minimum wages to taxpayers, the HWTC would put the minimum wage on a more equal footing with other redistributive policies. Policy makers and voters could then choose among alternative policies based on their actual benefits, rather than their misperceived costs.

Because the HWTC would cause taxpayers to bear a burden for minimum-wage increases, a critic might see it as a cynical ploy to restrain minimum-wage increases. But it would be hard to fault the HWTC for slowing the rate of minimum-wage increases if this occurs because voters and policy makers better understand and weigh the costs of

Mr. Neumark is a professor of economics at the University of California, Irvine, where he directs the Economic Self-Sufficiency Policy Research Institute. His work on the HWTC proposal was supported by the Aspen Institute Economic Strategy Group.

Employers shouldn't bear the brunt of redistributive policy.

by contrast, takes money from business owners, who may not have high incomes themselves. By operating through the tax system, the HWTC would transfer some of the cost of higher minimum wages away from owners of businesses like child-care centers and restaurants, and toward high-income taxpayers.

Third, the HWTC would encourage better decision making

these increases. Further, the HWTC should reduce the business community's opposition to minimum-wage increases, by reducing the costs to affected businesses.

Thus, the HWTC might speed rather than slow the transition to higher minimum wages, but in a way that limits the severity of job losses among low-skilled workers. Or the HWTC might encourage policy makers to choose alternative policies, like the EITC, that do a better job of helping workers in low-income families—by encouraging work rather than eliminating jobs and directing benefits to low-income families. Either outcome would benefit workers struggling to make ends meet.

Mr. Neumark's account of Horace Tate's professional life is also the story of his political education, including the ideal of citizenship that he taught his pupils. "Negro children required lessons in democracy," she writes, "so they could see the ways in which America violated its own principles." This disparity between principles and reality is something Horace Tate was confronted with day in and day out, year after year. Now, thanks to Ms. Walker's historical work, his story is no longer a "lost education" but is being preserved and passed on.

Reading her book is a powerful reminder of the link between educators and the struggle for equality and justice in American history. For Horace Tate and his colleagues, teaching the lessons of democracy was never about indoctrination. It was—as it remains today—about deepening students' awareness of the promise of American ideals and how much work is necessary to make them more than a dream.

Mr. Roth is the president of Wesleyan University. Among his books are "Beyond the University: Why Liberal Education Matters" and "Memory, Trauma and History: Essays on Living With the Past."

OPINION

REVIEW & OUTLOOK

Manafort, Cohen and Trump

The jury conviction of Paul Manafort and the guilty plea by Michael Cohen on Tuesday are a damaging commentary on the shady operators Donald Trump associated with in his private and political life. Whether they also pose a fatal threat to his Presidency is far from clear, however, and the evidence in both cases is unrelated to the Russian collusion claims that set these prosecutions in motion.

A Virginia jury convicted Mr. Manafort on eight counts of fraud in his personal financial dealings, while failing to reach a unanimous verdict on 10 others. As these columns warned Mr. Trump in 2016, Mr. Manafort is a longtime Beltway fixer whose business was profiting from his political connections. He is the personification of "the swamp."

One irony is that Mr. Trump hired him as campaign chairman in part because most Republicans with political experience shunned the New York insurgent. Mr. Trump knew Mr. Manafort from his apartment in Trump Tower, and he came recommended for his experience as a convention delegate counter for Gerald Ford in the 1976 scrum with Ronald Reagan. Mr. Trump fired him as campaign chairman weeks after the July GOP convention, but in 2017 special counsel Robert Mueller targeted Mr. Manafort for his ties to Ukrainian politicians who are close to Russia.

Mr. Mueller threw 18 charges at Mr. Manafort, no doubt figuring that some would stick, and that a conviction might cause Mr. Manafort to cooperate against Mr. Trump. Mr. Manafort now faces up to 80 years in prison, so he certainly has incentive to cooperate. But the question is how much Mr. Manafort even knows about any Russian connections. Nothing that has emerged publicly in two years of FBI and Congressional probes has demonstrated Trump-Russia collusion in 2016.

Mr. Cohen's guilty plea may pose a greater risk to Mr. Trump given the lawyer's role in paying \$130,000 to pornography actress Stephanie Clifford so she would keep silent about an alleged affair with Mr. Trump in 2006. Mr. Cohen

first denied making the payments, and Mr. Trump publicly denied knowing about them, but Mr. Cohen now says they both knew.

Mr. Mueller targeted Mr. Cohen and then passed the case off to the U.S. Attorney for the Southern District of New York, who dug into the lawyer's personal business dealings. Mr. Cohen has always seemed to be a New York version of Mr. Manafort, and in the guilty plea he admits to cutting legal corners in his business dealings and lying about his taxes.

Mr. Trump's biggest vulnerability appears to be whether the payments to Ms. Clifford violated campaign-finance law. Mr. Cohen pleaded guilty to a campaign-finance charge, which prosecutors may have wanted to stipulate were criminal to hold against Mr. Trump. Mr. Cohen told the court he paid Ms. Clifford at the request of "the candidate," which has to mean Mr. Trump.

All of this reveals Mr. Trump at his worst and shows why so many Republicans had doubts about making him the party's nominee. If he did order the payments to Ms. Clifford, he exhibited awful political as well as ethical judgment. By October 2016, after the Billy Bush tape had come out, a years-old affair with a porn star would not have shocked voters.

Mr. Cohen's plea deal doesn't stipulate that he must cooperate with Mr. Mueller, though he could certainly do that if he wants to impress the judge at his sentencing. But as with Mr. Manafort, it isn't clear what he knows about Mr. Trump and Russia or Mr. Trump's pre-presidential business matters.

We doubt Mr. Mueller will indict Mr. Trump as a sitting President, but the ultimate threat to Mr. Trump is political. Congress decides what is an impeachable offense, and if Democrats retake the House in November they will define "high crimes and misdemeanors." The Cohen and Manafort convictions raise the stakes for Mr. Trump and his Presidency, but voters may want to see more than evidence about payments to a porn star to overturn the results of a presidential election.

Kavanaugh and 'Settled Law'

Brett Kavanaugh continues to make his Senate rounds, and Tuesday's news was that the Supreme Court nominee reassured Maine Republican Susan Collins on abortion rights. "He said that he agreed with what [Chief Justice John] Roberts said at his nomination hearing, in which he said it was settled law," Ms. Collins told reporters. "We had a very good, thorough discussion."

The High Court's abortion precedents are a main confirmation concern for Senator Collins, who along with Lisa Murkowski of Alaska is still undecided on Judge Kavanaugh. She says she's waiting until after the September confirmation hearing, but Tuesday's meeting sounds like it

went a long way to persuading her.

Democratic leader Chuck Schumer immediately called the "settled law" phrase mere "lip service to precedent." And it's true that the Supreme Court can always reconsider its precedents. But it's no small matter for a judicial nominee to make such a forthright statement to a Senator, especially on such a politically combustible issue as abortion.

Our view is that a John Roberts Court is unlikely to overturn its main abortion precedents, especially with a mere five votes. Nothing is certain with any judicial nominee, but only Clarence Thomas among the current Justices has said that *Roe v. Wade* should be overturned.

Not the Climate Apocalypse

If the Obama Administration's many power grabs, none was more audacious than its bid to regulate coal-fired electric power out of business. The Trump Administration is now proposing to rewrite the rule in a way that honors the law and still reduces carbon emissions, yet it is being portrayed as radical.

The disparate treatment reflects the double standard toward climate-change policy in the media. Anything that enhances government control of the energy economy and punishes fossil fuels is seen as virtuous, while solutions that defer to the states and don't punish carbon fuels are a sellout to business. How about looking at the legal and energy merits?

The most notable fact about the draft Environmental Protection Agency rule introduced on Tuesday is its modesty. Rather than dictating from Washington, the rule restores the cooperative federalism of the Clean Air Act by giving states much-needed flexibility to balance their energy needs while cutting CO₂ emissions.

The Clean Air Act directs the EPA to implement the "best system of emission reduction" for pollutants, which the agency has long applied to individual power plants. The Obama anti-carbon crusaders soared over that language to compel states to reorganize their electric grids to favor renewable fuels.

Their command-and-conscript regime would have forced states to close coal plants with years of remaining useful life and before alternatives could compensate for the lost power supply. New technology required for coal plants to achieve the plan's early emissions targets weren't worth the investment since most plants would have been forced to close anyway to meet later targets. This was the unstated but clear goal of the Clean Power Plan.

Utilities would have struggled to keep grids stable while consumers paid more for electricity due to stranded coal assets. National Economic Research Associates estimated that the rule would have increased electricity prices by double digits in 40 states and cost up to \$292 billion. The Obama EPA rigged its cost-benefit analysis by deeming improved efficiency an "avoided cost" rather than a benefit.

The Trump plan still seeks to curb CO₂ from coal plants, but the EPA will let states take the lead and won't dictate reductions. States will

have to develop plans to achieve the "best system of emission reduction" at individual power plants, which the EPA defines as "heat-rate" efficiency improvements.

Heat rate can be affected by dozens of variables from fuel type to steam-surface condensers and boiler feed pumps. Low-sulfur coal from Wyoming's Powder River Basin is cleaner than Appalachian coal but burns less efficiently and emits more carbon. This is among the many environmental and energy trade-offs the Obama rule ignored. The rule is also agnostic regarding fuel, so states won't be punished if their coal plants use, say, lignite from Mississippi that burns less efficiently.

President Trump hailed the new rule on Tuesday for keeping his promise to revive the coal industry, while liberals predicted a climate apocalypse—better start building your arks for the flood. They're both exaggerating.

Power plant CO₂ emissions are still estimated to fall under the EPA's proposal to 33% below 2005 levels by 2030, but without the costs to consumers of the Obama plan. The Trump plan also doesn't "roll back" Obama-era reductions since the Supreme Court stayed the Clean Power Plan in February 2016 and likely would have struck it down as an abuse of regulatory power.

As for the future of coal, the new rule doesn't favor it over other fuels, but it also doesn't punish it out of existence on ideological grounds. Coal plants will be better able to compete against cheap natural gas and subsidized wind and solar power.

But contrary to liberal lore, smokestacks won't start popping up across America. The Energy Information Administration projects that coal generation will level off in the future as older facilities shut down and are replaced with more efficient and cleaner natural gas plants. The shale fracking revolution is still the biggest market challenge to coal power, and natural gas will still drive the reduction in U.S. carbon emissions.

The Trump draft will now be subject to public comments for 60 days and will be challenged in court. But its restraint should give it a better chance to prevail than the Obama Administration's raw exercise of political power. Credit the EPA for keeping the President's promise to voters to delegate power to the states and follow the law.

The EPA's power rule won't save coal and won't poison the planet.

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LETTERS TO THE EDITOR

Don't Expect SEC to Give Elon Musk a Pass

Holman Jenkins correctly assesses that Elon Musk's infamous tweet about privatizing Tesla at \$420 a share exposes Mr. Musk (and Tesla) to serious civil and criminal liability ("How to Solve a Problem Like Elon," Business World, Aug. 15). Nonetheless, he predicts—at the SEC investigation's incipient stages—that Mr. Musk will evade accountability since he is not an "ordinary scofflaw." There's no basis for such cynicism, and extrinsic evidence to the contrary.

Mr. Musk's potential misconduct was flagrant, consumed sizeable newspaper front-page real estate, and will continue to do so. Government prosecutors rarely eschew highly visible, flagrant misconduct, whoever the perpetrator is. Over 82 years, the SEC has pursued numerous "extraordinary" scofflaws, including congressmen, cabinet members, judges and icons of business, entertainment and sports. Pursuing Mr. Musk's cautionary tale would obtain a real bang for

the agency's limited enforcement bucks, sending a message none will miss.

Current SEC Chairman Jay Clayton is committed to revitalizing U.S. IPOs and protecting retail investors. Mr. Musk's potentially illegal conduct assaults both efforts. Mr. Clayton has been formidable in spearheading agency responses on both issues.

Current SEC enforcement managers are talented lawyers and former prosecutors. Mr. Musk's privatization journey is a unique opportunity to redress the dissemination of misinformation utilizing poorly timed and worded tweets.

Mr. Jenkins's cynicism—often spot-on—isn't here, suggesting, perhaps, that his real rationale is to goad the agency into taking effective and prompt action. If so, perhaps it can serve a useful purpose.

HARVEY L. PITT

Washington

Mr. Pitt was SEC chairman 2001-03.

Trumka Makes His Case, but Others Disagree

Thanks for printing Richard Trumka's "Unions Triumph at the Ballot Box" (op-ed, Aug. 9) concerning the recent so-called right-to-work law in Missouri. Rumors of the death of the labor movement have been greatly exaggerated. I work in an open shop and all new hires can't wait to join the union. Most of them are young and appreciate the power of the union to protect their job security, pay and benefits. Working people's voices were heard in Missouri by overturning the right-to-work law by popular vote and it wasn't just because corporate advertising was outspent. Workers are tired of being put down with stagnant wages and diminishing benefits. I hope to hear more good news for workers.

CURTIS ROESSLER

West Hartford, Conn.

Mr. Trumka might start with the premise that the greatest threat to a worker's job and income security is an unprofitable company. One Missouri referendum vote doesn't make a trend. The National Labor Relations Act of 1935 can no longer serve the needs of American workers in the 21st-century's global economy. A new structure is needed, a parallel structure that provides the American worker with an alternative choice to improve job and income security and the opportunity to contribute to the enterprise's success with a greater voice in the decisions that affect them. A busi-

ness's long-term success is closely linked to worker involvement in continuous improvement processes, something I can testify to in my career at the Saturn Corp. in Spring Hill, Tenn. The problem with this new structure was that my union (UAW) leadership couldn't envision its new role when workers are empowered and trained in problem solving and decision-making. What does a union do in this new structure? The answer to this question is right in front of Mr. Trumka's eyes in Spring Hill, Tenn. Saturnize America, Mr. Trumka, and they will come.

MICHAEL BENNETT

Miramar Beach, Fla.

Mr. Trumka's piece shows how labor has come full circle. Starting out, labor's efforts to improve pay and working conditions under the threat of blackballing and even death were courageous and beneficial; a major point of unionization was to give workers a choice. After unions became legal and gained power (as well as money), labor began to mimic the same tactics as big business. Now, instead of trying to attract workers with its alleged benefits, the tactic of labor is to force workers into a union with anti-right-to-work laws. Ultimately, labor decided to drop choice, and workers aren't better for it.

L.D. McNARY

Raleigh, N.C.

Civil Authority Must Deal With Bad Priests

Regarding "Coverup Hid Hundreds of Abusive Priests" (page one, Aug. 15): Overall, Catholic priests have made many of us better persons.

They were there to hear mass with us in the early, dark mornings when we were altar boys. They were there to help us learn how to drive. They were on the bus after a losing basketball game, telling us we had played well, even though we knew we hadn't. They led our choir efforts. They heard our confessions. They showed us what integrity, love and being a selfless person were all about.

Thank you to all these great men, who were and are unselfish and caring in the right way.

BOB DICKEY

Woodinville, Wash.

The similarity in coverup behavior found in each diocese is shocking and obviously systemic. Most parents would never allow a child to be near a person who is a known sexual abuser or even suspected of being one. But these bishops didn't hesitate to do so.

Is Pennsylvania the only place where the Catholic Church has be-

Great if You Don't Need It

Carolyn Bolton's "A Lost Love and an ObamaCare Alternative" (op-ed, Aug. 13) on being a young, healthy professional having a difficult time after a loss is sad, but certainly not persuasive for why short-term, cheap "catastrophic" health-insurance policies are good for the general population.

She had youth and health on her side and was less likely than most to need care. What about folks who are older, not healthy and find themselves in a similar situation? A bare-bones plan may leave those who can't afford anything better in a situation of having to make horrific decisions. We are the only developed country without comprehensive health insurance for all citizens. It isn't about palate and pocketbook, this is about life or death.

CATHLYNN GROH

Santa Fe, N.M.

haved so horrifically? Hardly. However, convincing documentation does not exist elsewhere as clearly as it does in Pennsylvania.

Civil governments must take the lead, as was done in Pennsylvania, and do what the church won't do. Many more grand juries need to be impaneled and empowered to find and declare the truth. Without truth, there can be no justice, and without justice, there will be no healing.

FR. JAMES CONNELL

Archdiocese of Milwaukee

Milwaukee

Foxes Will Be Running New State News Chicken House

Mike Rispoli, New Jersey director of Free Press Action, writes in an Aug. 16 letter that a publicly funded press would be free from bias because a "firewall" would prevent political appointees from influencing the news.

Regardless, I don't want my tax dollars funding the country's overwhelmingly liberal journalists any more than they already do. There is a delicious irony that Mr. Rispoli's letter appeared the same day that most of the newspapers in the country printed a coordinated political attack on the opposition party in the name of press freedom.

CHRIS PHILIPS

CEO, Philips Publishing Group

Seattle

THE WALL STREET JOURNAL

</div

OPINION

Some Friendly Advice for China's Leaders

By Maurice R. Greenberg

The trade dispute between the U.S. and China threatens to destabilize arguably the world's most important bilateral relationship. A better understanding of the countries' shared history may encourage wiser negotiations.

There is a great deal of pride in China for the country's remarkable success. Compared with our population of roughly 300 million, China has a population of 1.4 billion. It should be no surprise that China is now the world's second-largest economy. Since its economic opening in the 1970s, many Chinese citizens have been educated in the U.S. and then returned to China to become leaders in government and industry. The China of today is fully capable of competing with foreigners in its domestic markets on a level playing field, as its firms have proven overseas.

You can't expect to keep receiving favorable trade and investment terms unless you reciprocate.

The contributions the U.S. has made to China are worth noting. Starting in 1900, the Open Door policy, advanced by the U.S., spared China from European colonization. Prior to World War II, the U.S. imposed an embargo on Japan and deployed military assets to the Pacific in defense of that policy. Before the U.S. entered the war, the Flying Tigers, an American volunteer group, were recruited from the U.S. military and mobilized to assist China's defense against Japan. The U.S. provided extensive additional support throughout the war to the Chinese and ultimately spilled considerable blood on their behalf. At war's end, the U.S. ensured that China was included as one of the five permanent members of the United Nations Security Council.



C.V. Starr (in dark suit, left center) and the staff of what was then known as American Asiatic Underwriters in Wuxi, China, July 4, 1924.

After the Chinese Revolution in 1949, Mao Zedong established the People's Republic, sending the Chinese into international isolation for two decades. Then in 1972, President Nixon and national security adviser Henry Kissinger re-established bilateral ties by signing the Shanghai Communiqué during the president's historic visit to China. It was in the national interest of both countries to foster a more constructive relationship. Both viewed the Soviet Union as a strategic threat.

China was populous and rich in natural resources, but its economy was minuscule and in shambles from a decade of internal conflict. After Mao's death, Deng Xiaoping sought stronger ties with the U.S. He understood that China's future political stability would hinge on its economic success.

When bilateral trade resumed, the U.S. extended favorable trade terms to foster China's economic growth. Tariffs on Chinese imports into the U.S. were low—on average a third of those on U.S. exports to China. Bilateral trade grew from zero to several billion dollars within a few years. In 1979 President Carter re-established formal diplomatic relations, and China was given most favored nation trading status. In 1981 the Reagan administration created a separate trade category

for China to exempt it from restrictions on trade with every other communist country.

Notwithstanding contentious issues such as textile quotas, intellectual property rights, market access and the growing trade imbalance, bilateral trade continued to grow, allowing China's economy to achieve success beyond what Deng envisioned. By 1986 the U.S. had become China's third-largest trading partner, behind only Hong Kong and Japan. In 2000 China was given permanent normal trade relations with the U.S. In 2001 it joined the World Trade Organization—something that never would have happened without the active support of the U.S. government and business community. I was proud to lead that effort as chairman of the U.S.-China Business Council.

My company, Starr Insurance, started in Shanghai in 1919, the first American insurance company to operate in China. Its operations there ended after the revolution. As head of Starr, I started to visit China in 1975. I met and established a relationship with the state-owned People's Insurance Company of China, the country's only insurer. We signed a memorandum of understanding with the PICC and began training many of their people as well as arranging reinsurance of their business to expand their capacity.

Our relationships in China grew, and we helped in every way possible, believing we would eventually be able to re-establish our business in the country. In 1992 we did, when AIG and its subsidiaries, which had been founded by Starr and were already operating throughout Asia, received eight regional licenses. The first was in Shanghai. We were the only wholly foreign-owned life insurer to be awarded operating licenses. We introduced the agency system in China, which caught on and created about a million jobs across the country.

Through my many years of doing business in China and involvement in U.S.-China relations, it seems to me the solution to the current trade dispute is rather clear. When Nixon visited in 1972, China's economy was marginal to world trade. Today it is poised to become the global leader. As an emerging market, China erected trade barriers to build its nascent industries. This was acceptable to foreign countries like the U.S. for strategic reasons. Foreign companies endured it because of China's vast potential. Now discriminatory treatment of foreigners is embedded in the Chinese bureaucracy—in government policies, in regulatory procedures laden with obstacles and delays, in structural impediments such as turnover in government agencies

resulting from forced early retirements, and in the mindset of Chinese officials.

This all needs to change. China cannot expect to continue receiving favorable trade and investment terms in foreign markets when it is unwilling to reciprocate. It is in China's interest to reform, and the U.S. is right to press to level the playing field. China no longer needs the same accommodations as in its initial stages of economic development. It makes sense to reassess the terms of bilateral trade and make them more fair and equitable, with each trading partner securing equal and unhindered market access across all sectors.

This is about more than trade, and the stakes are high for the U.S. and China and globally. I hope American and Chinese leaders recognize the critical importance of maintaining a constructive and open relationship. It should not be viewed as a zero-sum game. Increased and mutually beneficial bilateral cooperation should be pursued in earnest. That would be a stabilizing force, capable of nurturing both peace and prosperity, while providing a much needed source of comfort to countless people in an increasingly uncertain world.

Mr. Greenberg, founding chairman and CEO of AIG, is chairman and CEO of C.V. Starr & Co.

What It's Like to Be a 'Fancy Bear' Target

By Kenneth R. Weinstein

I t's called a "mirror site," and the concept is simple: Lure people into thinking they're visiting a website such as ours at Hudson Institute by copying the basic look and features. Then try to get visitors to reveal personal information or embed their computers with malware.

Microsoft alerted us and another policy organization, the International Republican Institute, Sunday that they had saved us from a cyberattack by a hacking group known as Fancy Bear, which is thought to be a creation of Russian intelligence. Fortunately, the company detected the attack before anyone was duped. Using existing legal authority to shutter such sites, Microsoft quickly took the impostors down.

This isn't the first time a foreign government or affiliated entity has launched a cyberattack against us. Sadly, it won't be the last. Everyone here at Hudson has been trained to be on the lookout for spear-phishing and other attacks. The public at large, however, isn't so lucky. They remain highly vulnerable to email that looks legitimate but isn't.

According to law-enforcement officials, it was a Russian spear-phishing exercise that pried open thousands of emails stolen from the Democratic National Committee and John Podesta while he served as Hillary Clinton's 2016 campaign chairman.

Even when unsuccessful, these attacks—by Russian, Chinese, Iranian and North Korean intelligence services and their formal or informal networks of hackers—impose a cost on those targeted. They are a drain on staff and administrative resources

and can have a chilling effect on your work, even when Microsoft has your back, as in our case.

Most such attacks are geared to gain access to bank accounts. Fancy Bear seems to have other purposes in mind.

My Hudson colleagues and I have been outspoken on the numerous challenges Russia presents to U.S. national interests and international security: its illegal annexation of Crimea, continuing incursion in eastern Ukraine, support of Bashar Assad's brutal dictatorship in Syria, electoral interference in the U.S. and other democracies, targeting of U.S. diplomats, attempted assassinations in the U.K. and Ukraine, increasing repression at home. President Vladimir Putin seems to be relishing the role of international troublemaker. My colleagues have been promoting tough-minded policies in all these areas and others.

We are especially proud of our Kleptocracy Initiative, which has exposed how Mr. Putin and his cronies in the Kremlin and Eastern Europe

launder their ill-gotten money through shell companies and offshore accounts in Western jurisdictions. We will continue working to make sure kleptocrats can't use their wealth to undermine Western democracy.

We won't back down from our criticism of Russia, or our support for Trump's aggressive policies.

If Fancy Bear's intention is to embarrass or intimidate us, it won't work. Hudson fellows will continue to speak their minds on public-policy matters.

In these highly charged partisan times, however, some are getting a little ahead of the facts as they search for the motive behind the latest attacks. In a front page report, the New York Times suggested that Hudson was targeted because of opposition among our fellows to

President Trump's desire for improved relations with Russia.

This claim is misleading at many levels. In the first place, in my view and that of many of my colleagues, the Trump administration has rightly adopted aggressive policies to address the renewed threat Russia poses to U.S. national interests, to European and other allies, and to regional stability.

Most notably, the administration has increased spending on the European Reassurance Initiative deterrent by 40%, offered lethal-weapon assistance to Ukraine, expelled 60 Russian diplomats from the U.S. in response to the Skripal poisonings in the U.K., and imposed far tougher sanctions on Russia than any European partners have.

The Trump administration has pursued a far more aggressive campaign against Russian malign influence than has the European Union—imposing not only broad economic sanctions, but also measures against dozens of oligarchs close to the Kremlin.

Just this month, the Trump administration announced additional sanctions that ban American companies from exporting any equipment to Russia with a national-security purpose.

At Hudson Institute we have proudly worked with our friends in the administration to promote American national security, and will continue to do so.

Relations with Russia can improve—when Russian behavior improves. The U.S. ought to be able to have honest and forthright discussions with Russia about matters of mutual interest, from nuclear weapons and proliferation to terrorism. Conversations on such matters took place even at the height of the Cold War. Today, however, Mr. Putin seems intent on playing a different game.

Hudson stands for bold U.S. leadership in these increasingly dangerous times. Fancy Bear can get stuffed.

Mr. Weinstein is president and CEO of Hudson Institute.

The Myth of the All-Powerful Federal Reserve

By David Ranson

M any investors and policy makers are concerned about the narrowing gap between yields on short- and long-term Treasurys. They warn that an inverted yield curve—when short-term Treasurys have higher yields than long-term ones—would presage a recession. But evidence from the past six decades suggests the conventional wisdom is outdated: Federal Reserve interest-rate policy no longer plays a

decisive role in determining economic growth.

The Fed remains intent on returning the short-term interest rate to its "normal," prerecession level. In 2007 the fed-funds rate averaged 5%. Today long-term Treasury bonds yield around 3%. That means that normalizing the federal-funds rate would require inverting the yield curve. Would this threaten the economy's newfound vitality?

Inverted yield curves and recessions have been linked for decades, but the connection is deceiving in two respects. First, it's the *increase* in rates, rather than their actual level, that correlates with recessions. Before 2007 recessions and inverted curves were always preceded by large hikes in the Fed's rate target. This gave the false impression that rate levels mattered.

Second, the change in short rates, rather than long rates, is what made the difference in the past. In my statistical analyses of how movements in short and long rates compete to explain growth, the long rate consistently loses. The long rate is statistically insignificant and can be safely ignored.

If the yield curve is irrelevant to economic growth, do any Fed rate actions influence the probability of a recession? They once did, but my research suggests the Fed no longer has that power. This may sound like a radical proposition. Yet there are numerous examples of significant

economic relationships that work well for a time but eventually weaken and disappear.

In the 1960s growth in the money supply and the economy's performance were strongly correlated. But banking regulation, governing such matters as the payment of interest

on deposits, changed. Financial institutions adjusted their practices, and over the years the meaning of "money" shifted. The correlation weakened. Economics moved on.

When the price of crude oil quadrupled without warning in 1973, the U.S. economy nearly turned upside down. Markets were unprepared for such an unprecedented event, but they learned. Further spikes in the oil price followed with less recessionary effect. Today few believe that an oil crisis alone could trigger a recession. The economy has become less vulnerable to imported oil, and markets expect oil prices to be volatile and now can cope better.

The vulnerability of the economy to an interruption in the normal course of business arises from two

sources, each related to market unpreparedness. One is the shock effect: the sudden, surprising nature of the triggering force. The more warning given, the less damage done. The other is the depth and resilience of markets—that is, their capacity to allow buyers and sellers to hedge.

The relationship between short-rate movements and economic growth resembles the oil story. The effect dissipated over time; in recent decades there has been little sign of a connection. The evidence of a slow decline can be summarized by dividing the past six decades into two 30-year periods. Between 1957 and 1987, I found the year-to-year correlation to be minus 0.73 and significant statistically at very high confidence. The subsequent 30 years produced an insignificant correlation, minus 0.02.

What could cause the disappearance of such a long-established connection between short-term rate increases and recessions? In the past the Fed not only relied on the shock value of its rate actions; it imposed them on financial markets that were far less sophisticated and resilient. The Fed's interest-rate actions are now gradual and telegraphed well in advance, and there are many more ways for investors to cope with interest-rate risk. Rate increases may or may not be desirable, but markets can take them in their stride.

Mr. Ranson is head of research at HCWE & Co. in Portland, Ore.

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JPMorgan Rolls Out Free Trades

By EMILY GLAZER
AND LISA BEILFUSS

JPMorgan Chase & Co. is boosting its digital investing service with free trades for customers in a move that sent the world of online brokerages into disarray Tuesday.

The bank is trying to bring in more first-time investors, including millennials, as well as customers of the bank who invest elsewhere. JPMorgan's move could accelerate the pricing war buffeting rivals such as **TD Ameritrade Holding Corp.** and **Charles Schwab Corp.**, which have been cutting

fees in a fierce competition for customers. Fintech startups offering low-fee or discounted trading have accelerated that competition.

Shares of TD Ameritrade, Schwab and E*Trade Financial Corp. tumbled on the news, with TD Ameritrade falling more than 7%.

The JPMorgan service will offer any bank customer at least 100 free stock or exchange-traded-fund trades for a year, with no account minimums, said bank spokesman Darin Oduyoye. That is a sea change in pricing. The bank had charged \$24.95 for online

trades as recently as last year, according to CNBC, which reported the news earlier. The service, dubbed You Invest Trade, will be embedded in the bank's app and website.

Schwab charges \$4.95 a trade, and TD Ameritrade and E*Trade charge \$6.95, according to their websites. Bank of America Corp. launched Merrill Edge, its lower-cost online brokerage platform, in 2010. It costs \$6.95 a trade, with certain trades free for clients with balances of at least \$20,000.

At JPMorgan, many customers will be charged \$2.95 a

trade if they exceed the 100 trades in the first year. Customers with balances of \$15,000 or more will get 100 free trades every year, and Chase Private Client customers will get unlimited free trading, Mr. Oduyoye said.

JPMorgan Chief Financial Officer Marianne Lake said in February the bank had recognized it wasn't competitive in digital investments. It announced a \$300 million investment into digital wealth management two years ago to "accelerate our ability to capture more...investments," Ms. Lake said.

Devin Ryan, an analyst at JMP Securities, said the move signals the brokerage industry is willing to push pricing down. "Ultimately we will end up at zero," he said.

The question, Mr. Ryan said, is what happens in between. Firms offer trading discounts to bring in customers who sometimes become more lucrative clients if they take advantage of other services, such as investment advice or margin loans. The race to zero is putting pressure on firms to differentiate their businesses and make more money on the

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American Trims Flights as Fuel Rises

By ANDREW TANGEL

American Airlines Group Inc. is cutting some unprofitable international flights as U.S. carriers adjust their business plans to reflect higher fuel prices.

The world's largest airline by revenue said Tuesday that it plans to cut flights from Chicago to Shanghai, Philadelphia to Munich, and Los Angeles to Toronto among 11 total routes that the carrier intends to drop through early 2019.

"They're not sustainable," a spokesman for American said. American also is reducing the frequency of a handful of international flights.

Investors fretted earlier this year that airlines were planning to add too many flights, potentially sparking a fare war that could threaten profitability. Then fuel prices began to climb, prompting airlines to pare back their plans to add routes.

Delta Air Lines Inc., **Southwest Airlines Co.**, **Alaska Air Group Inc.**, **Spirit Airlines Inc.** and **Allegiant Travel Co.** each said in July that they would add fewer flights than planned this year. American, Spirit and Delta also said they would raise ticket prices to recover some of the higher costs.

Those plans have helped bolster airline shares after a slump. The NYSE Arca Airline Index has risen 10% since June, after a 20% drop during the year's first six months from the January peak.

Jet-fuel prices have dropped a bit this month but are still up more than 30% from a year ago, according to the International Air Transport Association trade group.

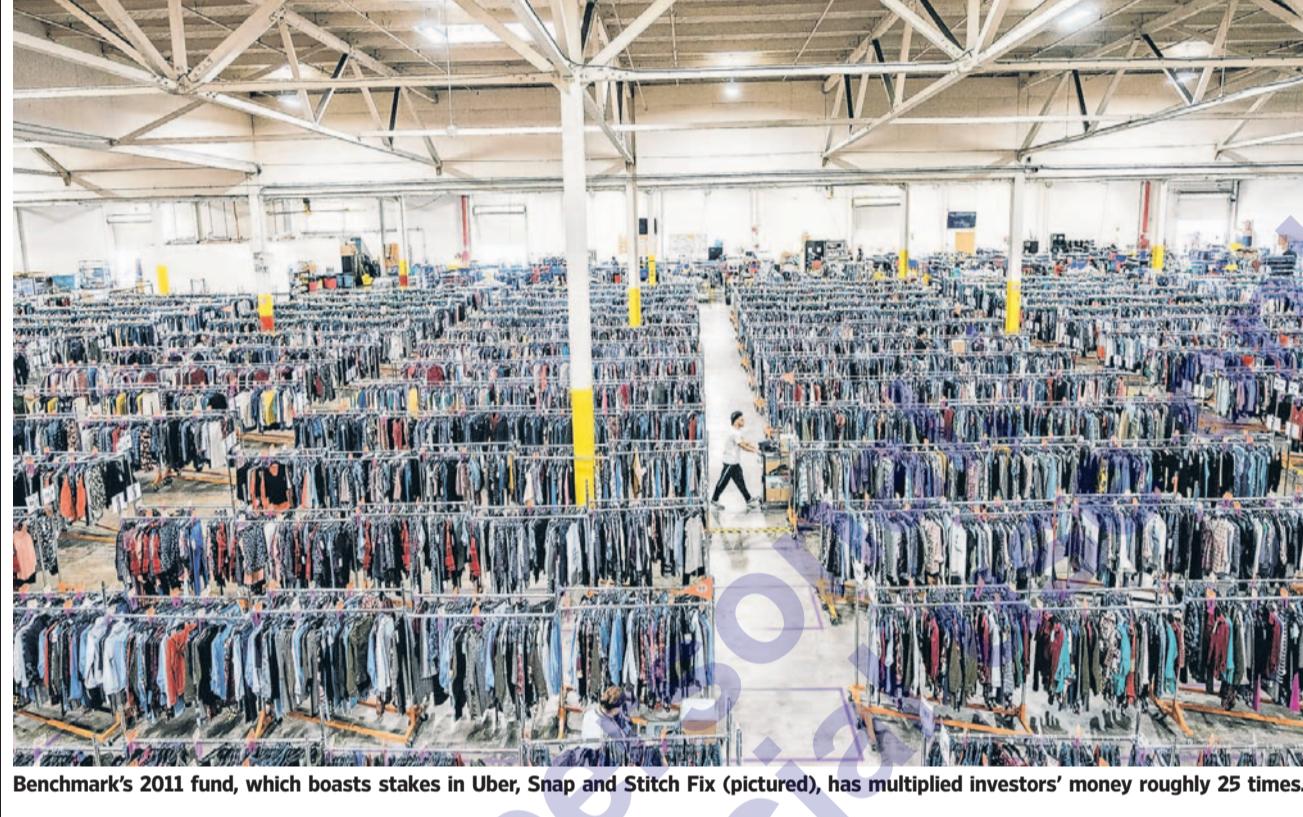
American previously said it would also suspend service between Chicago and Beijing this fall. American's spokesman said the airline is maintaining service between the U.S. and China from airports including Dallas and Los Angeles.

Rival **United Continental Holdings Inc.** said last month that strong demand for flights to China helped boost unit revenue in its Pacific region 3.4% in its second quarter from a year earlier.

United President Scott Kirby, in an interview at an aviation conference in Denver on Tuesday, said American's cuts were "probably indicative of a healthier industry where all airlines are willing to stop flying money-losing routes, which didn't used to happen."

American also is adding nine international routes in Phoenix, Dallas and Philadelphia next year. Phoenix will get flights to London, while Dallas is to add flights to Dublin and Munich. Philadelphia will get flights to cities including Berlin and Bologna, Italy.

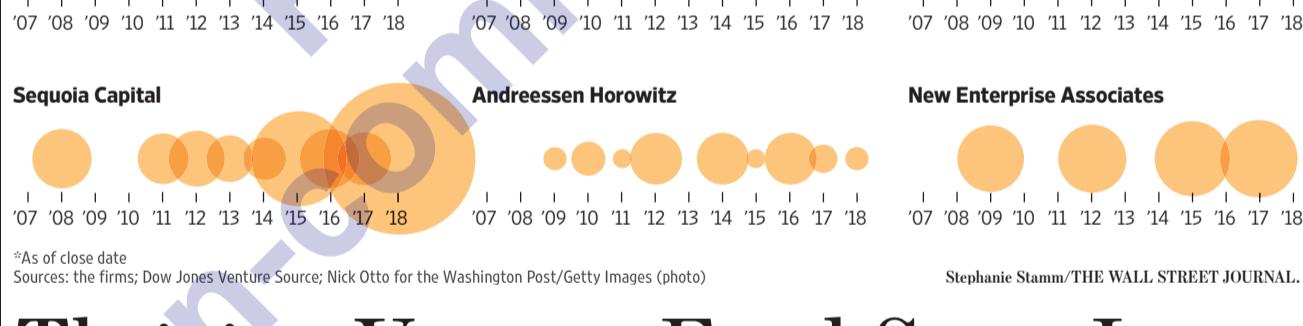
◆ Airline stocks are beginning to take off B12



Benchmark's 2011 fund, which boasts stakes in Uber, Snap and Stitch Fix (pictured), has multiplied investors' money roughly 25 times.

Small Wonder

Benchmark plans to keep its next fund at the same size as past ones, while rival firms raise more money.



*As of close date
Sources: the firms; Dow Jones Venture Source; Nick Otto for the Washington Post/Getty Images (photo)

Stephanie Stamm/THE WALL STREET JOURNAL.

Thriving Venture Fund Stays Lean

By ROLFE WINKLER

In an era when venture-capital firms are raising megafunds in the billions of dollars, one of the best-performing investors is resisting the temptation to go big.

Benchmark Capital is sitting on one of the most profitable venture funds since the dot-com boom after scoring early investments in tech high-fliers **Uber Technologies Inc.**, **Snap Inc.** and **WeWork Cos.**

That fund—around \$550 million raised in 2011—has multiplied investors' money roughly 25 times before fees, according to a person familiar with the returns.

Yet when it raises its next fund, expected by early next year, Benchmark plans to keep it at the same size as it has done since 2004, according to people familiar with the matter, to better concentrate on early-stage investments that are its calling card.

The restraint is unusual given the trend in venture capital to raise ever-larger "growth" funds to capitalize on highly valued startups delaying public offerings. Benchmark's rival, **Sequoia Capital**, is raising the largest-ever fund by a U.S. venture firm at \$8 billion, according to a person familiar with the matter, while **SoftBank Group Corp.**'s \$92 billion Vision Fund has helped spur a record level of investments in late-stage companies.

Investors in Benchmark's funds say the firm could easily raise billions of dollars for growth investments and reap huge fees. But at Benchmark's annual shareholder meeting in June, the partners insisted they would stick with a smaller pool of capital, according to a person who attended. The partners have said it helps them stay focused on backing companies early and maximizing gains in the winners.

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INSIDE



PUERTO RICO'S HOTELS ENJOY A RESURGENCE

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Fiat CEO Inherits Marchionne's Burden

BY ERIC SYLVERS

TURIN, Italy—**Fiat Chrysler Automobiles NV's** new chief executive, Mike Manley, faces some unfinished business in Europe.

His predecessor, Sergio Marchionne, who died last month, saved Fiat and rescued Chrysler from bankruptcy by orchestrating their merger, gaining him a reputation as a turnaround specialist. But Mr. Marchionne left unresolved the future of FCA's legacy business in Europe, including the Fiat, Alfa Romeo and Maserati brands.

Mr. Manley will have to address multiple challenges, including plant overcapacity and a bloated workforce in Europe, which accounts for 36% of FCA's employees but one-tenth of its profits. Three-quarters

of FCA's sales in Europe are of Fiat-branded cars that have razor-thin profit margins. A successful relaunch of the sporty Alfa Romeo brand eluded Mr. Marchionne for more than a decade. Maserati provides a healthy profit margin, but the luxury marque's volume is too small to significantly boost the company's overall financial results.

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"FCA would need a merger to improve the profitability in Europe," said Martino De Ambroggi, an analyst with Equita. FCA declined to comment. Europe has been challenging

for FCA and its Detroit rivals. Smaller cars dominate the European market, partly because fuel is more expensive than in the U.S. City roads are often narrower and many countries slap higher taxes on sport-utility vehicles, a big source of profit for auto makers. High production costs and competition from Asian companies such as **Kia Motors Corp.** that specialize in small, fuel-efficient models also squeeze profits.

General Motors Co. sold its European business last year after losing money in the region for two decades. FCA and **Ford Motor Co.** had long runs of annual losses in Europe; and although they now turn an operating profit there, margins remain well below what they make in North America.

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New CEO Mike Manley, right, with Sergio Marchionne in 2011.

GIOSEPPE ARNONE/BLOOMBERG NEWS

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La-Z-Boy Sales Climb As Prices Move Higher

BY JOSH BECKERMAN

La-Z-Boy Inc. said its sales rose 7.7% for its recently completed quarter, helped in part by price increases.

Sales totaled \$384.7 million, surpassing the average analyst estimate of \$368.2 million. The news sent shares of the furniture company up more than 20% in after-hours trading to \$39.90.

La-Z-Boy said it was "encouraged" by the improvement in its retail operations as a key same-store sales metric for its La-Z-Boy Furniture Galleries network rose 3.1%. Meanwhile, in the wholesale segment, upholstery sales benefited in part from sales of more higher-price items.

The company said it is optimistic over the long term, "although concerns relating to

potential duties and tariffs that could impact the business persist and we are monitoring that situation closely to determine what changes may be appropriate."

For the quarter ended in July, the first of the company's fiscal year, La-Z-Boy reported earnings of \$18.3 million, or 39 cents a share, up 56% from \$11.7 million, or 24 cents a share, a year earlier.

The results in the latest period were helped by changes in currency rates and a lower tax bill.

La-Z-Boy announced two acquisitions last month that were both completed in the second quarter. The company bought online furniture company Joybird and nine Arizona La-Z-Boy Furniture Galleries stores from independent operator EBCO Inc.

Continued from page B1

Mr. Marchionne had for years courted GM as he sought a merger partner to help secure FCA's future in an industry that requires billions in annual investments. FCA's Jeep and Ram brands earlier elicited interest, but potential buyers were less eager to take on Fiat and Alfa Romeo. This year, FCA said the merger search was over and it could survive on its own.

FCA makes an operating profit of about €2,850 (\$3,274) for every Jeep and Ram sold, but only €250 for every Fiat, according to an analysis of FCA's public financial data by Ferdinand Dudenhöffer, head of the Center for Automotive Research at the University of Duisburg-Essen.

Presenting the company's five-year plan in June, Mr. Marchionne spoke of many new models to be added across FCA's lineup but provided few specifics. Mr. Manley didn't give further details on recent conference call.

The former CEO had also invested time, effort and billions of euros trying to re-launch premium brand Alfa Romeo, but it has fallen short of sales targets in a market

crowded with similar offerings from BMW, Mercedes-Benz, Audi and Lexus.

Meanwhile, Mr. Marchionne's death has revived fears among FCA workers about the company's commitment to Europe—especially to Italy, Fiat's historic home, where the company still has 60,000 employees. Mr. Marchionne already moved the company's legal headquarters to the Netherlands and its tax residency to

the U.K. But since he was born in Italy and had good relations with some Italian politicians, Italians still saw him as connected to the country. Mr. Manley is British.

At Turin's sprawling Mirafiori factory, once one of Europe's biggest car plants but now mostly idle, FCA prolonged the summer shutdown to almost four weeks from an original plan for just a two-week closure. Some union leaders took it as a sign.

Mirafiori employs about 13,000 people, down from 60,000 in the early 1980s. The factory, which churned out 463,000 cars in 1997, will make only about 50,000 this year, according to unions.

"We are leaving for vacation not knowing what awaits us when we return," said Nina Leone, 54 years old, who has been an assembly-line worker at Mirafiori for almost three decades and is a delegate for the FIOM union. "If I lose my job at my age it's going to be very hard to find somebody who will hire me."

Continued from page B1

clients they woo with low or no trading fees.

At Schwab, which has a more diversified business that includes wealth-management services and a banking arm, trading commissions now make up just 7% of total revenue. Schwab and TD Ameritrade, which once focused mainly on day traders looking to inexpensively manage their own money, now also cater to independent financial advisers who need a place to house client assets. By doing so, the online brokerages have reinvigorated a business that was hit by the tech-stock bust at the beginning of the century and the 2008 financial crisis.

An offer like JPMorgan's is meant to appeal to everyday investors managing their own money, said Denise Valentine, an analyst at research firm

Aite Group: "It captures their attention and once you hook them, you have the opportunity to keep them."

After sitting out most of

the nine-year bull run, individ-



A 1954 Maserati 250F, left, and a 1968 Alfa Romeo 33/2 Stradale at a car show in Italy. The brands are Fiat Chrysler legacy businesses.

Fiat CEO Inherits A Burden

Continued from page B1

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Continued from page B1

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BUSINESS NEWS

Cat Fight: Pepsi Says Peatos Is Cheetos Knockoff

BY ANNIE GASPARRO

The maker of Cheetos says it is fighting a copycat.

PepsiCo Inc.'s Frito-Lay division, which makes the crunchy orange-colored snack, has accused a new competitor called Peatos of trademark violations. Peatos is a skinny orange-colored snack made from peas and lentils.

Manufacturer World Peas Brand Peatos received a cease-and-desist letter from Pepsi in May claiming that the Peatos name, paw-print logo and slogan, "tigers live longer than cheetahs," disparage Cheetos.

Pepsi didn't respond to requests for comment.

Like other big food makers, Pepsi is losing market share to upstart brands that resonate with demand for more healthful or natural products.

"These small, niche brands are like a shoal of piranhas," Pepsi's Global Insights Director Maneesh Kaushik said at an event in France in June. "Every single bite doesn't really hurt you, but together, they can really cause a lot of pain."

Peatos has sold \$5 million of its chips in the seven months since their debut. Nick Desai, chief executive of **Snack It Forward** LLC, which owns World Peas Brand Peatos, said he expects to reach \$20 million in sales next year. Cheetos has annual sales of about \$1.5 billion in the U.S., according to market research firm IRI.

Mr. Desai said there was nothing wrong with riffing off the Cheetos name and marketing. "It just tells us that we're on to something big," he said.

The CEO said Peatos was created as a slightly healthier snack that would still have mass appeal. He said the firm decided to name and market the snack in a way that would make it familiar to consumers.

Peatos has more protein

and fiber than Cheetos, as well as slightly fewer calories and less fat and sodium.

Mr. Desai received the cease-and-desist request from Pepsi when Peatos went on sale at 2,000 **Kroger** Co. grocery stores in May. Peatos are sold there in the produce section, a coveted position as shoppers spend more time browsing for fresh food.

Pepsi said in the letter to Peatos reviewed by The Wall Street Journal that the Peatos name is "confusingly similar" to and "dilutes" the Cheetos brand. Pepsi also said the tagline "tigers live longer than cheetahs" falsely implies that people who eat Peatos may live longer than Cheetos snackers.

Peatos has applied to trademark the tagline. Pepsi has said it would contest that application.

"Frito-Lay welcomes honest and fair competition. However, we cannot condone the misuse of our trademarks...and free-riding on our investments in the Cheetos brand to elevate yours," said the letter signed by Pepsi's senior marketing counsel, Jenny Allenbaugh.

Mr. Desai said he replied to the letter and the two firms' lawyers have been communicating via email since then.



Peatos is a skinny orange-colored snack made from peas and lentils.

Retailers Still Going Strong

Kohl's gets boost from a recovery in apparel; higher foot traffic drives gains for TJX

BY SUZANNE KAPNER
AND ALLISON PRANG

Retailers extended their run of good news on Tuesday with **Kohl's** Corp. and the parent of T.J. Maxx reporting strong quarterly results.

Kohl's sales excluding newly opened or closed locations rose 3.1% in the three months to Aug. 4. Same-store sales would have increased 4.3% in the period excluding the effects of a calendar shift that added an extra week to last year's results.

Net sales rose 3.9% to \$4.31 billion. Net income rose 40% to \$292 million, compared with \$208 million a year ago.

TJX Cos. posted a 6% increase in same-store sales. Sales grew across all categories, including a 7% increase in its division that includes the T.J. Maxx and Marshalls chains. Chief Executive Ernie Herrman said that foot traffic was up for the 16th consecutive quarter. He said the company was attracting new, younger customers and gaining market share, and also noted that the current quarter was "off to a strong start."

Net sales increased 12% to \$9.3 billion. Net income rose nearly 34% to \$740 million, compared with \$553 million a year earlier.

Both companies increased their guidance for the current fiscal year.

Kohl's shares closed up 1.7% at \$80.20 Tuesday, after falling more than 3% in morning trading. TJX shares jumped 4.7% to \$106.46.

"I'm confident the strategies we have in place will position us for long-term growth," Kohl's Chief Executive Michelle Gass told analysts during a conference call.

Ms. Gass said the results were driven by a recovery in



Kohl's private brands had their best performance in over five years, and the company's results were also fueled by sales of apparel. U.S. consumers are spending more as disposable income rises.

Rising Trend

Share performance over the past year



Sources: SIX

THE WALL STREET JOURNAL.

been expanded to 100 stores.

In September, Kohl's is launching a brand designed in partnership with PopSugar Inc., a media and technology

company.

Ms. Gass said PopSugar will use data from its millennial customers to help inform the designs.

Next year, Kohl's will introduce the Nine West shoe, handbag and apparel brand to its stores.

Kohl's now expects earnings per share for the fiscal year to be \$4.96 to \$5.36, up from a previous range of \$4.86 to \$5.31. The figures include a loss from the extinguishment of debt.

Like other retailers, Kohl's year-over-year comparisons are skewed by an extra week in fiscal 2017, the result of dividing the retail calendar in 52 weeks of seven days each, which leaves an extra day each year.

TJX is now forecasting fiscal earnings per share of \$4.83 to \$4.88, which is up from its previous guidance of \$4.75 to \$4.83.

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TECHNOLOGY

At Slack, Valuation Surpasses \$7 Billion

BY KATIE ROOF

Slack Technologies Inc. has raised a new megaround of financing that values the company at more than \$7.1 billion.

The company said Tuesday the \$427 million round was led by Dragoneer Investment Group and General Atlantic, with participation from **T. Rowe Price Associates Inc.**, Wellington Management,

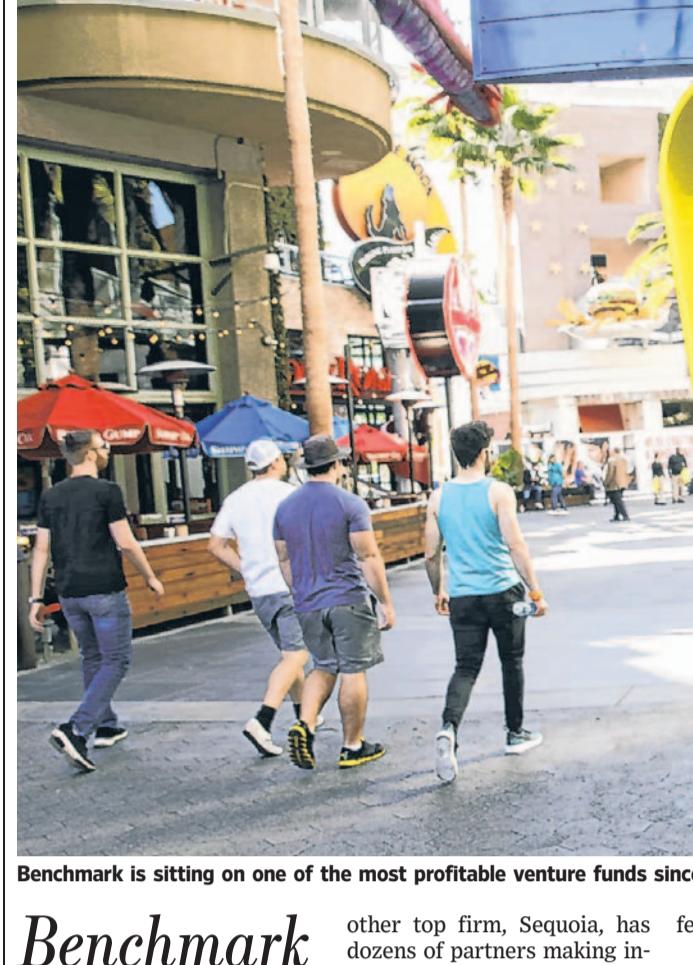
The messaging service's latest round of funding raised \$427 million.

Baillie Gifford, Sands Capital and existing investors. Slack's announcement follows WSJ Pro Venture Capital's earlier report that the deal was near.

The latest deal comes in addition to the \$841 million Slack previously raised since it was launched in 2013.

SoftBank Group Corp. led a round last year that valued Slack at \$5.1 billion. Other previous investors include Accel, Index Ventures and Kleiner Perkins.

San Francisco-based Slack, also said it now has more than eight million daily active users of its collaboration-messaging service, including 70,000 paid teams that use the platform for interoffice messaging. Its customers include Airbnb Inc., Oracle Corp. and Capital One Financial Corp.



Benchmark is sitting on one of the most profitable venture funds since the dot-com boom after scoring early investments in tech highfliers Uber and Snap, pictured.

Benchmark Decides to Stay Lean

Continued from page B1
Benchmark keeps a steep 30% of investment profits.

To preserve those profits, Benchmark on multiple occasions helped push out founders it thought stood in its way, as it did last year with Travis Kalanick, then Uber's CEO. The tactic risks tarnishing Benchmark's reputation among founders, jeopardizing access to investments in the most sought-after startups.

Benchmark has six partners making new investments. An-

other top firm, Sequoia, has dozens of partners making investments world-wide.

All of Benchmark's partners share the profits equally, defying the frequent hierarchical structure at other venture firms where longer-tenured partners keep most of the firms' share of gains. This minimizes internal friction and encourages teamwork, with multiple partners collaborating on an investment, said Fred Giuffrida, managing director at Horsley Bridge Partners, which has invested in every Benchmark fund since it was founded in 1994.

Roelof Botha, who leads Sequoia's domestic operations, said Benchmark's structure gives the partners "incredible clarity" to spot lucrative technologies. He said Sequoia pre-

fers its own model. Benchmark didn't always show restraint. In 1999, after making a killing with an early bet on **eBay Inc.**, it raised one of the first \$1 billion venture funds. The next year it doubled down with a new European fund three days before the Nasdaq peaked.

During the bust, Benchmark was left holding investments in spectacular failures like online grocery store Webvan Group Inc. It spun off operations in Europe and Israel and spent years nursing the larger fund to positive territory.

"Good judgment comes from experience which comes from bad judgment," Benchmark's longest-serving partner Bill Gurley has often said.

The leaner model has worked. Its 2011 fund, the

firm's seventh, boasts investments in nine companies valued at \$1 billion or more, according to a person familiar with the figures. Overall, the fund has racked up more than \$14 billion in cash and paper gains for the firm and its investors, the person said. The figures value the private companies in the portfolio at the price of their most recent round of funding, the person said.

The 2011 fund also includes Duo Security Inc., which this month was acquired by **Cisco Systems Inc.** for \$2.35 billion, and **Stitch Fix Inc.**, whose shares have doubled since it went public last November.

Stitch Fix's founder and chief executive, Katrina Lake, credited Benchmark's Mr. Gurley with helping her at critical junctures. Early on in the online clothing service's business, Mr. Gurley encouraged her to hire a financial chief when she didn't think she needed one.

As good as Benchmark's seventh fund has been, most of the gains remain on paper, vulnerable to steep losses if the companies' fortunes turn south before it can exit via a sale or IPO.

So Benchmark zealously fights to maximize its gains and cash them in—even if it means going against the wishes of CEOs.

When Uber was hit with a wave of scandals, Benchmark led an investor group to demand Mr. Kalanick step down. Other investors and Mr. Kalanick accused the firm of fighting dirty. A few months later, Benchmark sold \$900 million of Uber shares to SoftBank, and it still owns an over \$7 billion stake.

Mr. Gurley said in November the firm "suffered certainly some brand hits" from the high-profile Uber fight.

Last month, Mr. Gurley also



PATRICK T. FALLON/BLOOMBERG NEWS

Seventh Heaven

The gains in Benchmark's seventh venture fund add up to over \$14 billion.*

Current value of investments

	\$8.0 billion
Snap	2.0
WeWork	2.0
Duo Security/Discord/Docker/Elasticsearch/Hortonworks	1.0
Other	1.0
Stitch Fix	0.5

*In cash and on paper

Note: Valuations assume the price from the most recent funding round for private companies.

Source: WSJ analysis of the fund

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THE PROPERTY REPORT



FROM LEFT: JOE RAEDLE/GETTY IMAGES; RAMON "TONTO" ZAYN/GDA/ASSOCIATED PRESS

Puerto Rico's Hotels Offer Good News

Some luxury resorts see occupancies, average daily room rates climb post-Maria

BY MAYA SWEEDLER

Puerto Rico is still beset by damaged infrastructure and waterlogged real estate nearly a year after Hurricane Maria.

But its hotel market is emerging as a rare bright spot.

Buoyed by demand from relief workers and a surprisingly strong showing from tourists, the territory's hotels are enjoying better-than-expected results.

The average daily room rate for the first six months of 2018 was \$214.54, higher than the comparable period over the past five years, according to lodging research firm STR. Hotels have also enjoyed occupancy rates of 77% through June, a 5-percentage-point increase from last year's pre-hurricane rates.

Most of the territory's high-end hotels are at least partially operational, including the Wyndham Grand Rio Mar and the El San Juan. Operators of others—like the Caribe Hilton, the St. Regis Bahia Beach Resort and Dorado Beach Ritz-Carlton Reserve—say they are planning to open by year's end.

"Right now, it's literally a race to get open," said Andrew Dickey, a senior vice president at real-estate services firm JLL Hotels & Hospitality. "If you look at assets that are open, they're all outperforming historical levels."

Some high-end residential properties, particularly those priced in the \$1 million to \$1.5 million range, are also selling well, said Hector Aponte of real-estate services firm Newmark Grubb Caribbean. He attributes that in part to increased interest from U.S. citizens hoping to establish residency to take advantage of favorable tax treatment. Most Puerto Rico residents don't

pay federal personal income tax.

Dorado Beach has closed or has contracts for eight estate homes and condo residences, totaling almost \$50 million over the past three months, according to Kenneth Blatt, chief operating officer of Caribbean Property Group LLC's hospitality division, which controls much of the 1,400-acre resort. Two of the estate homes sold for pre-hurricane prices, while the six condo residences were discounted by 2% to 3%.

Other real-estate sectors in Puerto Rico remain troubled. Industrial and office vacancy rates are low.

Disaster-relief organizations and utility companies have moved in, but the majority are on short-term leases, Mr. Aponte said.

Hotel momentum could also slow as more properties reopen and more rooms come back online. STR estimates that the supply of hotel rooms is down 18% in the year to

Paying Up

Hotel room rates for Puerto Rico have rebounded this year.

Average daily rate, change from a year earlier



date, helping offset a 12.1% drop in demand.

But some analysts think other drivers can continue to boost hotel revenue.

The resiliency of Puerto Rico's leisure industry is in part the result of insurance

payouts, which have funded renovations, and the strength of the U.S. economy, said Christian Charre, a senior vice president at research firm CBRE Hotels.

Air travel returned to pre-hurricane levels earlier this summer. The number of cruise vessels arriving into the San Juan port—which survived the storm relatively unscathed—actually increased in the winter immediately following Hurricane Maria.

Puerto Rico suffered in the immediate aftermath of the hurricane. The number of people visiting during the 2017-2018 high season, which generally runs between December and April, was on average 49% lower than the previous season, according to data from Puerto Rico's government.

But there are signs that tourists are coming back: In April, the most recent month for which data is available, more than 128,000 tourists arrived—a nearly 50% increase

from December. That is a much bigger gap than in past years, when April business is usually only marginally better than in December.

The Wyndham Grand Rio Mar, which was one of the few hotels that didn't fully shut down after the storm, has been serving tourists since March 1. Even after competitors reopened, the Rio Mar has continued to produce record-breaking occupancy rates.

This year the hotel saw the best June occupancy rate in its history, according to hotel general manager Nils Stolzlechner. The hotel hasn't discounted its rates for international travelers, he said.

The Blackstone Group-owned El Conquistador resort, located on the island's northeastern tip, is one of the few properties still in the process of evaluating damages and is unlikely to open soon, a Blackstone spokeswoman said in an email.

—Laura Kusisto contributed to this article.

Property Investors Dip Into Lending, Stirring Worries

BY PETER GRANT

Many real-estate investors who have bought commercial property in recent years are now putting their money into property loans instead of outright ownership, a wager that the long bull market may be nearing an end.

Pension funds, government

funds and wealthy individuals are lending or investing in funds that offer construction loans, bridge loans and other kinds of loans with higher rates of default. These types of loans tend to be more speculative than those backed by mostly leased properties, but they can bring higher returns.

The California State Teachers' Retirement System, which has about \$29 billion in real estate, is among the latest to put new money into this approach. Calstrs said it is committing up to \$500 million to a special account created by a new real-estate debt firm called 3650 REIT.

With commercial real-estate

prices having leveled off and even retreated in some markets, many investors believe that lending has become a safer bet than buying real estate, as equity investors are the first to get hurt when property values fall. Debtholders are protected as long as values don't fall so far that properties are worth less than their loans.

These funds have helped fill

a need in the \$3.8 trillion real-estate debt market. Big banks have been lending less to developers since the tighter regulations introduced under the 2010 Dodd-Frank financial overhaul. A range of so-called nonbank players including real-estate investment trusts, hedge funds and private-equity firms have emerged to replace banks, especially when it comes to making riskier loans.

Lending by nontraditional

lenders increased 40% last year to nearly \$60 billion increasing this group's share of the total market to 10% from 2%

in 2014, according to Green Street Advisors. Green Street

predicts a similar rate of growth this year.

Real-estate debt funds man-

aged by private-equity firms raised \$32.3 billion last year, up from \$22.5 billion in 2016, according to data firm Prequin, and they continue to raise big dollars this year. Firms in the debt fund business include

Goldman Sachs Group Inc., Oaktree Capital Management and Blackstone Group LP,

Prequin said.

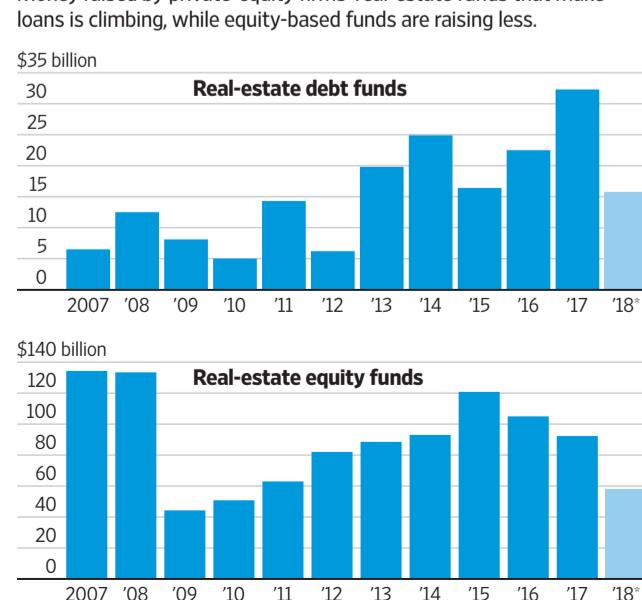
Some analysts think the tide of money going into real-estate debt raises the prospect of overbuilding and riskier construction projects. Funds are competing to put their new money to work, and U.S. banks have recently loosened certain lending standards for the first time in years, citing competition from nontraditional lenders, according to Green Street.

"It isn't clear that lender discipline will get out of hand," Green Street said in its report. "However, the trends aren't encouraging."

Another risk is that if the economy slows, new developments could be stuck with empty space. That will make it tough for developers to generate enough income to pay their debt service to alternative lenders that specialize in riskier investments.

Bets on Debt

Money raised by private-equity firms' real-estate funds that make loans is climbing, while equity-based funds are raising less.



JOE AMON/THE DENVER POST/GETTY IMAGES

Brookfield Begins Mall Overhaul

BY ESTHER FUNG

Unlike most smaller peers, some analysts say, Brookfield has the means and expertise to undertake a major project like GGP. The real-estate firm also recently transformed another mall owner, Rouse Properties Inc., which it acquired in 2016. With other partners, Brookfield redeveloped several Rouse's retail centers, such as adding 272 apartments and office space to a Burlington, Vt., mall.

urban areas and the value of well-located sites in urban areas will rise at a faster pace.

"There's work to do, but they are very experienced at getting compelling returns," said Sheila McGrath, a real-estate analyst at Evercore ISI.

Brookfield said it has already sold around \$4 billion in stakes in some GGP malls to joint-venture partners to help pay down debt it incurred for the acquisition. The firm may continue to sell at least an additional \$2 billion of such interests in the coming year or two as it plans for further development on sites it considers underutilized.

"[Brookfield] can harvest a lot of value by looking at the dirt outside the four walls of the mall," said Brian Harper, former CEO of Rouse who recently took the helm of another shopping center REIT, Ramco-Gershenson Properties Trust.

Many GGP shareholders, who are now Brookfield shareholders, are skeptical. Some said Brookfield's offer to acquire the 66% of the Chicago-based real-estate investment trust it didn't already own was too low.

Analysts said enough voted for the offer because remaining independent when the future of the mall business is in doubt seemed a worse outcome.

These are some of the best malls in America and probably in the world.'

"Our plan is to bring in partners into malls or portfolios of malls that can be redeveloped or repositioned into assets where additional capital is needed," said Brian Kingston, chief executive officer of Brookfield Property Partners, about GGP. "These are some of the best malls in America and probably in the world. We don't want to sell them necessarily. Our preference is always the partnership model."

Underpinning the strategy is Brookfield's broader belief that more people will move to

NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

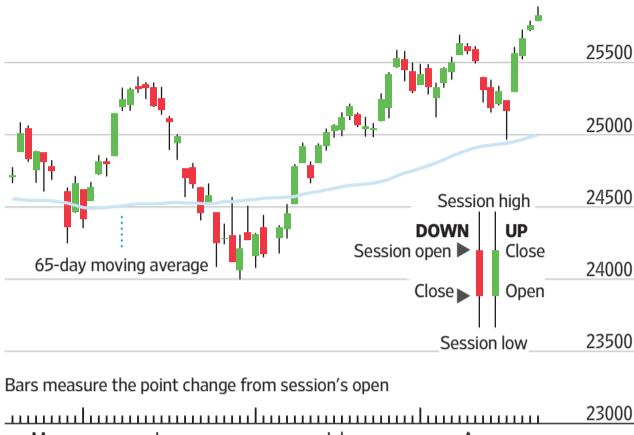
Tuesday, August 21, 2018																											
Stock		52-Wk %		Stock		52-Wk %		Stock		52-Wk %		Stock		52-Wk %		Stock		52-Wk %		Stock		52-Wk %					
Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg				
Highs				Benefitfocus	BNFT	40.55	3.6	DiscoveryC	DISCK	27.46	5.8	HealthInnov	HIHQ	55.25	2.9	HealthLand	HTFL	61.95	1.6	MesaAir	MESA	12.50	1.3	VeevaSystems	VEEV	87.76	7.8
AAON	AAON	43.20	1.4	BestBuy	BBY	81.82	2.6	DollarGeneral	DG	108.17	0.3	Heico	HEI	80.30	1.6	Harsco	HSC	26.80	2.1	Merck	MRK	70.25	-1.4	RitchieBros	ROL	38.77	0.7
AES	AES	14.02	0.1	Bio-Techne	TECH	185.31	2.0	DormanProducts	DORM	80.75	-0.7	HackettGroup	HCKT	19.55	2.3	Midtronics	MTRX	21.30	3.9	McCormickVtg	MKCV	51.32	3.3	UnitedBkshrsWV	URSI	39.95	1.1
AMC Ent	AMC	19.33	1.3	BlackstoneMt	BKMT	24.73	16.0	DuluthHoldings	DLTH	29.79	0.1	Healthcare	HCN	53.00	1.3	Healthcare	MDT	95.79	5.7	RingCentral	RNC	91.12	0.4	UniversalHealthB	UHS	128.45	0.9
ATM Int'l	ATNI	75.81	1.8	BioZenn	BHBI	23.15	1.3	ESCO Tech	ESE	70.20	1.5	HillBarnard	HI	53.00	1.3	HoneyTech	HTB	30.00	0.5	MonolithicPower	MOPWR	145.17	2.0	Optelcom	OPTL	37.25	-0.4
AXA Equitable	EOQ	22.78	1.4	Bottomline	EPAY	53.04	0.9	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Oritelcom	ORITL	38.77	0.7	VeriskAnalytics	VRSK	118.21	-0.1
AerTech	ACER	31.43	2.9	Bridgepoint	BPI	13.63	-2.8	EllingtonFin	EFC	16.66	0.5	ILG	ILG	35.62	1.5	MotorolaSol	MORS	59.79	0.4	VeriskAnalytics	VRSK	9.70	-1.5	Corts JC Pen	JBR	9.50	-1.3
AdvanceAuto	AAAP	161.71	-0.4	BrightHorizons	BHFM	117.50	5.0	EmcraireCorp	EMCF	38.30	0.8	ImageSensingGrowt	ISG	5.92	5.7	NRG Yield	NRG	22.19	1.4	VeriskAnalytics	VRSK	4.25	2.5	Neonode	NEON	0.30	-1.6
AdvDisposalSvcs	ADSW	25.90	1.5	BrookfieldBn	BB	134.64	-0.5	EmergentBiosol	EBS	60.60	1.4	IntellisysRand	IR	101.53	0.9	MidSouthBn	MSL	15.70	2.7	RubiconTech	RBCN	9.46	8.0	Avianca	AVH	5.70	-2.2
AdvMicroDevices	AMD	20.42	2.1	Brown&Brown	BRO	30.36	1.4	EPAM Systems	EPAM	138.11	0.7	InsightEnt	INSIT	54.98	1.4	MidSouthBn	MSL	15.70	2.7	UnitedContinental	UAL	86.60	0.5	NeovateBusNts	NEWNTZ	25.25	-0.8
AeroVironment	AVAV	87.53	1.2	Brown&Brown	BRO	29.87	1.2	ESCOT Tech	ESE	70.20	1.5	InovaHealth	IHL	55.25	2.9	Merck	MERK	70.25	-1.4	Optelcom	OPTL	37.25	-0.4	NovatechPharm	NTB	1.95	-1.0
AgreeRealty	ADC	56.30	0.3	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	OrigenAgritech	ORITL	38.77	0.7	OriginAgritech	ORITL	5.35	-3.0
AirT	AIR	25.50	2.6	Bottomline	BTL	172.65	-0.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	PacGE pfl	PCGP	18.60	-1.1				
Alarm.com	ALRM	57.02	1.8	Bottomline	BTL	10.30	...	EllingtonFin	EFC	16.66	0.5	ILG	ILG	35.62	1.5	MotorolaSol	MORS	59.79	0.4	PacGE pfl	PCGP	18.11	0.4				
AlbanyIntl	AIN	78.90	1.5	Bottomline	BTL	10.30	...	EmcraireCorp	EMCF	38.30	0.8	ImageSensingGrowt	ISG	5.92	5.7	NRG Yield	NRG	22.19	1.4	PainTherap	PTIE	0.81	-8.6				
AllisonTransm	ALSN	49.31	1.2	Brown&Brown	BRO	29.87	1.2	Epam Systems	EPAM	138.11	0.7	IntellisysRand	IR	101.53	0.9	MidSouthBn	MSL	15.70	2.7	RubiconTech	RBCN	9.46	8.0				
AllocComms	ALL	6.55	...	Brown&Brown	BRO	29.87	1.2	ESCOT Tech	ESE	70.20	1.5	InsightEnt	INSIT	54.98	1.4	MidSouthBn	MSL	15.70	2.7	UnitedContinental	UAL	86.60	0.5				
AllsitePortf	ASPS	37.59	3.9	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
AmalgamBank	AMAL	16.68	0.9	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
AmerEagle	AEO	29.52	0.8	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
AmerExpress	AXP	105.25	0.9	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
AmerSoftware	AMSWA	16.96	2.1	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
AmericoldRealty	COLD	24.39	0.5	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
ApolloComRst	ARI	19.50	0.9	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
AppliedIndlTechs	AIT	78.90	1.5	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
AquaVenture	WAAS	18.47	4.5	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
AssResCommElst	ACRE	14.43	1.4	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
ArmadilloHoffer	AHH	16.17	0.4	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
ArmstrongFlooring	AFI	18.24	2.3	Brown&Brown	BRO	29.87	1.2	ElPolloLoco	LOCO	12.75	-0.2	HorizonFoods	HRL	39.15	-1.5	MonolithicPower	MOPWR	12.50	-1.4	Optelcom	OPTL	37.25	-0.4				
ArrowFinancial	AROW	40.15	-0.4	Brown&Brown																							

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25822.29 ▲ 63.60, or 0.25%
 High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

May June July Aug.
 23000 25500 26000

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2862.96 ▲ 5.91, or 0.21%
 High, low, open and close for each trading day of the past three months.



May June July Aug.
 2600 2650 2700 2750 2800 2850 2900

Nasdaq Composite Index

7859.17 ▲ 38.17, or 0.49%
 High, low, open and close for each trading day of the past three months.



May June July Aug.
 6850 7025 7200 7375 7550 7725 7900

Major U.S. Stock-Market Indexes

	Dow Jones		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	3-yr. ann.	
Industrial Average	25888.82	25784.90	25822.29	63.60	0.25	26616.71	21753.31	17.9	4.5	16.2
Transportation Avg	11475.40	11360.62	11436.36	74.50	0.66	11436.36	9021.12	24.3	7.8	13.3
Utility Average	739.85	732.50	734.72	-5.31	-0.72	774.47	647.90	-1.1	1.6	7.1
Total Stock Market	29878.36	29739.35	29780.34	97.30	0.33	29780.34	25191.28	17.7	7.6	13.1
Barron's 400	782.53	775.08	780.08	6.95	0.90	780.08	633.34	22.7	9.7	14.0

Nasdaq Stock Market

Nasdaq Composite	7897.68	7836.79	7859.17	38.17	0.49	7932.24	6265.64	24.8	13.8	18.6
Nasdaq 100	7441.42	7388.37	7397.23	25.81	0.35	7508.59	5817.69	25.9	15.6	20.8

S&P

S&P	500 Index	2873.23	2861.32	2862.96	5.91	0.21	2872.87	2438.97	16.7	7.1	13.3
	MidCap 400	2039.61	2021.53	2034.67	16.23	0.80	2034.67	1701.47	19.2	7.1	12.7
	SmallCap 600	1092.03	1079.11	1089.41	12.99	1.21	1089.41	822.85	32.0	16.4	17.2

Other Indexes

Russell 2000	1722.29	1698.91	1718.05	19.35	1.14	1718.05	1369.74	25.3	11.9	14.1
NYSE Composite	13032.25	12993.95	12996.76	31.66	0.24	13637.02	11773.80	10.1	1.5	8.4
Value Line	590.15	584.80	588.76	3.96	0.68	589.69	507.06	15.9	4.7	8.5
NYSE Arca Biotech	5156.11	5079.25	5146.11	74.45	1.47	5177.87	3856.62	32.5	21.9	11.0
NYSE Arca Pharma	586.25	581.70	582.45	-1.22	-0.21	593.12	516.32	11.8	6.9	1.1
KBW Bank	111.89	110.48	111.19	0.67	0.60	116.52	89.71	18.4	4.2	15.1
PHLX® Gold/Silver	66.96	65.88	66.78	0.67	1.01	93.26	64.27	-21.3	-21.7	8.6
PHLX® Oil Service	144.50	142.78	143.16	2.39	1.70	170.18	119.17	20.1	4.3	-4.4
PHLX® Semiconductor	1351.39	1326.06	1348.28	26.18	1.98	1449.90	1080.50	24.7	7.6	32.6
Cboe Volatility	12.89	12.09	12.86	0.37	2.96	37.32	9.14	13.3	16.5	-22.9

\$ 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	High	Low
Ford Motor	F	9,522.8	9.85	-0.01	-0.10	9.87	9.80
SPDR S&P 500	SPY	7,868.5	285.25	-1.09	-0.38	286.34	285.13
DCT Industrial Trust	DCT	7,638.3	65.85	-0.43	-0.65	67.61	65.67
Prologis	PLD	5,201.5	64.36	-1.39	-2.11	65.78	64.35
Adient	ADNT	3,951.0	45.56	...	unch.	45.56	45.42
Invesco QQQ Trust I	QQQ	3,845.1	179.58	-0.78	-0.43	180.72	179.35
MetLife	MET	3,841.4	46.81	...	unch.	46.94	46.76
Bank of America	BAC	3,281.1	30.79	-0.23	-0.74	31.10	30.76

Percentage gainers...

La-Z-Boy	LZB	170.6	39.56	6.46	19.50	40.10	32.95
Keysight Technologies	KEYS	213.9	69.30	8.86	14.66	69.45	60.44
Pure Storage CIA	PSTG	474.5	24.05	2.04	9.27	24.49	22.00
Credit Suisse S&P MLPIdx	MLPO	200.0	15.60	1.27	8.83	15.60	15.60
Zynga	ZNGA	526.7	4.05	0.31	8.29	4.08	3.72

...And losers

Super Micro Computer	SMCI	210.9	14.60	-3

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
	Open	High	Low	Settle	Chg	Open interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.							
Aug 2.6725	2,6910	2,6725	2,6895	0.0260	.706		
Dec 2,6820	2,7210	2,6820	2,7115	0.0255	106,434		
Gold (CMX) -100 troy oz.; \$ per troy oz.							
Aug 118.89	119.50	118.89	119.26	5.80	.237		
Oct 119.30	119.80	119.00	119.50	5.30	.57400		
Dec 119.730	120.30	119.30	120.00	5.40	.364,228		
Feb'19 120.40	120.00	119.90	120.50	5.40	.33,573		
Jun 121.00	122.50	121.20	121.90	5.40	.7,212		
Dec 123.00	123.70	123.10	123.40	5.30	.3,970		
Palladium (NYM) -50 troy oz.; \$ per troy oz.							
Sept 899.30	911.20	898.20	910.00	11.30	.13,186		
Dec 891.90	901.60	890.40	900.20	8.50	.9,829		
March'19 892.00	8.10	278				
Platinum (NYM) -50 troy oz.; \$ per troy oz.							
Sept 796.10	799.70	785.30	791.60	-0.90	.41		
Oct 796.00	803.30	786.90	793.00	-0.90	.76,019		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.							
Sept 14,735	14,830	14,700	14,766	0.096	119,343		
Dec 14,830	14,920	14,795	14,860	0.098	103,692		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.							
Sept 66.62	68.10	66.52	67.35	0.92	.25,442		
Oct 65.40	66.49	65.31	65.84	0.42	.405,245		
Nov 65.02	66.07	64.99	65.49	0.39	.17,948		
Dec 64.72	65.69	64.68	65.19	0.39	.300,122		
Jan'19 64.50	65.38	64.45	64.93	0.38	.171,823		
Dec 61.89	62.48	61.79	62.13	0.24	.218,308		
NY Harbor Usd (NYM) -42,000 gal.; \$ per gal.							
Sept 2,1127	2,1419	2,1096	2,1236	.0098	.70,492		
Oct 2,1166	2,1456	2,1131	2,1281	.0103	.83,535		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.							
Sept 2,0212	2,0386	2,0108	2,0179	.0028	.63,135		
Oct 1,9073	1,9320	1,9044	1,9110	.0001	.143,151		
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.							
Sept 2,957	2,991	2,953	2,980	.039	.93,922		
Oct 2,947	2,974	2,940	2,964	.032	.22,367		
Nov 2,978	3,002	2,973	2,991	.025	.184,094		
Jan'19 3,156	3,176	3,149	3,167	.022	.194,087		
March 3,019	3,033	3,008	3,027	.021	.169,892		

Contract

Open High hilo Low Settle Chg Open interest

April 2,712 2,715 2,695 2,709 .008 142,246

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.

Sept 362.75 363.75 358.50 359.75 -.225 280,906

Dec 377.25 378.25 372.75 374.25 -.225 882,374

Oats (CBT)-5,000 bu.; cents per bu.

Sept 259.00 260.00 254.25 257.00 -.375 .897

Dec 268.00 268.00 262.25 263.75 -.475 .3,724

Soybeans (CBT)-5,000 bu.; cents per bu.

Sept 874.00 883.25 873.50 874.50 -.725 50,272

Nov 887.50 894.75 884.75 886.00 -.725 410,047

Soybean Meal (CBT)-100 tons; \$ per ton.

Sept 328.00 328.50 324.60 324.90 -.330 .58,097

Dec 330.80 330.80 326.90 327.20 -.340 .201,822

Soybean Oil (CBT)-60,000 lbs.; cents per lb.

Sept 28.46 28.76 28.27 28.59 .0543,324

Dec 28.79 29.11 28.61 28.95 .02749,753

Rough Rice (CBT)-2,000 cwt.; \$ per cwt.

Sept 102.00 105.70 102.50 105.40 .275 .3,354

Nov 104.50 105.40 103.60 106.10 .205 .4,546

Wheat (CBT)-5,000 bu.; cents per bu.

Sept 544.00 544.25 526.25 527.25 -.150 .62,478

Dec 564.75 564.75 546.50 547.75 -.1475 .207,902

Wheat (MPLS)-5,000 bu.; cents per bu.

Sept 579.00 579.00 560.75 562.25 -.1250 .141,506

Wheat (MPLS)-5,000 bu.; cents per lb.

Sept 594.25 596.00 586.25 588.75 -.550 .17,136

Dec 612.25 613.75 604.00 606.25 .575 .30,482

Cattle-Feeder (CME)-50,000 lbs.; cents per lb.

Aug 149.600 149.850 149.075 149.175 -.450 .2,664

Oct 151.225 151.525 150.725 150.925 -.350 .16,001

Cattle-Live (CME)-40,000 lbs.; cents per lb.

Aug 109.175 109.650 108.800 109.275 .200 .7,624

Oct 110.575 111.175 ▲ 110.100 110.475 .025 .128,996

Hogs-Lean (CME)-40,000 lbs.; cents per lb.

Oct 56.550 57.325 55.675 56.225 -.250 .110,333

Dec 54.100 54.900 53.375 53.900 -.325 .57,040

Lumber (CME)-110,000 bd ft.; \$ per 1,000 bd ft.

Sept 475.80 482.10 464.00 467.90 -.790 .1,990

Nov 453.00 456.50 438.50 440.70 -.970 .1,896

Tuesday

Tuesday</div

MARKETS

Take Baby Steps on A Portfolio

Continued from page B1
geddon is around the corner, however, you probably should take your fear as a signal it is time to re-evaluate your investing plan.

One of the keys to successful investing over the long run, the Nobel Prize-winning psychologist Daniel Kahneman has often said, is minimizing your future regret.

The bigger, more frequent and more sudden the steps you take, the more opportunities you create to look back and regard them as mistakes.

So, if markets and geopolitics are making your skin crawl, perhaps you should do something. But all your actions should be small, gradual and reversible—in case you turn out to be wrong.

If you have both some spare cash and a mortgage, use the cash to pay down or pay off the home loan. Extinquishing a 4% mortgage provides you a 4% return at zero risk—a deal you are unlikely to beat anywhere else.

If you reap a windfall from an inheritance or selling a home, said Elyse Foster of Harbor Financial Group in Boulder, Colo., you could keep that money in cash as a psychological cushion against your fears of a crash.

All your actions should be small, gradual and reversible.

If you dollar-cost average, buying a fixed amount of funds or stocks automatically every month, you could suspend that program, said Peter Lazaroff, co-chief investment officer at Plancorp, an investment-advisory firm in St. Louis that manages about \$4 billion. But you should work with your financial adviser to set a predetermined date on which you will resume your contributions and agree that if stocks fall 20% or more, you will automatically begin buying again.

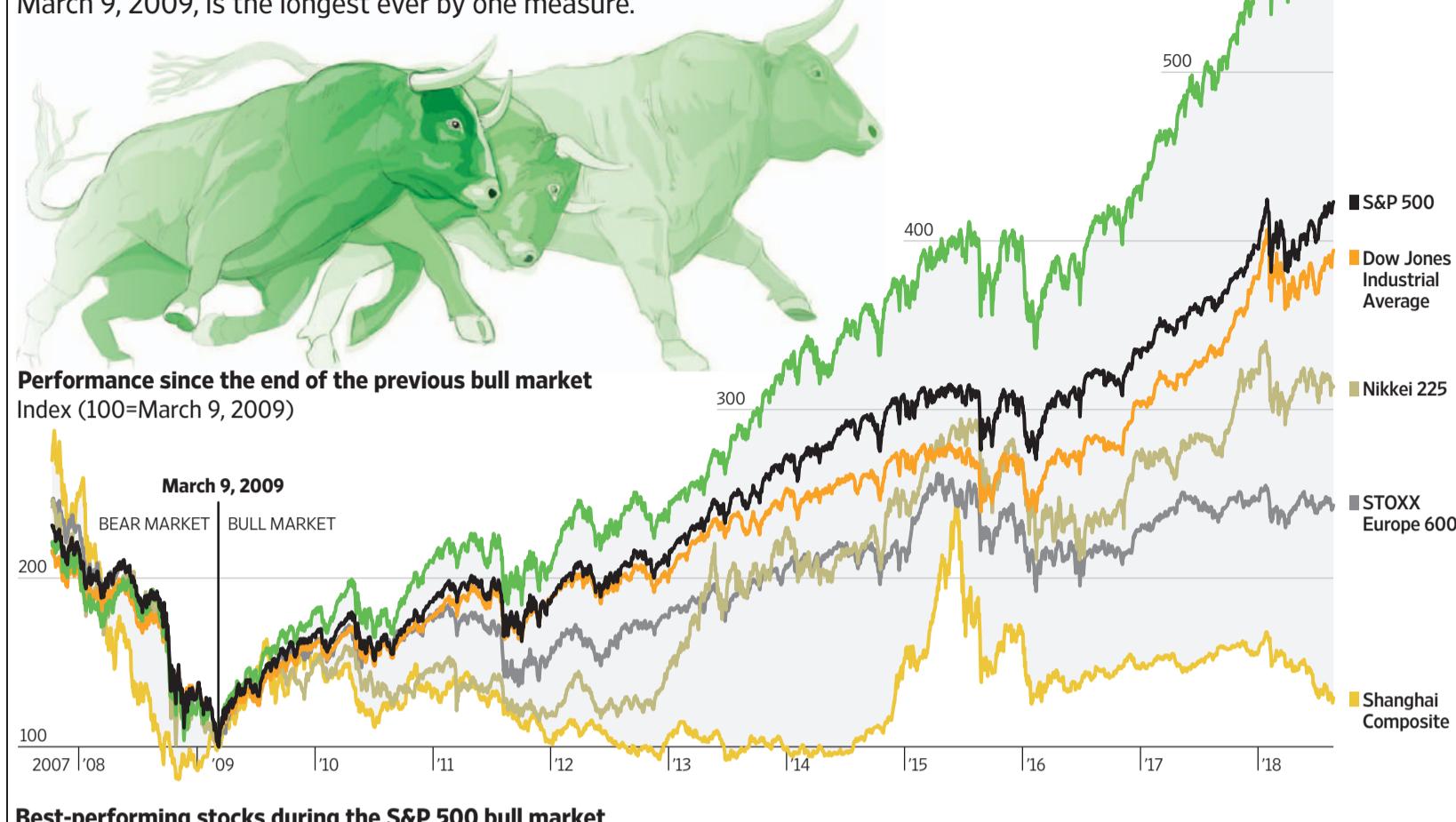
You and your financial adviser should long ago have set a target asset allocation. Particularly within a retirement account, where sales won't generate tax bills, you could downshift some of your risks without changing your overall allocations, said Mary Alpers of Alpers Financial Planning in Colorado Springs, Colo.

If none of this enables you to sleep at night, you may be overexposed to stocks. Scale back your allocation—a little at a time. Say you and your financial adviser decide you should reduce stocks from 70% of your portfolio to 50%. You could cut back by 5 percentage points every six months or by 1 percentage point each month.

Baby steps can keep you from taking big steps you might be sorry about later.

Still Running: The Bull Market's New Mark

The nearly decade-long rally that began March 9, 2009, is the longest ever by one measure.

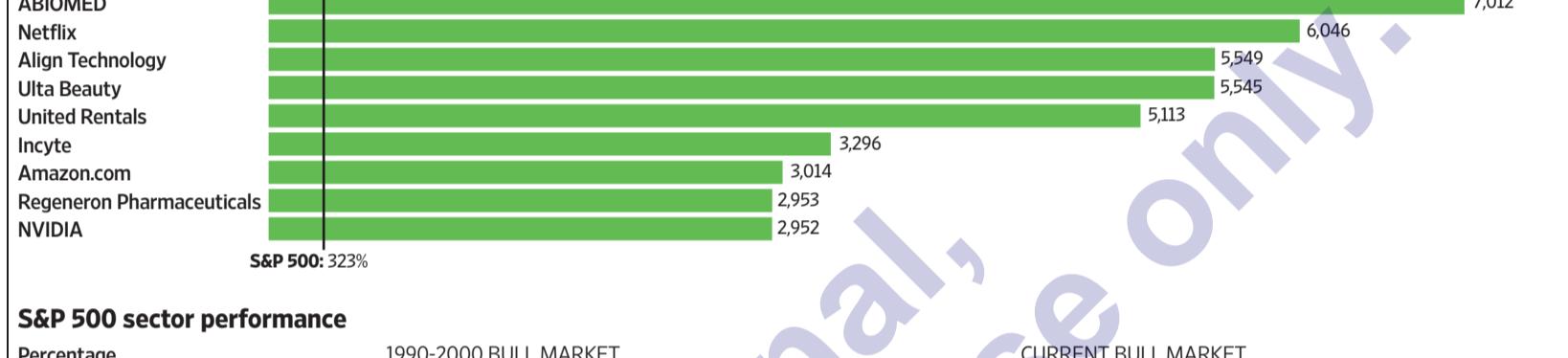


Performance since the end of the previous bull market

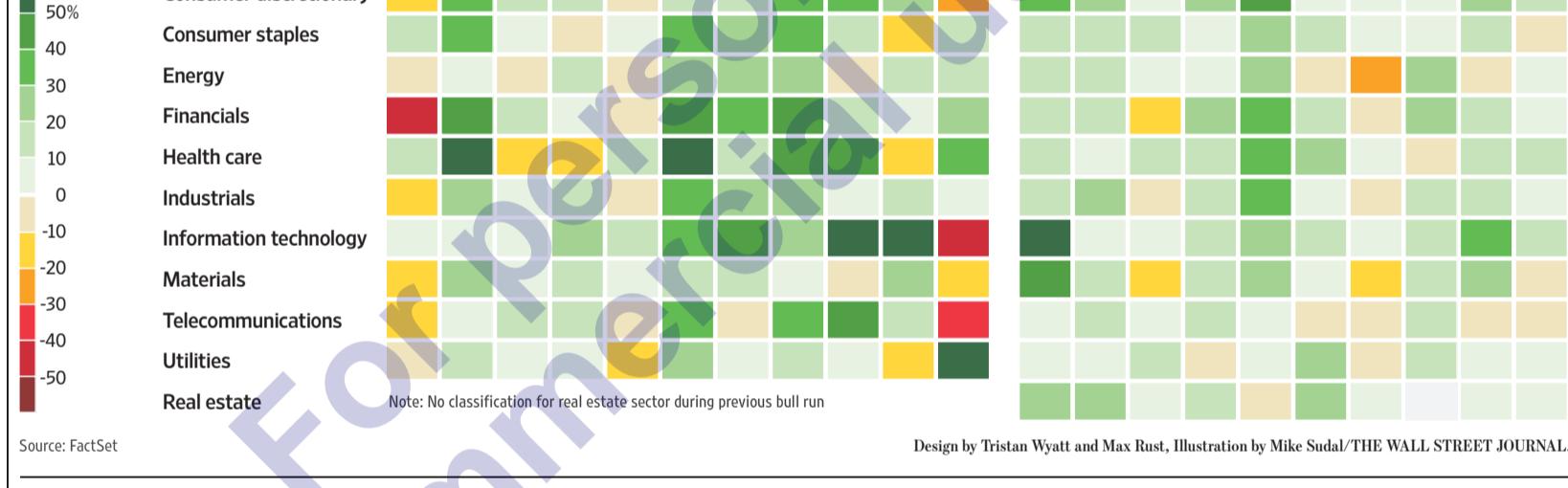
Index (100=March 9, 2009)

March 9, 2009

BEAR MARKET BULL MARKET



S&P 500 sector performance



Source: FactSet

Design by Tristan Wyatt and Max Rust, Illustration by Mike Sudal/THE WALL STREET JOURNAL.

S&P 500 Draws Closer to January Record

BY AKANE OTANI
AND ALLISON PRANG

The S&P 500 rose, stopping just short of ending its longest stretch without a closing record in two years.

Signs of a buoyant labor market, strong consumer spending and extended corporate-earnings growth have helped U.S. stocks edge higher over the summer, even as worries about trade negotiations and fading growth in China cast a pall

over major indexes elsewhere around the world.

Yet the gains have been modest and new highs elusive: The S&P 500 briefly topped its Jan. 26 closing record during intraday trading in the latest session but closed 0.3% below the level. Earlier in the month, the index got within 0.5% of the January record before withdrawing again.

If the S&P 500 closes above the level, it will have cleared what some investors say has been a black mark for the stock market—reassuring those who have worried that a

monthslong stretch without a new high pointed to broader weakness in the market.

The U.S. stock market has been "amazingly resilient," said Erik Davidson, chief investment officer at Wells Fargo Private Bank.

The S&P 500 rose 5.91 points on Tuesday, or 0.2%, to 2,862.96. The Nasdaq Composite gained 38.17 points, or 0.5%, to 7,859.17 and the Dow Jones Industrial Average advanced 63.60 points, or 0.2%, to 25,822.29.

The S&P 500 is in its longest streak without notching a

record close since the 285 trading days between May 22, 2015, and July 8, 2016, according to Dow Jones Market Data, during which period investors' fears about China's economy had rippled through global markets.

The broad index is up 7.1% for the year—trailing the tech-heavy Nasdaq Composite's 14% gain, but still well ahead of peer indexes in the U.K., Japan, Hong Kong and Germany.

To many, the U.S.'s notable lead reflects its growing status as a haven for stock investors seeking stable growth as mar-

kets from Turkey to China have notched steep declines.

Many investors remain worried that a significant rupture in global trade relations could eventually hit U.S. stocks. While corporate earnings remain strong, investors say they are watching for signs of slowing investment and falling sales among manufacturers of products affected by tariffs.

Vested back into the dollar.

Elsewhere, the Stoxx Europe added 0.2%. In Asia early Wednesday, Japan's Nikkei was up 0.3%, while the Shanghai Composite was down 0.2%.

Treasurys Fall Amid Trump's Rate Remarks

BY DANIEL KRUGER

U.S. government bonds fell Tuesday as investors and analysts assessed whether President Trump's concerns about the Federal Reserve's moves to increase interest rates have potential to alter the path of monetary policy.

The yield on CREDIT MARKETS the benchmark 10-year Treasury note rose to 2.846% from 2.823% Monday. Yields rise as bond prices fall.

Yields rose as many investors said they are skeptical that Fed Chairman Jerome Powell will steer policy makers away from the two rate increases they have penciled in for the balance of the year, or from their rate-increase forecast for next year, as long as economic data continue to warrant them.

Yields had fallen Monday after Mr. Trump said in a Reuters interview that he was

Oil Prices Extend Streak on Iran Fears

BY DAN MOLINSKI
AND CHRISTOPHER ALESSI

Oil prices moved higher Tuesday for a fourth straight session on expectations Iran oil sanctions will tighten global supplies and as investors anticipated a weekly decline in U.S. oil inventories.

Light sweet crude for September delivery rose 1.4% to \$67.35 a barrel on the New York Mercantile Exchange. Brent crude, the global benchmark, climbed 0.6% to \$72.63 a barrel. WTI has risen more than \$2 over the past four sessions after falling to a seven-week-low last Wednesday.

"Risk continues to show signs of reinvigorated health," said analysts at Baird Equity Research. "Traders now look for fundamental reinforcement of WTI's regained momentum with this week's inventory data."

The government's weekly crude-oil inventory data from

the Energy Information Administration is due to be released Wednesday morning. A survey of oil analysts by The Wall Street Journal indicates the report could show a 2 million-barrel decline in U.S. crude-oil stockpiles, which would help to reverse some of last week's unexpectedly bearish data that showed a 6.8 million-barrel increase.

The American Petroleum Institute, an industry group,

said Tuesday that its own data for the week showed a 5.2 million-barrel fall in crude supplies, a 930,000-barrel decline in gasoline stocks and a 1.8 million-barrel increase in distillate inventories, according to a market participant.

Much of oil's gains arrived on the outlook on Iran's oil exports. President Trump in May pulled the U.S. out of a 2015 international agreement to curb Iran's nuclear program,

setting the stage for reimposing economic sanctions on the Islamic Republic.

Some sanctions took effect this month, while measures specifically targeting the Islamic Republic's oil industry are set to be implemented by November.

"Prices are being supported by the prospect of lower oil supply from Iran," analysts at Commerzbank wrote Tuesday. They noted that "one key actor has pulled out of its business with Iran—the French oil giant Total SA—in a bid to preserve its U.S. business [and] other European companies are likely to follow suit in the coming weeks."

Iranian Oil Minister Bijan Zanganeh confirmed Monday that Total has left a natural-gas project in Iran's South Pars field.

Bullish oil investors hope a meeting this week between U.S. and Chinese officials over a dispute on tariffs will prevent a protracted trade fight that could hurt the global economy.



Oil minister Bijan Zanganeh says Total left a project in Iran.

STEFAN WERMUTH/BLOOMBERG NEWS

MARKETS

Airline Stocks Are Starting to Take Off

BY AMRITH RAMKUMAR

Airline stocks have begun to rebound after a months-long downturn, a bullish sign for investors who watch shares of transportation companies as a gauge on the global economy.

After tumbling 20% from its January peak through late June, the NYSE Arca Airline Index has risen 10% and climbed in five sessions through Monday before falling less than 0.1% Tuesday. In the past month, **Southwest Airlines** Co. shares are up 14% and **Delta Air Lines** is up 11%.

The recovery has lifted the Dow Jones Transportation Average, which Tuesday set its first record since January. Analysts use the performance of transportation companies as an economic indicator because demand for their services is typically closely tied to global growth.

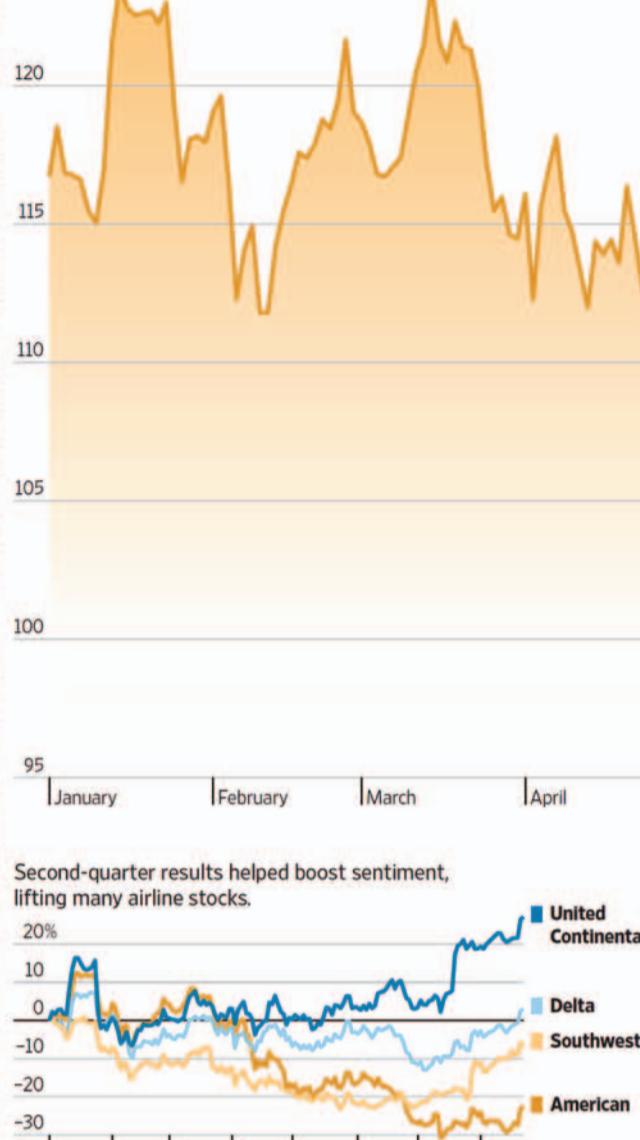
Earlier this year, continuing trade tensions had hurt growth-sensitive assets such as transportation stocks. But more recently, many large industrial companies have generally reported robust second-quarter demand—leading some analysts and investors to boost their outlook on the economy.

Despite worries that tariffs are starting to curtail growth outside the U.S., investors have been encouraged that Chinese and U.S. negotiators are mapping out talks to try to end their trade standoff.

With sentiment about growth improving, airline shares have helped the S&P 500 rise in the four latest sessions and reach an intraday record. On Monday, **American Airlines Group** Inc. was the index's second-best performer, climbing 5.8%, and every airline stock in the index added at least 3%.

After airline operators and other industrial firms surprised some analysts on recent earnings calls by saying demand largely remains favor-

The NYSE Arca Airline Index has stabilized since tumbling in the first half of the year.



*Front-month futures. †Based on earnings for the next 12 months.

Sources: FactSet; Dow Jones Market Data (crude-oil price)

able, some expect the group to continue marching higher.

"The industrial sector across the board really said things are continuing to hum along nicely," said Charlie Smith, chief investment officer of Fort Pitt Capital Group.

"The trade problems that I've seen have been very isolated."

Some investors have long been looking for opportunities outside crowded technology and internet stocks and think beaten-down airline stocks could fit the bill. American,

Airlines have lifted the Dow Jones Transportation Average, which set a new all-time high Tuesday.



Kiersten Schmidt/THE WALL STREET JOURNAL.

energy prices. Investors tend to fret about a rise in seats offered because airplanes flying with too many unsold seats are less profitable and quicker-than-expected expansion by operators can bring ticket prices lower.

Worries that a rise in passenger capacity would lead to emptier planes and fee competition had punished airline stocks before second-quarter earnings reports, with trade developments and higher fuel prices adding to the bearish sentiment. But now that airline operators have lowered projections for capacity growth, some analysts expect the sector to stabilize.

"It gives the market a little more confidence that revenues can improve and offset some of the effect of higher fuel prices," Stifel analyst Joseph DeNardi said.

Lower fuel expenses also could give airline shares a boost. After a months-long rally that analysts say caught airline companies off-guard, U.S. crude has declined 10% from its June multiyear high, though it is still up nearly 40% in the past year.

Some analysts think higher supply from large producers such as Saudi Arabia could keep a lid on oil prices, potentially relieving some cost pressure on big fuel consumers such as airlines.

Despite the sector's recent rise, some investors expect fresh trade developments to loom over transportation shares as tariff negotiations continue. And after months of investor anxiety over capacity, some analysts think investors will want to see sustained share performance and future projections before taking a fresh look at beaten-down airliners.

"While this is an encouraging first step, all eyes will be on 2019 plans," Raymond James analysts said in a note to clients earlier this month.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

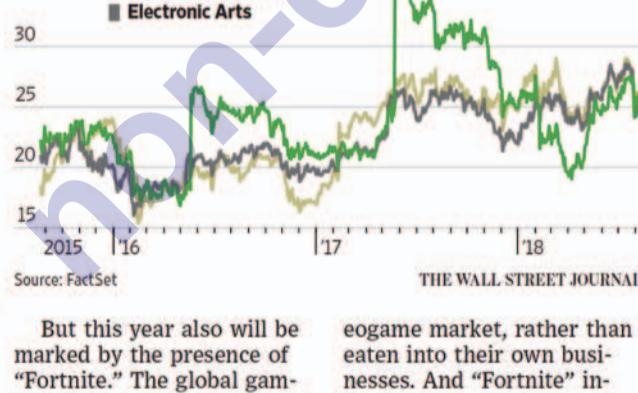
WSJ.com/Heard

Email: heard@wsj.com

Videogame Shootout Is Coming

Target Practice

Share price as a multiple of forward earnings



But this year also will be marked by the presence of "Fortnite." The global gaming phenomenon was barely out of the gates last fall but has since racked up more than 125 million registered players, according to publisher Epic Games.

That is a lot of players not playing other games—or playing them a lot less. The CEOs of Activision and EA have both argued that "Fortnite" has expanded the vid-

eogame market, rather than eaten into their own businesses. And "Fortnite" indeed has a strong appeal to younger gamers. Wedbush Securities analyst Michael Pachter also estimates that "Fortnite" draws nearly two-thirds of its revenue from PCs and only 20% from game consoles, where it would compete most against the more traditional shooters.

But "Fortnite" also has done too much business for

it all to be coming from kids with access to their parents' credit cards. The game has racked up more than \$1 billion in revenue from microtransactions since October 2017, according to market research firm SuperData. That is more than half of what EA has generated for all of the live services across its entire game portfolio in that time. And "Fortnite" is expected to have a new season beginning in October.

"Fortnite" is unlikely to kill any of the other shooters, all of which are highly popular properties in their own right. But games these days are designed to generate revenue well past their initial point of sale, affecting earnings for next year.

Take-Two's "Red Dead" is believed to be the least vulnerable to "Fortnite," given the game's unique Western theme and the pent-up demand from its popular predecessor. But all of the game industry's big shots are keenly aware that there is a new sheriff in town.

—Dan Gallagher

OVERHEARD

Smucker Needs to Fix Core Brands

J.M. Smucker is making moves to boost growth but is being weighed down by weakness in its core brands. It is hard to see that dynamic changing soon.

The company on Tuesday reported quarterly sales and earnings per share below analysts' estimates. Excluding the recently acquired Ainsworth Pet Nutrition business, organic net sales were down slightly from a year earlier.

There were pockets of growth, including Dunkin' Donuts Keurig cups, Café Bustelo coffee and Nature's Recipe pet food. But these were overwhelmed by weakness in older products such as Folgers coffee, Jif peanut butter and the company's namesake jams.

The company said it now expects organic sales growth of 0% to 1% for the fiscal year ending April 30, compared with an earlier forecast of 2% growth.

Divesting the baking line, which makes Pillsbury cake mixes, and buying Ainsworth were appropriate moves to adjust Smucker's portfolio.

But what Smucker really needs is a convincing plan to turn around its core brands. With respect to Folgers, Chief Executive Mark Smucker said the company is working on "longer-term initiatives to reinvigorate coffee rituals for this iconic brand." It was unclear what he meant.

Smucker shares are down around 9% so far this year and trade at an undemanding 13.2 times forward earnings. Despite this, the stock is no bargain. Tinkering around the edges of the company's portfolio may help a bit, but shares will stay depressed until Smucker fixes its most important brands.

—Aaron Back

BHP Billiton Is Mining a Rich Seam but It Might Not Last

Light is suddenly flooding the mine shaft at **BHP Billiton**.

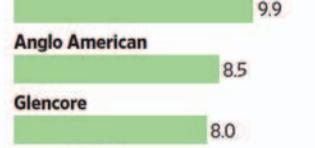
The world's biggest miner declared a record final dividend Tuesday after its underlying earnings jumped by one-third for the year ended in June. Investors can expect another handsome payday soon: BHP has pledged to return roughly \$10 billion to them after completing the sale of its troublesome U.S. shale assets.

But this is as good as it gets?

The long-term case for BHP is that its diversified model—with major assets in iron ore, copper, coal and petroleum—offers more value

Top of the Pile

Forward price/earnings ratios



Source: FactSet

THE WALL STREET JOURNAL.

for investors than holding a more flexible portfolio of single-commodity mining stocks. BHP's size, the argument runs, brings a lower cost of capital and savings in

areas such as procurement. It should also have the pick of the world's best resources, in safe locations.

That thesis has run into trouble in recent years. BHP is still recording write-downs following a disastrous dam failure at a jointly owned Brazilian iron-ore mine in 2015. Its misguided \$38 billion investment in U.S. shale assets this decade has resulted in more than \$16 billion of cumulative write-downs.

BHP now looks like it is back on track. The company has slimmed down: Three major assets—iron ore and coal in Australia and a giant copper mine in Chile—con-

tributed three-quarters of its earnings before interest, taxes, depreciation and amortization last year. BHP generated enough cash to comfortably reduce its net debt, fund its capital-expense needs and pay that hefty dividend.

A repeat will be tricky. BHP's fortunes still mostly rely on a factor it can't control: commodity prices. Their overall uptick last year contributed nearly 90% of its Ebitda growth. With Chinese growth slowing and global trade tensions rising, this year looks less promising. If prices stay at current levels, BHP's free cash flow would drop by more than a quarter,

the company estimates. As with other miners, cost inflation is edging upward, too.

The outlook suggests that the 8.1% rise in BHP's London-listed shares this year has baked in all the good news for now. At 12.6 times expected earnings, the stock now trades at a 27% premium to perennial rival **Rio Tinto**, wide by recent standards. Questions about whether BHP could do more to shift its asset mix—for instance, by quitting oil and gas altogether—likely won't go away. But that is the thing with miners: However good things get, they have to keep digging for more.

—Andrew Pepple