

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

THURSDAY, AUGUST 16, 2018 ~ VOL. CCLXXII NO. 39

WSJ.com

★★★★ \$4.00

DJIA 25162.41 ▼ 137.51 0.5% NASDAQ 7774.12 ▼ 1.2% STOXX 600 379.70 ▼ 1.4% 10-YR. TREAS. ▲ 12/32, yield 2.85% OIL \$65.01 ▼ \$2.03 GOLD \$1,177.50 ▼ \$15.50 EURO \$1.1347 YEN 110.74

What's News

Business & Finance

The SEC has subpoenaed Tesla, ramping up an investigation into Musk's tweet last week that he had secured funding to take the firm private. A1

◆ A surge in retail sales and rising manufacturing output suggest the U.S. economy's strong growth in the second quarter continued into the third. A5

◆ A rout in commodities and emerging-market assets spilled over to U.S. stocks. The Dow fell 137.51 points to 25162.41, while the S&P 500 slumped 0.8%. B1, B11

◆ Federal authorities are engaged in one of the largest probes of mortgage fraud since the financial crisis. A1

◆ Uber maintained its rapid pace of revenue growth in the second quarter and posted a narrower loss. B1

◆ Some banks are pushing back against regulators' proposed changes aimed at easing the Volcker rule. B1

◆ China's Tencent recorded a rare profit decline and lower-than-expected sales amid regulatory snags. B1

◆ Macy's earnings jumped, but the retailer's shares fell 16% amid questions about the pace of revival efforts. B3

◆ Starboard has taken a stake in Symantec and put forth board nominees. B2

◆ Cisco chalked up its third consecutive quarter of revenue growth. B4

◆ United Healthcare said it won't reimburse for amniotic-tissue products made by MiMedx and others. B4

World-Wide

◆ Trump drew a direct connection between the special counsel probe into Russia's election meddling and his decision to revoke the security clearance of ex-CIA Director Brennan and review the clearances of several other former officials. A1

◆ The president has reversed an Obama-era memorandum dictating how and when the government can deploy cyberweapons against its adversaries, in an effort to loosen restrictions. A1

◆ A Kabul blast that killed scores of students capped an extraordinary week of violence in Afghanistan that has dimmed prospects for peace talks with the Taliban. A7

◆ Trump said steel tariffs the administration has imposed on China and other countries are rescuing an iconic U.S. industry that was in danger of closing. A4

◆ Turkey sharply raised tariffs on some U.S. imports as a court kept a detained U.S. pastor under house arrest, extending a fight between the two NATO allies. A6

◆ A federal jury was set to deliberate in the trial of ex-Trump campaign chairman Manafort, as lawyers wrapped up closing arguments. A5

◆ Signs of unease with Xi's leadership have emerged in China amid public rancor over trade tensions with the U.S., a sluggish economy and a string of scandals. A16

◆ Israel reopened Gaza's only commercial crossing, removing severe restrictions put in place last month. A6

CONTENTS Markets B11-12
Banking & Finance B10 Opinion A13-15
Business News B3,6 Sports A12
Crossword A12 Technology B4
Head on Street B12 U.S. News A2-5
Life & Arts A9-11 Weather A12
Management B5 World News A6,7,16

33433>
0 78908 63141 1
© 2018 Dow Jones & Company, Inc.
All Rights Reserved

Attack on Kabul Classroom Kills Dozens, Dimming Hope for Talks



FATAL BLAST: At least 48 people were killed Wednesday in a suicide-bomber attack on a classroom in Kabul, the latest in a series of deadly assaults by militants. The attack came as the government and the Taliban appeared to be open to a new round of peace talks. A7

SEC Serves Tesla With Subpoena

By Emily Glazer in Los Angeles, Mengqi Sun in New York and Dave Michaels in Washington

according to a person familiar with the matter. It isn't known what information is being sought.

Representatives for the SEC and Tesla declined to comment.

The Wall Street Journal previously reported that the SEC has made preliminary inquiries about Mr. Musk's basis for writing on Twitter last week that he had "funding secured" for a deal.

The subpoena indicates se-

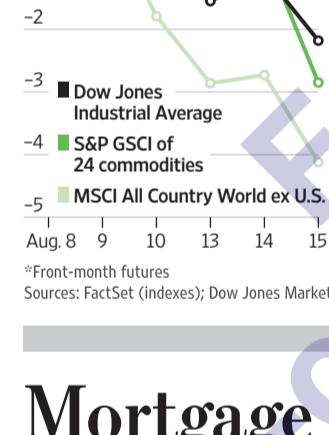
nior SEC officials have authorized a formal investigation of the company, a step up from the initial inquiries the regulator made to Tesla last week.

Please turn to page A7

- ◆ Uber revenue growth keeps up fast pace B1
- ◆ Saudis embrace high-tech strategy for fund B10

Anxiety Spills Over From Emerging Markets

Volatility in Turkey has spooked commodities and stock markets, reflecting worries about the resilience of the global economy. Meanwhile, investors have sought safety in the U.S. dollar. B1



The WALL STREET JOURNAL.

Mortgage Probe Gathers Steam

By CEZARY PODKUL

Owners of an apartment complex near Pittsburgh, who wanted to take out a mortgage on the buildings, allegedly made vacant units look occupied by turning on radios, placing shoes and mats outside doors and in one instance having a woman tell inspectors her boyfriend was asleep inside.

The owners obtained a \$45.8 million loan, which was wrapped into mortgage securities and sold to investors.

Practices such as these—which were alleged in a federal search-warrant application—have sparked one of the largest mortgage-fraud investigations since the financial crisis. It focuses on whether income from commercial prop-

erties was falsified, a move that would enable owners to get larger mortgages and take out cash or expand their businesses faster.

Still in its early stages, the investigation has so far yielded a fraud-conspiracy indictment against four real-estate executives in upstate New York. Loans that some or all of

Please turn to page A2

Growers' New Clout Tilts Farm Economy

Powerful farmers push Cargill, ADM for better prices, and may soon compete

By JACOB BUNGE

Across the U.S. Farm Belt, the balance of power is swinging away from multibillion-dollar agribusinesses.

For over a century, companies such as Cargill Inc. held sway over markets for U.S. corn, soybeans and wheat, quoting prices to farmers who trucked their crops to company grain elevators. Cargill and its peers would then market crops to food and beverage makers across the country.

Now farmers are increasingly calling the shots. Running expanded, consolidated farms, big farm operators are pushing grain grants for better prices or striking their own deals to directly supply

manufacturers, cutting out the middleman.

On his farm near Tuscola, Ill., Austin Apgar, 36 years old, is preparing to send some of this fall's harvest to market. Earlier in his 14 years of farming, Mr. Apgar said he typically trucked his crop to one of the local grain elevators, where the employees may not have known his name.

Today, Cargill, facing challenges in its grain business, is working to keep him close. Two states away, Adam Hyer, a Cargill grain trader based in Ohio, is negotiating to purchase hundreds of thousands

Please turn to page A8

◆ Farm country grow anxious over aid A4

Stink Over Durians Isn't About Smell

China's taste for malodorous fruit feeds supply panic

By JAMES HOOKWAY

BANGKOK, Malaysia—With its thick husk and sharp spikes, the durian doesn't look like other fruits. Nor does it taste much like anything else. "There are occasional wafts of flavor that call to mind cream-cheese, onion-sauce, sherry-wine, and other incongruous dishes," was how British naturalist Alfred Russel Wallace described it in 1856.

Then there is the smell, which has been likened to rotting onions, gym socks or raw sewage. The fruit is banned from hotels, airplanes and public transport across Southeast Asia. In Melbourne, Australia,

Please turn to page A8

Trump Revokes Ex-Spy Chief's Clearance

BY PETER NICHOLAS AND MICHAEL C. BENDER

WASHINGTON—President Trump drew a direct connection between the special counsel investigation into alleged Russian interference in the 2016 election and his decision to revoke the security clearance of former CIA Director John Brennan and review the clearances of several other former officials.

In an interview Wednesday, Mr. Trump cited Mr. Brennan as among those he held responsible for the investigation, which also is looking into whether there was collusion between the Trump campaign and the Kremlin. Mr. Trump has denied collusion, and Russia has denied interfering.

Mr. Brennan was director of the Central Intelligence Agency in the Democratic administration of former President Obama and one of those who presented evidence to Mr. Trump shortly

President Sees Gain for Steel

Trump defends tariffs, predicts costs will be offset by industry's rescue A4

Cyberattack Rules Go on the Offensive

By DUSTIN VOLZ

President Trump has reversed an Obama-era memorandum dictating how and when the U.S. government can deploy cyberweapons against its adversaries, in an effort to loosen restrictions on such operations, according to people familiar with the action.

Mr. Trump signed an order on Wednesday reversing the classified rules, known as Presidential Policy Directive 20, that had mapped out an elaborate interagency process that must be followed before U.S. use of cyberattacks, particularly those geared at foreign adversaries.

The change was described as an "offensive step forward" by an administration official briefed on the decision, one intended to help support military operations, deter foreign election influence and thwart intellectual property theft by meeting such threats with more forceful responses.

The Trump administration has faced pressure to show that it is taking national se-

curity cyberthreats—particularly those that intelligence officials say are posed by Moscow—seriously.

Top administration officials are also devising new penalties that would allow stronger responses to state-sponsored hacks of U.S. critical infrastructure. The Wall Street Journal reported earlier this month, a mounting worry due to Russia's efforts to penetrate American electric utilities.

Although the Obama-era policy was classified, its contents were made public when it was leaked in 2013 by former intelligence contractor Edward Snowden. The measure was signed by Mr. Trump's predecessor, President Obama, in 2012.

It wasn't clear what rules the administration is adopting to replace the Obama directive. A number of current U.S. officials confirmed the directive had been replaced but declined to comment further, citing the classified nature of the process.

Some lawmakers have

Please turn to page A4

Cut Your Amazon Bill in Half

Any Amazon Database Oracle Autonomous Database

Easy to Move—Guaranteed Savings

There's the cloud... and there's the Oracle Autonomous Cloud.

#thinkautonomous

ORACLE®

oracle.com/thinkautonomous

Guarantee applies to same data warehouse or transaction processing workload run on Oracle Autonomous Database Cloud and AWS. Pricing based on standard published pricing for Oracle bring your own license and AWS as of 3/1/18. Workload comparison is based on actual workload of one hour. Any credits due will be applied to Universal Credit cloud account. Offer valid through 5/31/19. Copyright © 2018, Oracle and/or its affiliates.

U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

The Pitfalls of Weaponizing Global Finance



Trade wars may be morphing into something more dangerous: financial wars.

With Turkey facing a currency crisis, President Trump last week poured fuel on the fire by doubling tariffs on imports of its steel and aluminum to offset the effects of its weaker currency or force the country to release an American pastor. (Mr. Trump's motive remains unclear.)

In the hierarchy of things afflicting Turkey, this isn't that high: Its problems are mostly self-inflicted, from its large current-account deficit and steep dollar debts to the politicization of its central bank.

But it is the latest example of how the U.S. and other countries are weaponizing international finance in ways that could destabilize the global economy and fray the intricate web of relationships that sustain it.

While trade wars aren't

good for growth, rarely do they induce a recession, or even a noticeable slowdown. The infamous Smoot-Hawley tariff of 1930 was at most a minor contribution to the Great Depression. By contrast, there's a long record of international financial disruptions fueling economic stress, from the Depression to the bankruptcy of Lehman Brothers nearly 10 years ago.

The origins of such crises usually lie in private-sector excess (lending too much to risky countries or home buyers), but the catalyst is often government policy somewhere: France's hoarding of gold helped precipitate the Depression, while then-Federal Reserve Chairman Paul Volcker's determination to slay inflation triggered the Latin American debt crisis of the 1980s.

The U.S. government has long seen it in the country's long-term interest to tamp down crises abroad. It came to Mexico's aid in 1982 and 1995, and worked with the International Monetary Fund in 1997 to contain the Asian fi-

nancial crisis. In 2008, the Fed assisted foreign central banks in propping up banks in their countries that were hit by the mortgage crisis.

When the U.S. deliberately inflicts economic pain it is typically for geostrategic reasons and, where possible, it acts in concert with allies. In recent years, Washington has exacted enormous damage on North Korea and Iran by cutting them off from the dollar-based banking system. European and U.S. sanctions on Russia for invading Ukraine, interfering with U.S. elections and poisoning a former Russian spy and his daughter living in Britain have wrought havoc on the Russian economy.

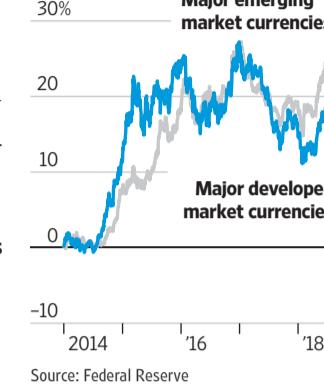
Mr. Trump's deployment of financial warfare against Turkey breaks with tradition in several key ways.

First, while relations between Turkey's increasingly autocratic President Recep Tayyip Erdogan and the West have been deteriorating for years, his recent transgres-

Strong Dollar

The dollar has climbed this year, especially against emerging market currencies.

U.S. Dollar Index, change from Dec. 31, 2013



Source: Federal Reserve

THE WALL STREET JOURNAL.

sions—such as detaining pastor Andrew Brunson—are not the sort of threat to the U.S. or its allies' security that typically draws such a response.

Second, using tariffs to neutralize the Turkish lira's decline, like Mr. Trump's increasing tariffs on China because it let the yuan drop,

could aggravate instead of mitigate financial turmoil. Currencies respond to the relative performance of economic growth, interest rates, inflation and trade balances. The dollar is rising now because the U.S. economy is strong, capital is flowing in and interest rates are going up, which means the U.S. trade deficit should widen. The lira is falling because capital is fleeing, interest rates are too low and Turkey's trade deficit needs to shrink.

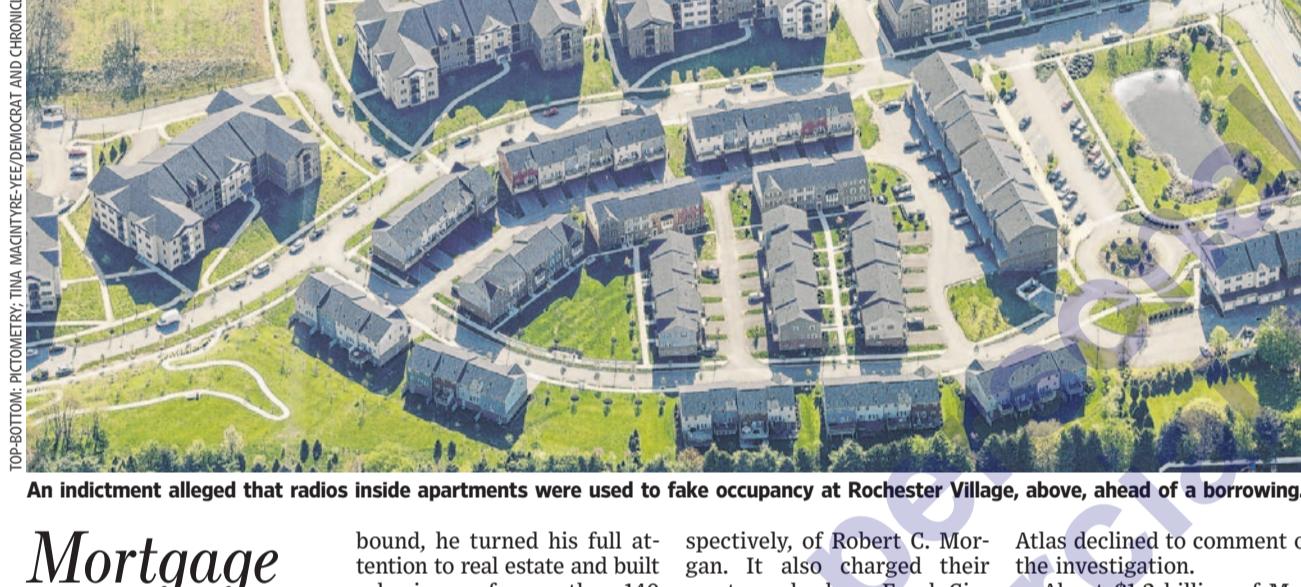
Mr. Trump is effectively trying to short-circuit this adjustment. But by undermining Turkish and Chinese growth, his tariffs have intensified downward pressure on those countries' currencies against the dollar. It raises the prospect of an open-ended cycle of protectionism and devaluation.

For now, a global meltdown looks unlikely. Few markets share Turkey's vulnerabilities, and global banks are relatively insulated from foreign defaults. But Washington's willingness to stand

by or even pile on in a crisis is a new factor to consider for investors deciding whether to flee when another country gets into trouble.

Just as the size of the U.S. market gives Mr. Trump the advantage in any trade dispute, America's control over dollar-based controls and the depth of the Treasury market give it the advantage in any financial conflict. Any country, including China, that threatens to dump U.S. securities would hurt itself more than it hurts the U.S. Yet if relations deteriorate further, such tactics would no longer be off limits.

In financial wars, like trade wars, the "winners" pay a price. If crises hit emerging economies, they'll buy less from the U.S. And just as trade wars force other countries to seek alternatives to U.S. suppliers and customers, financial wars will encourage them to seek alternatives to the dollar. In both cases, the result will be a less integrated world and diminished American influence.



An indictment alleged that radios inside apartments were used to fake occupancy at Rochester Village, above, ahead of a borrowing.

Mortgage Probe Is Under Way

Continued from Page One

them were involved with totaling about \$170 million, the indictment alleges.

Investigators have sought mortgage data on dozens of other apartment buildings, according to documents reviewed by The Wall Street Journal and interviews with people familiar with the probe. Investigators have looked at student housing and self-storage facilities in addition to apartment complexes.

The Federal Bureau of Investigation, the U.S. attorney in the Western District of New York in Buffalo and the Federal Housing Finance Agency's Inspector General are all working on the probe.

Lax and fraudulent lending on single-family homes played a role in the mid-2000s housing bubble. The 2010 Dodd-Frank financial overhaul required home borrowers to document their income, and home lenders to verify it.

Lacking verification

The rule doesn't apply to multifamily housing. Lenders in that market generally don't examine every lease to check income. Neither do Fannie Mae and Freddie Mac, the government-sponsored firms that buy and securitize loans. Credit-rating firms generally don't review loans for fraud.

"All the systems will work fine as long as people are being honest," said Sam Berns, senior vice president at North-Marq Capital LLC, a firm licensed to sell multifamily mortgages to Fannie Mae and Freddie Mac. If borrowers or their mortgage brokers choose, they can easily submit and certify false numbers, he said. "It's a fault and a failure within the system."

One owner of properties investigated is Robert C. Morgan, the founder of a suburban Rochester, N.Y.-based apartment development company. After a 1991 shooting at his family's seafood store left him wheelchair-

bound, he turned his full attention to real estate and built a business of more than 140 properties across 14 states, according to its website.

It was at a Morgan property near Pittsburgh called Rochester Village that a May 22 indictment in federal court in Buffalo alleged the faking of occupancy via radios playing in vacant units.

In addition, an executive anticipating an inspection of one building asked a property manager to have employees park their cars in its garage, according to the search-warrant application.

Deutsche Bank AG had just backed out of a deal to finance the property, suspecting occupancy was misrepresented, according to the document. The owner then obtained a loan via Berkadia Commercial Mortgage LLC, which sold the loan to Freddie Mac.

Deutsche Bank and Berkadia declined to comment.

In another instance, a mortgage broker allegedly created a fake \$1.4 million loan on a Morgan complex near Rochester, N.Y., called Avon Commons, the indictment alleged, after which Mr. Morgan's firm refinanced the fake loan with a real one for \$6.3 million. The loan was from Arbor Realty Trust, which sold it to Freddie Mac, the indictment said.

Arbor didn't comment on the investigation but said it is "committed to strengthening and improving our policies."

The indictment leveled fraud-conspiracy charges against Todd and Kevin Morgan, a son and a nephew, re-

spectively, of Robert C. Morgan. It also charged their mortgage brokers, Frank Giacobbe and Patrick Ogiony of Aurora Capital Advisors LLC, a Buffalo firm the indictment said Mr. Giacobbe owned.

All pleaded not guilty. Mr. Giacobbe had no comment. Lawyers for Mr. Ogiony and Kevin Morgan didn't respond to requests for comment. Todd Morgan's lawyer said his client maintains he is innocent.



Apartment deals of Robert C. Morgan have drawn scrutiny from investigators.

The indictment didn't charge Robert Morgan or his firm, until June called Morgan Management LLC. It has changed its name to Grand Atlas Property Management, and Mr. Morgan has no ownership or employment at the firm, according to a lawyer for Grand Atlas.

The lawyer also said Kevin and Todd Morgan are no longer employees.

Robert Morgan and Grand

Atlas declined to comment on the investigation.

About \$1.2 billion of Morgan loans currently back Freddie Mac-issued mortgage securities and \$350 million back Fannie Mae securities, according to a Journal analysis of Thomson Reuters loan data.

Fannie Mae, in a training course on its website, says, "Multifamily mortgage fraud continues to be a problem nationwide." The firm said that statement "does not mean to suggest that these issues routinely appear in Fannie Mae loans" or with its lenders.

Freddie Mac said it doesn't rely just on information submitted by borrowers but also uses third-party data and analytics. It said all Morgan loans packaged into its securities remain current.

Borrowers can stay current even on loans that are large relative to a property's earning power if they need to pay only the interest for several years. Mortgages with full or partial interest-only repayment periods made up about 75% of multifamily loans bought by Fannie Mae and Freddie Mac last year, according to data from Trepp LLC, a commercial-mortgage tracker.

FBI agents have reviewed deals involving several upstate New York developers with ties to Robert Morgan and to Mr. Giacobbe. One of them, according to documents reviewed by the Journal, is Prime Group Holdings, a Saratoga Springs-based owner of self-storage facilities founded by Robert J. Moser. Prime has worked with Mr. Giacobbe. Mr.

Moser said that he and Robert Morgan "enjoyed a very successful business relationship for many years."

Until last year, a Moser biography that was on the websites of both Mr. Moser's and Mr. Morgan's companies said the two men had together acquired a \$4 billion commercial real-estate portfolio.

In an email, Mr. Moser said only some of the deals involved Mr. Morgan. He said he stopped doing business with Mr. Morgan ahead of the FBI probe.

Asked about Mr. Moser's account, Mr. Morgan replied that it wasn't correct, but declined to elaborate.

Mr. Moser hasn't been accused of any wrongdoing. He said his attorneys asked the Justice Department whether his transactions were being reviewed and were "told just the opposite."

Barbara Burns, a spokeswoman for the U.S. attorney pursuing the probe, said that, in general, "that is a question that we would decline to answer."

Investigators also have examined properties owned by Thomas Masaschi of DHD Ventures and Brett Fitzpatrick of Somerset Companies, both of whom have sometimes invested with Mr. Morgan and worked with Mr. Giacobbe, according to documents and people familiar with their deals.

Another developer whose properties have been scrutinized, Matthew Cherry of Glendale Development, used to work at Mr. Giacobbe's Aurora Capital Advisors.

Like Mr. Moser, the three

men haven't been accused of wrongdoing, and it is possible investigators are interested not in the property owners but in other parties involved.

Mr. Cherry said, "We do not believe Glendale is involved in the matter," and "I have not been associated with Aurora in more than 5 years." Mr. Fitzpatrick declined to comment. Mr. Masaschi didn't respond to requests for comment.

'Imminent default'

Delinquencies on multifamily-housing loans have been minimal. Still, investors can take a hit if properties produce less than expected. That appears likely in one deal that caught the interest of federal investigators: Monarch 815, a 176-unit student-housing complex near East Tennessee State University, which was developed by Mr. Masaschi's firm.

When the firm obtained a \$31.9 million mortgage on it in 2015, financial information provided to lenders suggested the complex could have net income of about \$2.7 million annually, according to Trepp. It earned only \$804,266 in 2017, Trepp data show.

The loan, packaged into securities, is in foreclosure, according to Trepp. Mr. Masaschi, a managing partner at his firm, didn't respond to written questions.

Two Morgan-linked mortgages totaling \$45 million were transferred to a special servicer for handling, according to disclosures the servicer filed last month. It said they face "imminent default."

CORRECTIONS & AMPLIFICATIONS

An outbreak of the Ebola virus has spread to Ituri province in northeast Democratic Republic of Congo. A World News headline on Wednesday with an article about the outbreak incorrectly said it was in northwest Congo.

A chart showing the number of multifamily municipal bonds, which accompanied a Property Report article on Wednesday about borrowing costs, incorrectly reversed the

labels for bonds issued through Aug. 13 and the rest of the year.

Union Street Partners Value Fund's (USPCX) one-year return was 14.2% as of June 29, and its five-year return was 9.6%. The fund's returns were incorrectly given as 16.5% and 10.0%, respectively, on July 9 in the Investing in Funds report's Category Kings table, Large-Cap Value category. Also, the one-year

return of SPDR MFS Systematic Value Equity ETF (SYV) was 13.9%. The table incorrectly said 15.8%.

Kim Jong Un's flight to Singapore for the North Korea-U.S. summit passed over the Chinese mainland for much of the flight. A graphic with a June 15 World News article about planning for the summit incorrectly said it flew almost entirely through Chinese airspace.

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

THE WALL STREET JOURNAL

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

(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chichester, MA 01020.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY, 10036. The Journal reserves the right not to accept an advertiser's order.

Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsj.letters@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

REPRINTS & LICENSING

By email: customreprints@dowjones.com; By phone: 1-800-843-0008

GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS

U.S. NEWS

Toll Mounts From Severe Algae Bloom

BY MAYA SWEEDLER

Patrons of the Dry Dock Waterfront Grill on Florida's Longboat Key usually enjoy stunning views of the Sarasota Bay. Now, they get an unpleasant stench.

A red tide—a natural phenomenon involving an accumulation of algae brought to shore by currents and wind—is killing marine life and hurting the tourism industry across Florida's Gulf Coast. Local tourist boards are concerned the impact could be felt for a while, as news of the red tide spreads and more tourists cancel or adjust their trips.

Dry Dock assistant manager Kurt Disney said he knows when the harmful algae bloom, caused by a species called *Karenia brevis*, is active because "you can feel it and taste it in the air...it's got a peppery, spicy feeling that stings in the back of your throat."

Florida authorities have urged people to stay out of the water and off the beaches.

The restaurant, which had to close its patio several nights over the past week when the red tide was particularly pungent, is losing an average of about 100 customers for lunch and between 120 and 140 for dinner, he said. On Monday night, the restaurant had just 44 reservations, less than a third of the usual amount.

State authorities have urged people to stay out of the water and off the beaches, posting signs at hundreds of beach access points along the coastline that provide information on the water conditions, health impact and resources. Many red tides emit chemicals that can irritate human respiratory systems and damage fish nervous systems.

The bloom has killed turtles and other wildlife.

Florida Gov. Rick Scott declared a state of emergency Monday for seven counties and allocated half a million dollars to the state's tourism marketing corporation to help local communities bring in visitors, as well as \$900,000 to Lee County to clean up the affected areas.

Lee County has been reporting side effects, such as respiratory irritation and fish kills, longer than other counties, said Tracy Fanara, the manager of the Environmental Health program at Florida's Mote Marine Laboratory.

Visit Florida, the state tourism board, is creating a survey its local partners can send out to evaluate the red tide's impact, said Stephen Lawson, vice president of communications.

In addition to offering bridge loans for businesses waiting for insurance to kick in, the state's Department of Economic Opportunity also opened a damage-assessment survey on Tuesday to businesses affected by the red tide. It is too early to estimate the economic implications of the tide, said Tiffany Vause, the agency's communications director.

Visit Sarasota County, the county's official marketing body, sent a survey to 450 businesses in the tourism industry this month. Of the 77 respondents, 90% reported losing business because of the red tide.

The businesses surveyed reported losses of up to 6% the first week of August, compared with the same period last year, according to Visit Sarasota County.

Visit Florida is also trying to promote destinations that aren't on the beach, Mr. Lawson said.

"The tricky part is we don't know when red tide is supposed to die," he said. "Once the tide has passed, we'll begin disbursing the money."

This year's red tide, stretching 150 miles from Col-



Dead fish covered a canal in Bradenton, Fla., on Wednesday. This year's red tide, stretching 150 miles, is hurting tourism in the state.

MATT HUSTON FOR THE WALL STREET JOURNAL

lier to Manatee counties, is one of the worst the state has seen, said Dr. Fanara. It began as a patchy bloom in late October and coalesced in late June. The severity of this year's red tide is possibly a result of runoff from urban and agriculture environments, she said.

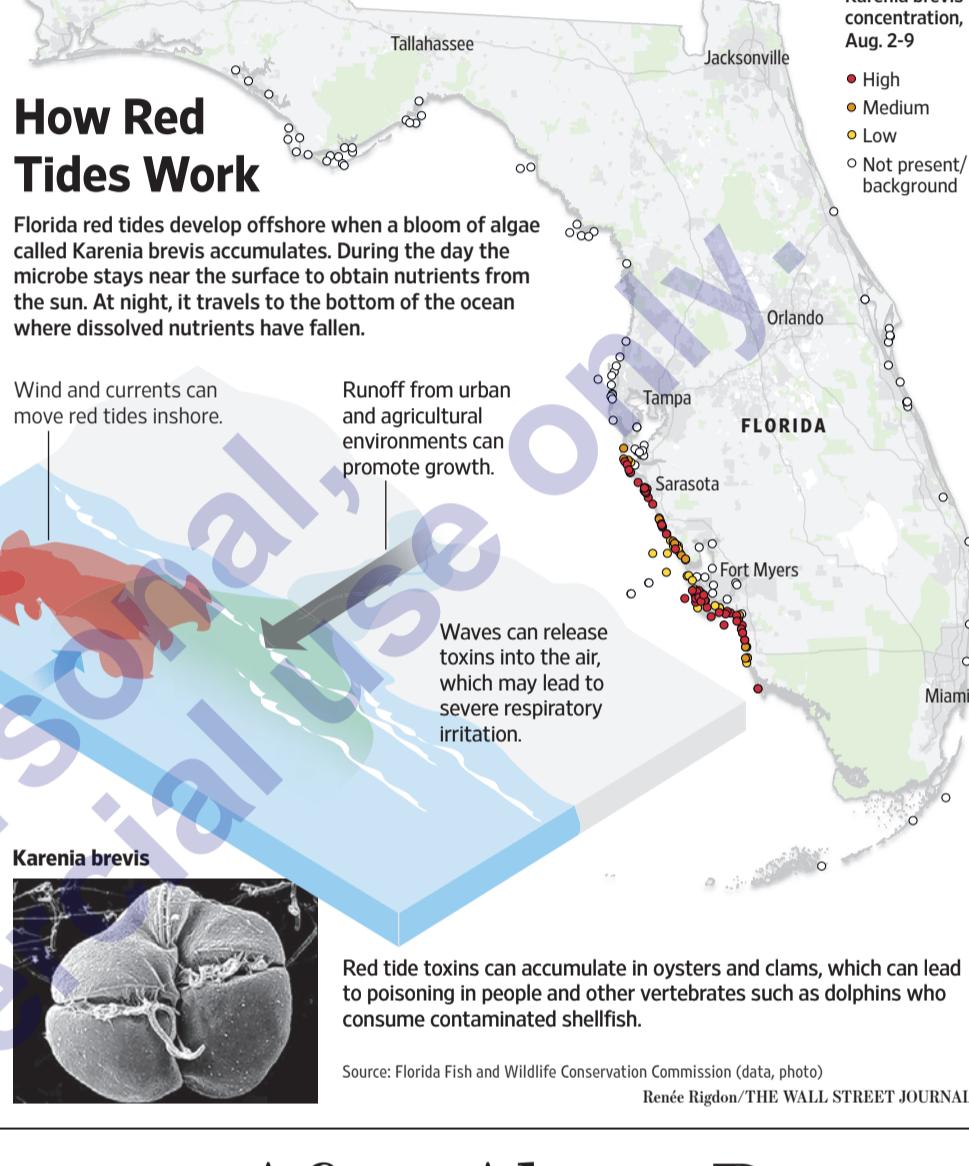
In addition to Lee County, Collier, Charlotte and Sarasota counties are also heavily affected. The red tide hasn't made its way up to Pinellas County, where St. Petersburg is, and the tide is forecast to move south, Dr. Fanara said.

Cities are suffering from the loss of business and also shouldering the cost of cleanup. Lee County reported on Monday that its cleanup efforts have removed 1,361 tons of material.

The Lee Board of County Commissioners will vote this month on whether to use tourist tax funds to cover beach cleanup expenses through September.

"The long term effects are what we're leery of," said Mr. Disney of the Dry Dock Waterfront Grill. "Almost all vacationers are gone for this season....But with these stories going up north, we wonder if snowbirds, who have the option to stay where they are, will they wait until later in the year to come back?"

Red tide toxins can accumulate in oysters and clams, which can lead to poisoning in people and other vertebrates such as dolphins who consume contaminated shellfish.



Source: Florida Fish and Wildlife Conservation Commission (data, photo)

Renée Rigdon/THE WALL STREET JOURNAL.

D.C. Archbishop Faces Scrutiny After Abuse Report

BY IAN LOVETT

During 18 years as the bishop of Pittsburgh, from 1988 to 2006, Donald Wuerl built a reputation for being tough on priest sexual abuse and fought against the Vatican bureaucracy to remove an abusive priest from ministry.

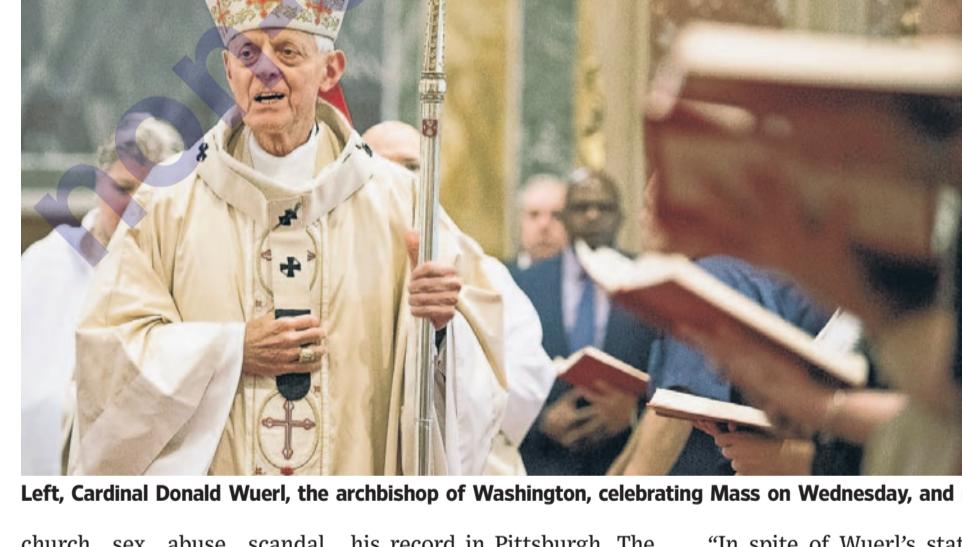
Now the archbishop of Washington, D.C., Cardinal Wuerl is facing new scrutiny following the release of a Pennsylvania grand jury report on Tuesday that detailed hundreds of cases of abuse in the state over more than 50 years. Some critics are calling for his resignation.

As the highest-ranking Roman Catholic Church official named in the Pennsylvania report, Cardinal Wuerl has quickly come to personify the question of who should bear responsibility for the abuses that took place within the church. Many of the priests accused in the report are long dead.

The report acknowledges that Cardinal Wuerl worked to have some priests removed from ministry, but is sharply critical of his handling of other cases where priests accused of misdeeds in the Pittsburgh Diocese were allowed to return to parish work.

"It seems clear to me from the report that Cardinal Wuerl engaged in activities that look, in any other realm, like coverup activities," said Chad C. Pecknold, a professor at the Catholic University of America in Washington, not involved in the report.

He criticized Cardinal Wuerl's use of "euphemism to talk about real sexual crimes" and willingness "to pay money to the families of victims in order to keep them quiet." He also compared Cardinal Wuerl to Cardinal Bernard Law, the archbishop of Boston when the



Left, Cardinal Donald Wuerl, the archbishop of Washington, celebrating Mass on Wednesday, and right, with his aunt in 2006 when he was a bishop in Pittsburgh.

church sex abuse scandal broke in 2002.

"If the calls for resignation held true for Cardinal Law, they hold true for Cardinal Wuerl," Mr. Pecknold said.

Ed McFadden, a spokesman for the Washington Archdiocese, said that Cardinal Wuerl has "indicated he has no intention of resigning," and said that the cardinal had a long record of proactively and appropriately dealing with sexual abuse.

Tuesday's report comes less than a month after Cardinal Wuerl's predecessor in Washington, Archbishop Theodore McCarrick, resigned from the college of cardinals, following several allegations of sexual abuse against him.

Before the long-awaited Pennsylvania report was released on Tuesday, Cardinal Wuerl had already begun to defend himself. He said he had no knowledge of the alleged abuses by Archbishop McCarrick, and on Monday sent a letter to priests in the Washington Archdiocese defending

his record in Pittsburgh. The archdiocese also briefly launched a website, thewuerl-record.com, defending the cardinal's record on sex abuse; it was criticized on social media, and now redirects to the archdiocese website.

"I cannot fully express the dismay and anger I felt when, as a newly installed Bishop of Pittsburgh in 1988, I learned about the abuse some survivors experienced in my diocese," he wrote.

One of the allegedly abusive priests in the report was Father Ernest Paone, who had already been accused of molesting a child when then-Bishop Wuerl arrived in Pittsburgh in 1988 and was no longer living in the diocese. The report says that although then-Bishop Wuerl wrote to the Vatican in 1989 about abusive priests within the diocese, he subsequently permitted Father Paone to be transferred to another diocese. Further complaints about Father Paone arrived in 1994, but he was not removed from ministry until 2002.

In spite of Wuerl's statements to the Vatican, the clear and present threat that Paone posed to children was hidden and kept secret from parishioners in three states," the Pennsylvania report said. "Wuerl's statements had been meaningless without any action."

Mr. McFadden, the Washington Archdiocese spokes-

That zero-tolerance policy later became a "template" for the policy on priest sexual abuse that all U.S. bishops adopted in 2002, Mr. McFadden said.

In one well-known case, then-Bishop Wuerl removed a priest accused of abuse, Rev. Anthony J. Cipolla, from ministry, but was ordered to reinstate him by the Vatican. Instead, then-Bishop Wuerl flew to Rome in 1993 and appealed the Vatican ruling; ultimately, the Vatican court sided with then-Bishop Wuerl and Rev. Cipolla was kept out of ministry. Rev. Cipolla is deceased.

Nicholas Cafardi, former dean of Pittsburgh's Duquesne University School of Law, said, "He was ahead of the curve, and I don't see anything in the report that contradicts that impression."

Much of the debate over Cardinal Wuerl—who is often seen as an ally of Pope Francis—has broken along partisan lines within the church. Conservative Catholics like Michael Brendan Dougherty, a

writer for the National Review, have publicly called for his ouster.

"The bishops will not change until there is sustained persecution of the Church," Mr. Dougherty wrote on Twitter. "Until that day we're going to get these disgusting paper shufflers."

More-liberal Catholics, like Michael Sean Winters, a writer for the National Catholic Reporter, have defended the cardinal. He said that although he considered some of the priest reassessments "murky," Cardinal Wuerl was going on the medical advice at a time when psychologists would sometimes advise that priests could be returned to ministry after certain abuses. Cardinal Wuerl, he said, was the least damaged of all the bishops mentioned in the report.

"They all come out bloody," Mr. Winters said. "The bishops rise and fall together. They issue statements as a group. So the failure of one is the failure of all."

man, declined to comment on the case of Father Paone, who is deceased.

In his letter to Washington priests, Cardinal Wuerl made no mention of the specific cases in the report, but wrote that in Pittsburgh he had begun to "develop quickly a 'zero tolerance' policy for clergy who committed such abuse."

U.S. NEWS

President Defends His Tariffs on Steel

In broad interview, president says he is considering meeting with Mueller

BY PETER NICHOLAS

WASHINGTON—President Trump said that his steel tariffs on China and other countries are rescuing an iconic U.S. industry that was in danger of closing and predicted that the competition U.S. companies will face in the future will mostly be domestic due to his actions.

In an impromptu, 20-minute Oval Office interview Wednesday, Mr. Trump said some people

may complain that in the short term steel prices may be “a little more expensive,” but that they will drop and his moves will have preserved an industry important to national security.

Competition will be “internal, like it used to be in the old days when we actually had steel, and U.S. Steel was our greatest company,” he said.

In upbeat tones, the Republican president talked about the strong domestic economy and his own political power. He reiterated that he would like to see the investigation into alleged Russian interference in the 2016 presidential race end, but said he is considering giving an interview to the investigator, spe-

cial counsel Robert Mueller.

Mr. Trump pledged in March to impose global tariffs of 25% on imported steel, and 10% on aluminum. The announcement sparked worries of a looming global trade war and prompted retaliation or threats of it across Asia, Europe and elsewhere in North America. China has responded to the steel tariffs and other trade measures with its own retaliatory trade measures against the U.S.

In what he called a sign that the tariffs are working, Mr. Trump said steelmakers are opening new U.S. plants and “our steel industry is one of the talks of the world. It’s booming.”

Many economists, business

leaders, and members of Mr. Trump’s own party would take issue with his boasts, arguing that he is both exaggerating the benefits of the policies while understating their costs.

Steel users around the country have blamed the tariffs for higher costs, crimped profits and, in some cases, layoffs and production cuts.

On the midterms, the president said his endorsements are making a crucial difference.

He expects a strong Republican showing in November, maintaining that the comparatively high percentage of voters who believe the country is on the right track will prevent the sort of sweeping opposition-party

victories in past midterms.

Several times Mr. Trump interrupted the conversation to summon aides to share charts showing his endorsement record and to discuss the size of his following on social media.

“So what’s my record?” he asked political director Bill Stepien, who said the president had yet to lose a candidate he has backed in Republican primary races. Mr. Trump said he notched eight wins out of nine in special elections.

Incumbent presidents typically suffer steep losses in their first midterm elections, but Mr. Trump said he expects the party to do “great.”

Asked if his campaign ap-

pearances might also mobilize Democratic voters, Mr. Trump said, “It may—but it energizes my people much more than it energizes them.”

Mr. Trump said the Russia probe is unwarranted. “Of course they say it’s not an investigation. You know, in theory I’m not under investigation...I’m not a target. But regardless, I think that whole—I call it the rigged witch hunt, is a sham.”

Mr. Trump didn’t rule out testifying before Mr. Mueller, but he said the special counsel’s investigation has been “so badly discredited.”

—Jacob M. Schlesinger
and Rebecca Ballhaus
contributed to this article.

Brennan's Clearance Is Revoked

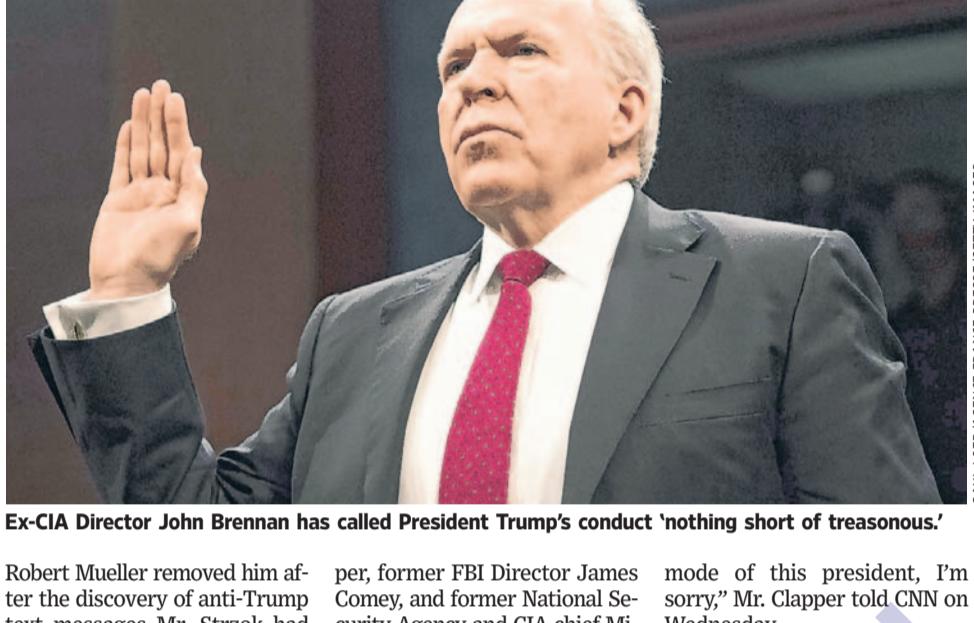
Continued from Page One
before his inauguration that Russia had interfered in the 2016 election.

“I call it the rigged witch hunt, [it] is a sham,” Mr. Trump said in an interview. “And these people led it!”

He added: “So I think it’s something that had to be done.”

Mr. Brennan—who since leaving office has become a frequent critic of the Republican president—in a tweet called the revocation of his clearance “part of a broader effort by Mr. Trump to suppress freedom of speech & punish critics.” He wrote it “should gravely worry all Americans, including intelligence professionals, about the cost of speaking out.”

The president also drew attention to other investigators related to the Russia probe and the 2016 investigation of Democratic candidate Hillary Clinton’s use of a private email server, including former FBI agent Peter Strzok. Mr. Strzok worked on the early days of the Russia investigation until special counsel



SAUL LOEB/AGENCE FRANCE PRESSE/GTY IMAGES

Ex-CIA Director John Brennan has called President Trump's conduct 'nothing short of treasonous.'

Robert Mueller removed him after the discovery of anti-Trump text messages Mr. Strzok had sent. He was fired from the FBI earlier this week.

“You look at any of them and you see the things they’ve done,” Mr. Trump said. “In some cases, they’ve lied before Congress. The Hillary Clinton whole investigation was a total sham.”

Earlier in the day, White House spokeswoman Sarah Sanders said the administration was also reviewing the clearances of former Director of National Intelligence James Clap-

per, former FBI Director James Comey, and former National Security Agency and CIA chief Michael Hayden.

“I don’t trust many of those people on that list,” Mr. Trump said in the interview. “I think that they’re very duplicitous. I think they’re not good people.”

Most of the individuals left government service months or years ago under varied circumstances. Some, including Mr. Comey, have said they no longer have or use their clearances.

“If we’re saying the only way I can speak is to be in adulation

mode of this president, I’m sorry,” Mr. Clapper told CNN on Wednesday.

Mr. Trump and Mr. Brennan have sparred publicly for months, with Mr. Trump frequently tweeting quotes by others critical of Mr. Brennan.

After Mr. Trump’s news conference last month with President Vladimir Putin of Russia, Mr. Brennan wrote in a tweet that Mr. Trump’s conduct “rises to & exceeds the threshold of ‘high crimes & misdemeanors’” and called it “nothing short of treasonous.”

U.S. intelligence officials appeared surprised by the White House’s announcement. Asked if

The two men clashed anew this week as the White House worked to contain damage from publicity surrounding Omarosa Manigault Newman, a former senior White House official who is promoting her book that is critical of the administration.

After Mr. Trump referred to Ms. Manigault Newman as “that dog” on Twitter on Tuesday, Mr. Brennan responded with a tweet of his own, writing that Mr. Trump has failed to meet “minimum standards of decency, civility, & probity.”

In a statement that accompanied the announcement to revoke the security clearance, Mr. Trump cited what he called Mr. Brennan’s “wild outbursts on the internet and television” as reasons for the move.

The statement also cited Mr. Brennan’s insistence that the Steele Dossier, which included unsubstantiated rumors about Mr. Trump compiled during the campaign, played no part in the intelligence community’s assessment that Russia interfered in the 2016 election.

Mr. Trump’s statement made no suggestion Mr. Brennan gave away classified information or revealed national secrets, a common reason for revoking security clearances.

U.S. intelligence officials appeared surprised by the White House’s announcement. Asked if

Dan Coats, the director of national intelligence, was consulted before the decision, a spokesman referred all questions to the White House.

The White House initially released on Wednesday a statement from Mr. Trump about revoking Mr. Brennan’s security clearance that was dated July 26—nearly three weeks ago and days after the White House initially threatened to remove clearances from some of its critics. Moments later on Wednesday, the White House issued a second statement, with the date removed.

To be deprived of clearance can become a form of economic punishment that may have a chilling effect on former officials or those still in the government, said Mark Lowenthal, who served as an assistant CIA director from 2002 to 2005.

“As a senior intelligence official, I would want to be free to give my professional assessment,” he said. “I might be concerned that under these circumstances, the president might want to fire senior intelligence officials who took positions that he didn’t agree with and then lift their clearances, which would make it more difficult to find a post-government job.”

—Michael R. Gordon, Dustin Volz and Nancy A. Youssef contributed to this article.

Cyber Rules For Attack Are Reset

Continued from Page One
raised questions in recent months about whether U.S. Cyber Command, the chief agency responsible for conducting offensive cyber missions, has been limited in its ability to respond to alleged Russian efforts to interfere in U.S. elections due to layers of bureaucratic hurdles.

The policy applies to the Defense Department as well as to other federal agencies, the administration official said, while declining to specify which specific agencies would be affected. John Bolton, Mr. Trump’s national security adviser, began an effort to remove the Obama directive when he arrived at the White House in April, the official said.

As designed, the Obama policy required U.S. agencies to gain approval for offensive operations from an array of stakeholders across the fed-

eral government, in part to avoid interfering with existing operations such as digital espionage.

Critics for years have seen Presidential Policy Directive 20 as a particular source of inertia, arguing that it handicaps or prevents important operations by involving too many federal agencies in potential attack plans. But some current and former U.S. officials have expressed concern that removing or replacing the order could sow further uncertainty about what offensive cyber operations are allowed.

One former senior U.S. official who worked on cybersecurity issues said there were also concerns that Mr. Trump’s decision will grant the military new authority “which may allow them to have a domestic mission.”

The Obama directive, which replaced an earlier framework adopted during the George W. Bush administration, was “designed to ensure that all the appropriate equities got considered when you thought about doing an offensive cyber operation,” said Michael Daniel, who served as the White House cybersecurity coordinator during the Obama

administration. “The idea that this is a simple problem is a naive one.”

“If you don’t have good coordination mechanisms, you could end up having an operation wreck a carefully crafted multiyear espionage operation to gain access to a foreign computer system,” added Mr. Daniel, now president and CEO of the Cyber Threat Alliance, a cybersecurity nonprofit.

Several U.S. officials familiar with the Obama-era rules conceded they had flaws, but said that rescinding them could create more problems, especially because it was unclear what Mr. Trump would use to replace the rules.

“I am sympathetic to trying to make our cyber capabilities more nimble in their use,” said Joshua Geltzer, who was senior director of counterterrorism at the National Security Council until March of last year. “On the other hand, there were some very real and hard legal questions associated with cyber about what operations the government would take that still have not been resolved.”

—Shelby Holliday contributed to this article.

Farm Country Grows Anxious

BY KRISTINA PETERSON
AND HEATHER HADDON

WASHINGTON—Farmers fretting over a trade conflict sparked by President Trump’s tariffs may soon get more details on the \$12 billion of aid that the administration has pledged, as their concerns mount over potentially plunging incomes and market losses.

“We certainly are appreciative of it but...we don’t know how it’s going to be determined,” Ryan Pederson, a North Dakota farmer who grows soybeans and canola, said of the proposed farm aid. “You can’t do any planning off of that because you don’t know what it’s going to be.”

An Agriculture Department representative this week told The Wall Street Journal that the agency expects to announce official guidelines for the programs by Aug. 24 and

be ready to implement them by Sept. 4. Farmers would receive payments between September and the end of their harvest, and would be required to provide documentation of what they grew, the agency said.

But details on how much farmers will receive, and how it will be distributed, remain unclear.

In July, the White House said it planned to direct the emergency funds to farmers to compensate for losses they face, as other countries retaliate and impose tariffs on U.S. goods.

The uncertainty has made it difficult for analysts to project farm incomes for the year.

—Jesse Newman contributed to this article.



China has imposed a 25% tariff on U.S. soybeans.

New York's top-ranked hospital since we watched movies on VHS.

It's been 18 years.



Once again, ranked #1 in New York by U.S. News & World Report.

Weill Cornell Medicine

NewYork-Presbyterian

COLUMBIA

U.S. NEWS

Manafort Jury to Begin Deliberations

BY DEL QUENTIN WILBER
AND ARUNA VISWANATHA

ALEXANDRIA, Va.—A federal jury was set to begin deliberations in the case against former Trump campaign chairman Paul Manafort, as prosecutors made their final pitch to jurors that Mr. Manafort was a liar who cheated the government on his taxes and bilked banks on fraudulent loans to help pay for a life of luxury.

"Mr. Manafort lied to keep more money when he had it, and to get more money when he didn't," prosecutor Greg Andres told jurors Wednesday as he summed up the case.

Over the past two weeks,

The trial has taken place against the backdrop of Mueller's broader investigation.

prosecutors called more than 20 witnesses and introduced hundreds of emails and financial records. They alleged Mr. Manafort earned millions from political-consulting work in Ukraine in the early 2010s but didn't pay taxes on at least \$16 million, and later submitted misleading loan applications to get millions of dollars in mortgages in 2016. He faces charges of tax and bank fraud.

Mr. Manafort declined to testify, and his legal team rested without calling its own witnesses.

After summations, the 12 jurors received instructions from U.S. District Judge T.S. Ellis, who said they would begin deliberating Thursday morning.

Earlier Wednesday, Mr. Manafort's attorneys, in their own closing arguments, said the government had failed to present enough evidence to prove the charges beyond a reasonable doubt.

"We have to pull the lens

back...If this were fraud, we would have courts across the country filled," one of Mr. Manafort's attorneys, Richard Westling, told the jury.

Mr. Manafort's is the first trial to emerge from special counsel Robert Mueller's investigation into Russian interference in the 2016 election.

The trial has taken place against the backdrop of Mr. Mueller's broader investigation, which has led to indictments against more than two dozen Russians and guilty pleas from three former Trump advisers. President Trump's name, however, rarely came up.

Instead, Mr. Andres said the case was solely about "Mr. Manafort and his money." He highlighted testimony from a Federal Bureau of Investigation accountant who tracked payments from Mr. Manafort's clients in Ukraine, where he did political work, to offshore bank accounts and then to vendors.

Over five years, Mr. Andres said, the longtime political consultant wired more than \$15 million to tailors, rug shops, car dealers and contractors. That money never appeared as income on his tax returns, nor did Mr. Manafort disclose those funds to his own bookkeepers and accountants.

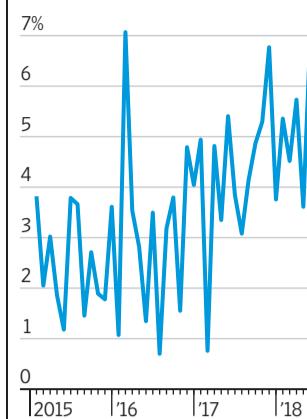
"Why would Mr. Manafort lie to his bookkeeper and tax preparers?" Mr. Andres asked. "Those questions answer themselves. He wanted to hide that money and avoid paying taxes..."

Mr. Manafort's lead attorney, Kevin Downing, said the accounts belonged to Mr. Manafort's company, and that transfers from the accounts appeared on the ledger the bookkeeper maintained.

Mr. Andres also sought to distance the case from one of the government's main witnesses, Richard Gates, a long-time employee of Mr. Manafort who has been characterized as a liar by the defense. Mr. Gates pleaded guilty in the case and is likely to federal agents as part of a deal with Mr. Mueller's office.

Buyer's Market

Retail sales, change from a year prior



Source: Federal Reserve Bank of St. Louis
THE WALL STREET JOURNAL



TYLER EVER/AP IMAGES FOR MACY'S

Shoppers in Macy's Backstage in Barboursville, W.Va. 'The consumer is healthy,' said the CEO of Macy's.

Retail and Factories Drive Growth

BY HARRIET TORY

WASHINGTON—A surge in retail sales and rising manufacturing output suggest the U.S. economy's strong growth in the second quarter continued into the third.

Retail sales—a measure of spending at U.S. stores, websites and restaurants—rose a seasonally adjusted 0.5% in July from the prior month, the Commerce Department said Wednesday. That was well ahead of economists' forecasts for a 0.1% increase.

Compared with a year earlier, they grew 6.4% in July. That is more than double the pace of inflation, which increased 2.9% in the year to July, as measured by the Labor Department's consumer-price index.

Robust hiring and low unemployment mean more households have income to spend. That is being amplified by tax cuts, which have resulted in less paycheck withholding.

With demand strong, production also is up. U.S. factory output rose 0.3% in July, the Federal Reserve said Wednesday, and was up 2.8% from a year earlier, largely on higher auto and computer production.

The robust economic outlook is likely to keep Fed policy makers on track to raise short-

term interest rates to a range between 2% and 2.25% when they meet next month, and move them higher again in December, to prevent the economy from overheating.

Growth in retail sales was driven by stronger spending at grocery stores, restaurants, department stores and clothing stores. Higher spending on nonessential discretionary items like restaurant meals suggests "households are not too worried about higher gas

spending rose primarily in the year to May because the cost of a restaurant meal increased faster than the cost of a home prepared meal, while restaurant visits—either on-site, drive-through or ordered for delivery—were flat.

Nonetheless, James Bohnaker, an economist at research firm IHS Markit, said three straight months of strong spending on dining out are "a pretty good indicator that people are spending more of their tax money on going out to restaurants rather than splurging on a new car."

Department-store chain Macy's Inc. on Wednesday raised its sales and earnings guidance for the fiscal year, citing in part the strong spending environment, although it reported a slight drop in net sales in the second quarter as it remodels stores.

"The consumer is healthy," Macy's Chief Executive Jeff Gennette said in an interview. "She is spending in our categories."

Emily Assmus, a marketing coordinator from Virginia Beach, Va., said her family feels "pretty good" financially. She started a new job earlier this year and in July bought a new Chevrolet Suburban SUV to replace her 2008 vehicle.

"Most definitely I was able

to not sweat having a larger car payment" because of the salary bump that came with her new position, the 37-year-old said.

Forecasting firm Macroeconomic Advisers estimates economic output will expand at a 3.2% rate in the third quarter, after 4.1% growth in the second. If the forecast holds up, it would represent the best back-to-back quarters for growth since the middle of 2014, and would be well above the trend of near 2% growth that has prevailed for most of this expansion.

Still, some indicators point to a potentially cloudier economic outlook. Rising interest rates and worker shortages could be squeezing the housing sector.

The National Association of Home Builders said Wednesday its index that measures confidence in the market for new single-family homes fell to 67 in August from 68 in July. While the NAHB said demand for new housing remains strong, builders reported affordability concerns amid rising construction costs, shortages of skilled labor and low supply of land to build on.

—Suzanne Kapner contributed to this article.

◆ Macy's reports higher profits, but shares fall sharply..... B3

U.S. WATCH



Students waited to enter Marjory Stoneman Douglas High School in Parkland, Fla., on Wednesday for the start of the first new school year since a shooter killed 17 people there in February. Tighter security measures include safety monitors, new classroom locks and upgraded video surveillance.

NEVADA

Group Warns of Drop In Lake Mead Water

Nevada's Lake Mead, the biggest reservoir in the West, is on track to fall below a critical threshold in 2020, according to a Bureau of Reclamation forecast.

In a prediction released Wednesday, the Bureau of Reclamation, a multistate agency that manages water and power in the West, said there is a 52% probability water levels will fall below 1,075 feet elevation by 2020.

If Lake Mead's water levels fall below that threshold, it could trigger the first-ever federal shortage declaration on the Colorado River—which experts say could undermine the Southwest's economy.

"The very big concern is the perception that water supplies are uncertain," said Todd Reeve, chief executive officer of Business for Water Stewardship, a nonprofit group in Portland, Ore., that works with businesses on water use nationally.

The Colorado River, which supplies water to 40 million people from Denver to Los Angeles, has been in long-term decline amid what bureau officials call the driest 19-year period in recorded history. As of Wednesday, it stood at 1,078 feet, about 150 feet below its peak.

—Jim Carlton

DRUG ENFORCEMENT

U.S., Mexico to Form Joint Chicago Team

The U.S. Drug Enforcement Administration and Mexico will set up a joint team in Chicago targeting Mexican drug cartels to try to stem a flow of drugs that has led to a spike in U.S. overdose deaths, officials said Wednesday.

DEA Chief of Operations Anthony Williams said at a news conference with Mexican officials in Chicago that targeting cartel finances was key.

Mexico remains the principal highway for cocaine to the U.S. and has become the top source of heroin, which is fueling a surge in U.S. opioid addiction. It is also a major supplier of methamphetamine.

—Reuters

All the students wore lanyards with IDs as they walked past a heavy police presence.

Three school-resource officers, three security specialists and a dozen campus monitors will be on patrol. They will be keeping watch at new fences and gates at the beginning and end of the school day. Visitors will have only one way in, and they will be screened through a video intercom system.

—Associated Press

ATLANTA

Corruption Probe Yields Guilty Plea

A top aide to former Atlanta Mayor Kasim Reed has become the latest person to plead guilty as part of an ongoing federal corruption investigation.

Katrina Taylor-Parks pleaded guilty to conspiring to accept bribes while she was deputy chief of staff for Mr. Reed, a Democrat.

Federal prosecutors say Ms. Parks conspired from 2011 to February 2014 to accept bribes from a city vendor. They say she accepted thousands of dollars and the vendor received tens of thousands of dollars for city contract work in return.

Five other people have been charged in the investigation. Four have pleaded guilty and been sentenced to prison.

—Associated Press

FLORIDA

Students Begin New Year After Shooting

Students at Marjory Stoneman Douglas High School returned to a more secure campus Wednesday as they began their first new school year since a gunman killed 17 people in February.

The changes involve \$6.5 million in security enhancements, including 18 safety monitors, new classroom locks and upgraded video surveillance.

—Jim Carlton

In 2008,
the U.S. Government
used Palantir to:

Combat terrorism.

In 2018,
our global partners
use Palantir to:

Build safe cars.

Treat cancer.

Dismantle drug rings.

Protect soldiers.

Source global energy.

Combat terrorism.

Quietly powering the institutions
we depend on most.

O Palantir

WORLD NEWS

Turkey Follows U.S. Tariffs With Its Own

Fight between NATO allies escalates as court keeps American pastor under detention

By YELIZ CANDEMIR

ISTANBUL—Turkey sharply raised tariffs on some U.S. imports as a court kept a detained U.S. pastor under house arrest, extending a fight between the two NATO allies that has sent the country's currency plummeting.

Despite Wednesday's moves, the lira got a respite, rising against the U.S. dollar for the second day in a row with one dollar buying 6.04 lira. Traders credited the rebound to a decision by the financial regulator, the second this week, to tighten restrictions on banks' foreign-exchange transactions.

The currency, hit by investor concerns over Turkey's financial stability, plunged last week when the U.S. imposed sanctions on Turkey for not freeing Andrew Brunson, a pastor who faces terrorism charges and as long as 35 years in prison.

President Recep Tayyip Erdogan has said justice must

run its course and has slammed U.S. tariffs introduced this week on some Turkish imports as an "act of economic war."

Turkish authorities said they raised tariffs on U.S. goods including alcoholic beverages, cars, tobacco, cosmetics, rice and coal. That comes the day after Mr. Erdogan said Turkey would boycott U.S. electronic goods, including Apple Inc.'s iPhone, though he didn't say how that would be enforced.

Vice President Fuat Oktay said the tariffs had been raised as a "response to the U.S. administration's deliberate attacks on our economy."

Although the U.S. tariffs have largely been offset by the drop in the lira, the tit-for-tat escalation has raised concerns of a full-blown trade war.

"For the sake of a pastor, they have come to the point of breaking relations with Turkey," Mr. Erdogan's spokesman Ibrahim Kalin told reporters in Ankara on Wednesday.

Hope of a quick resolution evaporated as a Turkish court rejected a plea to end the house arrest and travel ban of Mr. Brunson. The decision marked the second time Turkey declined to release the



President Recep Tayyip Erdogan has called U.S. tariffs on some Turkish imports an 'act of economic war.'

pastor since he was moved from jail in late July. An upper court will review the decision, the state-run Anadolu news agency reported.

Turkish officials signaled that a compromise on Mr. Brunson's status was still possible, saying Mr. Erdogan has avoided direct attacks on President Trump.

Relations have soured over the pastor and other issues. Over the weekend, Mr. Erdogan lamented what he called

the lack of action on his demand that the U.S. deport a cleric he has said was behind a failed coup in 2016. The cleric, Fethullah Gulen, has denied the accusation.

Asked about a recent White House comment that President Trump has "a great deal of frustration" with Turkey, Mr. Kalin, the president's spokesman, said Turkey's disappointment with the U.S. "runs deeper."

Meanwhile, in a sign of

Turkish efforts to bolster links with other Western allies, a court in the Greek-Bulgarian border province of Edirne on Tuesday ordered the release of two Greek soldiers detained after straying into Turkey in March. Turkish prosecutors accused them of espionage, but requested the court release the soldiers from prison, allowing them to be sent back to Greece amid the trial.

Greek Prime Minister Alexis

Tsipras welcomed the "act of justice" as a move that would strengthen relations between the neighbors.

"Delighted by the news of the imminent release of the two Greek soldiers detained in Turkey," the European Union's top executive, European Commission President Jean-Claude Juncker, said in a statement. "Turkey has nothing to fear from its European neighbors....We want to see a democratic, stable and prosperous Turkey."

Turkey's banking regulator has twice this week moved to limit the amount of liras banks can swap for foreign currencies. On Monday, it said the amount of foreign-exchange swaps and related transactions couldn't exceed 50% of a bank's equity. On Wednesday, it tightened that further to 25%.

Meanwhile, Qatar on Wednesday pledged to inject \$15 billion in direct investment and deposits into Turkey's economy, reflecting strengthening economic and political ties between the two countries.

—Patricia Kowsmann contributed to this article.

◆ Turkey's economic red flags stand out..... B12



A truck arriving at the Kerem Shalom crossing on Wednesday.

Israel Reopens Gaza Commercial Crossing

By FELICIA SCHWARTZ

TEL AVIV—Israel reopened Gaza's only commercial crossing, removing severe restrictions put in place last month as talks progress over a long-term cease-fire deal between the two sides.

The opening Wednesday of the Kerem Shalom crossing is expected to further ease tensions as a fragile truce has largely held since intense clashes last week.

"I decided to reopen the Kerem Shalom crossing...as a

clear message to the residents of the Gaza Strip: peace and quiet are worth it and violence is not," Avigdor Lieberman, Israel's defense minister, said in a video posted on Facebook.

Israel closed the crossing on July 9 to pressure Gaza ruler Hamas to stop launching flaming balloons and kites into Israeli territory, allowing only food and sometimes fuel through as Palestinians continue to protest at the fence dividing the strip from Israel.

Hamas and Israel have also clashed, most recently on Aug. 9

when the extremist group launched more than 200 rockets and mortars into Israel and Israel responded with waves of airstrikes aimed at what it said were Hamas military targets.

Both sides have reached a series of shaky temporary cease-fires since May.

Egypt and the United Nations are mediating for a longer-term peace agreement between Israel and Hamas, but talks have been slowed by the outbreaks of violence.

Israel and Egypt have im-

posed a blockade on the Gaza Strip since Hamas took control more than a decade ago. The restrictions have severely harmed Gaza's economy, plunging the strip into humanitarian crisis.

Residents face critical shortages of food, electricity and medicine.

Israel defends the blockade and other restrictions as necessary for protecting its security, as Israel considers Hamas a terror organization.

—Dov Lieber contributed to this article.



Explore The Met Without the Crowds

As a WSJ member, take an exclusive tour of The Metropolitan Museum of Art before it opens to the public. Led by an official museum guide—gain insight into museum highlights such as the Temple of Dendur, Tiffany glass, Roman frescos and much more. After that, enjoy a private breakfast in The Met's balcony lounge.

WHERE: NEW YORK, NY

WHEN: SEPTEMBER 1, 2018

EXCLUSIVE TO WSJ MEMBERS

BOOK NOW AT WSJPLUS.COM/EMPTYMET-SEPT18

WSJ+
INVITES + OFFERS + INSPIRATION

THE
MET

WORLD NEWS

Spate of Violence Dims Afghanistan Peace Prospects

KABUL—A blast that killed scores of students preparing here for their university entrance examinations capped an extraordinary week of violence in Afghanistan, undermining

*By Craig Nelson,
Habib Khan Totakil
and Ehsanullah Amiri*

what the U.S. and Afghan governments had considered real prospects for an imminent cease-fire and a new round of peace talks with the Taliban.

Afghanistan's Health Ministry said at least 48 people were killed and an additional 67 wounded in the capital on Wednesday when a man wearing an explosives vest blew himself up in a classroom full of students. The blast left the floor strewn with twisted metal, broken desks and human limbs.

IN DEPTH

Durian Demand Runs High

Continued from Page One
tralia, more than 500 people were evacuated from a university campus in April when the smell of a rotting durian was mistaken for a gas leak.

None of that, however, is why Southeast Asia is in a panic over the football-size aroma bomb. The reason: They worry there won't be enough to go round.

Surging demand from China has durian aficionados in Malaysia, Thailand and Singapore, where it is known as the King of Fruits, grousing about rising prices and shortages. Durian-related crime is on the rise. Thai police said last month a durian farmer who had suffered a string of thefts shot dead an armed man he believed was hijacking his fruit.

China imports over \$1 bil-

lion of fresh durian a year, according to United Nations figures, up from around \$180 million a decade ago. The demand is growing so quickly that when Chinese billionaire Jack Ma launched his Alibaba Group e-commerce platform in Thailand in April, it sold 80,000 durians in one minute.

Investors from Singapore are buying their own plantations in Malaysia. Chinese dealers are buying the output of some orchards a year or more in advance. Expatriates in Australia and the U.S. are buying up frozen batches of the fruit, vacuum sealed at the farm to preserve the aroma.

Thai space-exploration researcher Amarin Pimnoo has been swept up in the mania. He sent packets of durian flesh up in one of Amazon.com CEO Jeff Bezos's rockets to see how it copes with low-gravity conditions.

"In the future, we may have to evacuate this planet and head out past our own solar system," he says. "We must know if durians can survive in space, and we can't rely on

more influential countries to do it for us."

The rarer Malaysian varieties such as Black Thorn, Red Prawn or Musang King are especially prized, partly because of the fruit's reputation as an aphrodisiac, says Shamsudin Osman, a researcher at the Malaysian Agricultural Research and Development Institute.

Mostly, though, demand has surged because durians have evolved into something akin to fine wines, Malaysia dealers say. The rarer and more expensive, the better.

"I know we sometimes sound like wine snobs smelling our durians and discussing where they come from, but it's like a fine onion," says Eric Chan, chief executive at Dulai Fruits Enterprise in Kuala Lumpur. "OK, maybe a cheese. Like one of those blue ones."

There are now durian tours taking Chinese tourists around different durian-producing parts of Malaysia, and there is a booming market for durian-based candies and snacks.

Eddie Wong, an entrepre-

neur in Kuala Lumpur, says his shipments to China have doubled since this time last year. He makes numerous durian-based products for the Chinese market.

"There's durian crackers, durian chocolate, durian egg rolls, durian tiramisu, durian



What's that smell?

shortbread, durian-flavored instant coffee mix, durian mixed with chocolate and corn flakes."

Cracking open a durian requires some nifty machete skills and, preferably, a thick pair of gloves. Even fans concede the odor could be off-putting. "Your breath will smell as if you'd been French-kissing your dead grandmother," the late chef and TV personality Anthony Bourdain once said.

Cherinne Wong recently flew to Malaysia from her home in Australia, hoping to try some of the stinkiest varieties while they are still within reach.

She grew up in Malaysia and remembers her father coming home during durian season with baskets of the fruit in the back of his car. "We'd sit around on the floor and dig in," she says. "But my gosh, they're so expensive now."

The winning Musang King at a recent durian competition in Bangi, near Kuala Lumpur, sold for \$16 a kilo at the site. They would fetch \$70 or more in Hong Kong or China, dealers say.

C.Y. Wong, a founder of the Durian Kaki stall in the Singapore suburbs, spends weeks each year traveling across Malaysia and Indonesia searching for the best durians. He says he hopes he won't lose his durian connections to big-bucks offers from China.

He thinks farmers are a conservative breed and would rather deal with someone they

already know. "I've worked with my suppliers for years," he says.

Still, durian anxiety is spreading. In Singapore, organizers of a durian festival promising top-quality durians discovered they didn't have enough durians for the tickets sold. Buying a \$3.60 voucher was supposed to secure two durians, but by midafternoon long lines had exhausted the supply.

Those who did get hold of durians complained they were small enough to fit in the palm of their hand and were worth 50 cents at most, or that some were rotten. The organizers later offered a refund.

Some Malaysians are now seeking out cheaper, lesser known "kampong" or "village" durians that have the same aroma as better-known varieties.

"I've had some good ones," says Ms. Wong, the expatriate living in Australia. "But I think I'll keep quiet about them."

—Wilawan Watcharasakwet in Bangkok contributed to this article.

Growers Gain Clout

Continued from Page One
of bushels of corn from Mr. Apgar. As part of the deal, Cargill may provide semi trucks to haul it away at a discounted rate.

"I'm making deals with them I was never able to make in the past, because of my [farm's] size," Mr. Apgar said. He estimated his negotiations with Mr. Hyer, who sometimes visits for dinner, have added anywhere from a nickel to a dime per bushel to his corn sales—serious money in a downtrodden agricultural economy.

The changing dynamic between agricultural companies and their farmer suppliers is forcing a shift in strategy among U.S. grain giants. Cargill—which generates \$115 billion in annual revenue—and its rivals are pushing efficiency at grain facilities, developing new technology for crop-planning and providing more personal attention to increasingly sophisticated operators of larger farms.

On any given day, Cargill's global network may handle up to 20% of the world's food supply, company officials estimate. Crops like corn, soybeans, wheat and canola remain the fuel for much of the empire.

"It's the root of the Cargill company," said Marcel Smits, Cargill's chief financial officer. Still, he said, "it's clear that everybody in the industry has had a difficult time over the past few years."

Among the shifts: low crop prices, farmers with more capacity to store their grain and competition for crops from livestock operations and ethanol plants. Venture capital-backed startups are developing services that scan a wider range of grain buyers or connect farmers directly with food makers.

From 2012 to 2017, Archer Daniels Midland Co.'s profits in its grain merchandising and handling division fell 39%. Profits from Bunge Ltd.'s similar agribusiness division dropped 76%. Cargill's annual profits fell three out of those years, and the company has pointed to struggles in its own grain business as a factor.

'Wake-up call'

Bunge Chief Executive Soren Schroder said farmers' stronger negotiating position, which also extends to South American farms, has been a "wake-up call." On a conference call with analysts earlier this year, he said "I think the entire industry and certainly ourselves are trying to adjust to a new environment." Wes Uhlmeyer, head of Archer Daniels Midland's grain business, said as farmers get bigger, "they're becoming more savvy businessmen." He said ADM is developing mobile applications for farmers and streamlining its operations to keep grain flowing in.

Founded with the 1865 purchase of an Iowa grain warehouse, Cargill's business has sprawled into meat processing, animal feed, food ingredients and financial services.

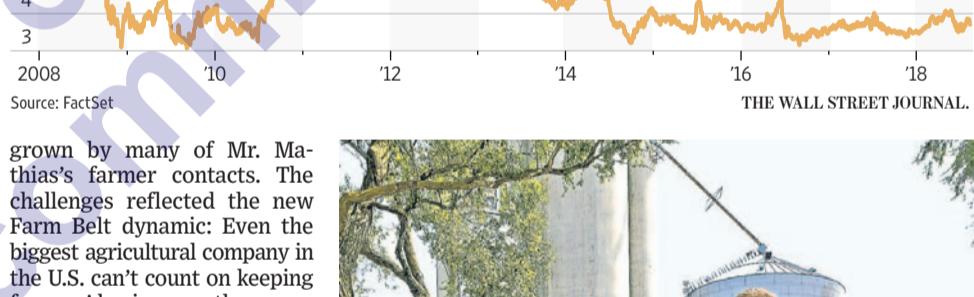
The practice of buying crops didn't change much for Cargill for about a century. At harvest, farmers trucked the bulk of



Austin Apgar, above, at his farm in Tuscola, Ill., recently bought a former Cargill grain storage facility that will allow him to bank more crops. Mr. Apgar discusses crop prices frequently with Adam Hyer, below right, a Cargill grain trader.

Bumper Crop

A series of record-breaking harvests have kept corn prices low for years, encouraging farmers to store crops and push grain companies for better prices.



grown by many of Mr. Mathias's farmer contacts. The challenges reflected the new Farm Belt dynamic: Even the biggest agricultural company in the U.S. can't count on keeping farmers' business as they grow larger and more sophisticated.

"You can have the best relationship in the world," said Mr. Mathias, who left Cargill in 2017 after four years. "But if someone has a better price, you can't blame them" for taking it.

Mr. Mathias now works for Indigo Ag, a four-year-old Boston company recruiting farmers to raise premium-priced crops like organic corn under contracts to directly supply food companies.

The changes are fueled by a demographic shift that is reshaping rural America. As U.S. farmers' average age climbs above 58, more are retiring, creating opportunities for bigger, wealthier and higher-tech farm operations to grab more acres.

Farms generating \$1 million or more in annual revenue represent just 4% of the U.S. total, but now produce two-thirds of the country's agricultural commodities, according to the U.S. Department of Agriculture.

For grain companies, farmers like Mr. Apgar in Illinois represent the future. In addition to his 9,000-acre farm, he owns another 5,000 acres of farmland that he rents out to other farmers. He buys and stores diesel fuel and farm supplies in bulk, receives alerts on futures prices and interest rates on his phone, and watches via iPad as his employees pilot his hulking John Deere combines across the fields at harvest.

Generally, Cargill has tended to assign grain buyers to deal with hundreds of farmers each across the Midwest. Contacts were sometimes limited.

Over the past two years, the company has taken a new approach, dedicating a handful of



employees such as Mr. Hyer, who joined Cargill in 2012 after graduating from college, to work directly with a smaller number of larger farmers like Mr. Apgar.

They are in close contact. Mr. Hyer trades text messages, emails and phone calls with Mr. Apgar and around two dozen other farmers. They may discuss forces pulling grain futures markets up or down, and Mr. Apgar will relay the condition of his fields and how many bushels he expects to reap in the fall. Together they project his profits, and discuss how much grain Mr. Apgar might sell to Cargill, and at what price. From time to time, Mr. Hyer visits Mr. Apgar in person to talk farming on the porch, and share a meal cooked by Mr. Apgar's mother.

"The goal would be to continue to grow the business with these farmers," Mr. Hyer said. "I want them to see me as a member of their board."

Roger Watchorn, head of

Cargill's North American agricultural supply chain, estimated the company has shrunk its network of U.S. grain facilities from 120 to about 85 over the past four years, divesting itself of some far-flung grain elevators that aren't near a railroad or river. Overall, Cargill still is trafficking in the same amount of grain, directing more volume toward its remaining, higher-capacity facilities, said Mr. Watchorn.

Cargill is pushing to make those facilities more efficient. At the company's grain elevator near Linden, Ind., sensors identify each corn- and soybean-laden truck as it rolls in, logging the trucks into Cargill's computer system. Justin Monger, the facility's manager, said the system can get trucks in and out in as little as six minutes, and is one-third more efficient than grain elevators that rely on employees to weigh trucks and log deliveries.

Mr. Monger said the grain business needs to keep up with

farmers. "If [their trucks] are sitting still, we're the worst place in town," he said.

A deeper technology effort is advancing inside Cargill's corporate campus west of Minneapolis, where Justin Kershaw, the company's chief information officer, is overseeing a multimillion-dollar investment in data science. The company is hiring technicians and building a "digital labs" unit that can knit together satellite imagery, weather-sensor data and artificial intelligence to get an early read on creeping droughts and places where foodstuffs may run short, he said.

Cargill expects the data-crunching unit to show how the company can run its own trading and logistics operations more profitably, Mr. Kershaw said. But Cargill also will use it to develop crop-planning and futures-market services for farmers.

There are signs Cargill's new approach is paying off. In July, the company said its grain origination and processing division delivered its most profitable fiscal fourth quarter in seven years, as a drought in Argentina lifted crop prices and its technology investments bring "greater insight" to farmers and other customers.

A skeptical farmer

Ryan Christopherson, who farms about 5,000 acres near Clarkfield, Minn., is skeptical about grain companies' plans to work more closely with farmers. He said the global nature of big agriculture companies means they won't always prioritize U.S. farmers' best interests. "They're taking that money and investing it in South America," which has become U.S. farmers' fiercest competitor in global crop exports, Mr. Christopherson said.

Grain company executives say U.S. farmers and agricultural exporters will play a critical role fulfilling growing global demand for crops to make food and feed livestock. "The world's going to call on the U.S. to be a huge exporter," said Cargill's Mr. Watchorn.

Both Cargill and ADM own grain facilities near Mr. Christopherson's farm, and he still sells crops to them. He says he's making them work harder for it though.

This year he is experimenting with a service from Farmers Business Network, a four-year-old startup that lets farmers compare grain prices across more than 4,000 U.S. elevators, ethanol plants and feedlots, while projecting per bushel profits for the farmer. The service can also arrange bulk sales from farmers directly to food processors.

"It could be one more of the thousand ways of nibbling around the edge of the piece of paper to increase our income," Mr. Christopherson said.

Last year, Mr. Apgar teamed with another local farm family to buy one of Cargill's aging grain storage facilities, located about 7 miles northwest of his farm. Mr. Apgar says its 150-foot cylinders let them bank another 750,000 bushels of grain and make bulk deals with grain companies.

"I have companies coming to me, that represent buyers of grain, who want to deal directly with the farmer," Mr. Apgar said. "I can put it on a train and send it to [them] in a week. That's a threat to the bigger guys."

Will you save enough to savor life?

13-Month Certificate of Deposit

2.00%

Annual
Percentage
Yield

Minimum deposit \$25,000



Get a fixed return and peace of mind
knowing your money is growing safely.

Visit a branch to apply today
citibank.com/branchlocator

citi[®]

Welcome what's next

Terms and Conditions:

To qualify for an Annual Percentage Yield (APY) of 2.00% you must open a new 13-month Certificate of Deposit (CD) in The Citigold Account Package, Citi Priority Account Package or The Citibank Account Package. The rate is effective as of April 3, 2018 and rates are subject to change without notice. A minimum opening deposit of \$25,000 must be made. Opening deposits of less than \$25,000 will earn an APY of 0.20%. Fees could reduce account earnings. Penalties apply for early withdrawal. Accounts are subject to approval, terms and fees. Speak to a bank representative for details.

Customers must be 18 years of older. Offer applies to consumer accounts only. The customer will receive the terms and conditions for the CD at account opening, detailing important account information. Upon maturity, your CD will automatically renew for the same term and rate, unless you request a change, or the CD rate or term is no longer offered. A 13-month CD will renew at the interest rate and APY in effect on the maturity date. If the term of your maturing CD is no longer offered, your CD will be renewed at the next greater term. Terms, conditions and fees for accounts, products, programs and services are subject to change.

© 2018 Citibank, N.A. Member FDIC. Citi, Citi and Arc Design and other marks used herein are service marks of Citigroup Inc. or its affiliates, used and registered throughout the world.

MAKE BREAKFAST HAPPEN SO KIDS CAN BE HUNGRY FOR MORE

Photo By: Peggy Sirota



I was one of our nation's hungry kids growing up. Today, 1 in 6 children in America struggle with hunger. But when they get breakfast, their days are bigger and brighter. Learning, attention, memory and mood improve. Together, we have the power to get breakfast to kids in your neighborhood — let's make it happen. Go to hungeris.org and lend your time or your voice.

Viola

Viola Davis, Hunger Is Ambassador

HUNGER IS®

Albertsons
Companies
—Foundation—

EIF™

Hunger Is® is a joint initiative of the Albertsons Companies Foundation and the Entertainment Industry Foundation, which are 501(c)(3) charitable organizations.

GREATER NEW YORK

Yeshivas Accused of Blocking Probe

Fifteen ultra-Orthodox Jewish schools haven't allowed inspectors in, NYC chancellor says

BY LESLIE BRODY

Fifteen ultra-Orthodox Jewish schools haven't let New York City officials inside to investigate allegations that they don't provide enough secular instruction, according to a letter Wednesday from the city schools chief.

Chancellor Richard Carranza sent a 14-page letter to New York's state education commissioner expressing "serious concern" about this lack of access, despite repeated attempts to schedule visits for two years. He asked for guidance on next steps.

By state law, private K-12 schools must provide an education "substantially equivalent" to that in public schools.

Avi Schick, an attorney for the yeshivas under scrutiny, denied the city's claim. "It's

false," he said. "The city for this entire year has dithered."

The chancellor's letter said the yeshivas' representative notified the agency on Wednesday that eight of the 15 were willing to schedule visits. His letter marks the first formal evidence of any findings by the department, which has faced heated criticism for taking years to investigate allegations first made in July 2015 by a group of 52 yeshiva parents, former students and others.

Back then the group, Young Advocates for Fair Education, said that at 39 yeshivas, students were taught only basic English and math from about age 7 to 13, for an average total of roughly 90 minutes a day, and other secular subjects were largely skipped. Further, the group said English instruction for boys stopped at age 13 so they could focus on religious studies.

Mr. Carranza's letter said department staff visited the 15 schools listed, where yeshiva leaders promised to expand secular academics. The agency found that nine other sites fell



Mr. Schick, attorney for PEARLS, said the stronger schools probably were comfortable that their own secular materials were sufficient.

He said the allegations by Young Advocates for Fair Education unfairly smeared a yeshiva system that has 465 Jewish day schools statewide, serving 165,000 students, including 275 schools in New York City. Many Jewish day schools are known for offering rigorous educations.

The state has an oversight role in part because private schools can tap taxpayer dollars for certain items, such as meals, textbooks and tutoring for low-income students.

"We appreciate the schools that did allow visits and the clear spirit of collaboration and interest in continuous improvement this shows," said the chancellor's letter, noting visits took place from March through December of 2017.

Emily DeSantis, spokesman for the State Education Department, said it was reviewing the findings.

Allegations have surfaced that some New York yeshivas don't provide enough secular instruction. A yeshiva in Brooklyn.

outside the scope of the review, mostly because they had closed or taught students older than 12th grade, and one location turned out to be a butcher shop.

Dozens of Yeshivas under investigation formed a coalition in 2016 called PEARLS, or Parents for Educational and Religious Liberty in Schools, to insist on parents' rights to choose an education that suited their beliefs. PEARLS pledged to disseminate new, improved

reading and math curricula, and provide teacher training, to meet state standards.

The chancellor's letter said the department asked each yeshiva leader at 30 institutions to certify in writing his school would use the updated curricula in the 2016-17 school year.

City Department of Education staff saw nine of the 15 yeshivas using the updated PEARLS curricula in math, English language arts, or both.

Ex-Union Leader Convicted Of Fraud Scheme

BY CORINNE RAMEY

A Manhattan federal jury on Wednesday convicted the former boss of New York City's jail officers' union of fraud in connection with a kickback scheme in which prosecutors said he invested millions of dollars of union money in a risky hedge fund.

Norman Seabrook, 58 years old, was found guilty of honest-services wire fraud and conspiracy.

A lawyer for Mr. Seabrook didn't respond to a request to comment.

The trial, which lasted less than two weeks, was Mr. Seabrook's second. Last fall, a federal judge declared a mistrial after a different jury said it couldn't reach a verdict.

Mr. Seabrook's former co-defendant, Murray Huberfeld, pleaded guilty to a lesser charge earlier this year. Mr. Huberfeld, co-founder of now-defunct hedge fund Platinum Partners, is scheduled to be sentenced in November.

During the trial, prosecutors argued Mr. Seabrook invested \$20 million in union funds in Platinum Partners in exchange for a percentage of the profits. His first kickback, according to prosecutors, was \$60,000 in cash, delivered in a Salvatore Ferragamo bag by businessman Jona Rechnitz.

Mr. Seabrook's attorneys said the prosecutors' case was built around Mr. Rechnitz, an

Norman Seabrook took kickbacks after investing union money in a risky hedge fund.

unreliable witness. Mr. Rechnitz, who is cooperating with the government, is the only person who could testify as to the cash in the bag, they said.

The former union leader faces up to 20 years in prison when U.S. District Judge Alvin Hellerstein sentences him.

Mr. Seabrook served for more than two decades as the head of the Correction Officers' Benevolent Association, the largest municipal jail union in the U.S. He was known for clashing with City Hall, cultivating the loyalty of his officers and exercising vast authority over city jails, including those on Rikers Island.

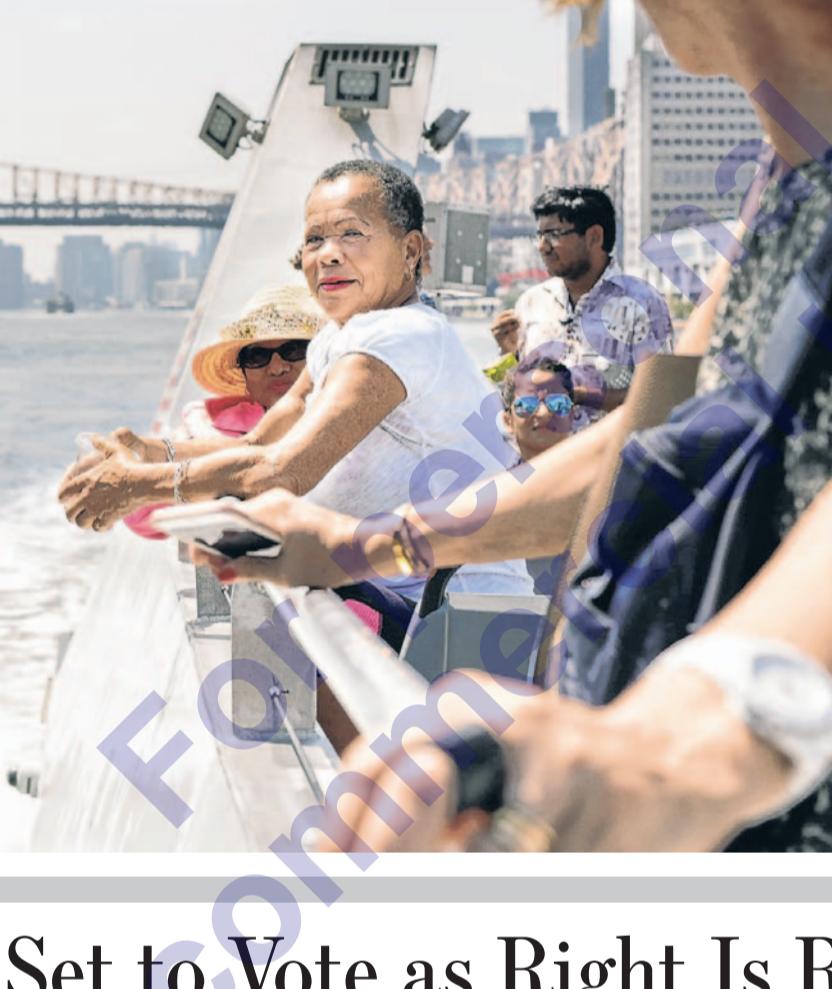
Born in the Bronx, Mr. Seabrook joined the city Department of Correction as an officer in 1985.

Mr. Seabrook's conviction is one of a number of public-corruption convictions won by Manhattan federal prosecutors this year.

"Seabrook's is the fifth major public corruption conviction by our Office in as many months," Manhattan U.S. Attorney Geoffrey Berman said in a statement, referring to the convictions of former Assembly Speaker Sheldon Silver, former Senate Majority Leader Dean Skelos, former gubernatorial aide Joseph Percoco, and Alain Kaloyeros, former head of SUNY Polytechnic Institute.

City Launches Bronx-Manhattan Ferry Service

AGATON STROM FOR THE WALL STREET JOURNAL



Parolees Are Set to Vote as Right Is Restored

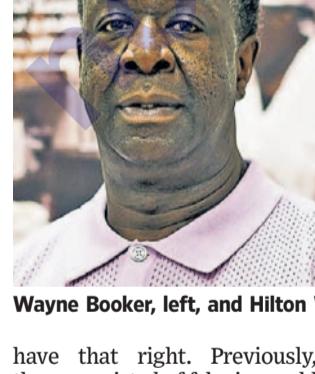
BY CORINNE RAMEY
AND GERALD PORTER JR.

While taking a college class in prison, Wayne Booker wrote a paper on the history of voting. Mr. Booker, 57 years old, hunkered down in his cell, writing about disenfranchisement and suffrage on his Smith Corona typewriter.

In September, Mr. Booker will become part of that history.

"I never thought this day would come, when a parolee could vote," said Mr. Booker, who was released from Fishkill Correctional Facility in November after spending nearly 29 years in prison.

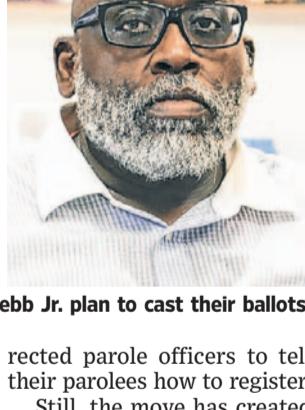
Mr. Booker is among the 27,000 parolees newly eligible to vote in New York state's primary next month. In April, Gov. Andrew Cuomo said he would use executive powers to allow people on parole to vote, adding New York to a group of more than a dozen states in which formerly incarcerated people



Wayne Booker, left, and Hilton Webb Jr. plan to cast their ballots.

have that right. Previously, those convicted of felonies could vote after completing parole.

No one seems to know how many new voters there might be. The state Board of Elections doesn't keep data on parolees' registrations, a spokesman said. A Cuomo spokesman didn't provide a specific number of registered voters, but said state officials had di-



GO NAKAMURA FOR THE WALL STREET JOURNAL

rected parole officers to tell their parolees how to register.

Still, the move has created a new group of voters in New York state, at least some of whom are taking their right seriously. The Fortune Society, a New York City-based criminal-justice nonprofit, said it had registered 350 people with criminal histories to vote, 230 of whom are on parole.

Last week in Queens, at the Fortune Society headquarters, about 100 former inmates gathered to meet gubernatorial candidate Cynthia Nixon, a Democrat who is challenging Mr. Cuomo in the primary next month.

"I wanted to see if she was worthy of my vote," said Hilton Webb Jr., who spent nearly 28 years behind bars after being convicted of murder. The last time he voted was in 1990, while jailed on Rikers Island.

Ms. Nixon knew her audience. She spoke of "returning citizens," a phrase advocates prefer over "felons" or "convicts."

"The odds have been stacked against you," Ms. Nixon said, before running through a criminal-justice agenda that included ending solitary confinement, eliminating cash bail and changing parole procedures.

Most of the new voters were only marginally aware of

Ms. Nixon's acting career—"a woman's show," one said, of "Sex and the City"—and many hadn't experienced politics for decades. But many, faced with the monotony of days inside, had kept up with outside news.

Howard Harris, 61, had been in and out of prison since Gerald Ford was president in the mid-1970s. He said that while incarcerated, he watched television and read newspapers, most of which didn't make their way into prison until they were at least three days old.

In 2016, he was released into a political climate that had become, he said, "more strident."

After her speech, Ms. Nixon took questions. A man asked about charter schools. A woman asked about public housing and criminal records.

"What's your position on coming out of prison?" another man asked.

"It's like coming back from a war," Ms. Nixon replied.

OYSTER PERPETUAL
DATEJUST 41



ROLEX

BETTERIDGE

239 GREENWICH AVENUE | GREENWICH | 203.869.0124

GREATER NEW YORK

MANHATTAN



The Manhattan location will be at 80 Centre St. A new center will rise in place of the Queens House of Detention in Kew Gardens.

New Jail Sites Announced

City unveils plan to build four smaller, modern facilities to replace Rikers complex

By KATIE HONAN

New York City officials released a plan on Wednesday to replace jail facilities on Rikers Island with four smaller sites across the city, including at the current building housing Manhattan's marriage bureau and a police department tow lot in the Bronx.

The four jail facilities will be built in all the boroughs except Staten Island and are part of the city's plan to usher in a "new era" of criminal justice in New York City.

The plan is contingent on a reduction of the current inmate population to 5,000. There are currently more than 8,000 inmates in facilities throughout the city, mostly on Rikers Island, which is located in the East River between the Bronx and Queens.

City officials have estimated that the project will cost more than \$10 billion, although they couldn't give more detailed numbers because the plan is in its earliest phases.

The jails will be modern



spaces with medical and rehabilitation facilities inside for inmates, as well as waiting areas and common spaces for visitors, the city said.

Each site will have parking spaces, and some will have mixed-use retail stores. The Bronx location may also include the development of a residential building next to the new jail, according to the proposal.

"This isn't just about simply reshaping Rikers," Elizabeth Glazer, the director of the Mayor's Office of Criminal Justice, said Wednesday at a news briefing. "To implement this entire plan means a complete reshaping of our justice system."

The city will begin public

hearings on the proposals in each borough next month, and the sites will go through an extensive land-use process.

Ms. Glazer said the city is on track for its goal of shutting Rikers Island by 2027 and anticipated the design and construction process for the new jails would take about five to six years.

The Manhattan location will be built at 80 Centre St., currently a city-owned office building that houses the marriage bureau. That building will be torn down to make way for an approximately 40-story jail.

The nearly empty Queens House of Detention at 126-02 82nd Ave. in Kew Gardens will

be demolished and replaced with a new jail. A multilevel parking lot will also be built behind the new facility, which will be adjacent to the Queens Criminal Courthouse.

In downtown Brooklyn, the current detention center at 275 Atlantic Ave. will be torn down and a new facility will be built on the site.

And in the Bronx, the jail will be built on a current NYPD tow lot at 320 Concord Ave. in Mott Haven. The announcement of the location prompted concerns from Mott Haven residents who said their community was in the midst of a revitalization—and the jail would halt that.

"It'll keep this community mired in crime and poverty forever," Arline Parks, the CEO of local affordable housing provider Diego Beekman Mutual Housing Association, said on Wednesday. "What the mayor plans is, you can commit crime in this neighborhood and then you can go right down the block to go to jail. When does the neighborhood and these kids ever see a different way?"

Marco Carrión, commissioner of the Mayor's Community Affairs Unit, said the city would embark on "robust" community meetings and hearings as it begins the process.

Legal Oversight Bill Awaits Cuomo's Pen

By CORINNE RAMEY

New York Gov. Andrew Cuomo plans to sign a bill that creates a watchdog commission over prosecutors, the first such panel in the U.S., according to people familiar with the matter.

A bill that creates the so-called commission on prosecutorial conduct, which passed both the state Senate and Assembly, is on Mr. Cuomo's desk and must be signed or vetoed by Monday. There have been chapter amendments, or proposed changes to the bill, sent between the governor's office and the Legislature, according to one of the people. While Mr. Cuomo supports the idea of the commission, the people said, any negotiations could still fall through.

A spokesman for Mr. Cuomo said the bill was one of 500 pieces of legislation passed at the end of the session. "The Counsel's office is carefully reviewing the language and engaging with all stakeholders," the spokesman said.

The legislation, in its current form, would create an 11-member panel consisting of people appointed by the governor, legislative leaders and the state's chief judge.

The 11-member panel would be able to investigate and discipline prosecutors.



New York Gov. Andrew Cuomo.

gate and discipline prosecutors, would prevent wrongful convictions and hold prosecutors accountable.

"This really positions New York state as a leader on addressing this major contributing cause to wrongful convictions," said Rebecca Brown, policy director at the Innocence Project. "Other states are looking to New York to see what happens here."

In a memo earlier this week, the counsel to New York's attorney general raised a number of concerns about the bill. The memo, addressed to the governor's counsel, called the bill laudable but said in its current form it could be invalidated by a court.

Among the concerns aired in the memo: The panel's broad investigatory power could interfere with prosecutors' decision making. It could also violate the separation of powers.

"This will definitely chill prosecutors in doing their investigative work," said Daniel R. Alonso, who supervised prosecutors at the Manhattan district attorney's office and the U.S. attorney's office in Brooklyn.

Albany County District Attorney David Soares laid out a hypothetical situation in which a prosecutor was investigating an elected official. Someone could file a complaint against the prosecutor, who could then be summoned before the commission during an investigation, he said.

"It would undermine everything that we do," said Mr. Soares, who is also president of the District Attorneys Association of New York.

GREATER NEW YORK WATCH

EDUCATION

Officials to Speed Up Implicit Bias Training

The New York City Department of Education will fast track its plan to provide implicit bias training to its employees and mandate their participation, Schools Chancellor Richard Carranza said Wednesday.

Mr. Carranza said the department wants every adult in the system to undergo the multi-stage training during the next two years, not four years as the department initially announced. Implicit bias training addresses subconscious prejudices that impact behavior and attitudes.

Critics have raised concerns that implicit bias training is being oversold.

The city has earmarked \$23 million during the next four fiscal years to fund antibias training for all Department of Education staff.

—Maya Sweeney

WESTCHESTER

Man Gets 20 Years In Wife's Killing

A former financial-services executive has been sentenced to 20 years in prison for the 2016 death of his estranged wife, a prominent doctor, in their suburban New York home.

Westchester County District Attorney Anthony A. Scarpino Jr. says Julius Reich was sentenced on Wednesday.

Robin Goldman, a pediatrician, was stabbed 22 times with an 8-inch kitchen knife as she took a shower. She still shared a Scarsdale home with Mr. Reich while they were getting a divorce.

Mr. Reich pleaded guilty to manslaughter in May.

The victim's adult children had expressed a "strong desire" to "avoid the trauma of a trial," the prosecutor said.

—Associated Press

Producer Hits a Sour Note With Broadway Critics

By CHARLES PASSY

Most Broadway producers are accustomed to staying outside the public view and focusing on behind-the-scenes tasks of raising money and putting the show together.

But Ken Davenport, producer of the new Broadway musical "Gettin' the Band Back Together," has gone the unusual route of also appearing on stage to deliver a warm-up speech to the audience. Specifically, he has reminded them that they are about to see "one of those rare things on Broadway these days: a totally originally musical."

It is a not-so-subtle dig at the fact that many current musicals are based on popular films or borrow from songwriters' back catalogs. It is a gambit that now appears to have backfired—at least with critics.

Mr. Davenport, who helped write the show, defended the speech, noting that it is actually part of the script and key to setting up a plot development later in the musical. "The unique opening...is an integral



'Gettin' the Band Back Together' features an introduction delivered by producer Ken Davenport.



part of the show," he said, adding that others "will be doing the intro throughout the run."

The speech may also have become an issue because Mr. Davenport, a recent Tony Award winner as producer of the revival of "Once on This Island," is such a closely watched figure. The producer is especially known for bucking tradition with his unusual promotions for shows. When he

wrote and produced "My First Time," an off-Broadway play about first sexual experiences, he promised free tickets to virgins—provided they passed the equivalent of a lie-detector test to prove their qualifications.

For "Gettin' the Band Back Together," which was produced for \$12 million and tells the story of a group of New Jersey musicians reuniting about two decades after attending high

school together, he launched a campaign that offered student-style "rush" tickets to theatergoers over the age of 40.

For "Gettin' the Band Back Together" to succeed, it will need to do better at the box office. Last week, the musical grossed \$293,847, which was the second-lowest total among all Broadway shows, according to the Broadway League, a trade group.

Trump, Malloy Play Big Role in Connecticut Race

By JOSEPH DE AVILA

Two wealthy businessmen will duke it out for the privilege of tackling Connecticut's problems.

In November's gubernatorial election, voters will have the choice of Democrat Ned Lamont, who made a fortune in the cable industry, and Republican Bob Stefanowski, whose résumé includes stints with UBS Investment Bank and General Electric Co. Both said their experience in the private sector would help them fix Connecticut's fiscal mess, including closing a \$4.46 billion budget hole in the next two fiscal years.

While pocketbook issues will dominate much of the campaign debate, two other politicians could have a big impact on the race: President Trump and Gov. Dannel Malloy, one of the least popular governors in the U.S., who declined to run for a third term.

Mr. Trump, who lost the state

in 2016 by 13 percentage points, endorsed Mr. Stefanowski on Wednesday. "Tough on crime, Bob is also a big cutter of Taxes," Mr. Trump said in a tweet.

Mr. Lamont pounced on the endorsement, calling Mr. Stefanowski "Bob Trumpman" on Twitter. Mr. Stefanowski countered, calling Mr. Lamont "Ned Malloy" in a tweet.

The Cook Political Report rates the race as a tossup.

Mr. Lamont, speaking at a news conference in New Haven on Wednesday, said his opponent has the same agenda as Mr. Trump. "These are not George and Barbara Bush Republicans," he said. "These are

not old-fashioned Connecticut Republicans, and these are not Connecticut values."

Republicans are trying to capitalize on the Democratic governor's low approval rating. Senate Republican President Pro Tempore Len Fasano said Mr. Malloy was to blame for Connecticut's fiscal woes.

Mr. Stefanowski singled out Mr. Malloy's leadership during his acceptance speech Tuesday. "I learned the eight years of Dan Malloy, and the special interest that he is beholden to, have damaged our unalienable right to the pursuit of happiness in the state," he said. "Our great state simply cannot

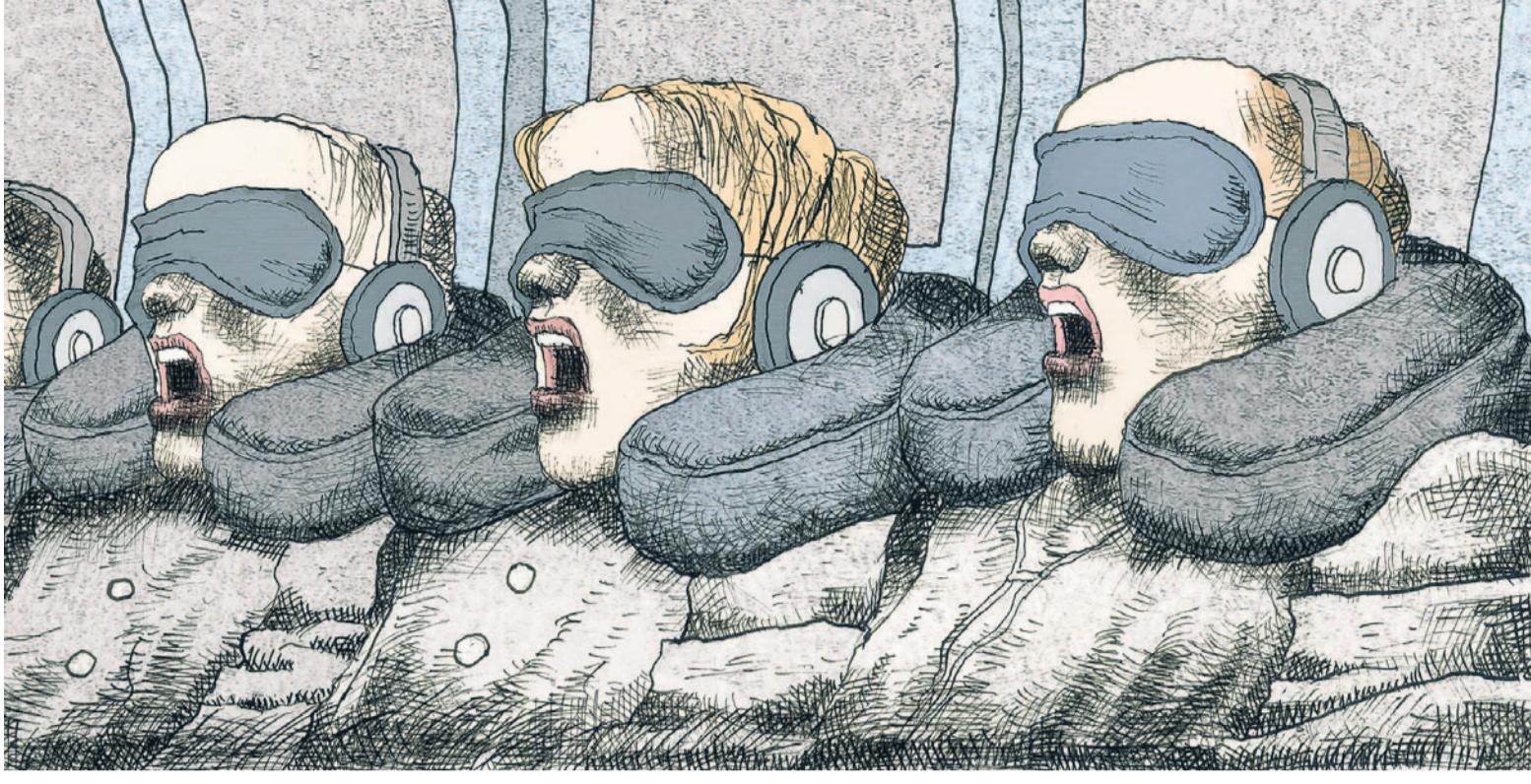
afford a continuation of Dan Malloy's horrible economic policy with Ned Lamont."

Both candidates face considerable hurdles, said Gary Rose, chairman of the department of government, politics and global studies at Sacred Heart University.

Mr. Lamont, a millionaire who has been questioned about how he would connect with average voters, will have to show middle-class voters that he understands their problems and has solutions, Mr. Rose said. Mr. Stefanowski, also a millionaire, must appeal to unaffiliated swing voters without alienating conservative activists, he said.

—Associated Press

LIFE & ARTS



THE MIDDLE SEAT | By Scott McCartney

The Science of the Long Haul

Airlines rethink their service for intercontinental trips that could last 20 hours or more

Tucson, Ariz. **THE SONORAN DESERT** is a pretty good place to research what ultralong nonstop flights do to the human body.

Airlines and scientists are studying the effects of spending 20 hours or more in an arid cabin at high altitude. They're beginning to change everything from food service to cabin lighting and temperature to combat dehydration, jet lag and the sedentary effects of being belted into a seat for a day binge-watching movies.

Singapore Airlines is working with nutrition and health experts

at Canyon Ranch here to devise new menus and onboard wellness programs for its 9,534-mile nonstop trips between Newark, N.J., and Singapore, which will be the longest flights in the world when they launch in October. The airline will also add the long-distance wellness program to existing San Francisco and Los Angeles flights.

Out go potatoes; in comes cauliflower. Beverages are being selected to not only improve hydration but also promote bathroom trips to make sure people get up and move around to stimulate blood flow and stretch muscles.

Even portion sizes are being re-evaluated. "You are relatively inactive, so you don't need as much to keep you sustained for 19 hours," says Antony McNeil, Singapore's food and beverage director.

For decades people have been flying to the other side of the world, typically stopping to make connections at a hub airport on another continent. But the growth in the airline industry in recent years has been ultralong nonstops. Newer aircraft like the Boeing 787 and Airbus A350 have the range and low operating costs to link cities directly.

In 2008, the average airline trip world-wide was 747 miles. Now it's 863 miles, up 16%, according to consulting firm Oliver Wyman's PlaneStats.com.

About a year ago Qantas Airways launched Project Sunrise, an effort to prepare for hoped-for nonstop flights from Sydney to London and New York. The airline enlisted the University of Sydney to study the effects of long periods at high altitude and enticed Boeing and Airbus to deliver a plane with enough range to fly halfway around the world nonstop.

Qantas is already expanding beyond its Sydney-Dallas route, which at one time was the longest route in the world by miles. The airline started nonstop between Perth and London, a 17-hour trip, in March with a Boeing 787.

To learn more about passengers on long flights, Qantas enlisted volunteer frequent fliers to wear monitors on wrists and legs. It turns out there's huge variation in passenger movement: Some passengers are active, others remain sedentary the entire trip.

Changes are already happening, such as delaying dinner on the evening departure from Perth to begin moving body clocks to London time. When it's time to go to sleep, cabin lights turn amber and red, which facilitate rest.

Blue and white lighting helps wake passengers up.

Flight attendants now adjust cabin temperature to facilitate sleep, too. Cooler temps help you power down.

Sleep patterns are crucial. Yet the ideal strategy remains unknown. Is it better to have one long sleep or two shorter sleep periods?

"There are a lot of knowns in ultralong haul, but there are also a lot of questions we need to ask," says Phil Capps, head of customer product and service development at Qantas.



Betty Wong, above left, and Antony McNeil of Singapore Airlines review meals tested in a Canyon Ranch kitchen with Ashley Reese, executive chef at the Tucson, Ariz., spa.

Singapore has run sleep- and eating-schedule trials on its San Francisco flights, which cover nearly 17 hours heading west. Passengers can sleep and eat when they want, says Betty Wong, Singapore's vice president of in-flight services, but "we can suggest good times that you'll want to rest."

After months of menu planning by conference call, Singapore chefs came to Tucson to cook up 36 different dishes in three days with Canyon Ranch chefs. The Canyon Ranch side knows about the effects food can have on bodies. The

surviving dishes will go through one more test in Singapore, where the airline has a cabin mock-up on the ground that can be pressurized to better replicate the in-air experience. They'll be offered as choices for passengers, along with traditional Asian food.

Another area under review with Canyon Ranch: exercise. Singapore, like many airlines, already has a video suggesting some in-seat stretching to relieve tension and stimulate blood flow.

The airline is updating the video with input from Canyon Ranch and is considering whether to do more. "Not push-ups in the aisle," Canyon Ranch CEO Susan Docherty says, "but more seated exercises."

Qantas says it hasn't ruled out having a trainer onboard to lead exercises.

◆ What's your routine to avoid jet lag on long flights? Tell us at WSJ.com/Travel

BURNING QUESTION

WHAT'S THE REMEDY FOR CAR SICKNESS?

BY HEIDI MITCHELL

MANY PARENTS have experienced the dread of road-tripping with a child prone to being carsick. Some swear by ginger candy, others by empty stomachs or even video-games. But which advice is valid and which urban legend? One expert, Michael Cohen, a physician at Massachusetts Eye and Ear and assistant professor of otolaryngology at Harvard Medical School, explains why moving vehicles make kids queasy and gives tips on how to beat the nausea.

Mixed Messages Motion sickness is caused when the brain receives conflicting signals from what it sees versus what it feels in the ear's vestibular system, says Dr. Cohen. That system operates as the body's balance organ; its three semicircular canals are filled with fluid and tiny hair cells that sense in which direction the body is moving.

Humans have also developed a robust reflex connection between the inner ear and the muscles that control the position of the eyes, "so that your eyeballs could stay focused on



A view out the side window can exacerbate motion sickness.

one place while you're hunting a rabbit or escaping a predator," Dr. Cohen says. Proprioception, a system based on sensory cells located in our joints and muscles, further helps us know where our body is in space.

Typically, those three senses are in agreement, but being in a car can cause some dissonance. "If you're a kid in a car seat in the back, and you're just seeing the seat in front of you, but the car is turning, your inner ear will tell you you're moving, but your visual and proprioception systems will tell you you're not moving," Dr. Cohen says.

When the brain gets such conflicting information, it makes many kids feel like they might toss their lunch.

Scientists are unsure why nausea is the response, but there are theories, says Dr. Cohen. One, he says, suggests that if an ancient human

ate a toxic substance, it could send mixed signals to the brain and trigger a response to toss it up. "Vomiting is a safety mechanism, one that was especially useful before refrigeration," he notes. Plus, he adds, "We didn't evolve to drive in cars."

Aging Out

The most common advice Dr. Cohen gives to his patients is to wait until they grow out of car sickness. "We know that kids age 2 to 12 have very sensitive proprioception and vestibular systems. It may be that as the brain develops, it is not as sus-

ceptible to the incongruous information. But this is conjecture," he says.

Dr. Cohen will usually check patients to be sure there isn't another symptom, such as hearing loss, ringing or dizziness, that might suggest a larger problem, "though car sickness is usually straightforward," he says.

Assuming all is clear, Dr. Cohen suggests ways to limit clashing information: Make sure children have a view out the front window by elevating their booster seats (presuming it's still safe for a seatbelt) or let teenagers sit in the front seat so their view is parallel to the direction of travel. Sitting in the back, especially on the side, can be a trigger to many motion-sickness sufferers because visual tracking out the side window can make the eyes move back and forth like reading the lines of a book, the professor says.

Snacks and Screen

"If your child is prone to car sickness, an empty stomach is optimal," Dr. Cohen says, "but if your kid needs a snack, better to give him something bland than something heavy, fatty or spicy." Compounds in ginger have pharmacologic properties, he notes, and there is some evidence to suggest ginger can help

with the feeling of nausea that comes from inflammation. "But I know of no evidence that ginger reduces the feeling of motion sickness that results from conflicting signals in the brain," he says.

Some data suggest that sensory stimulation can help mask the disparate information the brain is receiving. "So giving your child something delicious like a lollipop, or turning on music, or having the window down to feel air on his face might distract the mind," Dr. Cohen says.

While digital devices are a godsend to many road-tripping families, rapid eye movement that is out of sync with the car's trajectory and the head-down position that keeps the eyes isolated from what is going on outside can exacerbate car sickness, Dr. Cohen says.

"I don't want to sound like a Debbie Downer and say no screen time, but people should keep tabs on their child's screen time in the car if he is prone to motion sickness," he says. "If he gets sick within 15 minutes, then don't allow screens at all in the car. If he doesn't get sick for an hour, limit time to 15 minutes per hour, and maybe have him listen to music instead."

Tips For Flying Better

- Stay hydrated
- Gradually adjust to destination time three days in advance
- Eat protein, avoid carbs
- Graze instead of eating a big meal
- Use eye drops and nasal spray
- Get up and stretch often
- Avoid alcohol and coffee

Singapore side knows about the effects airlines can have on food.

Lightly sautéed spinach was stored in a heat pack for hours, then reheated for serving on a plane. It didn't wilt. But a Hollandaise made with yogurt and egg yolks fell apart after it was cooked, chilled, packed and reheated. The recipe was modified to remove egg yolks and add béchamel sauce.

Canyon Ranch worked to reduce the heaviness of meals and portion size to avoid peaks and troughs in blood-sugar levels—multiple, smaller portions are better than a big feast.

Instead of puréed or creamy potatoes that Singapore serves on existing long flights, chefs substituted riced cauliflower with turmeric and made it look like mashed potato for the ultralong trips. Cauliflower helps hydrate passengers. Turmeric is an anti-inflammatory that can counteract effects of long flights.

Singapore is also adding bone-broth teas because they'll send people to the bathroom more frequently, forcing them to stretch.

Standard tricks of airline food applied as well. Chicken thighs are used instead of breast meat because they're more moist.

But Singapore is ditching other traditional tricks. Because taste buds are weaker in the arid-dry airplane cabin, airline kitchens often load up on salt to give food more flavor. That leads to more dehydration for passengers. That can cause fatigue and headaches, muscle and joint tightness and aches, and leave you at greater risk of catching colds.

So the joint team of chefs worked on low-sodium dishes with strong-enough flavors for altitude.

The surviving dishes will go through one more test in Singapore, where the airline has a cabin mock-up on the ground that can be pressurized to better replicate the in-air experience. They'll be offered as choices for passengers, along with traditional Asian food.

Another area under review with Canyon Ranch: exercise. Singapore, like many airlines, already has a video suggesting some in-seat stretching to relieve tension and stimulate blood flow.

The airline is updating the video with input from Canyon Ranch and is considering whether to do more. "Not push-ups in the aisle," Canyon Ranch CEO Susan Docherty says, "but more seated exercises."

Qantas says it hasn't ruled out having a trainer onboard to lead exercises.

LIFE & ARTS

'He's thrust into this world where there are going to be moral gray areas,' John Krasinski says of the straight-shooting hero he plays in 'Tom Clancy's Jack Ryan.'



BY CARYN JAMES

"TOM CLANCY'S Jack Ryan," an Amazon series that begins streaming Aug. 31, shares many features with the five Jack Ryan movies that have preceded it.

They all feature the brainy Jack offering some version of "I'm just an analyst" right before he leaps into action. Someone always sneeringly calls him a Boy Scout.

But the star of the new series, John Krasinski, and its creators, Carlton Cuse and Graham Roland, view that wholesomeness as one of the title character's most admirable qualities. Their challenge was to make a straight-shooting, old-fashioned hero relevant in 2018.

"In a way he feels like a throw-back character from the 1950s who just happens to be living in today's world," Mr. Krasinski says. "There is a deep sense of right and wrong in him, and he's thrust into this world where there are going to be moral gray areas."

Tom Clancy introduced Jack Ryan, a Marine turned CIA analyst, in his 1984 novel "The Hunt for Red October," and has featured him in more than a dozen books since. The film adaptations kicked off in 1990 with Alec Baldwin in the lead role, followed by Harrison Ford in two sequels. Ben Affleck and Chris Pine

both starred in reboots.

"Clancy created a classic American hero, and we wanted to be true to that," says Mr. Roland.

That poses challenges in an entertainment landscape full of anti-heroes and rule-breaking protagonists. "Whether it's Carrie Mathison on 'Homeland' or Jason Bourne in the Bourne movies, these are flawed individuals who are members of corrupt institutions doing whatever it takes," says Mr. Cuse, who, like Mr. Roland, previously wrote for "Lost."

Unlike those characters, Mr. Cuse adds, "Jack is a guy whose moralism is his point of conflict."

To make their character more contemporary, the creators designed a plot based not on a particular novel but on Clancy's approach, which Mr. Cuse describes as "a deep techno-dive into a subject, whether it was submarines or the South American drug trade, while at the same time telling a geopolitical thriller of the moment."

Starting out three years ago, they chose Middle Eastern terrorists—avoiding actual groups like ISIS as a kind of insurance against real-life events overtaking the fiction—as the most topical enemies for their Jack Ryan to fight.

With an eight-hour TV season to work with, "Tom Clancy's Jack Ryan" can explore characters more

Jack Ryan's Many Faces

Four actors have already taken Jack Ryan around the world, each tweaking the character and resetting his age, his enemies and his status in the CIA.

► "The Hunt for Red October" (1990): Alec Baldwin plays Cold War Jack Ryan, a low-level CIA naval expert who suspects that a Soviet submarine commander (Sean Connery) is trying to defect, not start a nuclear war.

■ "Patriot Games" (1992): Harrison Ford takes over as Professorial Jack, still a naval historian but out of the CIA—at least until he and his wife and daughter are caught in an IRA shootout in London.

■ "Clear and Present Danger" (1994): In Mr. Ford's second go-round, Action Jack is now a CIA operative who dangles from a helicopter and takes down a Colombian drug cartel.



- "The Sum of All Fears" (2002): Ben Affleck stars in the first reboot. The Cold War is over, but Jack is young again, a confident junior CIA analyst who stops neo-Nazis from instigating a U.S.-Russia nuclear war.
- "Jack Ryan: Shadow Recruit" (2014): Chris Pine stars in another reboot, with Jack as a CIA economist undercover on Wall Street. He reluctantly turns operative when he traces terrorists' money to a Russian oligarch (Kenneth Branagh, who also directed).

deeply than a single movie. "If we're going to do a story about Middle Eastern extremism, we have to take time to show some of the root causes, not to justify but to explain how someone may fall into this path," says Mr. Roland.

For example, a character who

becomes Jack's main suspect appears in the first episode's opening scenes as a young boy who survives a bombing by Western jets in Lebanon.

As in the novels and movies, Jack Ryan is a patriot with an acerbic wit who sometimes bristles at

orders. In the Amazon series, he starts as a CIA economist examining the terrorists' money trail.

Ethically murky situations, such as an extreme interrogation in Yemen and a shootout on the streets of Paris, shake his assumptions about what is the right thing to do. His dilemmas can be as simple as whether to go over his boss's head to freeze a bank account, or as fraught as whether to shoot an escaping suspect and risk hitting innocent people.

To weave in Jack's lighter moments, Mr. Krasinski brought a comic touch honed over his years on NBC's "The Office," and a lesson from his role as a military contractor in the 2016 film "13 Hours," about the attack on the American compound in Benghazi. (His more recent success as director and star of the box-office hit "A Quiet Place" came after making "Jack Ryan," whose second season is shooting now.)

While making "13 Hours," he says, "I was naive enough to question some of the lines in the script. I'd say, 'In the middle of a firefight you'd never say that you're really hungry for pancakes.' Then you meet the actual Navy SEALs who were there and they say, 'That's exactly what we do.' They try to bring levity to the darkness, otherwise they'd be consumed."

TRENDING

FANS FLOCK TO A PEARL JAM EXHIBIT

BY CHRIS KORNELIS

Seattle WHEN THE MUSEUM of Pop Culture announced earlier this year that it would be working with Pearl Jam on an exhibit devoted to the band's nearly 30-year career, curator Jacob McMurray quickly realized the interest would be high.

Fans around the world began calling every day. They had tickets to Pearl Jam's sold-out "Home Shows," a pair of concerts at Seattle's Safeco Field last weekend, and wanted to see the exhibit while they were in town.

"I don't know that I would have forecasted that there would have been this much hype," Mr. McMurray says. "Clearly this is a big thing for the Pearl Jam fan base."

To accommodate the demand, the museum opened the exhibit a few days early for members of Pearl Jam's fan organization, Ten Club, keeping its doors open as late as 2 a.m. so that concertgoers could swing by after the band's performances. The exhibit, "Pearl Jam: Home and Away," opened to the general public on Saturday and will be up through next spring.

The museum says that more than 3,000 people visited during those preview days, though it hasn't tracked exhibit attendance since it opened to the public.

"Home and Away" contains nearly 500 artifacts, more than any other exhibit the museum has created in-house, including handwritten lyrics by lead singer Eddie Vedder, a Deva costume worn by guitarist Stone Gossard on Halloween in 2009, one of the band's first demo cassettes, and band members' musical instruments in varying states of destruction.

Many of the relics come from

Why It's Working

The Show: "Pearl Jam: Home and Away," at the Museum of Pop Culture in Seattle, open through spring 2019

The Premise: "Re-creating a fantasy version of their warehouse and showcasing the creative ephemera of three decades of musical creativity," curator Jacob McMurray says.

The Reaction: More than 3,000 Pearl Jam fans came to preview days at the museum while the band played two sold-out concerts in Seattle.

The Formula: The exhibit includes hundreds of pop-culture artifacts and is geared toward fans who want to reminisce. "It doesn't do a lot of signposting throughout the gallery," says Mr. McMurray. "It's more about fans going and exploring things and sort of connecting stuff that they're seeing with their memories of shows that they went to and experiences that they have had seeing the band."

Kevin Shuss, who has worked for Pearl Jam since its first days on tour as a merchandise salesman, keyboard technician, video-camera operator and other jobs. Along the way, he socked away just about anything he could get his hands on, from posters and fliers to hand-



The Museum of Pop Culture chronicles Pearl Jam's nearly 30-year career in posters, instruments and other memorabilia.

bills, shirts and festival pamphlets.

"I grew up in a little town in Idaho, and I didn't think I was going to go anywhere or see anything," he says, "so mostly it was kind of just to remember where I'd been and what I'd got to see."

Visitors to the exhibit are greeted by a bronze sculpture of Andrew Wood, emerging from a tree trunk. The lead singer of Mother Love Bone, Mr. Wood died in 1990 following a heroin overdose. His bandmates, Mr. Gossard and Jeff Ament, started Pearl Jam after his death.

"They felt really strongly about having it in the gallery," says Mr. McMurray, "to really kind of cement Andy's place in Seattle"

music history."

The exhibit has attracted die-hard fans like Brian Bauer, 49 years old, who works for a steel-distribution company. He estimates he has seen 30 to 40 Pearl Jam shows as far away as Krakow, Poland, and flew in from Chicago to attend both Seattle concerts, along with the museum show.

Eric Montague, 46, a Boston-area fan who runs an advertising agency, says that what some people might consider minutiae holds special meaning for Pearl Jam fans who are interested in a closer look at the band's creative process.

"You want to know where it came from," he says. "And it's interesting to see the seed, the origins."

The exhibit can be viewed as a companion piece to MoPOP's "Nirvana: Taking Punk to the Masses," an exhibit as much about the band as it is the regional scene it grew out of and that dominated popular culture for a period in the 1990s.

Unlike that grunge-oriented exhibit, however, "Home and Away" is focused on a band that survived the decades and the genre. It is also a sobering reminder that Mr. Vedder is the last living lead singer among Nirvana, Pearl Jam, Soundgarden and Alice in Chains.

"That's why we came to see them in Seattle," says Aaron Zufelt, 43, in town from Alturas, Calif. "You never know how much longer they're going to be around."

LIFE & ARTS



ART REVIEW

Searching for a Master's Hand

BY CAMMY BROTHERS

New Haven

PICTURE YOURSELF in a store-room, surrounded by unidentified paintings hundreds of years old. Many are interesting, most are in pieces, none are signed. How would you begin to put together who had done what?

Traditionally, art history prepared future connoisseurs for just this, training students to develop "a good eye." Built on years of close looking and firsthand study of works of art, in practical terms this means the ability to identify the "hand" of an artist, his or her characteristic style.

This kind of training has fallen from fashion, so who is left to figure it all out? Into the breach steps Laurence Kanter, chief curator of the Yale University Art Gallery and a firm believer in the judgment of the trained eye. In a small but daring exhibition, "Leonardo: Discoveries From Verrocchio's Studio," Mr. Kanter has put on view three paintings in which he sees Leonardo's hand at work, as well as six other related paintings and four works of sculpture, assembled in three rooms on the gallery's top floor and interspersed with large-scale photographs of other, related works of art that could not be part of the show.

The exhibition is guided by a single question: What was the nature of the collaboration between Leonardo da Vinci (1452-1519) and his teacher Andrea del Verrocchio (1435-1488) during the years he trained in his studio?

Although the apprentice eclipsed the master unquestionably in fame and arguably in achievement, Verrocchio was an accomplished painter and sculptor in his own right. Understanding their relationship as it plays out in works from Verrocchio's studio requires an even higher level of discernment than attribution alone: It asks the viewer not just to ascribe the entire work to a single artist, but to see the hand of one artist or another in particular parts of a painting.

Of the three new attributions, the easiest to understand and the most persuasive is the first painting in the show (1475-79), from the Louvre. It is a miniature rendition of "The Annunciation" (c. 1472) in the Uffizi by both Verrocchio and Leonardo. The Louvre panel is traditionally ascribed to a single artist, Lorenzo di Credi. Mr. Kanter, however, sees its exceptional quality as a sure sign of Leonardo at work: The composition is bal-



anced, the painter's touch delicate and accomplished.

In a second small panel, "A Miracle of St. Donato of Arezzo" (c. 1475-85) from Massachusetts' Worcester Art Museum, Mr. Kanter detects Leonardo's hand in the landscape, in one of the two figures, and in details of the drapery. Both the Louvre and Worcester works are so-called predella panels—small paintings that run along

the base of an altarpiece—from the "Madonna di Piazza" in Pistoia, Italy. They are united in this show for only the second time since they were separated.

In "The Triumph of Aemilius Paulus" (c. 1472-73) from the Musée Jacquemart-André in Paris, on a cassone, or marriage chest, Mr. Kanter sees Leonardo in the horses and carriage on the right half of the panel, but not the left,

and in the landscape. His argument hinges on the perceived quality of these details, and believing him relies on the viewer's ability to see what are, to Mr. Kanter's eyes, stark distinctions between different parts of the work. While the explanations in the wall texts are detailed, following his logic and his eye would almost require him to stand next to every visitor.

'The Triumph of Aemilius Paulus' (c. 1472-73), above, and 'A Miracle of St. Donato of Arezzo' (c. 1475-85), below; 'Virgin and Child' (c. 1470-75), by Andrea del Verrocchio

Mr. Kanter invites the visitor to form his or her own judgment about the works on view. Unfortunately, "Leonardo: Discoveries From Verrocchio's Studio" has one major flaw: In many cases Mr. Kanter was unable to secure the loans of paintings necessary to field-test in the exhibition the subtle comparisons he makes in the catalog.

The breakout star of the show is not any of the works newly attributed to Leonardo, but "Virgin and Child," a full-length, roughly life-size panel painting from about 1465 in the Alana Collection of Newark, Del., by Verrocchio. The stately and elegantly dressed Madonna casts her gaze down at the Christ child, who balances gingerly on a pillow while meeting the viewer's gaze. Positioned frontally and framed by her throne, she hearkens back to Byzantine icons while displaying an informality and humanity that are utterly new.

The relationship between Leonardo and Verrocchio lays our contemporary biases bare. Verrocchio constructed monumental bronze sculptures, carved delicate marble and terra-cotta portrait busts, designed porphyry tombs and marble fountains, as well as painting exquisite panel paintings. Yet it is Leonardo—who, for example, only thought about making a bronze sculpture—that we hail as the paradigmatic "Renaissance man." We know Leonardo as a polymath: an inventor, a scientist, an anatomist. This exhibition brings us back to Leonardo the painter, asking fundamental questions about his training and early work.

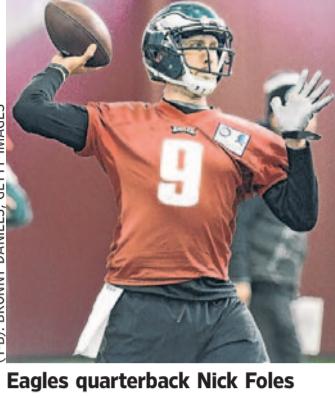
This was a brave show to mount. Museums typically prefer to rely on their institutional authority in making assertions about attributions, rarely offering a justification. By contrast, Mr. Kanter has lifted the veil on how attributions are made, and in that way he's done a public service. Only time will tell if they stick.

Leonardo: Discoveries From Verrocchio's Studio
Yale University Art Gallery, through Oct. 7

Ms. Brothers is an associate professor at Northeastern University and the author of "Michelangelo, Drawing, and the Invention of Architecture" (Yale).



SPORTS



Eagles quarterback Nick Foles

NFL

A SUPER PRESEASON REMATCH

BY ANDREW BEATON

SIX MONTHS AGO, Nick Foles entered the Super Bowl as an unlikely starter and left as an even unluckier victor. That same day, Tom Brady reached the same game as the expected champion and walked out the unexpected loser.

And after that ultra-dramatic Eagles win over the Patriots, Foles and Brady are expected to return to the field for the first time on Thursday, when the teams meet in a preseason matchup at Gillette Stadium.

Both these teams enter the 2018 season with lofty expectations. They also face their own set of oddly tenuous circumstances that will be hashed out, beginning in this game.

Carson Wentz is the Eagles' future but tore ligaments in his knee late in 2017, requiring season-ending surgery and seemingly drowning the team's title hopes in the Schuylkill River. That never happened—because the team had Foles.

There's seemingly no doubt that once Wentz is ready, Foles will again become the most valuable backup quarterback in the NFL. The only question: When? It isn't clear if that will happen by Week 1. "It's going to be close," Wentz said Tuesday.

The Patriots have a different sort of predicament. They know who their quarterback will be. They just aren't quite sure who will be there to catch Tom Brady's passes other than tight end Rob Gronkowski.

Receiver Julian Edelman missed last season with a knee injury and is suspended for the first four games this year. Brandin Cooks, who led the team in catches a year ago, was traded to the Rams. Danny Amendola is also gone. All this upheaval has transformed this preseason into a giant competition between questionable options trying to prove they're worthy of catching Brady's passes.

The New York Yacht Club is aiming to bring the trophy back to where it resided for 132 years

BY AARON KURILOFF

TECH BILLIONAIRE Larry Ellison controlled the America's Cup for much of the last decade. Now a team funded by moguls from investing, motorsports and Amway is aiming to bring the trophy back to where it resided for 132 years—the New York Yacht Club.

"New York Yacht Club American Magic" is the name of the only announced U.S. team pursuing the nearly 167-year-old yachting trophy in the next America's Cup, scheduled for 2021 off New Zealand. (Its birthday is next week.) The name is an amalgam of the yachts America and Magic, which won the first two editions of the regatta in 1851 and 1870.

Members of that U.S. team, and the three others registered to compete in sailing's most-popular event, are headed to Cowes in the U.K. at the end of August, where organizers are expected to launch the next phase of competition by announcing the dates and venue for the Cup match.

The U.S. team's handle is a nod to the club's place at the center of Cup competition. It housed the trophy for more than 13 decades during what became known as the longest winning streak in sports. But the club has spent around 15 years on the sidelines as Ellison grabbed and held the Cup with a tech-driven team based at a San Francisco club, sailed by a multi-national crew and led by a New Zealander.

The team assembled by the New York Yacht Club is backed by \$100 million and meant to unite the U.S. sailing community behind a trio of experienced hands from various kinds of racing: John "Hap" Fauth, Doug DeVos and Roger Penske.

Fauth is the founder of privately held investment firm the Churchill Cos. and also runs Bella Mente Racing, winner of multiple sailing world championships. DeVos is president of Amway, brother-in-law of the U.S. education secretary and the head of the similarly accomplished Quantum Racing team.

Rounding out the leadership is Penske, founder and chairman of Penske Corp., whose stewardship of Team Penske has earned him victories at the Indianapolis 500 and Daytona 500, along with a recent election to Nascar's Hall of Fame. And the team's skipper is Annapolis native Terry Hutchinson, a Cup veteran and two-time Rolex Yachtsman of the Year.

"We feel we can make this a U.S. team as much as a New York Yacht Club team and really grab the interest of the U.S. sailing community," said Philip Lotz, the



Sailors from the New York Yacht Club's American Magic team race in the Congressional Cup, off Long Beach, Calif.

club's commodore.

That's something Ellison attempted with technology. Ellison won the trophy racing multihulls in a one-on-one match with the Swiss syndicate run by pharmaceutical billionaire Ernesto Bertarelli off Valencia, Spain, in 2010. The Oracle chief then hosted subsequent races in hydrofoiling catamarans that soared above the waves at highway speeds, their maneuvers detailed with high-tech, on-screen graphics. It was an effort to remake sailing as mass spectacle, in pursuit of the audiences who flock to sports like Formula One.

Ratings in the U.S. remained low, however, and the move alienated some devoted sailors. After Emirates Team New Zealand defeated Ellison's Oracle Team USA off Bermuda last summer, the Kiwis negotiated conditions for the next competition with the Italian Luna Rossa team headed by Prada chief executive Patrizio Bertelli, announcing they would host the next race in more conventional, if still cutting-edge, 75-footers. The new protocol also requires that at least 20% of the now-larger sailing crew hold citizenship in the country they represent.

For the New York Yacht Club, Ellison's loss opened the possibility of a return to competition, and the club's embrace of U.S. sailing enthusiasts has been welcomed at a time when the sport has struggled in this country. U.S. sailors won just one medal—a bronze—in the past two Olympics.

Ken Read, president of North Sails and a television analyst during recent Cup regattas, said the team's funding, organization and leadership looked strong enough to produce a fast boat—always the key to winning—but the question remains: "Are they going to show the world that American sailing can play at this level?"

That's a goal embraced by the American Magic front office. The team's partners include US Sailing, the sport's governing body in this country, a relationship aimed at identifying and training home-grown sailors. The syndicate is establishing headquarters and boat-building operations along coastal Rhode Island near Newport, long home to the Cup races. And U.S. natives make up a hefty chunk of the crew.

"Hopefully, the grass-roots nature of what we're doing pays dividends in the future," said Fauth.

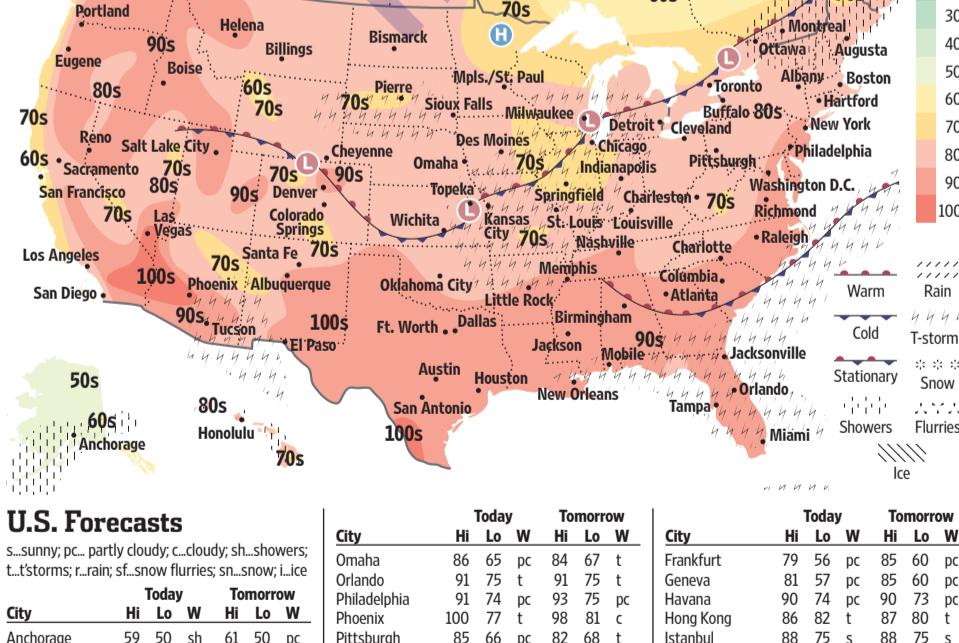
Hutchinson helped assemble the effort. He's a tactician for both Quantum and Bella Mente, and began talking up the idea of a team-up several years ago. That idea found fertile ground with Fauth and DeVos, who said they'd long dreamed of competing. It's a decision that adds their names to a list of hopeful challengers from the club over the years that includes J. Pierpont Morgan, Harold S. Vanderbilt and Ted Turner.

The team has named Dean Barker—a Cup vet from New Zealand now living in the U.S.—as a helmsman and earlier this year finished second in the Congressional Cup, a prestigious test event.

The team's design and construction effort is also swinging into action, led by Botin Partners, the Spanish naval architecture firm that has produced boats for both Quantum and Bella Mente. The new Cup boats, single-hulled vessels likely to look more familiar to many viewers than the catamarans of Ellison's era, are still designed to rise above the waves on hydrofoils and achieve extreme speeds.

"You quickly realize the sailing part is a smaller component of the process," Hutchinson said. "Everything's leading up to one event."

Weather



U.S. Forecasts

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

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

Today Hi Lo W Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Hi

Lo

W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

Hi

Lo

W

Today Hi Lo W

Tomorrow Hi Lo W

City

OPINION

Alex Jones, Meet Peter Strzok

**WONDER LAND**
By Daniel Henninger

Let us consider the ways in which the human mind can go wrong today. There once was a time when if you said the Sandy Hook massacre in Connecticut didn't happen or that the U.S. government carried out the attacks of 9/11, you would be dismissed, by most people, as a nut. That was then. In our time, if you posit fantasies on social media, you may generate a following in the millions.

There was also a time when if you were a high-level FBI official investigating the nation's dark behavior, you would leave your tough job at the office and go home at night for some downtime. No longer. Now, for some reason,

Who needs Infowars when all of us can now create our own personal fever swamp?

FBI officials (at least six by the inspector general's recent report) spend time at their day jobs exchanging obsessive texts and emails about their opposition to the country's next president.

Is anyone else starting to feel as if we're being invaded by pod people from "Invasion of the Body Snatchers"?

About a week ago, Alex Jones, proprietor of the conspiracy-theory website Infowars, was driven into virtual oblivion by six or so media

platforms that have banned most of his content. After Apple removed his podcasts, similar bannings came from Facebook, Alphabet's YouTube, Microsoft Corp.'s LinkedIn, Spotify and Pinterest. When Mr. Jones tried to escape to Vimeo, it also took down his videos.

This week, the FBI fired Peter Strzok, a former head of its counterespionage section. In a 2016 text message to FBI lawyer Lisa Page, who was distraught that Donald Trump might become president, Mr. Strzok wrote: "No. No he's not. We'll stop it." Within hours of his firing, a GoFundMe page on the web raised some \$400,000 for Mr. Strzok. Democrats echoed the sentiment of Rep. Michael Capuano, who said in a tweet that the Strzok firing by Deputy FBI Director David Bowditch was part of a campaign by Donald Trump's allies "to undermine the FBI."

Who needs Alex Jones when all of us can now create our own personal fever swamp?

A latent audience has always existed for conspiracy theories, and now technology has flipped the on-switch inside their heads and brought them together on these sites. They have a lot of company.

The internet's pipes transport immeasurable volumes of hate speech, wild conspiracies, misogyny, social and political shaming mobs as vicious as the Red Guards in China's Cultural Revolution, malicious hackers, young men who learn to crash real planes by playing videogames, FBI agents wasting their days exchanging thousands of irrelevant text messages, and homegrown terrorists marinating in homicidal jihadist videos.

**The Infowars host in 2017.**

and like nearly all problems today, it's political.

Hate speech, contrary to media convention, is not a settled concept. It is difficult to define in ways that are clear or legally precise. Identifying hate speech, especially for the purpose of banning it, is often a judgment call. And at its increasingly familiar worst, a rush to judgment.

One may call it God's rough justice that the repellent Mr. Jones was banned. But it didn't pass unnoticed that after Apple blocked him, the others did so instantly.

In reality, these tech companies' high-minded hate-speech standards inevitably come under pressure to act from their progressive, hyperpoliticized employees. Unless everything we've learned about psychological bias is wrong, who can doubt that shadow banning of conservative-oriented content on the web is real? No one is that naive.

If there were more balance or good faith in the arguments over the content of speech, one might credit the left's concerns about injury and harm. Instead, what is happening on campuses reveals the reality.

On speech issues, academics have developed Stockholm syndrome. When liberal and progressive professors come under assault from student mobs for "hurtful" speech, their colleagues fall silent, shun them, or sell them out. Why should the rest of us regard hate-speech rules as anything but a political weapon?

The internet has turned out to be history's ultimate dual-use technology. With much good has come much mania. Hate speech isn't its greatest problem.

There is a problem here,

Write henninger@wsj.com.

Listen to the Democratic Left

By Karl Rove

United Nations Ambassador Jeane Kirkpatrick, then a lifelong Democrat, electrified the 1984 Republican National Convention when she excoriated the recently completed Democratic Convention as a meeting of the "Blame America First" crowd. Kirkpatrick explained the danger by quoting the French philosopher Jean-François Revel: "A civilization that feels guilty for everything it is and does will lack the energy and conviction to defend itself."

Blame America First Democrats were briefly sidelined by Bill Clinton's presidency, but the mob is back, angrier and more negative about their own country than ever. Consider observations by some of the party's 2020 hopefuls during the progressive Netroots Nation conference in New Orleans earlier this month.

New Jersey's Sen. Cory Booker declared that "we are at a time where injustice has grown to be normal in our country." Speaking across town at Dillard University, Massachusetts' Sen. Elizabeth Warren offered "the hard truth about our criminal justice system: it's racist. . . I mean, all the way, front to back." Surely it doesn't speak well of former Attorneys General Eric Holder and Loretta Lynch that the justice system is in such dire straits after eight years of their leadership.

California's Sen. Kamala

Harris joined the assault, telling Netroots that "our criminal-justice system has failed." Besides vowing not to be "shut up" by opponents of "identity politics," Ms. Harris unconsciously took a swipe at President Obama's record, saying "we have an economy that is at work for those at the very top but not for those doing the hardest work."

The justice system is 'racist.' ICE is guilty of 'human rights abuses.' And more.

Or listen to Alexandria Ocasio-Cortez, the Democratic Socialist who became the left's overnight sensation after defeating longtime Rep. Joe Crowley in a stunning primary in June. She told Netroots that Immigration and Customs Enforcement, the agency charged with enforcing immigration law, has "repeatedly, systematically and violently committed human-rights abuses."

Ms. Ocasio-Cortez's pledge to "abolish ICE" sold well among the 16,898 Democrats in the Bronx and Queens who delivered her the party's nomination. So did her support for free college, guaranteed jobs and single-payer health care. But it's hard to believe this kind of agenda will help Democrats win over the millions of suburban swing voters they need to retake power in

Washington, especially when you have prominent Democrats like New York Gov. Andrew Cuomo saying America "was never that great."

House Minority Leader Nancy Pelosi may understand as much. But her attempts to frame a national Democratic message have been—to put it charitably—underwhelming.

Take Mrs. Pelosi's comments this week on MSNBC: "We are for the people having lower health-care costs, reducing the costs of prescription drugs. Democrats are for bigger paychecks by building the infrastructure of America, creating good-paying jobs."

While Mrs. Pelosi says all the party needs to do is "brag about it more," even she must recognize that "it" is neither an agenda nor a record, but a collection of shopworn phrases without any punch.

The question is whether Republicans will seize the opportunity that the Democratic move left has created. A recent survey by a conservative super PAC found that 73% of voters in battleground congressional districts would be less likely to vote for a candidate who backs a "single-payer health-care system" in which "all private health-care plans would be eliminated" and the available procedures limited. Seventy percent would be less likely to vote for a Democrat who supported a "Medicare-for-all health-care system that would cost \$32 trillion," hike taxes, and "nearly double the national debt."

Sixty-five percent would be less likely to vote for a candidate who wanted to abolish ICE. The same percentage would be less likely to vote for someone who would repeal the recent tax cuts. And 64% said they would be less likely to support candidates who raised money "from the most liberal activists in Hollywood and New York."

While going after the emerging Democratic agenda is important and effective, Republicans must pair it with a renewed emphasis on the economy. They should raise pressing local issues, and incumbents must draw on their longstanding local relationships.

The GOP also needs more discipline from the White House and fewer Twitter attacks on LeBron James and Omarosa.

Still, that may not be enough. The Democratic base can rile itself up with wild talk about impeachment, even as Democratic leaders pitch independents by calling for "a check and balance" on the Trump administration. That may prove sufficient in 2018 to bring the party back to power. But the return of the Blame America First Democrats is bad news for the Democratic Party in 2020—and for the country as a whole.

Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

The Case Against Cutting Class

By Jennifer L. Taitz

In late August I wonder how often people skip pricey, nonrefundable experiences that they've planned for years. Then I fantasize about buying college students old-fashioned alarm clocks.

Depression and anxiety are prevalent on campus, and high rates of absenteeism aren't helping. A Harvard study noted attendance dropped from 79% at the beginning of the year to 43% at semester's end. At Harvard, where tuition and housing costs some \$70,000 a year, each missed class amounts to several hundred dollars.

As a psychologist, my student patients tell me skipping class is practical—attendance isn't mandatory and lectures

are accessible online. The mindset is that there's little benefit to sitting in a room with peers while engaging with prospective mentors. Yet these young adults never contemplated enrolling in more affordable online schools.

It's a waste of money, and it's bad for your mental health.

Cutting class also entails health risks. Getting up for lectures each day will help you cultivate good sleep habits, since one way to treat or prevent insomnia is to maintain a set wake time. If you stow your smartphone and mindfully participate, not only

will you actually learn, but you may find yourself less stressed than when passively scrolling through social media or frenetically texting. Your British literature discussion may prove a nice distraction from ruminating about your relationships. And sitting in a room full of people you have something in common with is an opportunity to create meaningful connections and feel less alone.

If you assume sticking to your schedule feels forced—especially if you're tired, hung over or behind on assignments—go anyway! Behavioral activation, or sticking to a meaningful plan independent of your mood, is as effective in treating depression as medication. Even when you don't feel captivated by your required

courses, arriving with your eyes up will help you live better and prevent the panic and sadness that are bound to torment you if you fall behind or isolate. After you commit to going to class, if your mind comes up with an excuse not to go, see that as mental spam, not a sensible plan.

Even if your college years are behind you, the same advice applies if you have a hard time getting going with your commitments. And if you need help with any of the above, find a therapist to help. But first, make a commitment to embark on your adult life as someone who shows up.

Ms. Taitz is a clinical psychologist and author of "How to Be Single and Happy" and "End Emotional Eating."

BOOKSHELF | By Kushanava Choudhury

Limited Prospects, Global Ambitions

DreamersBy Snigdha Poonam
(Harvard, 271 pages, \$17.95)

Today half of India's 1.2 billion citizens are under the age of 25. A tiny fraction will get the few well-paying jobs in the private sector that have seen stratospheric growth in wages in the past three decades of roughly 7% annual GDP growth. For the rest, a government position, with its fixed wages and job security, is still the best hope in an economy where opportunities cannot keep pace with aspirations. In 2016 seven million young Indians applied for a mere 8,300 entry-level public sector openings. Among those who applied for the position of municipal sweeper were thousands of college graduates and even some with M.B.A.s.

A generation ago, most Indians were poor, rural and bound to agriculture, but their access to the wider world of aspiration was also limited. Now even a young person on a farm is exposed to a common global culture through cable TV, the internet and mobile phones.

As Snigdha Poonam writes in "Dreamers," "a twenty-year-old in Indore has the same access to information as someone his age in Iowa—and could very well have the same desires." Young Indians "see no connection between where they live and what they want from their lives."

That stark mismatch is the central theme of "Dreamers." The book consists of a set of compelling profiles, mostly of young men from small towns, who are aspiring actors, personality-development coaches, Spoken English teachers, political fixers and professional scammers.

Ms. Poonam herself grew up in a midsize city, Ranchi, and in "Dreamers" she reports from her hometown and others like it that Indian English-language journalists rarely visit. The book's strength lies in its shoe-leather detail; many of the chapters were developed as articles for the New Delhi-based Hindustan Times, where she works. Ms. Poonam goes to unremarkable places and hangs out with ordinary people. "I spent almost three years mostly listening to young men rant," she writes, about how they felt that they had no future in India and India had no future in the world.

Their dreams, however, seemed to bear no relation to such assessments. Ms. Poonam profiles one Vinay Singh, who runs a company that specializes in creating clickbait on Facebook aimed at Americans. His hero is the entrepreneur Elon Musk. Mr. Singh had previously wanted to be prime minister of India, he tells Ms. Poonam, but now says: "I want to lead humanity. Humanity is bigger than a country. I want to go outside the earth. I want humanity to be a multi-planetary existence. I want to lead Mars."

There are many such gems in the book. In the hands of a lesser reporter they would simply sound farcical. But Ms. Poonam writes about these men—there are few women in her profiles—with empathy and portrays them convincingly as part of a larger social phenomenon. Some of them aspire to be right-wing politicians while others want to be Bollywood stars or motivational gurus. The content of their goals is almost secondary. It is the structure that's the same: Be very ambitious. Have little means and few openings or contacts to fulfill that ambition. Get hustled. Find a career in hustling others.

Unlike the previous generation, young Indians today see no connection between where they live and what they want from their lives.

Consider the booming industry of scams that Ms. Poonam documents. Companies employ hundreds of men and women to call unsuspecting people in the U.S. and introduce themselves as IRS agents and then tell them that they are under investigation for tax evasion. They read out fake affidavits and issue warnings such as: "The police department along with our IRS investigation officer will be at your doorstep within thirty minutes." Then the scammer suggests a way out: Buy Apple iTunes gift cards and send the codes, essentially to bribe the IRS agent to look the other way.

The basic truth lurking behind the stories is that Indian society is not a meritocracy. It is a closed hierarchy controlled by a few who have led millions of people down a doomed path of false promises. "In this gated wonderland, no matter how hard you chase your dream, it's always someone else who decides if it will come true," Ms. Poonam writes.

Ms. Poonam's reporting focuses on the lack of jobs and shortage of skills, but ultimately the story she tells suggests a bigger political narrative behind these stories. In the world's largest democracy, the few who have power want to hold on to it instead of distributing it to the many so that they can better themselves. The means of holding power may shift—it could be dominance in English or other forms of social capital. But the fact remains that those outside the gated wonderland are shut out.

A generation ago, when P. Sainath published his classic book of reportage "Everybody Loves a Good Drought," landlessness was the main issue of social justice. Now millions of Indians, even from lower-caste and lower-class backgrounds, have modest parcels of land. But you can't eat land. Worst off are those, like a young man in Gujarat whom Ms. Poonam quotes, whose families have sold their land to educate their children, hoping that they would become professionals. Now they have neither land nor jobs. This is a generation that has left farming but has no factory to join.

In the four years since Narendra Modi took office as prime minister, there have been mass protests by youth in Gujarat, Haryana, Maharashtra and Andhra Pradesh—precisely the states that have most benefited from the economic boom of the past 30 years and are integrated into global networks of finance. The protesters aren't asking to enter those rarefied realms but to be clerks and sweepers and cops. The government has failed to accommodate such modest demands.

Alexis de Tocqueville noted long ago that revolutions are started not by the poor but by the petite bourgeoisie, the educated and unemployed, those who have advanced enough to have high expectations but find themselves shut out. Reading "Dreamers," one unavoidably thinks of Langston Hughes's famous lines: "What happens to a dream deferred? / Does it dry up like a raisin in the sun? . . . / Or does it explode?"

Mr. Choudhury is the author of "The Epic City: The World on the Streets of Calcutta."

OPINION

REVIEW & OUTLOOK

Making Connecticut Grow Again

Democrats again showed their eagerness to send a message against President Trump in Tuesday's primaries, which threatens GOP control of statehouses. But perhaps the most intriguing result came in Connecticut, where businessman Bob Stefanowski won the GOP nomination for Governor on a bold reform platform to save the sinking state after years of failed public-union governance.

In Wisconsin, Democrats nominated state schools Superintendent Tony Evers to take on GOP Gov. Scott Walker. Unions are hoping to deny Mr. Walker a third term and take the statehouse so they can overturn his famous collective-bargaining reforms. Early polls give Mr. Evers a small lead, but Mr. Walker's reforms have reduced property taxes, and unemployment is 2.9%.

Mr. Trump narrowly defeated Hillary Clinton in the state, but he remains a polarizing force. This was evident by state Sen. Leah Vukmir's seven-point victory over former Marine Kevin Nicholson in the Senate primary. Mr. Nicholson tied himself to the President, but Ms. Vukmir cleaned up in the Milwaukee and Madison suburbs with endorsements from Gov. Walker and Paul Ryan. Ms. Vukmir is a long shot against Sen. Tammy Baldwin, but Senate Republicans shouldn't leave her hanging like they did Senator Ron Johnson in 2016 if polls tighten.

Republicans are angling to pick up the governorship in Minnesota, which has been trending right in recent elections. Mr. Trump lost the state by fewer than 50,000 votes, and Republicans control the state House. Tim Pawlenty stood a good shot. He was a rare blue-state GOP Governor to survive the Democratic wave in 2006 and compiled a strong economic record during eight years in office.

But former state Rep. Jeff Johnson tied himself to the President and blasted Mr. Pawlenty for having worked as a bank lobbyist after running for President in 2012. Mr. Johnson won by nearly nine points.

Republican turnout was underwhelming with 260,000 fewer votes cast in the GOP primary for Governor than for Democrats. In Hennepin County west of Minneapolis, 51,000 Republicans voted compared to 191,000 Democrats. Mr. Johnson will face Democratic Rep. Tim Walz, but to win he'll have to make a case that eight years of Democratic control have

slowed Minnesota's economic progress.

The GOP's best chance of a statehouse pickup this year is Connecticut, where Democratic Gov. Dannel Malloy's tax and spending increases have punished the economy. Personal income grew by a mere 1.5% last year compared to 2.4% in Rhode Island and 3.3% in Massachusetts. Connecticut's labor force has shrunk by 26,500 since January 2017.

Spending on state worker benefits has increased by about a third since 2012, and 35% of revenues go to debt service and retirement obligations. The state faces a \$2.1 billion budget shortfall amid tepid revenue growth.

Mr. Stefanowski rose to the top of a crowded GOP field with a supply-side platform drafted with the advice of economist Art Laffer that calls for abolishing the estate and gift taxes immediately, phasing out the corporate tax in two years and the income tax over eight. He also wants term limits and the right to citizen referendums.

These goals are bold, to the say least, but the state needs radical surgery. Corporate tax revenues account for less than 5% of the state budget, and estate taxes make up only about 1% even as they drive retirees to Florida. Both levies could be eliminated by trimming spending. But cutting the income tax will require taking on the public unions. Mr. Malloy locked in collective-bargaining agreements through 2027, and teacher pension payments are expected to nearly quadruple over the next decade.

Democrats have a small majority in the state House, and the Senate is evenly divided. Reining in pensions and renegotiating labor agreements will require support from moderate Democrats from working-class communities like those who helped Democrat Gina Raimondo reform pensions in Rhode Island.

Before it adopted an income tax in 1991, Connecticut was one of the country's fastest growing states. But tax rates have climbed relentlessly ever since and will continue to rise if progressive Democrat and wealthy businessman Ned Lamont is elected Governor. How else does he intend to pay for his plans to increase school and public works spending?

Mr. Stefanowski faces an uphill battle in what looks like a Democratic year, but even liberals should want to make Connecticut grow again.

The Empty Brennan Gesture

John Brennan is one of the fiercest partisans ever to serve as CIA director. He is also one of the chief architects of the narrative that Russia was interfering in the 2016 election to ensure that Donald Trump was elected President, and since leaving office he has tweeted attacks that match Mr. Trump's for intemperance. On Wednesday the President returned the favor when the White House announced that Mr. Brennan's security clearance was being revoked.

We're all for challenging Mr. Brennan's partisan motives and for investigating his behavior in office in promoting the Christopher Steele dossier that passed along uncorroborated smears about Donald Trump and Russia. He's also been a leading critic of the House Intelligence Committee investigation into the events of 2016, perhaps because he doesn't want his

Trump would do better to declassify the info Congress is demanding.

own actions exposed to public scrutiny.

But the more effective and politically healthy way to fight back would be for Mr.

Trump to declassify all the documents under subpoena from Congress about the 2016 election. This includes information that would let the American people know whether our top law enforcement and intelligence agencies were abusing their power as part of an effort to tip the scales in the presidential contest.

Absent the full story that would provide the missing context, the revocation of Mr. Brennan's security clearance looks petty without accomplishing anything useful. As long as President Trump refuses to grasp the nettle of his own Justice Department to get this story out to the public, moves like pulling security clearances will remain empty gestures.

in 2015 when the group concluded that glyphosate is also "probably carcinogenic."

A Reuters investigation later revealed that the U.N. outfit had repeatedly ignored and omitted evidence that showed no link between glyphosate and cancer. Christopher Portier, an adviser who worked on the group's glyphosate determination, was concurrently accepting payments from Lundy & Lundy, a law firm behind several cancer-related class-action lawsuits. Lo, Mr. Portier also testified as an expert witness for Mr. Johnson.

Judge Suzanne Ramos Bolanos remarked twice during the trial that the evidence for punitive damages was "thin," and Monsanto plans to push back on Friday's verdict. In post-trial motions, the company will ask the judge to re-examine the jury's verdict. Judge Bolanos has the authority to vacate the jury's decision, declare a mistrial and call a new one, or reduce Monsanto's damages. The company may also appeal to a higher court.

Mr. Johnson's case was the first glyphosate lawsuit to make it to trial, but more will follow. In its Securities and Exchange Commission filing for the second quarter of 2018, Monsanto said it's facing more than 5,000 similar suits. And after Friday's verdict, one of Mr. Johnson's attorneys, R. Brent Wisner, told Law.com that "I had 200 calls this morning from people wanting to sign up." Too bad there's not a weed killer for junk lawsuits.

Attorneys relied on junk science to win \$289.2 million in damages.

The world's most widely used herbicide isn't carcinogenic, but it's now a corporate toxin. On Friday a California jury ordered Monsanto to pay \$289.2 million in damages for failing to give sufficient warning about the "substantial dangers" of its signature weed killer known as Roundup. Shares of Bayer, which recently acquired Monsanto, have plummeted this week in anticipation of a legal onslaught from plaintiff lawyers.

The San Francisco Superior Court case involved Dewayne "Lee" Johnson, who was diagnosed with non-Hodgkin lymphoma in 2014. Working as a school groundskeeper, Mr. Johnson routinely used Roundup, and he now claims its active ingredient, glyphosate, caused his cancer. The jury examined gory photos of the lesions that covered up to 80% of his body, and in testimony Mr. Johnson described how even wearing clothing caused excruciating pain. Such emotional testimony would elicit sympathy in any jury of human beings.

But legal claims are supposed to be about the law and evidence. And the problem for Mr. Johnson is that there's overwhelming scientific evidence that glyphosate does not cause cancer. One comprehensive study, published last November in the Journal of the National Cancer Institute, investigated cancer incidence among nearly 45,000 licensed pesticide applicators who had been exposed to glyphosate.

The study found "no evidence of an association between glyphosate use and risk of any solid tumors or lymphoid malignancies"—including non-Hodgkin lymphoma. Even the Environmental Protection Agency, far from a corporate shill, has likewise concluded that glyphosate is safe.

The outlier in the scientific community is the

World Health Organization's International Agency for Research on Cancer. Over the years this group has claimed pickled vegetables and "very hot beverages" may cause cancer, and its risk assessments suggest that working as a barber or hairdresser is only slightly less hazardous than being exposed to mustard gas. So it wasn't shocking

that the group concluded that glyphosate is also "probably carcinogenic."

A Reuters investigation later revealed that the U.N. outfit had repeatedly ignored and omitted evidence that showed no link between glyphosate and cancer. Christopher Portier, an adviser who worked on the group's glyphosate determination, was concurrently accepting payments from Lundy & Lundy, a law firm behind several cancer-related class-action lawsuits. Lo, Mr. Portier also testified as an expert witness for Mr. Johnson.

Judge Suzanne Ramos Bolanos remarked twice during the trial that the evidence for punitive damages was "thin," and Monsanto plans to push back on Friday's verdict. In post-trial motions, the company will ask the judge to re-examine the jury's verdict. Judge Bolanos has the authority to vacate the jury's decision, declare a mistrial and call a new one, or reduce Monsanto's damages. The company may also appeal to a higher court.

Mr. Johnson's case was the first glyphosate lawsuit to make it to trial, but more will follow.

In its Securities and Exchange Commission filing for the second quarter of 2018, Monsanto said it's facing more than 5,000 similar suits.

And after Friday's verdict, one of Mr. Johnson's attorneys, R. Brent Wisner, told Law.com that "I had 200 calls this morning from people wanting to sign up."

Too bad there's not a weed killer for junk lawsuits.

LETTERS TO THE EDITOR

The Fire This Time: Fix Woodland Policies

Your editorial "Fire and Water in California" (Aug. 8) on California's wildfires illustrates the need for policy makers to re-examine the shortcomings of the nation's outdated forestry practices and initiate better policies to mitigate future disasters.

Poor land management marked by bureaucratic red tape and excessive litigation during the past 30 years has led to the declining health of our national forests. The result is a marked increase in acreage ravaged by insects, disease and fire, fewer jobs and productivity in the forestry sector and a reduced amount of domestically produced lumber entering the market. Failure to properly maintain forests through prudent timber extraction has resulted in an overstocking of trees that has provided fuel for more and larger deadly fires on U.S. Forest Service (USFS) lands.

The evidence clearly shows that the hands-off approach to management practices adopted in the 1990s has failed the public and only worsened the impact and severity of fires on federal lands in the ensuing years. The growing scientific consensus is that active management practices decrease the number and severity of forest fires. Moreover, this is an important safety issue.

The Resilient Federal Forest Act of 2017, which has been approved by the House, would address the resiliency of our national forests by significantly reducing the red tape that has prevented the USFS from better managing its timber lands and increasing the delivery of domestic timber products into the market.

By striking a more appropriate balance in how we manage our national forest system, this bill will rejuvenate a great natural resource and help invigorate the forestry and housing industries by increasing domestic lumber supplies.

RANDY NOEL
Chairman, National Association
of Home Builders
Washington

California has become very antilocking. We had an active logging industry in El Dorado County that supported a large lumber of jobs at a mill near Pollock Pines, Calif., in the 1960s. Today, all of this is closed down. Of course not all fire issues are related to trees, as a lot fires involve grass and brush, but there are millions of dead or dying trees in California that need to be logged and turned into something useful. Unfortunately, all our politicians seem to do is talk about doing something, and how much it would cost. The cost would be minimal if California and the feds would allow commercial logging again.

GARY OETTING
King City, Calif.

Each year my property is inspected in the late spring to ensure that I have reduced fire danger from the brush-covered hill behind my backyard. If the inspection fails, the city sends a crew to clear the brush and sends me the bill. If the same attention were paid to government-owned land or if the government would even allow private interests to take out the dead trees for commercial purposes, we would be better able to control the wildfires which annually ravage the state.

VIRGIL WEATHERFORD
Woodland Hills, Calif.

California's wildfires are now polluting the other lower 48 states, as reported by Scott Bachmeier, a research meteorologist at the University of Wisconsin-Madison: "much of the smoke is being ejected to high altitudes and transported eastward across the lower 48 states."

On behalf of the other lower 48 states, we call on the Environmental Protection Agency to file suit against the state of California for its failure to prevent this air pollution and the contribution to climate change that California is now causing.

PHIL ANDERSON
Richardson, Texas

Banks Will Lose Patrons' Trust Via Facebook

Facebook is asking large U.S. banks for their customers' detailed transaction information ("Facebook Asks Banks for Customer Data," page one, Aug. 7). That may seem like a win-win. But there's a catch. In the financial industry, trust between a client and his or her provider is of primary importance. You can't sell a customer's banking data in the same way you sell his or her internet surfing behavior.

We believe it is now or never to define the principles on the use of customer data. The World Economic Forum, working with the finance industry, believes the principles should be: Customers control their data, not the companies collecting them. If banks want to share them with social media or others, they should attain customer consent. And, to make consent meaningful, companies need to provide clear and accessible information; consent as a "click-the-box" is meaningless. Finally, companies should allow customers to access, download, transfer and permit

KAI KELLER AND PETER VANHAM
World Economic Forum
New York

Count me out on releasing banking data to Facebook or any other social-media site. Why give hackers another shot at draining a bank account?

CHARLES H. GESSNER
Marblehead, Mass.

Publicly Funded Press Would Answer a Need

Decades of media consolidation and journalist layoffs in New Jersey have left hundreds of communities in the dark. Your editorial "A Government Press Corps" (Aug. 6) omits important details about the Civic Information Consortium and New Jersey's legislation that ensure quality journalism and editorial independence.

The consortium's \$5 million in seed funding comes from the proceeds of the sale of New Jersey's public-media broadcast licenses in 2017, and represents just a fraction of the \$332 million the state received from the sale. These licenses were state assets designed to deliver news and information that would serve the public interest.

Free Press Action held 10 public forums around the state in 2017 and consulted with journalists, media experts and researchers to carefully design a bill to make it responsive to community needs and safeguard against any government influence. The bill mandates that the consortium be set up as a public charity so

it can raise money outside of this initial state investment. Furthermore, a large and robust bipartisan board will be set up to act as a counterweight to political appointees; an independent staff will be hired to work on daily operations and act as a firewall between the board and grantees; and, most important, there is language in the legislation that prohibits government meddling in the journalism that grantees produce.

The consortium will fund projects to help keep people informed about what's happening in their communities and how their tax dollars are being spent. That's why the public overwhelmingly supports this endeavor.

MIKE RISPOLI
New Jersey Director
Free Press Action
Leonardo, N.J.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Wanna step outside for a sit break?"

CORRECTION

A lawyer representing Charlie Rose says "there are zero out-of-court settlements of sexual-harassment claims regarding Mr. Rose and zero nondisclosure agreements." This was misstated in the Aug. 13 op-ed "NDAs Can Help Harassment Victims."

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

OPINION

Iranians Want Our Country Back

By Reza Pahlavi

The Iranian people have a message: We want our country back.

As cities across Iran erupted in another round of nationwide protest against the Islamic Republic, a young man named Reza Otadi joined his neighbors on the streets of Karaj, northwest of Tehran. They shouted "Death to the dictator!" and "Clerics get lost!" Shortly thereafter, Reza was identified by the regime's domestic-security apparatus. On the evening of Aug. 3, as he made his way home, regime security forces shot and killed him. He was 26.

Civil disobedience, public demonstrations and strikes aim at a systemic collapse of the regime.

We know only so much about Reza Otadi. We know that he was a shopkeeper and that he was engaged to be married. We know from his Twitter profile that he tweeted only once, on May 22: "#IranRegimeChange—for freedom, a better life, tranquility, emotional and economic security, and laughter without stress." In this solitary, somber yet resolute tweet, Otadi captured the sentiments of an entire nation. Perhaps he knew, and saw no need to say anything more.

The protests in Iran are the latest chapter in an almost 40-year struggle. They are not just about economic

grievances—"the price of eggs," as some regime sympathizers have said. They are much broader in their scope and deeper in their objective than any single economic or social issue.

The national protest movement building in Iran recognizes and decodes the social, political and economic injustices of life under the Islamic Republic. It understands them as symptoms of a single disease—the Islamic Republic, both its ideology and its structure. The Iranian protest movement targets the disease, not merely its symptoms, whether corruption or repression. My compatriots seek to put an end to the Islamic Republic not only because it is authoritarian, corrupt and incompetent, but because it is un-Iranian and anti-Iranian.

From its inception, the regime has sought to subvert Iran by transforming it from a nation into a cause. It changed our centuries-old flag. It discourages or prevents the teaching of our literature and history. It denies our people the right to gather for special occasions at the tombs of their heroes, such as Cyrus the Great and Ferdowsi. Under its castelike system of religious and gender apartheid, it assigns each Iranian a particular legal and social status, with women and religious minorities occupying second, third or lower degrees of citizenship. In a land famous for its poetry and music, it has censored and at times brutally suppressed both.

Iranians have had enough. In the streets and across social media, the popular chant, "We will reclaim Iran even if we must die to do so," reverberates with urgency and determination. Iranians want liberty, justice and opportunity, but they also want their



IRANIAN LABOR NEWS AGENCY/ASSOCIATED PRESS

Protesters at Tehran's grand bazaar, June 25.

country to enjoy dignity, pride and respect. They want to retake their rightful place among the community of nations. They want to be known and admired for the great cultural and scientific contributions of their ancient civilization. They want to be sought out by other countries as trusted friends and partners as they take charge of their own country and lead it into a new chapter of history. In short, my compatriots want to reclaim Iran from the Islamic Republic.

In February, the regime "celebrated" its 39th anniversary, never less popular or more in crisis. It faces multiple existential challenges simultaneously, all of its own creation: an economy in disarray, widespread environmental devastation, defections from the security forces, unprecedented nationwide protests and labor strikes, and, most significantly, an increasingly

fearless population engaging in daily acts of resistance and rejection.

Like many authoritarian regimes, the Islamic Republic rules in fear of the people. It has responded to the latest wave of protests as it often does: by insulting, threatening, jailing, torturing and killing innocent Iranians. It has also slowed or shut off internet and telephone services in Tehran, Karaj, Qom and other cities in an effort to prevent the public from coordinating and from sharing their struggle, and the regime's brutal response, with the outside world.

For decades I have advocated the establishment of a secular democracy in Iran. I have said that the path toward that goal begins with acknowledgment of two fundamental truths: that the Islamic Republic poses an existential threat to Iran and its people, and that the Islamic Republic

cannot be reformed. This path demands civil disobedience, public demonstrations and national strikes aimed at a systemic collapse of the regime. That is the direction of events in Iran today.

After the regime ends, this path must continue with free and fair elections for a constitutional assembly. Ultimately it must arrive at a national referendum on the establishment of a secular democracy designed to safeguard each citizen's human rights.

My life's mission is not to assume a personal leadership role in the future state; it is, and has been for more than 39 years, to serve as a source of hope, a voice for unity, and an instrument of change for the Iranian people. Once my compatriots have reached the milestone of a national referendum—once the Iranian people have the chance to select, for the first time, the leaders of their choosing—my mission will be fulfilled.

Like the revolutionaries who founded the United States of America, Reza Otadi harbored aspirations for "life, liberty and the pursuit of happiness." His crime was protesting peacefully for those aspirations. Like countless others who have challenged the Islamic Republic during its almost four decades in power, he died for them. His example lays bare the essence of the Iran protests. Iran is replete with millions of Reza Otadis, and I am certain that they will soon reclaim our country and rebuild it.

Mr. Pahlavi is the eldest son of Shah Mohammad Reza Pahlavi and an advocate of secular democracy for Iran.

Don't Invite Me to a Party if It's a Political One

By Joseph Epstein

The other day, sorting through my always ample junk mail—pleas for donations to save the armadillo, to conquer dandruff, to fight elegance—I noted an envelope from the Illinois Republican Party. The GOP wanted to know if I intended to register as a Republican in the coming election, and, while we were at it, wanted to know my age, income, whether I owned my residence, and other information that was not any of its business.

Without a moment's reflection, I threw this bit of mail, too, into the garbage. Even though I haven't voted for a Democrat for president since 1976, I have never considered myself, nor ever shall, a locked-in member of a political party. In 2016, I could not bring myself to vote for either Donald Trump or Hillary Clinton, and with every passing day I feel better about that abstention.

As difficult as it is to imagine the country functioning without political parties, equally difficult is to imagine political truth and America's larger interests lying chiefly with either Republicans or Democrats. To sign on with one or the other is to give away too much in independence of thought, feeling, integrity. "You belong to a party, my friend," wrote the brilliant French

littérateur Paul Valéry. "That is to say, you have to applaud or vilify though it goes against the grain. The party insists on it."

If you have signed on as a Democrat in our day, for example, you have to retain a certain sympathy for, among others, Bernie Sanders, Robert Menendez and Maxine Waters, or at any rate you cannot come out strongly against them. If you have signed on as a lifetime Republican, you are stuck with the Freedom Caucus, John Bolton and Ted Cruz. One party lashes you to the moral certainty of Elizabeth Warren, the other to the overconfidence of John Kasich, who, if pressed, will tell you that as governor he wiped out Islamic State in Ohio.

Membership in a party often requires that you support even people you wouldn't want to meet for lunch. Only an independent, a non-party person, may spread his contempt evenly, offering a plague on the condominiums of all these politicians and many more. As an independent you may pick and choose among politicians you admire (not many of these currently, alas) and those you despise.

Party politics also conditions you in ways that often do not make much sense. A good friend of mine—a lifelong Democrat, though one flexible enough to have been

against President Obama's Iran deal—told me not long ago that he hates Paul Ryan. Hates! I didn't press him for his reasons. But Mr. Ryan, the best representative both personally and ideationally of intelligent Republicanism, seems, with such a large pool to choose from, a strange man to hate. Only membership in a political party could motivate such unseemly passion.

A good friend of mine says he 'hates' Paul Ryan. Hates! What motivates such an unseemly passion?

As someone who likes to think himself an independent voter, I have tended over the years either to vote against political candidates for particular reasons—such as my congresswoman, Jan Schakowsky, for boycotting Benjamin Netanyahu's 2015 speech before Congress—or to search out a lesser-evil choice. The reason I didn't vote for president in 2016 is that I couldn't determine which evil was lesser: a thoroughgoing vulgarian or a candidate all of whose ideas had already been shown to be either insipid or inimical.

Growing up in Chicago, which has had Democratic mayors since before I was born, I had a less-than-certain sense that there was something called the Republican Party. Everyone knew how corrupt the Chicago machine was, but everyone voted for its politicians anyway. "A man spends a quarter of a million dollars to get a job as a city alderman that pays \$20,000," my father used to say. "It doesn't make sense," he would add with a wink. A Jewish Republican, moreover, was rarer than a pussycat in bifocals.

I met my first Republican when I was 18, a friend's father who was an Eastern European immigrant and an executive for a local steel company. An impressive man, he seemed to know the gross national product at any given hour of the day, but he wasn't sufficiently impressive to have me consider becoming a Republican.

My instinctual affiliation with the Democratic Party began to slip during the years of the public-relations-stoked Kennedy administration. Camelot, I quickly sensed, was really Sham-a-lot. The later 1960s, with its drug culture and belief in protest as a way of life, pushed me further away. And the takeover of the Democratic Party in 1972 by George McGovern, turning a party

that was once for the underdog into one dominated by the spirit of self-righteous victimhood, wrote *fini* to any lingering sense of myself as a Democrat.

Not that the Republicans, the party in those years of Richard Nixon, provided a new home (though in 1980 I happily pulled the lever for Ronald Reagan over Jimmy Carter). I had become what I believe I was always intended to be: an independent, a nonparty man. "When we feel that we cannot gain the good opinion of another," the 18th-century French aphorist Vauvenargues wrote, "we come very near to hating him." Easy enough to understand why those thoroughly committed to one or another of our political parties, heavily invested emotionally in it, would look down on someone who declares himself an independent, content to sit away from the struggle far off in the bleachers.

My own feeling, though, is that the view of the game is better and more amusing from up there, and the air a lot cleaner.

Mr. Epstein is author of "The Ideal of Culture and Other Essays" (Axios Press, 2018) and the forthcoming "Charm: The Elusive Enchantment" (Lyons Press), to be published in October.

Reform the Prisons Without Going Soft on Crime

By Tom Cotton

The House earlier this year passed a bill to improve conditions in federal prisons and encourage prisoners to participate in rehabilitation programs. These are worthy goals. Once a criminal has paid his debt to society, everyone should hope he gets back on his feet and becomes a productive, law-abiding citizen.

While the House bill has some flaws, the Senate can fix them on a bipartisan basis. But under no circumstances should Congress cut mandatory minimum sentences for serious crimes or give judges more discretion to reduce those sentences. That foolish approach is not

criminal-justice reform—it's a jailbreak that would endanger communities and undercut President Trump's campaign promise to restore law and order.

The U.S. faces a drug epidemic today, exactly the wrong time to go soft on crime. According to the National Institute on Drug Abuse, in 2017 more than 72,000 Americans died of drug overdoses, a 37% increase from 2015 and a nearly 100% increase since 2008. Violent crime has declined since the 1980s because mandatory minimums adopted then locked up violent criminals. But in 2015-16, the most recent years for which full data are available, violent crime increased at its fastest rate in a quarter-century,

though preliminary data suggest it might have leveled off in 2017.

Congress and the U.S. Sentencing Commission cut prison terms for drug traffickers, gang members and other violent felons in recent years—putting more criminals on the streets.

The average federal prison sentence for drug traffickers declined 19% between 2009 and 2016. As a result, the federal inmate population has declined 16% since 2013 and now sits at the lowest level since 2004.

This naive policy ignores the reality of recidivism. Five out of six prisoners end up rearrested within nine years, according to a recent Justice Department study. In fact, on average reoffenders are rearrested five times—and not for minor crimes.

Cars were set alight across Sweden overnight in what police believe was a coordinated attack orchestrated on social media. . . .

"I am really surprised. My question for these people is 'what the hell are you up to?'" Prime Minister Stefan Löfven said.

"You're ruining things for yourselves, for your parents, for the whole community, for the neighbors and most of Swedish society is dead against this," he told Swedish national radio's news show *Kristin Heitmann*.

Nancy McNeill, *Advertising & Corporate Sales*; Christina Van Tassel, *Chief Financial Officer*; Suzy Watford, *Chief Marketing Officer*; Jonathan Wright, *International DJ Media Group*; Almar Latour, *Publisher Professional Information Business*; Christopher Lloyd, *Head*; Ingrid Verschuren, *Deputy Head*

EDITORIAL AND CORPORATE HEADQUARTERS: 1211 Avenue of the Americas, New York, N.Y., 10036 Telephone 1-800-DOWJONES

Rupert Murdoch Executive Chairman, News Corp Matt Murray Editor in Chief Karen Miller Pensiero, Managing Editor Jason Anders, Chief News Editor; Thorold Barker, Europe; Elena Cherney, Coverage Planning; Andrew Dowell, Asia; Neal Lipschutz, Standards; Meg Marco, Digital Content Strategy; Alex Martin, Writing; Michael W. Miller, Features & Weekend; Shazna Nessa, Visuals; Rajiv Pant, Product & Technology; Ann Podd, News Production; Matthew Rose, Enterprise; Michael Siconolfi, Investigations; Nikki Waller, Live Journalism; Stephen Wisniewski, Professional News; Carla Zanoni, Audience & Analytics Gerard Baker, Editor at Large Paul A. Gigot, Editor of the Editorial Page; Daniel Henninger, Deputy Editor, Editorial Page WALL STREET JOURNAL MANAGEMENT: Joseph B. Vincent, Operations; Larry L. Hoffman, Production

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Robert Thomson Chief Executive Officer, News Corp William Lewis Chief Executive Officer and Publisher DOW JONES MANAGEMENT: Mark Musgrave, Chief People Officer; Edward Roussel, Chief Innovation Officer; Anna Sedgley, Chief Operating Officer OPERATING EXECUTIVES: Ramin Beheshti, Product & Technology; Kenneth Breen, General Counsel; Jason P. Conti, General Counsel; Tracy Corrigan, Chief Strategy Officer; Frank Filippo, Print Products & Services; Steve Grysicki, Customer Service; Kristin Heitmann, Chief Commercial Officer; Nancy McNeill, Advertising & Corporate Sales; Christina Van Tassel, Chief Financial Officer; Suzy Watford, Chief Marketing Officer; Jonathan Wright, International DJ Media Group; Almar Latour, Publisher Professional Information Business; Christopher Lloyd, Head; Ingrid Verschuren, Deputy Head

DOW JONES News Corp

Paul Dallison and Stephen Brown reporting Aug. 14 in Politico Europe:

Cars were set alight across Sweden overnight in what police believe was a coordinated attack orchestrated on social media. . . .

"I am really surprised. My question for these people is 'what the hell are you up to?'" Prime Minister Stefan Löfven said.

"You're ruining things for yourselves, for your parents, for the whole community, for the neighbors and most of Swedish society is dead against this," he told Swedish national radio's news show *Kristin Heitmann*.

Nancy McNeill, *Advertising & Corporate Sales*; Christina Van Tassel, *Chief Financial Officer*; Suzy Watford, *Chief Marketing Officer*; Jonathan Wright, *International DJ Media Group*; Almar Latour, *Publisher Professional Information Business*; Christopher Lloyd, *Head*; Ingrid Verschuren, *Deputy Head*

EDITORIAL AND CORPORATE HEADQUARTERS: 1211 Avenue of the Americas, New York, N.Y., 10036 Telephone 1-800-DOWJONES

Rupert Murdoch Executive Chairman, News Corp Matt Murray Editor in Chief Karen Miller Pensiero, Managing Editor Jason Anders, Chief News Editor; Thorold Barker, Europe; Elena Cherney, Coverage Planning; Andrew Dowell, Asia; Neal Lipschutz, Standards; Meg Marco, Digital Content Strategy; Alex Martin, Writing; Michael W. Miller, Features & Weekend; Shazna Nessa, Visuals; Rajiv Pant, Product & Technology; Ann Podd, News Production; Matthew Rose, Enterprise; Michael Siconolfi, Investigations; Nikki Waller, Live Journalism; Stephen Wisniewski, Professional News; Carla Zanoni, Audience & Analytics Gerard Baker, Editor at Large Paul A. Gigot, Editor of the Editorial Page; Daniel Henninger, Deputy Editor, Editorial Page WALL STREET JOURNAL MANAGEMENT: Joseph B. Vincent, Operations; Larry L. Hoffman, Production

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Robert Thomson Chief Executive Officer, News Corp William Lewis Chief Executive Officer and Publisher DOW JONES MANAGEMENT: Mark Musgrave, Chief People Officer; Edward Roussel, Chief Innovation Officer; Anna Sedgley, Chief Operating Officer OPERATING EXECUTIVES: Ramin Beheshti, Product & Technology; Kenneth Breen, General Counsel; Jason P. Conti, General Counsel; Tracy Corrigan, Chief Strategy Officer; Frank Filippo, Print Products & Services; Steve Grysicki, Customer Service; Kristin Heitmann, Chief Commercial Officer; Nancy McNeill, Advertising & Corporate Sales; Christina Van Tassel, Chief Financial Officer; Suzy Watford, Chief Marketing Officer; Jonathan Wright, International DJ Media Group; Almar Latour, Publisher Professional Information Business; Christopher Lloyd, Head; Ingrid Verschuren, Deputy Head

DOW JONES News Corp

Paul Dallison and Stephen Brown reporting Aug. 14 in Politico Europe:

Cars were set alight across Sweden overnight in what police believe was a coordinated attack orchestrated on social media. . . .

"I am really surprised. My question for these people is 'what the hell are you up to?'" Prime Minister Stefan Löfven said.

"You're ruining things for yourselves, for your parents, for the whole community, for the neighbors and most of Swedish society is dead against this," he told Swedish national radio's news show *Kristin Heitmann*.

Nancy McNeill, *Advertising & Corporate Sales*; Christina Van Tassel, *Chief Financial Officer*; Suzy Watford, *Chief Marketing Officer*; Jonathan Wright, *International DJ Media Group*; Almar Latour, *Publisher Professional Information Business*; Christopher Lloyd, *Head*; Ingrid Verschuren, *Deputy Head*

EDITORIAL AND CORPORATE HEADQUARTERS: 1211 Avenue of the Americas, New York, N.Y., 10036 Telephone 1-800-DOWJONES

Rupert Murdoch Executive Chairman, News Corp Matt Murray Editor in Chief Karen Miller Pensiero, Managing Editor Jason Anders, Chief News Editor; Thorold Barker, Europe; Elena Cherney, Coverage Planning; Andrew Dowell, Asia; Neal Lipschutz, Standards; Meg Marco, Digital Content Strategy; Alex Martin, Writing; Michael W. Miller, Features & Weekend; Shazna Nessa, Visuals; Rajiv Pant, Product & Technology; Ann Podd, News Production; Matthew Rose, Enterprise; Michael Siconolfi, Investigations; Nikki Waller, Live Journalism; Stephen Wisniewski, Professional News; Carla Zanoni, Audience & Analytics Gerard Baker, Editor at Large Paul A. Gigot, Editor of the Editorial Page; Daniel Henninger, Deputy Editor, Editorial Page WALL STREET JOURNAL MANAGEMENT: Joseph B. Vincent, Operations; Larry L. Hoffman, Production

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Robert Thomson Chief Executive Officer, News Corp William Lewis Chief Executive Officer and Publisher DOW JONES MANAGEMENT: Mark Musgrave, Chief People Officer; Edward Roussel, Chief Innovation Officer; Anna Sedgley, Chief Operating Officer OPERATING EXECUTIVES: Ramin Beheshti, Product & Technology; Kenneth Breen, General Counsel; Jason P. Conti, General Counsel; Tracy Corrigan, Chief Strategy Officer; Frank Filippo

WORLD NEWS

More in China Express Unease About Xi

Trade tensions with U.S., economic woes and scandals increase ire toward president

BY CHUN HAN WONG

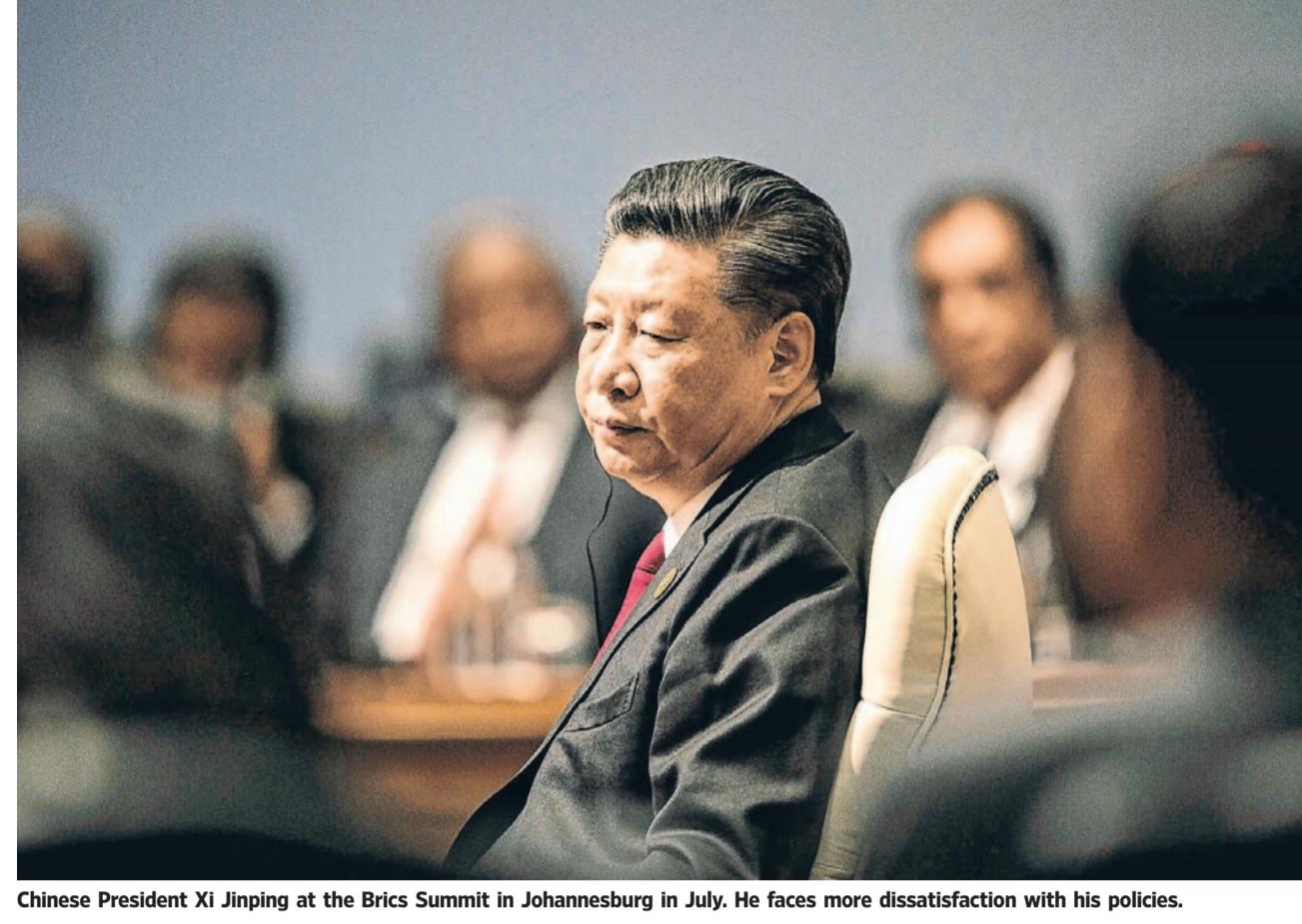
BEIJING—Signs of unease with President Xi Jinping's leadership have emerged amid public rancor over China's trade tensions with the U.S., a sluggish economy and public-health and financial scandals.

In online essays, social-media posts and rare public protests, academics and ordinary Chinese have vented misgivings about Mr. Xi and the Communist Party-run bureaucracy, despite tightening curbs on public speech.

Hundreds of alumni from the prestigious Tsinghua University petitioned for the removal of a professor they accused of "misleading" officials and citizens with triumphalist claims of China's superiority over the U.S.—a complaint that implies Beijing mishandled ties with Washington.

Chinese academics warned that Mr. Xi's ambitious programs for developing Chinese industry and building global trade infrastructure could alienate other countries. Another Tsinghua professor wrote a lengthy essay denouncing Mr. Xi's leadership, particularly his moves to quash dissent and scrap term limits on his presidency.

Allegations that a Chinese drug company supplied hundreds of thousands of substandard vaccines given to children sparked public outrage, and prompted some parents to demonstrate outside a state health commission's offices in Beijing. Angry investors



GULSHAN KHAN/REUTERS POOL

Chinese President Xi Jinping at the Brics Summit in Johannesburg in July. He faces more dissatisfaction with his policies.

tors who lost money in failed peer-to-peer lenders converged on the capital to seek redress before police blocked their attempted protests.

"Discontent with the leadership has been fomenting within the political bureaucracy and beyond," said Zhang Lifen, an independent historian in Beijing. Political events, especially trade tensions, "provided channels for those grievances to emerge into the open."

Amid the unease, the Communist Party's flagship newspaper published a front-page editorial this month urging the

country to endure and overcome all difficulties. "Today's China is experiencing the winds and rains of growing up," the People's Daily said.

Months before, Mr. Xi appeared to wield unassailable clout as he swept away presidential term limits installed as a safeguard against Mao-style dictatorship. Recent events, however, appear to have undercut his promises to make China more prosperous and respected on the global stage.

Some foreign officials criticized Mr. Xi's Belt and Road infrastructure initiative, say-

ing Beijing-backed projects are saddling their countries with onerous debt. Trade tensions with the U.S. flared, putting China's sluggish economy under greater strain.

The trade dispute delivered "a strong dose of sobriety, allowing us to realize that a huge technological gap exists between us and the U.S.," Li Xiao, an economics professor at Jilin University, said in a recent speech. "Do we continue to calmly recognize our huge gap with the U.S. and humbly learn from them, or insist on walking a populist path of

anti-Americanism?"

Xu Zhangrun, a Tsinghua law professor who wrote the essay criticizing Mr. Xi, faulted the president for tilting toward one-man rule and demanded a reinstatement of presidential term limits.

"People throughout the country, including the entire bureaucratic class, are again feeling deep uncertainty and mounting anxiety about the direction the country is taking, as well as their personal security," Mr. Xu wrote.

Such outbursts don't pose an immediate threat to Mr. Xi,

New Round of Trade Talks on the Table

China and the U.S. agreed to a modest breakthrough in their standoff over trade, saying they will hold lower-level talks later this month on the spiraling dispute.

China's Commerce Ministry announced Thursday a vice minister will travel to the U.S. at an unspecified date later this month at the invitation of the Treasury Department to discuss trade issues. A senior U.S. government official confirmed the talks and said, "We expect to discuss steps to achieve a more balanced trading relationship."

Both sides have slapped penalties on tens of billions of dollars in each other's goods, with the U.S. ready to move ahead on plans to target \$200 billion more in Chinese products, and the Chinese economy has begun to weaken.

—Grace Zhu
and Bob Davis

who continues to receive state-media acclaim. Even so, the party appears to have taken steps to counter dissent.

In July, as politically minded Chinese traded rumors about intraparty dissent against Mr. Xi, some party members were told to ignore hearsay. "Don't listen to rumors, don't believe in rumors, don't spread rumors," said a notice issued to a group of retired party members in a major city. "Firmly support the leadership of the party center."

—Kersten Zhang
contributed to this article.

Housing Market's Foundation Wobbles

BY DOMINIQUE FONG

BEIJING—China's booming housing market has been a rare bright spot of late as the broader economy cools, but there are signs of trouble beneath the surface.

Housing sales, property investment and new construction all picked up pace in July, according to data released this week, ostensibly good news for the real-estate sector, which accounts for a third of China's economy.

But there is a growing consensus in government that rapidly escalating prices are cause for worry. The average growth of home prices in 70 cities increased 6.6% in July from a year earlier, accelerating from 5.8% the month before.

"We need to determinedly restrain the rise of housing prices," said Cong Liang, a spokesman at the National Development and Reform Commission, China's top economic planning agency, at a press briefing on Wednesday.

Government housing officials say they are aware of the risks of rapidly rising home prices.

They say they are considering measures that would add to the supply of rental housing and impose property taxes on homes to help stabilize the market. China doesn't currently have property taxes.

China's largest cities, including Beijing and Shanghai, have sought to curb speculation by seeking larger down payments and placing limits on the number of homes individuals can purchase.

But smaller second- and third-tier cities have been encouraging growth and in some areas, prices are surging by double-digit percentages. That has led some economists to worry that property values in certain areas are headed for a correction.

"The single most important thing over the next 12 months is when the inflection point of the housing market in lower-tier cities would come," said Larry Hu, China economist at Macquarie Group. "While we never believe that China has a national property bubble, we do see growing bubbles in more and more regions."

Myanmar Rethinks Big Chinese-Funded Port

BY JON EMONT
AND MYO MOYO

Myanmar's government wants to sharply reduce the scale of a Chinese-funded port project on the Bay of Bengal that officials say risks saddling the country with unsustainable debt.

Authorities in Myanmar are in talks with a Chinese consortium led by state-owned investment company **Citic Group** to shrink the size of what was originally envisioned as a \$7.3 billion development to one costing about \$1.3 billion, according to people familiar with the discussions.

The talks show Myanmar's reluctance to rely too deeply on Chinese lending, even as Western investors largely steer clear of Myanmar after the military's violent campaign against the country's ethnic Rohingya minority.

"We don't want to be in debt," said Kyaw Aye Thein, vice chairman of the Kyaukpyu Special Economic Zone, the site of the development.

The initial plan for the project, part of Chinese President Xi Jinping's signature Belt and Road infrastructure-building initiative, would have transformed the sleepy town of Kyaukpyu into a major deep-water port and industrial zone.

A deal for the venture was struck in 2015 between Myanmar's prior government and China. A rail line from China would allow factories there to ship goods to Europe, India and Africa by a shorter route that avoids the Malacca Strait.

Myanmar now wants the port to be significantly smaller, arguing that it can be expanded later if needed.

Mr. Kyaw Aye Thein said he



A Myanmar beach on the Bay of Bengal, where a \$7.3 billion Chinese-funded port was planned.



THE WALL STREET JOURNAL.

expected a deal to be finalized on revised terms by October or November. China's Foreign Ministry didn't respond to a request to comment.

Citic spokeswoman Wang Fang said the company and Myanmar "have reached preliminary consensus regarding shareholder structure and fundraising plans, but the details are still under discussion."

Myanmar's push to reduce the port's size comes amid rising concern among governments in Asia, Africa and elsewhere that China's projects and the way they are financed risk pushing them into debts they won't be able to repay.

Government debt in Laos, a neighbor of Myanmar, has risen to around 70% of the country's economic output, due in part to borrowing from China for rail and hydropower

debt, including a high-speed rail line to Singapore. China has said Malaysia is an important partner and that relations between the countries need to be cherished by both sides.

In 2011, Myanmar suspended work on the Myitsone dam, a \$3.6 billion Chinese-financed project that was to send 90% of its electricity back to China, after strong local opposition to plans to displace villagers. The government says it is reviewing options for how to proceed.

This spring, some politicians in Myanmar began sounding the alarm that the Kyaukpyu development would provide few economic benefits and could become a debt trap.

They warned that the government might be required to forfeit control of the port, as happened with a Chinese-funded port in Sri Lanka last

year. That port, at Hambantota, failed to draw much shipping traffic and the government, struggling to repay its debts, agreed to lease it to a Chinese company for 99 years.

In May, Soe Win, a former Deloitte consultant who had criticized terms of the loans for the port, was appointed finance minister and began pushing to shrink the project, according to people familiar with the negotiations.

Under new terms Myanmar is seeking the government's contribution to the project would be land. The Myanmar government and local companies would hold a combined 30% stake, while the Citic consortium would own 70%.

Those changes "will prevent this becoming like Sri Lanka," said Mr. Kyaw Aye Thein, the vice chairman of the Kyaukpyu Special Economic Zone.

China's largest cities, including Beijing and Shanghai, have sought to curb speculation by seeking larger down payments and placing limits on the number of homes individuals can purchase.

But smaller second- and third-tier cities have been encouraging growth and in some areas, prices are surging by double-digit percentages. That has led some economists to worry that property values in certain areas are headed for a correction.

"The single most important thing over the next 12 months is when the inflection point of the housing market in lower-tier cities would come," said Larry Hu, China economist at Macquarie Group. "While we never believe that China has a national property bubble, we do see growing bubbles in more and more regions."

WORLD WATCH

UNITED KINGDOM

Alleged Attacker's Motives Unclear

U.K. police said they are still trying to establish why a 29-year-old British national rammed a car into barriers at the Houses of Parliament on Tuesday in an alleged attack reminiscent of a lethal terrorist assault last year.

Nobody was seriously hurt. Scotland Yard is treating the incident at Westminster as terrorism, but police said the alleged perpetrator's precise motivation remains unclear.

Police haven't named the

man, who was arrested on suspicion of terror offenses.

Police said the man they detained was originally from Sudan and that he is being held on suspicion of terrorism-related offenses because the act appeared deliberate, used a method terrorists have deployed before, and targeted a London landmark.

But they added "the priority of the investigation team continues to be to understand the motivation behind this incident."

The incident lacked the hallmarks of previous deadly terrorist attacks. The car was small and wasn't rented and the driver carried no weapons as he

crashed into a barrier defending one of the most heavily protected sites in the country.

—Jason Douglas
and Stephen Fidler

NEW ZEALAND

Foreign Home Buyers Face New Curbs

New Zealand is banning foreigners from buying existing homes in a bid to cool one of the world's hottest housing markets.

Parliament approved the new restriction Wednesday, fulfilling a promise that helped Prime Minister Jacinda Ardern's Labour

Party win power last year after campaigning against inequality and homelessness.

In enacting the measures, New Zealand joins the U.K., Australia, Canada and others in trying to tackle an affordability crisis that has become a political flashpoint. Tougher lending rules, stamp duties and taxes on vacant investment properties are among the tools that regulators and lawmakers globally have used to rein in runaway prices.

"This Government believes that New Zealanders should not be outbid by wealthier foreign buyers," Trade Minister David Parker said. "Whether it's a

beautiful lakeside or oceanfront estate, or a modest suburban house, this law ensures that the market for our homes is set in New Zealand, not in the international market."

Median home prices jumped 57% nationally between July 2010 and July 2018, according to the Real Estate Institute of New Zealand. In Auckland, the largest urban center and a popular spot for Chinese investors, the median central-city dwelling value was 892,000 New Zealand dollars, or about US\$586,000, the industry group said, up 84% since mid-2010.

—Rob Taylor

BUSINESS & FINANCE

© 2018 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Thursday, August 16, 2018 | B1

S&P 2818.37 ▼ 0.76%

S&P FIN ▼ 0.68%

S&P IT ▼ 1.07%

DJ TRANS ▲ 0.01%

WSJ \$IDX ▼ 0.09%

LIBOR 3M 2.312

NIKKEI (Midday) 22234.19 ▲ 0.13%

See more at WSJMarkets.com

Jitters in Commodities Spread to Stocks

By AMRITH RAMKUMAR

A rout in commodities and emerging-market assets spilled over to U.S. stocks Wednesday, the latest sign that underlying worries about the global economy continue to hang over the long-running bull market.

The Dow Jones Industrial Average and S&P 500 fell for the fifth time in the past six sessions, with the Dow dropping as much as 334 points before closing down 138 points, or 0.5%, at 25162. The S&P 500 was 1.9% below its January record following its

worst day since late June, after coming within 0.5% of its all-time high last week.

While the benchmark U.S. stock gauge remains up 5.4% for the year, analysts said the recent declines reflect investor skepticism that U.S. stocks can continue outperforming nine years into their rally. The S&P 500 has struggled to surpass its prior high as longstanding fears that protectionism will hurt growth and a currency rout in Turkey and other countries weigh on sentiment.

The volatility in Turkey has spooked some investors because similar bouts of eco-

nomic weakness in other countries from Brazil to Italy have jolted markets in recent months. Investors seeking growth opportunities have piled into emerging markets for years, so some analysts worry about the repercussions if those flows reverse, even though few economists see Turkey's meltdown spreading.

Investors sold risky assets from global stocks to commodities Wednesday for the first time in recent weeks. Major stock indexes in Asia and Europe fell, while copper tumbled 4.4% into bear-market territory, a drop of more than

4.4%

How much copper tumbled, pushing it into bear territory.

20% from a June four-year high. Palladium, zinc and lead all followed copper prices lower, while oil settled at a two-month low.

Many investors use commodities as an economic indicator because of their widespread use in building

everything from vehicles to smartphones. The continued slump in commodity prices, along with a yield curve that is at one of its flattest levels since 2006, have caused many to worry that the stock market is at a turning point. A narrow gap between short- and long-term Treasury yields has historically signaled unease about long-term growth.

While the sweeping nature of Wednesday's declines rattled some analysts, many expect U.S. stocks to rebound because the economy and earnings look healthier than they have in years.

"All these factors just add more fuel to the fire," said Jeff Carbone, managing partner at Cornerstone Wealth. "It's a quieter period after earnings season, so we have a higher concentration on the negative."

The catalyst for this week's tumble in risky assets was weak economic data on Tuesday from China, which intensified concerns that the country's trade spat with the U.S. could further derail growth.

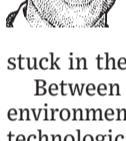
The data showed Chinese fixed-asset investment hit its lowest level in nearly two decades in the first seven

Please turn to page B2

HEARD ON THE STREET

By Stephen Wilmot

BMW Is Ready to Shift Into High Gear



BMW's are built for speed, yet the car maker's stock trades as if it is stuck in the slow lane.

Between trade tensions, environmental concerns and technological change, car manufacturers have plenty to worry about. But if there is one company that takes problems in its stride, it is Munich-based **Bayerische Motoren Werke**.

The Chinese tariffs will hit its profit by a little under €300 million (\$340 million), but model launches should offset the shortfall. The company confirmed that its full-year operating margin would fall within a longstanding target range of 8% to 10%. It has met or exceeded this target every quarter since 2009.

BMW stock trades at roughly seven times earnings, compared with six for **Daimler**, its closest peer. Both multiples are close to five-year lows.

There are good reasons car stocks are cheap: After years of growth, car sales are weakening in the U.S. and are expected to weaken in Europe in the medium term. Car makers are having to spend vast sums on technology, as regulators in Europe and China push them toward electric vehicles while Silicon Valley pushes them toward driverless cars. BMW, which is already a leader in electric cars, normally targets research spending at between 5% and 5.5% of sales; this year it expects to spend up to 7%.

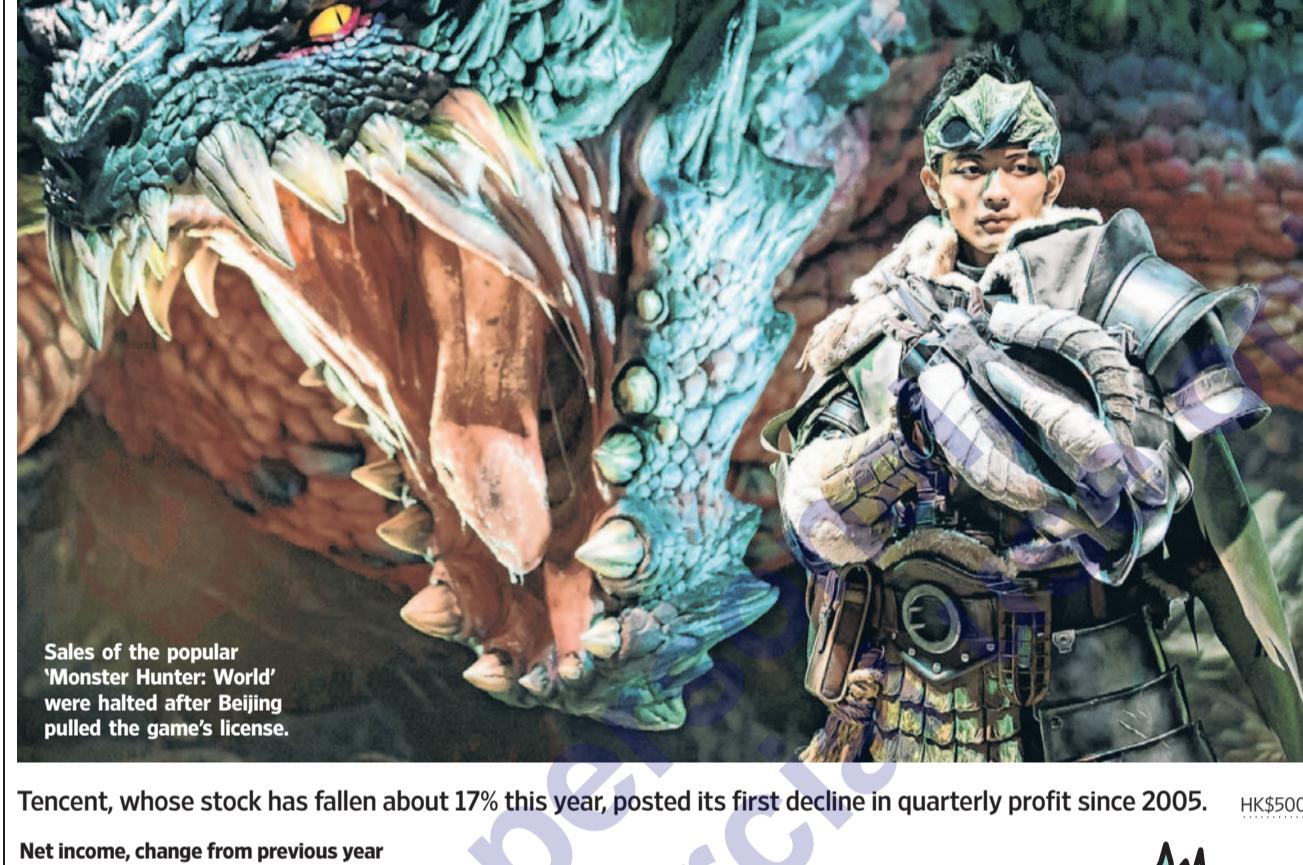
Given this backdrop, the car industry doesn't look like an attractive place for long-term investment right now. Yet it does offer the potential for profitable short-term trades, and this is where BMW comes in.

A more onerous European regulatory regime for tailpipe emissions takes effect next month for which BMW is much better prepared than peers.

Volkswagen is bracing itself for losing out on sales because it won't have all models certified in time. Daimler also is struggling to get all necessary certifications for the new regime. Problems at its key rivals could give BMW a second-half boost.

BMW shares have simply become too cheap. As Barclays points out, last summer, sentiment toward the car sector was similarly bleak, and a rally followed. The same could happen again.

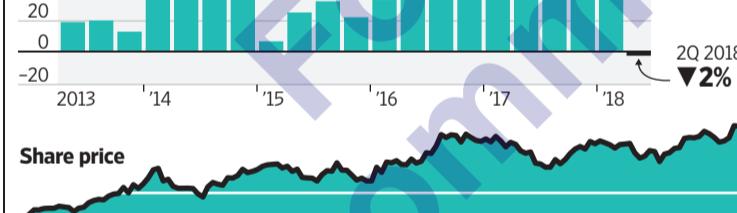
With economies humming on both sides of the Atlantic, the immediate outlook for sales is no worse this year. BMW looks in pole position to benefit.



Sales of the popular 'Monster Hunter: World' were halted after Beijing pulled the game's license.

Tencent, whose stock has fallen about 17% this year, posted its first decline in quarterly profit since 2005.

Net income, change from previous year



Sources: FactSet (share price); S&P Capital IQ (net income)

Photo: Tomohiro Ohsumi/Getty Images

THE WALL STREET JOURNAL.

Tencent Feels Drag of Regulators

By SHAN LI

BEIJING—Tencent Holdings Ltd. on Wednesday posted a rare profit decline and lower-than-expected sales, as government regulators are making it harder for the Chinese technology giant to make money off its most popular videogames.

The disappointing quarterly report—and Tencent's acknowledgment that it is at the mercy of Chinese regulators—is the latest in a series of set-

backs for the Shenzhen-based company, whose share price has tumbled more than 17% this year.

Tencent, which was founded in 1998, became an Asian market darling after going public in 2004, hitting a market-capitalization high of \$576.63 billion in January. Its core business is videogames but the company also runs China's dominant social network, WeChat, with more than a billion users.

Tencent said its second-

quarter profit fell 2% from a year earlier, the first such decline since 2005. Its Hong Kong-listed shares dropped 3.6% on Wednesday.

Tencent President Martin Lau said in a call with analysts that the company hasn't been able to make money off two mobile versions of the popular PC game "PlayerUnknown's Battlegrounds," or PUBG. He blamed it on delays in game approvals by regulators because of a restructuring involv-

ing two Chinese agencies that oversee videogame content.

"Because of restructuring, it's now affecting the industry as a whole," Mr. Lau said.

"From a revenue-growth perspective, the gaming sector is one key area of weakness. As we have said, the big part of it is our biggest game is not monetizable."

Please turn to page B4

◆ Heard on the Street: Tencent's trouble grows wider..... B12

INSIDE



CRITICS DOUBT MACY'S IS STILL WAY TO SHOP

RETAIL, B3

SAUDI FUND EMBRACES TECHNOLOGY

FINANCE, B10

Facebook Rewards Scant Work

By DEEPA SEETHARAMAN AND KIRSTEN GRIND

After WhatsApp co-founder Jan Koum announced he was leaving Facebook Inc. in late April, he has continued showing up at least monthly at the social-media giant's headquarters in Menlo Park, Calif. His incentive for making the appearances: about \$450 million in stock awards, according to people familiar with the matter.

Mr. Koum's unusual arrangement with Facebook is one of the more lucrative examples of a Silicon Valley practice sometimes called "rest and vest," in which the holders of stock grants are allowed to stick around until they qualify to collect a sizable portion of their shares.

Facebook purchased the WhatsApp messaging service in

2014 for \$22 billion, and Mr. Koum became a board member shortly after the sale. He decided to leave Facebook earlier this year after a long-simmering dispute with Chief Executive Officer Mark Zuckerberg and Chief Operating Officer Sheryl Sandberg over placing ads in the messenger service, The Wall Street Journal.

Executive Officer Mark Zuckerberg and Chief Operating Officer Sheryl Sandberg over placing ads in the messenger service, The Wall Street Journal.

Please turn to page B2



WhatsApp co-founder Jan Koum is benefiting from 'rest and vest.'

Uber's Revenue Growth Keeps Up Fast Pace

By DOUGLAS MACMILLAN

Uber Technologies Inc., Chief Executive Dara Khosrowshahi is showing signs he can maintain the ride-hailing firm's rapid pace of revenue growth while reining in some of its substantial losses.

The San Francisco-based company's second-quarter revenue rose 63% from the prior year to \$2.8 billion, while gross bookings, a measure of the overall demand for its ride and delivery services, jumped 41% to about \$12 billion, according to a financial statement released by Uber.

The company narrowed its loss to \$891 million in the second quarter from \$1.1 billion a year ago. The loss, however, was wider than the \$550 million loss in the first quarter of this year, not including a \$3 billion gain from the sales of its Southeast Asian and Russian operations. The company is spending more money on new businesses such as food delivery and scooters, according to an Uber spokesman.

Mr. Khosrowshahi, who replaced ousted Uber co-founder Travis Kalanick last August,

Please turn to page B2

Banks Say No Thanks To Volcker Changes

By LALITA CLOZEL

WASHINGTON—Trump-appointed financial regulators set out to ease the Volcker rule—a controversial postcrisis restriction for banks—and instead have drawn the industry's ire.

Last week, lawyers representing JPMorgan Chase & Co., Bank of America Corp., Citigroup Inc., Wells Fargo & Co. and six other banks met with the Federal Reserve to complain about the recent proposal to revise the regulation designed to curb risky trading by banks, people familiar with the matter said. The banks said the proposal, dubbed Volcker 2.0 by financial regulators, could complicate compliance and hamper trading in asset classes not currently covered by the rule.

"I can't imagine this aspect of the proposal being preferable to the original and current Volcker 1.0 regime," said Gregg Rozansky, a senior vice president at the Bank Policy Institute, a trade group representing the nation's largest banks. "It could raise prices for student loans, credit cards or auto loans," he added.

The Volcker rule bars banks from speculative trading with

Please turn to page B10

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	GIC Private.....	B10
Albemarle.....	B11	
Alibaba Group.....	A8	
Amazon.com.....	A8,B12	
B	GTCR.....	B3
Bain Capital.....	B2	
Barclays.....	B10	
Bayerische Motoren Werke.....	B1	
Ben & Jerry's.....	B5	
Best Buy.....	B3	
BlackRock.....	B10	
C	Cabot Microelectronics.....	B6
Canopy Growth.....	B3,B11	
Cargill Inc.....	A1	
China Investment.....	B10	
Cisco Systems.....	B4,B12	
Citic Group.....	A16	
Constellation Brands.....	B3,B11	
Contemporary Amperex Technology.....	B10	
D	Daewoo Shipbuilding & Marine Engineering.....	B6
Daimler.....	B1	
E	Elliott Management....B2	
F	Facebook.....	B1
G	Galaxy Resources.....	B11
Gap.....	B11	
	NorthMarq Capital....A2	

INDEX TO PEOPLE

B	Hoffman, Kerri.....	B4
Baquet, Dean.....	B5	
Berry, Chris.....	B11	
C	Inns, David.....	B3
Carbone, Jeff.....	B1	
Christopher, Paul.....	B2	
E	Khosrowshahi, Dara....B1	
Erdogan, Recep.....	B12	
F	Legere, John.....	B4
Falk, Thomas J.....	B3	
Fuller, Dale.....	B2	
G - H	Lejeue, Paul.....	B3
Gennette, Jeff.....	B3	
Giddis, Kevin.....	B11	
Golub, Jonathan.....	B11	
I	Koum, Jan.....	B1
K	Legien, Meredith Kopit.....	B5
L	Luckey, Palmer.....	B2
M	Mark Zuckerberg.....	B1
McCarthy, Matthew.....	B5	
Montagne, Mariann.....	B2	
N	Sandberg, Sheryl.....	B1
O	Saunders, Neil.....	B3
P	Smith, Jeff.....	B2
R	Solheim, Jostein.....	B5
S	Wijman, Tom.....	B4

Facebook Rewards Little Work

Continued from page B1
nal has reported.

Mr. Koum stepped back from running WhatsApp day-to-day soon after he announced his departure in a Facebook post on April 30 and said goodbye to employees in an internal meeting the next day, according to people familiar with the matter. The last time Mr. Koum made one of his periodic visits to the office was in mid-July, those people say.

A Facebook spokeswoman declined to comment on Mr. Koum's schedule, but said he remains employed at the company, working on "various projects and helping transition WhatsApp leadership."

As part of selling WhatsApp to Facebook, Mr. Koum earned about 24.85 million restricted shares, according to his offer letter filed to the Securities and Exchange Commission at the time. The stock has vested in quarterly increments, with

Palmer Luckey, the co-founder of its virtual-reality business Oculus VR, who rarely came to the office in the months before he left Oculus in March 2017, according to people familiar with the matter. It isn't known if Mr. Luckey needed to make appearances at the office to vest his stock awards.

Mr. Luckey declined to comment through a spokesman. Mr. Koum didn't respond to a request for comment.

Restricted stock awards, or RSUs, are a typical form of compensation for employees and executives, particularly in Silicon Valley where a large number of companies are private. Less common are arrangements where employees collect shares and compensation during a period when they are rarely working, according to executive compensation experts.

WhatsApp's sale to Facebook made Mr. Koum and his co-founder, Brian Acton, billionaires. Mr. Koum is valued at about \$9 billion, and Mr. Acton \$3 billion, The Journal reported in June.

Both men staunchly opposed placing advertising in the messaging service and began to disagree with Mr. Zuckerberg and Ms. Sandberg, who wanted to find ways to wring revenue from WhatsApp's 1.5 billion users.

Mr. Acton resigned in September 2017, leaving behind \$900 million in unvested shares, according to people familiar with the matter.

About six months later, Mr. Koum said he was leaving the company.

Messrs. Koum and Acton had an unusual clause in their contracts that allowed them to collect unvested stock awards if Facebook insisted on making any "additional monetization initiatives" such as advertising in the app, so long as they remained employed at the company, according to a nonpublic portion of the companies' merger agreement reviewed by The Journal and people familiar with the matter.

Earlier this month, WhatsApp detailed plans to sell advertisements in the messaging service next year and charge companies to interact with customers.

Mr. Luckey, the co-founder of Oculus, also left Facebook under contentious circumstances. Mr. Luckey sparked anger within the virtual-reality community in September 2016 for donating money to a pro-Donald Trump group that paid for advertising mocking Hillary Clinton.

He apologized, but was sidelined during a major reshuffle of Oculus's executives in December 2016 and people familiar with the matter say he was rarely seen in the office over the next several months.

Facebook compensated at least one other executive,

BUSINESS & FINANCE

Symantec Attracts Starboard Fund

By CARA LOMBARDO

Symantec Corp., which makes antivirus software that alerts millions of people to risks lurking on their computers, is now facing a potential threat of its own.

Activist investor **Starboard Value LP** has taken a position in the cybersecurity company and privately nominated five directors to its 11-person board in July, according to people familiar with the matter.

The hedge fund helmed by Jeff Smith beneficially owns about 5.8% of Symantec, making its stake worth about \$670 million, the people said. Starboard thinks Symantec, shares of which have plunged 34% this year, needs operational changes to improve margins, especially in its business-facing segment, the people said.

The Silicon Valley company's market value has

dropped to around \$11.5 billion from as much as \$21 billion about a year ago, according to S&P Global Market Intelligence.

The biggest one-day stock-price drop over that period, 33%, came May 11, a day after the company announced its board was conducting an internal audit on unspecified financial issues raised by a whistleblower. The company has since said it doesn't expect a material adverse impact on past financial statements.

Starboard believes its board nominees could help remediate any financial-reporting issues and improve operations, much as it recently did at **Marvell Technology Group Ltd.**, the people said. Its proposed slate includes Dale Fuller, the former chairman of antivirus company AVG Technologies, and three people it put on Marvell's board, including Starboard research head Peter Feld.

Symantec also warned this month it isn't closing as many deals as expected in its enterprise security unit, which sells to businesses and makes up about 60% of its revenue. Its consumer unit, whose brands include Norton and LifeLock, is faring better. Chief Executive Gregory Clark said at the time the company is focused on underperforming areas and has invested in its sales operations.

A spokeswoman for Symantec didn't immediately respond to a request for comment.

Symantec spent about \$7 billion in recent years on two high-profile acquisitions, cloud-security company Blue Coat and identity-theft protection company LifeLock, that were met with enthusiasm from investors. But they have done little to jump-start growth at Symantec, which Starboard feels lags behind its peers despite it being one of

the largest cybersecurity companies, the people said.

Starboard, a New York hedge fund best known for replacing the entire board at the parent company of Olive Garden in 2014, has taken stakes in several other technology and software companies.

Symantec has attracted attention from activists before. Heavyweight **Elliott Management Corp.** was one of its largest shareholders in 2016 and applauded when private-equity firm Silver Lake made a \$500 million investment, in a bid to boost the company's flagging stock. Silver Lake doubled down its investment along with the Blue Coat deal.

Fellow private-equity firm **Bain Capital** has also invested in Symantec, and both Bain and Silver Lake have representation on Symantec's board.

—Robert McMillan contributed to this article.



The volatility in Turkey has spooked some investors because similar bouts of weakness in other countries have jolted markets lately.

Investors Run Away From Risk

Continued from page B1

months of the year. Analysts said weaker-than-expected earnings from internet giant **Tencent Holdings Ltd.** added to worries.

Technology and internet stocks in the U.S., the market's leaders in recent years, were among the worst-performing groups Wednesday.

Turkey also sharply raised tariffs on some U.S. imports, extending the fight between the two North Atlantic Treaty Organization allies.

The declines in corners of the market tied to global

growth mark a stark reversal from last year, when robust economic performance around the world lifted global stocks and commodities in tandem.

Although some analysts think the sharp declines in commodities and currencies are isolated to specific countries, others are growing more nervous that they portend a global economic slowdown that will hurt U.S. companies.

"It drives people to say, I'm going to take some money off the table," said Mariann Montagne, senior portfolio manager at Gradient Investments.

Some analysts fear that if declines in global stocks and commodities continue in unison, more investors will broadly sell growth-sensitive assets, exacerbating market moves.

That occurred in February, when the S&P 500 and

Dow plunged into correction territory for the first time in more than two years.

Money managers have sought shelter in the U.S., pushing the WSJ Dollar Index to its highest level since May 2017. That in turn makes assets priced in the U.S. currency more expensive for overseas buyers. When the dollar rises, U.S. exports become less competitive in global markets.

Analysts are waiting to see if global growth momentum will stay in the U.S., which just posted its strongest quarterly growth rate in nearly four years. Some question whether that pace can be maintained and if the U.S. will cease to be a haven despite trade disputes.

Despite recent market declines, some investors remain confident that steady U.S.

earnings and economic growth will underpin future gains. August is typically a volatile month marked by thin trading volumes since it coincides with a peak vacation period, so some investors see the recent market swings as a temporary, seasonal phenomenon.

Investors also are looking ahead to the impact of \$16 billion of additional tariffs on Chinese imports set to take effect next week. Trump administration trade officials are also expected to hold public hearings on a roster of \$200 billion worth of imports being considered for 25% tariffs.

"That could be another potential trigger for capitulation or a new round of worries," said Paul Christopher, head of global market strategy for Wells Fargo Investment Institute.

Continued from page B1

has worked to cut expenses at the ride-hailing company in preparation for an initial public offering. This year, he has sold divisions such as the money-losing U.S. car-leasing business to Fair.com and its Southeast Asian operations to rival Grab Inc.

In a statement, Mr. Khosrowshahi said Uber plans to continue investing in future areas of growth such as food delivery and scooters, as well as "high-potential markets in the Middle East and India."

Mr. Khosrowshahi, however, is facing several regulatory, competitive and operational challenges that could hamper Uber's growth.

On Tuesday, New York's mayor signed a package of bills that freeze new issuances of ride-hailing licenses and set a minimum payment for drivers in Uber's biggest U.S. market. Seattle also is considering a minimum-wage threshold for drivers there.

Mr. Khosrowshahi also has had to confront a crisis at Uber's money-losing driverless-car operation after a fatal crash involving one of its robot cars in March. Uber has eliminated hundreds of test-

driver jobs and closed its operations in Arizona, and some Uber investors have questioned whether the company should continue to fund the expensive endeavor.

Uber also faces an onslaught of competition from ride-hailing companies around the world including in the U.S., where smaller rival Lyft Inc. is making gains in market share. Lyft recently raised \$600 million, doubling its valuation from last year to \$15.1 billion. The companies are battling for the future of transportation, investing billions in as yet unproven self-driving vehicles and snapping up technology and competitors that offer rentable bicycles and scooters for shorter

trips within urban centers.

Mr. Khosrowshahi has said he plans to take Uber public in the second half of 2019, in what will likely be one of the largest IPOs in recent memory.

Investors have valued Uber at around \$70 billion, making it the highest-valued private technology company in the world.

Uber's management bench is still empty in key positions, including chief financial officer, a position that hasn't been filled since 2015. Mr. Khosrowshahi had hoped to reach an agreement with **VMware Inc.** CFO Zane Rowe, who indicated earlier this year he would turn down the job, people familiar with the matter told The Wall Street Journal.

Uber makes most of its money by taking a commission from each fare. Its net revenue now makes up 23% of total bookings—up from 20% a year ago—signaling it is extracting more money from each ride.

Uber is spending less on discounts for riders and incentives for drivers.

Bookings are the total value of trips before Uber takes its cut of the rides. Uber's year-over-year growth in bookings slowed this quarter, to 41%, compared with 55% growth in bookings during the first quarter of this year.

Uber increased its cash reserves by about \$1 billion over the three months, to \$7.3 billion at the end of June.

Continued from page B1

has worked to cut expenses at the ride-hailing company in preparation for an initial public offering. This year, he has sold divisions such as the money-losing U.S. car-leasing business to Fair.com and its Southeast Asian operations to rival Grab Inc.

In a statement, Mr. Khosrowshahi said Uber plans to continue investing in future areas of growth such as food delivery and scooters, as well as "high-potential markets in the Middle East and India."

Mr. Khosrowshahi, however, is facing several regulatory, competitive and operational challenges that could hamper Uber's growth.

On Tuesday, New York's mayor signed a package of bills that freeze new issuances of ride-hailing licenses and set a minimum payment for drivers in Uber's biggest U.S. market. Seattle also is considering a minimum-wage threshold for drivers there.

Mr. Khosrowshahi also has had to confront a crisis at Uber's money-losing driverless-car operation after a fatal crash involving one of its robot cars in March. Uber has eliminated hundreds of test-

driver jobs and closed its operations in Arizona, and some Uber investors have questioned whether the company should continue to fund the expensive endeavor.

Uber also faces an onslaught of competition from ride-hailing companies around the world including in the U.S., where smaller rival Lyft Inc. is making gains in market share. Lyft recently raised \$600 million, doubling its valuation from last year to \$15.1 billion.

The companies are battling for the future of transportation, investing billions in as yet unproven self-driving vehicles and snapping up technology and competitors that offer rentable bicycles and scooters for shorter

trips within urban centers.

Mr. Khosrowshahi has said he plans to take Uber public in the second half of 2019, in what will likely be one of the largest IPOs in recent memory.

BUSINESS NEWS

Huggies Maker To Boost Prices

BY AISHA AL-MUSLIM

Kimberly-Clark Corp. is increasing its prices and changing package counts in the U.S. and Canada for several brands, including Cottonelle bathroom tissue and Huggies diapers.

The Dallas-based company on Wednesday said the increases, involving a majority of its North America consumer-products businesses, will help offset significant commodity cost inflation.

The move follows price increases by other consumer-products makers including rival **Procter & Gamble Co.**, which said last month it was raising prices for Pampers diapers, Bounty paper towels and other products in North America.

Kimberly-Clark's price increases—averaging in the mid-to-high single digits on a percentage basis—will mostly affect Cottonelle, Huggies, Scott 1000 bathroom tissue, Kleenex facial tissue, Viva paper towels, Pull-Ups training pants and GoodNites youth pants.

The company is notifying its customers that increases on Cottonelle and Viva will occur in the fourth quarter of this year, with most of the remaining increases taking effect in the following quarter.

The company's shares gained 4.8% to \$116.46 on Wednesday.

Kimberly-Clark sells products directly to supermarkets, drugstores, warehouse clubs, department stores and other retail outlets, as well as distributors, and lodging, office-building and food-service customers. Walmart Inc. made up about 14% of Kimberly-Clark's net sales in 2017.

The company's second-quarter results were hurt by a \$200 million rise in commodity costs, driven by a \$125 million increase for pulp—which goes into tissue products—and an added \$45 million for other raw materials. Cost of products sold were \$3.1 billion, up 8% from a year earlier.

Last month, the company said it is expecting commodity-cost inflation to add between \$675 million and \$775 million in expenses for the full year. As a result, it said it would “evaluate further opportunities to increase net selling prices.”

“I think our customers, they understand industry price changes when the commodity costs shift,” Thomas J. Falk, Kimberly-Clark’s chief executive, said during the company’s earnings conference call last month.

Macy's Gains, but Skeptics Dig In

Retailer lifts its profit, yet shares tumble 16% as analysts question pace of revival efforts

BY SUZANNE KAPNER

Macy's Inc. has been investing in stores and upgrading its online operations, but its efforts haven't been enough to overcome an inconvenient fact: It is still a department store.

On Wednesday the company reported second-quarter results that as one analyst said “checked all the boxes,” yet its share price tumbled 16%. The stock had rallied 66% this year through Tuesday’s close. But the selloff seemed to indicate more than just the usual frustration that sales and earnings should have been better.

“I’m not a believer that Macy’s is a long-term winner in retailing,” said Paul Lejuez, a Citi analyst. “Department stores are structurally disadvantaged. When you are selling other people’s merchandise, that is not a good spot.”

In an interview, Macy’s Chief Executive Jeff Gennette countered that the company after several years of declining sales had returned to growth. “Look at where our stock was in November and where it is now,” he said. “Clearly, we have some believers out there.”

Same-store sales, including licensed departments, rose 0.5% for the quarter ended Aug. 4, compared with the same quarter the previous year. Excluding the shift of a promotional event to the first quarter, the company said comparable sales rose 2.9% including licensed departments.

Total sales for the latest quarter fell 1.1% to \$5.57 billion, in part because of stores that were closed last year. Profit rose 50% to \$166 million, compared with \$111 million a year earlier. Macy’s also raised its sales and earnings guidance for the year.



Macy's is remodeling about 50 locations and has introduced the off-price Backstage concept to its department-store lineup.

Yet the shares fell \$6.67 to \$35.15, and some analysts said the company wasn’t moving fast enough in its turnaround. Macy’s and other battered retail stocks have rallied in the past year amid signs that sales declines had stabilized and investor fears about the shift to online shopping eased.

Overall, U.S. retail sales have been rising this year, buoyed by increased consumer spending and a strong U.S. economy. Other retailers, including Home Depot Inc., have reported strong demand. On Thursday, investors will get another test when Walmart Inc. reports its latest results.

Macy’s has been remodeling roughly 50 stores to include food offerings and upgraded fixtures. It has also added Macy’s Backstage, an off-price concept, to its department stores. It rolled out a new loyalty program that offers spe-

cial services to its best customers such as previews of Broadway plays. And it is adding to its online offerings with a program in which vendors ship directly to shoppers.

Mr. Gennette said the revamped loyalty program has added one million new shoppers, and that the retailer’s existing best customers are spending roughly 8% more with the program.

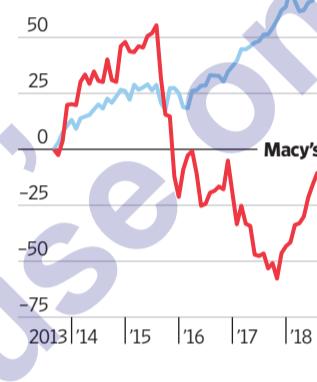
On a conference call, he told analysts the investments in brick-and-mortar stores were a big driver of the company’s improved results and that Macy’s had lined up the next batch of 50 stores to get special treatment such as extra sales staff and remodeled dressing rooms. “I feel good about the progress we’ve made,” said Mr. Gennette, a Macy’s veteran who took over as CEO in March 2017.

Macy’s, like other depart-

Markdown

Battered shares in Macy’s had rebounded this year until Wednesday’s selloff.

Five-year performance



sales has declined for decades, losing share to discount, off-price and fast-fashion chains.

While Macy’s has tried to be proactive, some analysts worry it isn’t moving fast enough. The company operates about 690 department stores under the nameplates Macy’s and Bloomingdale’s. Yet, only a fraction of those locations are getting a facelift. That has left many stores and departments with a “down-at-the-heels feel,” according to Neil Saunders, managing director of GlobalData Retail, a consulting firm.

Mr. Gennette said Macy’s is making investments in all its stores, not just its best locations, by introducing service desks and mobile checkout.

—Aisha Al-Muslim contributed to this article.

◆ Heard on the Street: Good isn’t enough at Macy’s..... B12



The company makes senior-focused Jitterbug mobile phones.

Best Buy Takes GreatCall

BY ROBERT BARBA

Best Buy Co. has agreed to buy **GreatCall Inc.**, the maker of senior-focused Jitterbug mobile phones, for \$800 million as part of an effort to increase investments in technology that addresses the needs of older people.

Best Buy reached the deal with private-equity firm **GTCR**, which acquired GreatCall last year.

In addition to its Jitterbug phones, GreatCall, which was founded in 2006, provides devices designed to help con-

sumers connect with caregivers and obtain concierge-type and emergency services.

David Inns, its chief executive, said the company is profitable with more than \$300 million of annual revenue. GreatCall has more than 900,000 subscribers.

Best Buy on Wednesday said the deal would be neutral to its adjusted earnings in fiscal 2019 and 2020 and boost them by 2021. The electronics retailer said the deal is part of its Best Buy 2020 strategy, which aims to use technology to address key human needs,

specifically among the U.S.’s aging population. Last year, Best Buy introduced Assured Living, a service that helps adult children remotely check in on the health and safety of their parents. That service is now available in 21 markets, Best Buy said Wednesday.

Best Buy said the deal wouldn’t interfere with its dividend strategy nor with plans to buy back \$1.5 billion of its stock in fiscal 2019.

Shares of Best Buy rose 2% in aftermarket trading to \$77.90. The stock is up 12% so far this year.

Corona Brewer Bets on Cannabis Startup

BY JENNIFER MALONEY

Corona brewer Constellation Brands Inc. is investing about \$4 billion into Canadian marijuana grower **Canopy Growth Corp.**, one of the biggest corporate wagers on the potential global market for cannabis-infused drinks and other products.

Constellation, which also produces Robert Mondavi wines and Svedka vodka, has

benefited from strong U.S. sales of its Mexican beer imports, Corona and Modelo. But overall beer consumption in the U.S. is in decline, as consumers abandon American lagers for wine, spirits and non-alcoholic drinks.

Cannabis is “the logical fourth leg” for the beer, wine and spirits company, giving Constellation a “total mood-modulation portfolio,” said CEO Rob Sands, whose family

controls the company through its ownership of supervoting shares.

Over the past year, three big beer companies—Constellation, **Heineken NV** and **Molson Coors Brewing Co.**—have announced development plans for cannabis-infused beverages in Canada or the U.S. Heineken’s Lagunitas brand launched a cannabis-laced, hop-flavored sparkling water in California in July.

Constellation said Wednesday it would spend 5.08 billion Canadian dollars (\$US\$3.88 billion) to increase its ownership stake in Canopy to 38%. The deal gives Constellation the right to invest another US\$3.4 billion to acquire a controlling stake. Canopy generated less than US\$60 million in revenue in its most recent fiscal year.

Shares of Constellation tumbled on the news, dropping more than 6% Wednesday. The deal will add to Constellation’s already substantial debt load.

Constellation’s new deal follows an initial investment last year, when it took a roughly 10% stake in Canopy and said it would develop nonalcoholic, cannabis-infused beverages for Canada and other legal markets.

The new partnership will include “a full suite of products,” Mr. Sands said, but the company won’t introduce those products in the U.S. until allowed by federal law.

Recreational marijuana use

in Canada will be legal in mid-October, and edible and drinkable cannabis products are expected to be legalized there by 2019. Independent research firm Euromonitor International estimates that legal marijuana sales in 2018 will total US\$7.5 billion in Canada and \$10.2 billion in the U.S. where it is allowed for recreational use in nine U.S. states and Washington, D.C.

“This is really the first time anything like this has happened since Prohibition,” Mr. Sands said. Canopy will use the capital to build or acquire assets around the world, he said, noting that about 30 countries are currently considering legalizing medical marijuana.

Mr. Sands said he wasn’t motivated by the decline in beer consumption or concerned about the potential threat cannabis poses to alcohol sales.

Beer drinkers have been shifting to higher-end options such as craft beer and Mexican imports, as well as to wine and spirits, all of which Constellation sells, he said.

Shares of Constellation tumbled on the news, dropping more than 6% Wednesday. The deal will add to Constellation’s already substantial debt load.

Constellation’s new deal follows an initial investment last year, when it took a roughly 10% stake in Canopy and said it would develop nonalcoholic, cannabis-infused beverages for Canada and other legal markets.

The new partnership will include “a full suite of products,” Mr. Sands said, but the company won’t introduce those products in the U.S. until allowed by federal law.

Recreational marijuana use



Constellation is investing \$4 billion in marijuana grower Canopy.

Constellation is investing \$4 billion in marijuana grower Canopy. The company is looking to diversify its product line beyond beer and spirits. Constellation has a 10% stake in Canopy, and it will invest another \$3.4 billion to acquire a controlling stake. Canopy generated less than \$60 million in revenue in its most recent fiscal year. Shares of Constellation tumbled on the news, dropping more than 6% Wednesday. The deal will add to Constellation’s already substantial debt load.

Constellation’s new deal follows an initial investment last year, when it took a roughly 10% stake in Canopy and said it would develop nonalcoholic, cannabis-infused beverages for Canada and other legal markets. The new partnership will include “a full suite of products,” Mr. Sands said, but the company won’t introduce those products in the U.S. until allowed by federal law.

X-CHAIR Stylish • Ergonomic • Comfortable

Dynamic Variable Lumbar Support (DVL) feels incredible!



Free Shipping & 30 Day Risk Free Trial

Save \$100 Now! And, Use code **FreeFootrest** For a Free Footrest

BuyXchair.com

This is Not Your Grandfather's Office Chair!

BuyXchair.com | 844-4-XCHAIR | Corporate Discounts Available

MANAGEMENT

Media Executive Tries New Tack on Ads

Chief operating officer of New York Times seeks higher rewards with riskier strategy

BY ALEXANDRA BRUELL

At the annual advertising festival on the French Riviera two summers ago, top New York Times Co. executive Meredith Kopit Levien sipped rosé with marketing executives from Samsung Electronics Co.

She brought a high-profile guest: Times columnist Maureen Dowd. At Samsung's virtual-reality installation, the group took turns trying on the latest goggles to immerse themselves in an interactive theater experience. A formal ad-sales pitch soon followed from Ms. Levien's team.

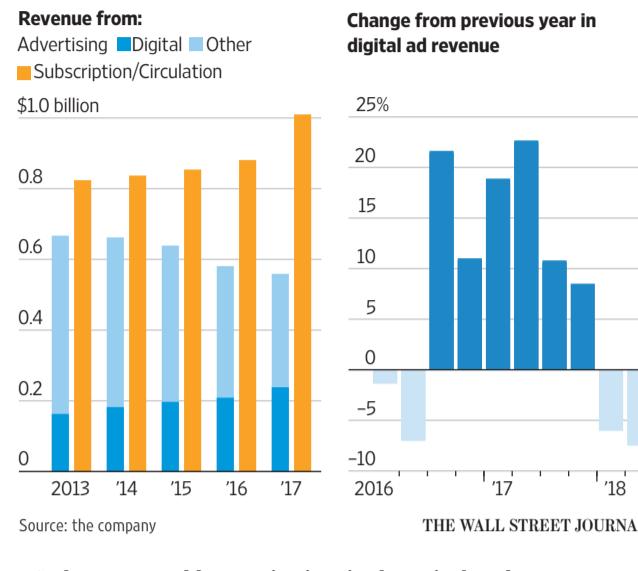
Months later, the companies sealed a deal: the \$14 million, 15-month commitment included Samsung "360" cameras distributed to hundreds of Times reporters, as well as heaps of ad space. The resulting 360 videos got prominent placement, some on the website's home page, and they carried a credit for Samsung.

It is the kind of nontraditional pact that Ms. Levien, who became chief operating officer last year, has pursued as she tries to steer the Times through unforgiving waters in publishing.

Through the Samsung deal and others with the likes of General Electric Co. and BMW

Changing Times

Subscriptions have powered growth at the New York Times while digital ad revenue is strong but can be volatile.



Source: the company

THE WALL STREET JOURNAL.

in the unit that does custom ad deals with marketers, as well as a smaller web audience.

"It all takes time and thought and work and that makes for a lumpier business," Ms. Levien said in an interview. She added, "When we sign a big deal, it's not going to see the light of day for sometimes three or six months." It's worth it, she said, because the old ad business—which she describes as selling rectangles of ad space in the paper or on the website—"is just falling away."

Last year, the Times' revenue grew 7.7%, powered by a run of digital-subscription sales tied



JOHN PHILLIPS/GETTY IMAGES FOR IPG

Meredith Kopit Levien pursues nontraditional advertising pacts.

largely to interest in politics and the Trump era. Digital-ad growth was 14%, a strong performance in an industry where Alphabet Inc.'s Google and Facebook Inc. are snatching a large share of ad dollars, though it wasn't enough to offset weakness in print that resulted in a nearly 4% contraction in overall ad revenue.

Most major news publishers, including The Wall Street Journal, have experimented with new business models and novel sponsorship arrangements as the print business has been battered. Several papers including the Journal have "branded content" units

separate from the newsroom, for example, that specialize in producing advertising material that is meant to have the feel of journalism. Sponsored online sections and conferences are more common throughout the industry. The Journal has also hosted events with marketers attended by journalists and ad executives from parent company Dow Jones.

The Times has been among the most aggressive outlets at pitching nontraditional ad deals, advertising executives said.

Ms. Levien said the Times has put in place strict rules to protect its news standards, in-

cluding clearly disclosing to readers when content is sponsored by a brand.

Referring to the content created via the Samsung partnership, she said, "This was journalism," adding, "this was not branded content."

Dean Baquet, executive editor at the New York Times, said that nothing has changed with regard to the advertising division's relations with the editorial operation, which has always made its own decisions about coverage.

The difference today, he said, is that questions about the appropriate line between business and editorial come up more often. "In the print era, you created something. It worked or didn't work," he said. "Now, we're in an era where those conversations happen more frequently and we have to move faster."

The Samsung 360 deal "caused controversy in the newsroom, and I get that," he said, adding that he didn't force anyone to create stories with Samsung devices and "some found it really cool."

Ms. Levien has become a fixture on the Madison Avenue scene. "If you look at how crowded and noisy this market is, visibility matters. She's in the room when the right conversations are happening," said Wenda Harris Millard, vice chairman of ad and media consultancy MediaLink.

—Lukas I. Alpert contributed to this article.

New Ben & Jerry's CEO Plans to Stir Social Activism

BY VANESSA FUHRMANS

Jerry's in 2000, succeeds Jostein Solheim as CEO.

Mr. Solheim, another long-time Unilever executive, is moving into a broader role overseeing all of the Anglo-Dutch company's food and refreshment businesses in North America.

Mr. McCarthy has a record in the kind of sustainable food production Ben & Jerry's has

long promoted.

At Unilever, he led an initiative to transition Hellmann's mayonnaise to 100% cage-free eggs and more recently launched Unilever's first organic snack brand in the U.S., Growing Roots, which gives 50% of its profit to U.S. urban farmers. He also led the company's 2017 acquisition of Sir Kensington's, an upstart maker

of high-end condiments.

The CEO change comes as Vermont-based Ben & Jerry's has been diversifying into new ice-cream products and boosting its political activism. During the 2016 election season, it launched an "Empower Mint" ice-cream flavor in support of a voting-rights campaign. More recently, it has advocated for the passage of

Amendment 4 in a Florida referendum in November, which would restore voting rights to former felons.

The 49-year-old Mr. McCarthy calls "Phish Food," named after the Vermont band Phish, his favorite ice cream.

Mr. McCarthy said he plans to amplify the brand's tradition of promoting environmental sustainability and advocating

for social causes while promoting its ice-cream flavors. Over the next few months, he said, the company would unveil new initiatives.

"Many people are feeling a tremendous lack of trust in [public] institutions around them," he said. "We need organizations, including businesses, to step forward more than ever."

Where Are the Best and Worst U.S. Airports?

As a WSJ member, you're invited to put your air-travel experiences to use by taking part in a survey conducted by the WSJ newsroom. Share with us your opinions on which airports are the best—and why. Your insights are valued and may be used in a coming report on the best and worst of U.S. airports.

SHARE YOUR OPINIONS AT
WSJPLUS.COM/BEST-AIRPORTS

WSJ+
INVITES + OFFERS + INSPIRATION

BUSINESS NEWS



A Hyundai cargo ship makes its way through Puget Sound. The company, which commands 1.8% of global container capacity, had a loss of \$215 million for the second quarter.

Maker of Chemicals For Chips Acquires Another

BY KIMBERLY CHIN

Cabot Microelectronics Corp. agreed to acquire specialty-chemicals maker **KMG Chemicals Inc.** for about \$1.2 billion, a move to expand the range of products it supplies to the semiconductor industry.

Under the deal announced Wednesday, KMG shareholders would receive \$55.65 in cash and 0.20 share of Cabot common stock for each share owned.

The deal has an implied value of \$79.93 a share based on Cabot's closing price Tuesday.

Including debt, the deal was valued at \$1.6 billion.

Cabot said the combined company would have roughly \$1 billion in annual revenue and about \$320 million in earnings before interest, taxes, depreciation and amortization. Cabot said it expects to create \$25 million in annual savings within the first two years after the deal closes.

Aurora, Ill.-based Cabot supplies polishing slurries and polishing pads used to help produce advanced semiconductor devices.

Fort Worth, Texas-based KMG produces chemicals and performance materials for semiconductor, industrial wood preservation, pipeline and energy markets.

In Wednesday trading, shares in Cabot fell 9.4% to \$109.99 while KMG shares rose 15% to \$76.97.

Korean Shipping Firms Hit Slump

South Korean shipbuilder, container carrier turn in dismal second-quarter results

By COSTAS PARIS

South Korean shipyard **Daewoo Shipbuilding & Marine Engineering Co.** and national flag carrier **Hyundai Merchant Marine** posted weak results in the second quarter, raising concerns about their future business despite repeated state bailouts.

Second-quarter net profit at DSME, the world's third-largest shipbuilder by capacity, slumped 80% from a year ago to \$183 million, despite a

raft of orders, mostly tankers, since the start of the year.

The yard made a profit of \$587 million in 2017 after six straight years of operating losses and executives are hoping to end 2018 with a strong showing to set up the business for sale, people with knowledge of the matter said.

For the year so far, the yard's net profit is down 71% on a drought of orders for offshore drillships and intense undercutting by Chinese competitors for other types of vessels. DSME got a \$2.6 billion state bailout last year and Chief Executive Jung Sung-leep said in June his goal was to make it "an attractive company for other companies to be interested in acquiring."

"They are looking to sell it

to **Hyundai Heavy Industries** or Samsung Heavy Industries as early as next year," one person involved in the matter said. "They've got an order book of 85 vessels, which is good, but after a brief recovery late in 2017, shipping is again on reverse and orders will weaken."

Lars Jensen, CEO of Copenhagen-based SeaIntelligence Consulting, said the order trend is for smaller vessels like container feeder ships in the medium term, which command tighter profit margins than bigger vessels.

The situation is more precarious for container ship operator Hyundai Merchant Marine Co. Ltd. The carrier, which commands just 1.8% of global container capacity, is

struggling to increase its volumes and stay relevant in a market controlled by much bigger rivals.

"They are pursuing volume growth, which is costing them dearly," Mr. Jensen said. "HMM's volumes grew 17% in the second quarter, seven times more than much bigger (German) rival Hapag-Lloyd which lost \$25 per container. HMM lost \$169 per container."

Higher volumes means less price control and with freight rates already well below sustainable levels, HMM's future hangs in the balance. The operator is too small for any scale advantages and the company's ships are too big for niche markets, like intra-Asia sailings, that have been a bright spot in an otherwise

depressed container shipping market.

The deteriorating results are a blow to government officials who have hoped HMM would pick up the country's shipping banner following the demise of Hanjin Shipping, which was the world's eighth-largest container carrier when it went bankrupt in 2016 before folding last year.

The carrier, which got a \$660 million rescue package last year, had a loss of 243 billion won (\$215 million) in the second quarter, compared with a year-earlier loss of 174 billion won.

HMM in June revealed a massive \$2.5 billion ship order consisting of 20 vessels that can move from 14,000 to 23,000 containers.

ADVERTISEMENT

The Marketplace

To advertise: 800-366-3975 or WSJ.com/classifieds

FRANCHISE



"LAST YEAR MY SHIPPING AND LOGISTICS FRANCHISES GENERATED OVER \$3.3 MILLION* IN REVENUE WORKING FROM MY HOME OFFICE."

Cathy Battreall



IN A TRILLION DOLLAR INDUSTRY, THE INXPRESS FRANCHISE PROVIDES...

- Under \$100k Initial Investment
- Home Office Business (no high cost brick & mortar lease)
- No Employees Required to Start
- Business to Business (no retail)
- Billing & Collection Services
- Turnkey Carrier Contracts
- Recurring Revenue

We have territories available across the US. Contact us today at (844) 514-7447 or to learn more about running a shipping company from your home visit: <https://goo.gl/Sj6mtY>

(844) 514-7447 | inxpressfranchise.com
franchisedevelopment@inxpress.com



Cathy Battreall

Franchisee since 2011

Jacksonville, FL

BUSINESS OPPORTUNITIES

Radio Stations For Sale

Booming Anderson (Clemson), Carolina Market
bob@wwok.net

TEXAS OIL & GAS

Partner to rejuvenate mature oil property. Proven reserves, shut-in oil production subject to completion of SWD re-entries not wildcat, Frio Sands horizontal drilling fairway. **\$750,000**
Partner@OmegaAlphaOil.com

Baird Funds

AggBdlnst 10.58 +0.02 0.7
CorBdlnst 10.92 +0.02 1.0

EqlnC 10.70 -0.01 0.1
GblBdlnst 10.92 +0.02 0.6

MARKETS DIGEST

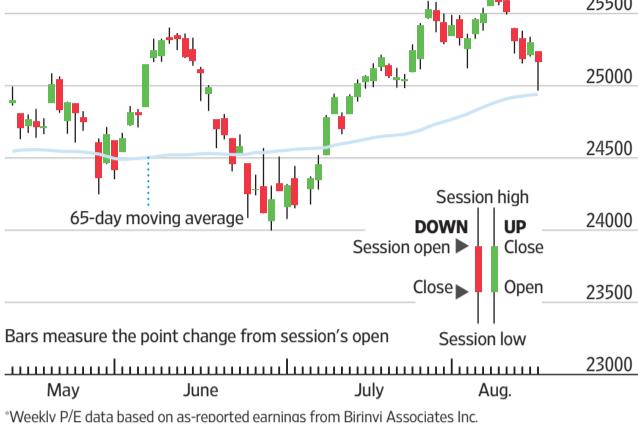
EQUITIES

Dow Jones Industrial Average

25162.41 ▼137.51, or 0.54%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 22.62 20.18
P/E estimate * 16.41 18.45
Dividend yield 2.16 2.29
All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open

Session low

Session high

DOWN UP Close

Close Open

Session open ▶ Close ▶ Open

65-day moving average

May June July Aug.

23000 23500 24000 24500 25000 25500 26000

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

25162.41 25162.41 25162.41 25162.41 25162.41 25162.41 25162.41

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,6700	2,6700	2,5615	2,5570	-0,1185	858	
Aug 2,6850	2,6890	2,5520	2,5600	-0,1220	115,328		
Gold (CMX) -100 troy oz.; \$ per troy oz.	1187.80	1188.10	1174.60	1177.50	-15,50	425	
Oct 1196.80	1197.20	1175.60	1180.50	-15,60	56,413		
Dec 1201.50	1202.00	1180.00	1185.00	-15,70	363,101		
Feb'19 1206.40	1206.70	1186.40	1190.50	-15,80	31,253		
June 1218.10	1218.50	1198.30	1201.90	-15,90	7,319		
Dec 1230.00	1230.20	1217.10	1220.20	-16,20	3,845		
Palladium (NYM) -50 troy oz.; \$ per troy oz.	889.00	889.60	823.40	837.20	-52,80	16,713	
Sept 886.50	886.80	822.00	835.30	-52,20	8,114		
Platinum (NYM) -50 troy oz.; \$ per troy oz.	800.50	800.50	761.00	771.60	-30,30	43	
Oct 801.60	802.90	756.60	771.90	-29,80	77,351		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	15.040	15.040	14,395	14,421	-0,604	145	
Sept 15.060	15.070	14,345	14,454	-0,599	140,399		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	66.69	66.90	64,51	65,01	-2,03	156,276	
Oct 66.00	66.22	63,93	64,46	-1,87	371,051		
Nov 65.72	65.88	63,72	64,24	-1,76	183,691		
Dec 65.39	65.61	63,51	64,00	-1,71	305,364		
Jan'19 65.17	65.30	63,35	63,80	-1,66	173,253		
Dec 62,38	62,46	60,84	61,17	-1,32	217,158		
NY Harbor ULSLD (NYM) -42,000 gal.; \$ per gal.	2,1264	2,1291	2,0760	2,0904	-0,0383	82,797	
Sept 2,1308	2,1331	2,0805	2,0945	-0,0386	81,097		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	2,0289	2,0426	1,9856	1,9974	-0,0367	95,621	
Sept 1,9200	1,9301	1,8778	1,8897	-0,0352	138,283		
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.	2,3760	3,377,75	373,25	376,00	-50	867,821	
Sept 2,950	2,963	2,930	2,940	-0,019	134,873		
Oct 2,959	2,969	2,940	2,948	-0,018	197,239		
Nov 2,992	3,004	2,978	2,985	-0,017	177,066		
Jan'19 3,168	3,182	3,156	3,165	-0,011	192,909		
March 3,025	3,038	3,013	3,022	-0,010	166,546		
April 2,710	2,716	2,697	2,706	-0,007	138,487		

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.	362.25	363.50	359.00	361.50	-75	321,105	
Sept 376.50	377.75	373.25	376.00	-50	867,821		
Oats (CBT) -5,000 bu.; cents per bu.	259.00	261.00	250.75	249.75	-10,50	1,074	
Dec 269.00	269.00	258.75	259.50	-9,00	3,674		
Soybeans (CBT) -5,000 bu.; cents per bu.	867.87	872.50	856.50	857.50	-10,75	53,896	
Sept 879.00	884.00	867.50	869.00	-10,75	423,484		
Soybean Meal (CBT) -100 tons; \$ per ton.	335.80	337.10	329.40	329.50	-6,30	68,045	
Dec 337.20	339.40	331.20	331.30	-6,50	208,113		
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	28,26	28,29	27,74	27,88	-40	50,949	
Dec 28,61	28,64	28,05	28,20	-41	251,439		
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	1021.50	1042.50	990.50	1032.50	13,00	4,215	
Nov 1041.00	1062.50	1013.00	1050.00	12,50	3,409		
Wheat (CBT) -5,000 bu.; cents per bu.	541.00	542.75	528.25	532.25	-9,50	88,448	
Dec 560.75	562.50	549.00	551.75	-1,25	200,477		
Wheat (KCC) -5,000 bu.; cents per bu.	547.50	549.00	533.75	535.25	-10,50	64,611	
Sept 574.00	576.00	560.75	562.75	-9,75	127,498		
Wheat (MPLS) -5,000 bu.; cents per bu.	595.50	595.50	582.75	583.50	-12,75	21,032	
Dec 613.25	613.75	600.25	600.75	-12,50	27,963		
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.	148,700	150,175	148,675	149,050	-125	3,668	
Oct 148,425	150,300	148,400	149,275	-375	14,805		
Cattle-Live (CME) -40,000 lbs.; cents per lb.	107,800	109,075	107,750	108,325	-350	11,277	
Oct 108,650	109,850	108,500	109,000	-275	130,591		
Hogs-Lean (CME) -40,000 lbs.; cents per lb.	51,825	52,750	51,250	52,475	-625	116,198	
Dec 48,625	49,675	48,200	49,450	-200	59,191		
Lumber (CME) -110,000 bd ft.; \$ per 1,000 bd ft.	446.40	457.90	432.50	442.50	-240	2,606	
Nov 420.10	436.90	410.20	420.70	-620	1,377		
Milk (CME) -200,000 lbs.; cents per lb.	15,03	15,04	14,97	15,00	-2,02	4,621	
Oct 16,31	16,31	16,12	16,16	-15	3,684		
Cocoa (ICE-US) -10 metric tons; \$ per ton.	2,110	2,139	2,075	2,083	-25	10,752	
Dec 2,154	2,195	2,133	2,140	-10	114,511		

Currency Futures

Japanese Yen (CME) -\$12,500,000; \$ per 100%	.9011	.9075	.893	.9063	.0051	183,199	
Sept .9064	.9128	.9059	.9123	.0051	1,438		
Canadian Dollar (CME) -\$100,000; \$ per CAD	.7661	.7667	.7594	.7615	-.0032	137,697	
Dec .7673	.7673	.7606	.7627	-.0031	5,267		
British Pound (CME) -\$62,500; \$ per £	1,273,70	1,275,11	1,267,80	1,270,90	-.01	1,983,163	
Sept 1,276,73	1,278,00	1,260,15	1,270,15	-.01	1,983,163		
2 Yr. Treasury Notes (CBT) -\$200,000; pts 32nds of 100%	105,247	105,280	105,245	105,270	1,7	1,983,163	
Sept 105,197	105,233	105,197	105,225	2,54	4,489		
30 Day Federal Funds (CBT) -\$5,000,000; 100-daily avg.	98,090	98,090	98,088	98,088	...	234,237	
Oct 97,855	97,865	97,855	97,855	...	359,304		
10 Yr. Del. Int. Rate Swaps (CBT) -\$100,000; pts 32nds of 100%	95,828	96,078	95,828	96,000	3,375	30,081	

BIGGEST 1,000 STOCKS

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.**Footnotes:**

- I**-New 52-week high.
- N**-New 52-week low.
- dd**-Indicates loss in the most recent four quarters.
- FD**-First day of trading.
- h**-Does not meet continued listing standards.
- If-Late filing**
- q**-Temporary exemption from Nasdaq requirements.
- t-NYSE** bankruptcy
- v**-Trading halted on primary market.
- wj**-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, August 15, 2018

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym

BANKING & FINANCE

Saudis Embrace High-Tech Investments

When Saudi Arabia's Crown Prince Mohammed bin Salman toured the U.S. two years ago, he couldn't even get an audience with Tesla Inc. Chief Executive Elon Musk, people familiar with the outreach said. Since then, his country's sovereign-wealth fund has boosted its stake in the car maker, and he is now weighing whether to be part of a deal to take the company private.

*By Rory Jones and
Summer Said in Dubai
and Maureen Farrell
in New York*

The shift shows how quickly Crown Prince Mohammed and his sovereign-wealth fund have become a pivotal global investor. The **Public Investment Fund's** moves have also brought an element of unpredictability to a \$225 billion fund, mirroring the headlong leadership style of 32-year-old Prince Mohammed, who is trying to transform Saudi Arabia from a staid petrostate to a technology-focused economy.

But with its aggressive approach to investment, PIF is also leveraging up, sourcing direct deals and shifting into higher-risk tech startups. Some Saudis worry that it is jeopardizing the wealth of Saudi Arabia's next generation by combining politics and inexperience with impulsive bets on technologies of the future. The talks with electric-car maker Tesla have crystallized those concerns.

"There are several people in the government that would question that deal and whether it is the right call," an adviser to the Saudi government said. "Saudi Arabia wants to go big on electric vehicles but wanting something and making it a reality is something else."

Interviews with advisers and people close to the PIF said the fund sources its potential deals through political and business ties. The crown prince ultimately makes the

call whether to go ahead with investments, and in many cases, has forged personal connections with the executives running the companies.

An adviser to the Saudi government said talks about investing more in Tesla included the crown prince, who also is likely to have the final say on increasing PIF's stake.

The Saudi royal toured the U.S. in 2016 in a push for tech deals that included an outreach to Tesla, which was rebuffed, people familiar with the matter said. Tesla declined to comment on the account.

In a blog post on Monday, Mr. Musk said Saudi Arabia had reached out to him two years ago and he started face-to-face talks early last year with the PIF on a major stake.

Since then, the fund built a 4.6% stake via listed shares in Tesla, one of the U.S. stock market's most-shorted stocks. PIF's Chief Executive Yasir Rumayyan is working on a proposal to present to the crown prince about increasing PIF's stake in Tesla, the adviser to the Saudi government said.

Mr. Musk stunned markets last week when he shared his thinking over Twitter about taking Tesla private. The announcement is now subject to regulatory scrutiny.

Tesla's directors on Tuesday formed a special committee to evaluate Mr. Musk's suggestion of taking the company private.

The senior Saudi adviser and another person with knowledge of the matter said **SoftBank Group Corp.** Chief Executive Masayoshi Son encouraged the Saudis to buy into Chinese electric-battery maker **Contemporary Amperex Technology Co.**, but the crown prince preferred Tesla because it is American.

A spokesman for SoftBank declined to comment on Mr. Son's advice for the crown prince. People close to SoftBank have ruled it out of any deal for Tesla, despite its major partnership with PIF.



Saudi Crown Prince Mohammed bin Salman, center left, at Lockheed Martin during a visit to the U.S. in April.

Spokesmen for PIF declined to comment. The Saudi government and its royal court didn't respond to phone and email requests for comments on this article.

Officials at the Saudi fund are seeking Tesla's expertise to tie into broader plans to create new industries in solar-power generation, battery storage and electric-vehicle production. The Wall Street Journal has reported. The fund, which is talking with banks to raise billions of its own debt, hopes its investments in technology will act as a hedge against the decline of the energy sector.

The PIF isn't alone in investing in technology. Singapore's **Temasek Holdings** and **GIC Private Ltd.** and **China Investment Corp.** also have become active in venture capital. Although unusual, other

sovereigns such as Temasek also have taken on debt.

But the PIF is unique in the size and scope of the investments, said Javier Capapé, director of the Sovereign Wealth Lab at Madrid's IE Business School. "PIF investing in tech is part of the country's wider strategy," he said. "What's not very clear to me is how investing in high-tech things will drive your economy or lead you into other sectors to compensate the oil."

The PIF is scrambling to raise money for its investments. The fund is in talks with banks to raise billions of its own debt and plans to use cash from the sale of its stake in Saudi Arabia's national chemicals company to oil giant Aramco, or **Saudi Arabian Oil Co.**, in a deal valued at as much as \$70 billion.

Splashing the Cash

Saudi Arabia's sovereign-wealth fund has quickly sourced billion-dollar deals.

NAME	LOCATION	YEAR	VALUE
SoftBank	Japan	2016	\$45 billion
Blackstone	U.S.	'17	20
Russian DIF	Russia	'17	10
AccorInvest*	France	'18	5.3
Uber	U.S.	'16	3.5
Tesla†	U.S.	'18	2.0
Adeptio‡	UAE	'16	1.2
Posco	S. Korea	'15	1.1
Virgin	U.S.	'17	1.0
Noon	UAE	'16	0.5
Magic Leap	U.S.	'18	0.4

*Part of a Consortium of buyers. †Estimated 4.6% purchase in listed shares reported by Financial Times. ‡Estimated value based on company's total sale value.

Source: Public Investment Fund press releases. Includes committed capital and announced stake purchases. THE WALL STREET JOURNAL.

Turkey Volatility Socks Some Funds

BY LAURENCE FLETCHER

Asset-management giant **BlackRock Inc.**, a star bond trader at **Barclays PLC** and a major hedge fund are among the investors nursing losses from Turkey's violent market trading in recent days.

The Turkish lira's declines on Friday and Monday, which were among the largest moves in any currency in recent years, and spikes in the country's borrowing costs, caught several major investors wrong-footed.

BlackRock, the world's largest asset manager and the largest foreign holder of Turkish government bonds, had been running outsize positions in Turkey in some of its actively managed funds when the crisis hit.

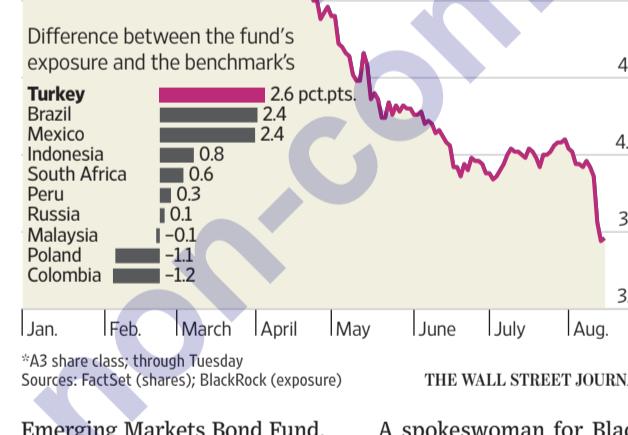
The firm's \$5.8 billion Emerging Markets Local Currency Bond Fund has fallen 7.1% this month through Tuesday, according to FactSet. The fund had a 7.6% exposure to Turkish government bonds at the end of July—including a 5.5% weighting in the lira-denominated bonds—compared with the benchmark's 5% weighting, said a person familiar with the matter.

The fund also had a larger-than-benchmark position in the lira itself. While BlackRock partially reduced this before the worst of the selloff last week, this still contributed to losses, the person said. The fund also was hit by bullish bets on wider emerging markets.

The firm's \$3.5 billion

Turkish Bath

BlackRock Emerging Markets Local Currency Bond Fund was hit by exposure to Turkey and other emerging markets in August.



*A3 share class; through Tuesday

Sources: FactSet (shares); BlackRock (exposure)

Net asset value a share*

THE WALL STREET JOURNAL.

A spokeswoman for BlackRock declined to comment.

Meanwhile, Tolga Kirbay, a star trader of Turkish assets recently hired by Barclays from BNP Paribas SA, had run up a loss of as much as roughly \$20 million on his book, said a person familiar with the situation.

However, that has been balanced by hedges elsewhere in the credit business, and the bank hasn't suffered any significant losses in its business overall, the person said.

Hedge fund firm **H2O Asset Management**, which runs \$274 billion in assets, was also caught with positions in Turkey as the crisis unfolded, according to an update sent to clients on Tuesday and reviewed by The Wall Street

Journal. The firm's Allegro fund, which specializes in trading currencies and bonds, is down 12.6% this month.

H2O said in the note that it increased its holdings of Turkish government bonds and the lira at the end of July and early this month. It said it expects the volatility to subside and said "a decisive domestic policy reaction is unavoidable." H2O didn't respond to a request for comment.

The losses come after a violent period for Turkey's markets, driven by U.S. sanctions and concern over President Recep Tayyip Erdogan's economic policies, coupled with a strengthening dollar and higher U.S. interest rates.

The lira has tumbled 20% this month.

Asset manager GMO LLC also took a hit on some holdings. It held positions in Turkish stocks such as Koc Holding, which is down nearly by half in dollar terms this year, and Turkiye Garanti Bank, which is down 65% this year, according to FactSet.

The fund has been bullish on emerging-market value stocks in general, a position it is sticking with, says Ben Inker, head of asset allocation.

"Part of investing in emerging markets is understanding that idiosyncratic challenges hit different countries at different times, often creating interesting investment opportunities," he said in a statement to the Journal.

—Christopher Whittall

contributed to this article.

Banks Say No Thanks On Volcker

Continued from page B1

bank-owned funds, but allows firms to buy and sell securities to promote liquid markets and meet customer demands. The rule, a response by Congress to the financial crisis, was put in place in 2013 after years of negotiations among five regulators in charge of its implementation.

The proposal—put together by the Fed, Federal Deposit Insurance Corp., Office of the Comptroller of the Currency, Securities and Exchange Commission and Commodity Futures Trading Commission—seeks to make it easier for banks to conduct allowed trades by replacing a standard for determining suspect trades, among other changes.

In the current regime, trading positions held by banks for less than 60 days are presumed to violate the rule unless bankers prove otherwise.

The meeting at the Fed revolved around a single provision in the nearly 400-page plan: a new measure to determine which types of assets held on banks' balance sheets should be held to that burden of proof.

In an attempt to create a "bright line," regulators are proposing to replace the 60-day standard with one based on accounting definitions, which encompasses a category bankers say is overly broad:

available-for-sale securities.

If the absolute daily value of those trades over 90 days were to exceed \$25 million, a bank would have to prove it wasn't speculating for its own account.

Bankers say available-for-sale securities can include a variety of assets. They say restricting their ability to trade with those asset classes could bog down markets.

The proposal is in its preliminary stages, with regulators taking comments from banks and the public. They could decide to change the proposal or narrow the scope of this new definition to make it more palatable to the banks.

The Fed declined to comment, as did the banks.

Randal Quarles, the Fed's regulatory czar, said in May when the proposal was released that the Fed was open to making changes to it.

FDIC Chairman Jelena McWilliams, sworn in a week after the Volcker changes were proposed, in a recent interview said the current rule is too complicated.

Ms. McWilliams cited an example from her recent time at Fifth Third Bancorp: The bank needed a committee and outside law firm to determine if purchasing green-energy credits would violate the Volcker rule. "I just remember sitting there with the chief compliance officer and the chief risk officer going, 'I'm pretty sure Paul Volcker did not intend this,'" she said, referring to the former Fed chairman eponymous to the rule.

—Ryan Tracy
and Dave Michaels
contributed to this article.

Rule Aims to Increase Transparency for Insurance Investors

BY MICHAEL RAPORT

Investors should see clearer and more up-to-date numbers about the financial health of U.S. life insurers under a long-planned set of changes to insurance accounting unveiled Wednesday, rule makers say.

The changes, which take effect in 2021, will affect the way companies value their long-term insurance contracts like life insurance, long-term care policies and annuities. They are intended to provide

increased transparency and better understanding of the economics," said James Kroeker, vice chairman of the Financial Accounting Standards Board, the panel that sets accounting rules for U.S. companies.

The idea, Mr. Kroeker said, is to make sure investors get the most current information on the contracts' value. Insurance contracts can extend over decades, but often the assumptions that governed their value at the outset—life expec-

tancy and the costs of long-term care, to name a couple—aren't updated.

The contracts' value doesn't stay current until and unless they become unprofitable for the insurers, and then they suffer a big hit to their value all at once, potentially blindsiding investors. As a result, the investors might not have a fully accurate idea of how much those contracts are worth under current conditions, Mr. Kroeker said.

With the new changes, the

FASB will require insurers to review at least annually the assumptions they use to measure the value of their insurance obligations and update them if necessary. Any changes in value that result would be included in the company's net income, which could add some volatility to insurers' earnings.

Insurers also will be required to use a standard discount rate to measure their liabilities. The rate will be pegged to the yield from high-

quality bonds, which is lower than the discount rate many insurers use now—the rate they earn on their investment assets.

A lower discount rate would increase the current value of the obligations on insurers' balance sheets.

Other changes include clearer, more streamlined accounting for the costs of acquiring new customers, known as deferred acquisition costs.

The changes have been in the works for more than a de-

cade. The FASB proposed broader changes to insurance accounting in 2013, but insurance companies, investors and others urged the board to focus on targeted changes instead of overhauling the entire system of insurance-accounting rules.

The changes don't affect short-term insurance contracts such as auto and homeowners' insurance, which were the subject of their own series of changes in 2015, focusing on improved disclosure.

MARKETS

Oil Slides On Rising Stockpiles

By DAN MOLINSKI

Oil prices fell to their lowest in two months after U.S. oil inventories unexpectedly increased and as investors worried about softening demand from global trade tensions and financial problems in Turkey.

Light, sweet crude for September delivery ended 3% lower at \$65.01 a barrel on the New York Mercantile Exchange. That is the lowest closing level since June 6 and well below the \$74 level it reached as recently as July 10. Brent crude, the global benchmark, fell 2.3% to \$70.76 a barrel.

"People are getting a little scared there's going to be a contagion effect" due to Turkey and the U.S.-China trade fight, said Mark Waggoner, president of Excel Futures. "Then we got the build in [U.S. oil] inventories, and that doesn't help prices either."

The U.S. Energy Information Administration reported Wednesday a hefty, 6.8-million-barrel increase in U.S. stockpiles of crude oil, which surprised analysts who, on average, were expecting a 2.4-million-barrel decrease. U.S. commercial crude-oil inventories now stand at 414 million barrels, which is above the five-year average for the first time in several months.

A broader figure in the EIA report that adds together both crude oil and fuels such as gasoline also showed a huge and unexpected increase, said Kyle Cooper, a consultant for ION Energy. "Total petroleum inventories rose a staggering 17.4 million barrels, but that does still fall shy of the record 21.7 million increase," Mr. Cooper said. "Overall a very bearish weekly report."

The data showed U.S. oil production edged back up, to 10.9 million barrels a day, which suggests supplies could remain plentiful as the high-demand summer driving season ends and the lower-demand, back-to-school season starts.

Mr. Waggoner, noting stock markets and other commodities also declined Wednesday, said he thinks oil's sharp decline was less a result of the EIA report and more due to investors' continuous worries that Turkey's problems and the U.S.-China trade fight will sap economic growth and global demand. But he said he believes investors are overreacting to these contagion fears.

Colorado-based Drillinginfo said despite the recent drop in oil prices, the market is likely to find support in coming weeks and months as the U.S. government's sanctions against Iran lead to sharp declines in Iranian crude-oil exports and tighter global supplies.

"The pressure on prices has been immense with the escalation of trade wars and a weaker demand growth," Drillinginfo said. "However, the expectation of Iranian crude being removed from the market is keeping the floor for prices strong."

Meanwhile, a stronger dollar partly as a result of Turkey's woes also weighed on oil, which is traded in greenbacks and often moves in the opposite direction of the U.S. currency.

"Adding a further injection of downward price pressure was a perky dollar," said Stephen Brennock, analyst at brokerage PVM Oil Associates Ltd.

—Christopher Alessi contributed to this article.

Energy, Materials Pressure Stocks

By AMRITH RAMKUMAR AND BEN ST. CLAIR

U.S. stocks tumbled in a broad selloff led by the energy and materials sectors, as the Dow Jones Industrial Average and S&P 500 posted their fifth decline in the past six sessions.

After mostly rising to start the month on the back of strong corporate-earnings reports, U.S. stocks have been pressured in recent sessions as investors worry that Turkey's economic crisis could spread to other emerging markets.

Some investors expect U.S. earnings and economic growth to continue supporting major indexes, but analysts say the market is starting to pay more attention to challenges gripping other countries.

"The level of growth was so far above a sustainable trend

that the only logical thing to assume was that it was going to moderate a bit," said Jonathan Golub, chief U.S. equity strategist at Credit Suisse.

The S&P 500 slumped 21.59 points, or 0.8%, to 2818.37, while the Dow industrials declined 137.51 points, or 0.5%, to 25162.41. The S&P 500 is up less than 0.1% during August, while the blue chips—which are more sensitive to trade tensions—are down 1%. The technology-heavy Nasdaq Composite fell 96.78 points, or 1.2%, to 7774.12 Wednesday and is up 1.3% month to date.

Commodities, including oil and metals prices, also dropped sharply Wednesday, putting pressure on energy and materials companies in the S&P 500. Those sectors fell 3.5% and 1.6%, respectively.

Only the utilities, telecom, real-estate and consumer-staples sectors rose in the S&P 500. All four groups are considered safety plays because of

their hefty dividend yields.

"The story for this week is clearly centered on Turkey, tariffs, the dollar and weakness in the equity market," said Kevin Giddis, head of fixed income capital markets at Raymond James, in a note.

Investors were also weighing economic data showing Americans boosted their spending in July, amid a strong labor market and consumer confidence.

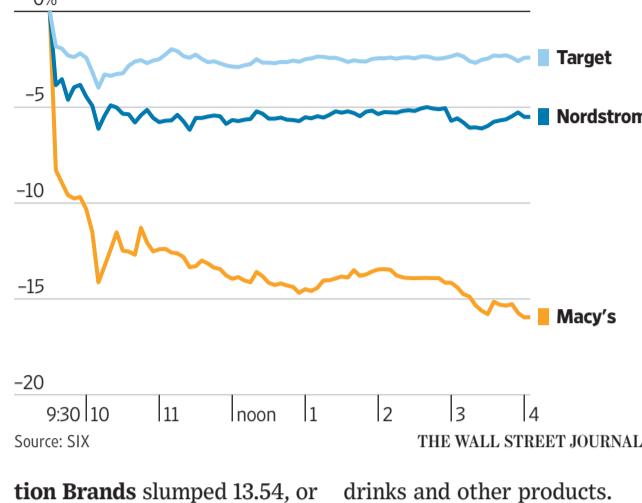
Macy's dropped \$6.67, or 16%, to \$35.15 after the department-store operator reported a slight drop in sales in the latest quarter as it tried to strengthen its bricks-and-mortar business with store remodels and off-price locations. The shares dragged down a number of other retail stocks, including Kohl's and Gap.

Earnings reports from other retailers, including Walmart, J.C. Penney and Nordstrom, are on deck for Thursday.

Corona brewer Constella-

Retail Rout

Shares of department stores fell Wednesday after Macy's reported quarterly earnings.



tion Brands slumped 13.54, or 6.1%, to 208.27 after saying it is investing \$4 billion into Canadian marijuana grower Canopy Growth, a big wager on the potential for cannabis-infused

drinks and other products.

In early trading in Asia Thursday, Japan's Nikkei Stock Average was off 0.44% and Hong Kong's Hang Seng was down 0.92%.

Treasury Yields Fall In Search For Havens

By AKANE OTANI

U.S. Treasury yields fell as fears of an emerging-market rout rippling into developed markets kept global investors cautious.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.852%, down from 2.893% Tuesday.

Yields, which fall as bond prices rise, slipped overnight and held on to their declines as major stock indexes in China, Europe and the U.S. lost ground and commodities prices tumbled.

The downbeat mood among equity investors helped stoke demand for Treasurys, which are often considered havens when the outlook for growth looks shaky.

The recent collapse in the Turkish lira, which has taken a toll on other currencies such as the Indonesian rupiah, Mexican peso and South African rand, has raised fears among investors of a broader pull-back from emerging-market assets. On Wednesday, Indonesia's central bank raised interest rates for the fourth time in three months, the latest measure that officials there have taken to attempt to bolster the country's currency.

"A weakening currency has foreign investors running for the hills, so it is a vicious downward cycle that is difficult for governments and their senior monetary officials to break free of and restore market and business confidence," said Chris Rupkey, chief financial economist at MUFG.

Worries about the global outlook persisted even as the lira rebounded Wednesday and upbeat economic data in the U.S. pointed to sustained resilience in the domestic economy.

Commerce Department data showed U.S. retail sales jumped 0.5% in July from the prior month, extending a rebound in consumer spending that began in the second quarter.

Despite the strong data, the yield on the 10-year Treasury remained lower for the day, suggesting investors are bidding up haven assets.



Prices of the commodity which is used in batteries soared last year over fears of a shortage, but now an oversupply is predicted.

Once-Hot Lithium Attracts Bears

By AMRITH RAMKUMAR

One of the hottest investments of 2017 is now a big short.

Investors have reaped gains this year from short bets on companies that produce lithium—a commodity used in the batteries that power electric vehicles and smartphones.

Lithium prices soared last year on expectations that growth in demand would lead to a shortage in supply.

But so far in 2018, stocks of lithium companies have tumbled after Morgan Stanley raised concerns that producers will ramp up output too quickly.

Investors who had short bets have been rewarded by the slump. Short bets against eight of the most actively traded lithium companies already have generated more than \$550 million in profits this year, according to an analysis by financial technology and analytics firm S3 Partners based on stock prices through Monday.

"It's been a home run trade—there's no question about it," said Chris Berry, founder of House Mountain Partners LLC, a New York-based adviser to battery-metals companies and investors.

Bullish projections for consumption made lithium and cobalt two of the market's darlings last year, but sentiment quickly turned after Morgan Stanley called for oversupply in lithium in February.

Now, analysts say prices of

Rapid Reversal

The Global X Lithium & Battery Tech ETF has tumbled this year after a monthslong rally.

Percentage change*



*Since Aug. 11, 2017

Source: Dow Jones Market Data

materials for batteries have plunged in China, which dominates the battery market. Worries have intensified that changes to China's electric-vehicle subsidy policies will lead to lower demand.

The Global X Lithium and Battery Tech ETF—a popular ETF that allows investors to bet on the industry—is down 19% so far in 2018. That is a reversal from its 59% rally last

year.

Some of the largest producers in the world including Chilean firm Sociedad Química & Minera De Chile SA and U.S. firm Albemarle have tumbled more than 25%. Small lithium companies have fared even worse, in some cases shedding up to 70%.

Some companies and investors remain bullish on the lithium market: SoftBank Group Corp. and Tesla Inc. are among the large technology and auto companies that have recently done deals to secure lithium supply.

That hasn't dented the bearish outlook of some investors and traders. They are betting losses in the lithium market will continue.

Short positions make up more than 18% of outstanding shares of Albemarle and Australian firms Galaxy Resources Ltd. and Orocobre Ltd., according to data from IHS Markit. That is up from an average of 7.5% at the start of the year.

"There's a disconnect there for sure, and the question now is, 'What changes the sentiment?'" Mr. Berry said.

Worries That Turkey's Troubles Could Spread Hit Indonesia's Rupiah

By MIKE BIRD

Indonesia's central bank raised interest rates for the fourth time in three months on Wednesday, boosting measures to defend its currency following a global selloff in emerging markets.

The Indonesian rupiah in recent days fell to its lowest level in nearly three years, after a sharp drop in the Turkish lira sparked worries about contagion across riskier markets and currencies. The latest increase boosted the country's benchmark interest rate by a quarter percentage point to 5.5%.

As recently as May, that rate stood at 4.25%, where it was at the start of 2018.

The rupiah rose slightly against the dollar after the central bank's decision, to 14,585 per dollar. The Indonesian currency previously touched lower levels for just a few days in 2015, as well as in 1997 and 1998 in the immediate aftermath of the Asian financial crisis. The bulk of its decline this year has been due to the dollar's advance.

The rate increase comes as Indonesia has been rolling out import-curbing measures to prop up the rupiah and avoid being caught up in the lira meltdown.

This week, the country of

more than 250 million people asked state-owned oil and power companies to postpone new infrastructure projects and to think twice about importing goods for current, nonurgent projects. Officials also are planning to impose tariffs of 7.5% on 500 consumer goods and say they would soon require companies and consumers to use more biofuel blends in a bid to cut billions of dollars in oil imports.

Many central banks in the developing world face an unpleasant choice on whether to raise their interest rates as the dollar strengthens and investors sour on emerging markets. Raising rates can help limit capital outflows but could crimp economic growth. Leaving rates unchanged could make currencies more prone to further declines, creating the risk of more inflation.

Bank Indonesia's move came days after Argentina's central bank raised its benchmark interest rate to 45% from 40%.

Rate setters in India, the Philippines and Mexico have also tightened monetary policy in response to external pressure this year.

Indonesia is viewed by many analysts as highly vulnerable to the effects of market contagion if global investors decide to exit riskier emerging markets en masse and flee to safer assets.

Under Pressure

The dollar is near record highs against the Indonesian currency.

How many rupiah one U.S. dollar buys

15,000



Source: Tullett Prebon

THE WALL STREET JOURNAL.

MARKETS

Turkey's Economic Red Flags Stand Out

By JOSH ZUMBRUN

Turkey might not be the tip of a global economic iceberg.

The collapse of the Turkish lira has investors worried the nation's financial turbulence could spread to other countries, and the lira's plunge in the past few days has hit other emerging-market currencies such as Indonesia's rupiah, Mexico's peso and South Africa's rand.

But few other countries are troubled by as broad a constellation of economic problems as Turkey.

Its economic woes include one of the largest trade deficits of any emerging-market country, unmatched external debts, a currency vulnerable to decline, exceptionally high inflation, unorthodox monetary policy and very little international goodwill.

That is a recipe for market blowback.

"There are special factors in that country," St. Louis Fed President James Bullard said of Turkey in an interview Monday. "I don't think this is a situation that would lead to a generalized contagion at this point."

Turkey runs an unusually large current-account deficit, a broad measure of its balance between imports and exports and the income it earns on investments overseas.

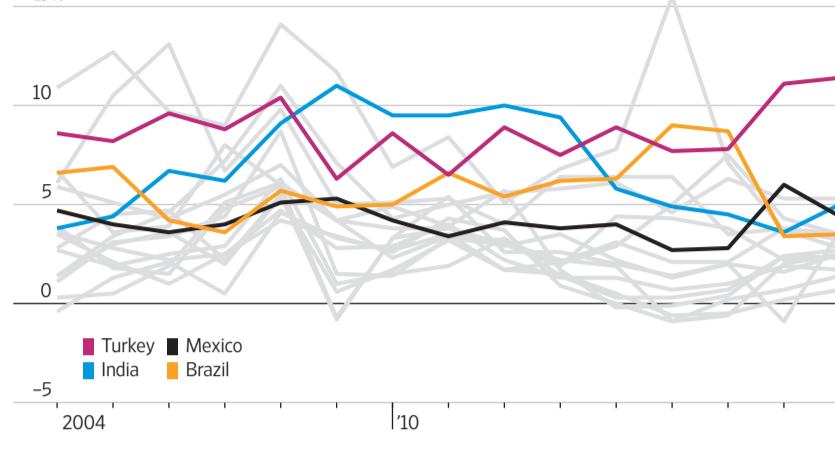
When a current account is in deficit, it means the country spends more money on imported goods and services than it makes on what it sends abroad. This makes an economy dependent upon capital flowing into the country and prone to reversals in investor sentiment.

Turkey's current-account deficit is poised to hit \$49 billion this year, according to the International Monetary Fund's April forecasts, up from \$32 billion in 2015.

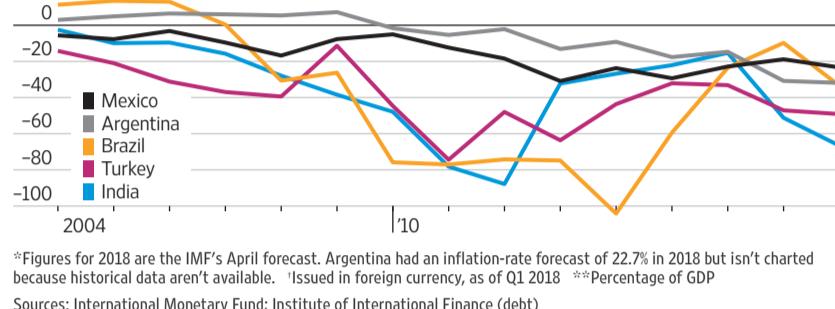
Among emerging markets, only India is expected to run a

A sharp decline in Turkey's currency has intensified scrutiny of emerging markets, with many investors downplaying fears of a contagion effect because Turkey's numbers are generally poor.

Inflation rate of major emerging-market economies*



Current-account balance of five biggest emerging-market deficit countries



*Figures for 2018 are the IMF's April forecast. Argentina had an inflation-rate forecast of 22.7% in 2018 but isn't charted because historical data aren't available. Issued in foreign currency, as of Q1 2018. **Percentage of GDP

Sources: International Monetary Fund; Institute of International Finance (debt)

larger current-account deficit this year. But India's economy is triple the size of Turkey's. As a percentage of gross domestic product, Turkey's current-account deficit is the largest among major emerging markets, forecast by the IMF at 5.4% in 2018. Argentina was close behind at 5.1%.

Turkey has financed this deficit by borrowing extensively in foreign currencies. According to data from the Institute of International Finance, a banking group in Washington that tracks emerging markets, Turkey has more nonfinancial private-sector borrowing in a foreign cur-

rency than any other major emerging market.

It is largely corporate borrowing, in euros and dollars, even though many Turkish companies bring in most of their revenue in lira. The loan growth was encouraged by a government backstop called the Credit Guarantee Fund.

Turkey's government also has issued debt in foreign currency amounting to 11% of GDP, according to data from the IIF. Foreign-denominated debts become hard to service as the Turkish lira falls.

The domestic economy has other challenges: Turkey's central bank, bowing to pres-

sure from President Recep Tayyip Erdogan, who has called himself the "enemy of [high] interest rates," has kept rates low. Then inflation built as the economy heated up. The IMF has forecast that Turkey's inflation rate will top 11% this year, about double the rate of any other major emerging market except Argentina.

Now interest rates are surging, which could punish the economy and Turkish banks.

Turkey's currency has been another financial red flag. Earlier this year, the IIF identified the currencies of Argentina and Turkey as exceptionally overvalued, meaning a sharp

currency decline would be needed to bring their economies in line after years of running large trade deficits.

Satisfied with Argentina's steps to rebalance its economy, the IMF rapidly completed a \$50 billion bailout program for Argentina this year, moving with strong U.S. support.

Mr. Erdogan receives little international goodwill. Other world leaders have publicly feuded with President Trump over steel and aluminum tariffs, but Mr. Trump singled out Turkey for added punishment, doubling those tariffs after Turkey retaliated against

tial U.S. duties.

Mr. Erdogan is at odds with the U.S. over an American pastor being held in Turkey on charges related to a 2016 coup attempt. The pastor, Andrew Brunson, has denied any involvement planning the coup, and Mr. Trump demands his release.

Mr. Erdogan also has disregarded IMF advice on best economic practices for his country—such as running an independent central bank—making it less likely that the IMF will come to Turkey's rescue, as it has during other emerging-market crises.

Robin Brooks, chief economist of the IIF, said Turkey is an extreme case but cautioned against taking too much comfort in its idiosyncrasies. Other countries have borrowed significantly in dollars or euros and have seen their currencies decline.

"Turkey is perhaps the biggest outlier in that respect, but it's really just an example of a bigger theme," said Mr. Brooks. "I'm really quite worried about emerging markets broadly."

What makes Turkey stand out, however, is the combination of problems it faces.

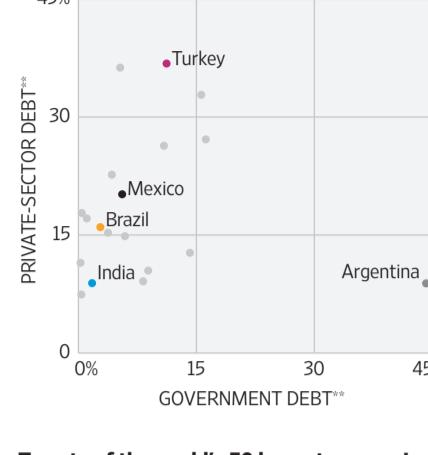
India has a large current-account deficit, for example, but does little borrowing in foreign currencies. Chile's private sector has borrowed heavily in foreign currencies, but its government has borrowed half as much as Turkey's and its current-account deficit is much smaller.

A few other countries run large twin deficits, that is, both a large fiscal deficit and large current-account deficit. Turkey stands alone for the extremity of its position, though Pakistan, Argentina and Egypt aren't far behind. Among them, both Argentina and Egypt are already involved in IMF programs.

—Nick Timiraos

contributed to this article.

Government and nonfinancial, private-sector debt as a share of GDP*



Twenty of the world's 50 largest economies were forecast to run fiscal deficits and current-account deficits in 2018.



THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

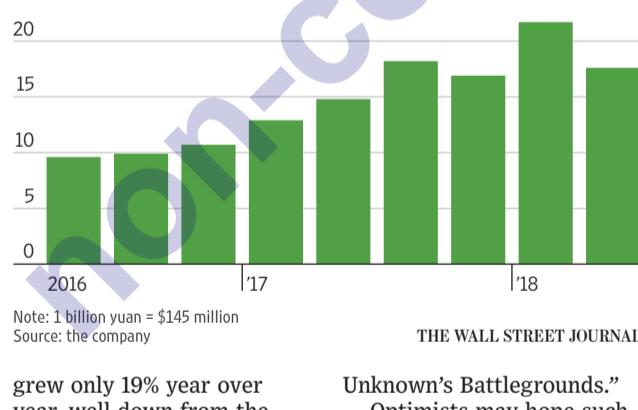
WSJ.com/Heard

Email: heard@wsj.com

Tencent's Trouble Grows Wider

Slow Game

Tencent's quarterly revenue from smartphone games



Tencent has exclusive distribution rights in China, also remains in the regulator's inbox. And just this week the company had to pull "Monster Hunter: World," after regulators canceled the game's operating licenses.

Beijing is unlikely to ban videogames. But it could well put in place measures to try to limit how addictive games can be—potentially capping Tencent's future revenue for this crucial business.

All this spells gloom for Tencent, the largest stock in the MSCI Emerging Markets index, which still trades at 32 times expected earnings. Its impact for investors is compounded by the fact that Naspers, the South African-listed company that owns 31% of Tencent, also is included in that index.

Emerging-market investor attention may now be focused on Turkey's travails. But Tencent's growing woes may be just as, if not even more, harmful. —Jacky Wong

Emerging-market investor attention may now be focused on Turkey's travails. But Tencent's growing woes may be just as, if not even more, harmful. —Jacky Wong

Cisco Can Still Learn A New Trick or Two

Cisco Systems may qualify as one of tech's senior citizens these days. But the networking giant showed Wednesday that it still some youthfulness left.

The company's fiscal fourth-quarter results were encouraging on several fronts. Sales for the segment dubbed "infrastructure platforms" rose nearly 7% year over year to \$7.4 billion. This is mostly composed of networking equipment such as routers and switches that have long been the company's mainstay, but haven't been major growth drivers of late. The company mainly credited recent upgrades in its switching line for the recent strong performance.

Analysts were expecting growth of just 4% for the period.

Cisco also benefited from a strong security business, with revenue in that segment jumping more than 12% year over year to \$627 million. This makes up less than 5% of the company's total sales, but security and application software are two areas Cisco has pegged for driving future expansion and helping it to diversify from

its historical reliance on equipment sales. Analysts had been expecting security sales to grow 10% year over year.

Those two segments helped to drive Cisco's total fourth-quarter revenue up nearly 6%. That is the company's third consecutive quarter of growth—and its best in more than three years.

Cisco also projected growth of another 5% to 7% for the current quarter, exceeding Wall Street's target of 3.7%. Cisco's share price jumped more than 6% after hours following the results.

Over the longer term, Cisco will remain challenged by the mature nature of its largest businesses. A growing global trade dispute also won't help a company that generates more than 40% of its sales offshore. But Cisco also still has significant resources to put toward its efforts to diversify. Its net cash balance now sits at \$21 billion, and it recently made a \$2.4 billion acquisition to expand its security business. Cisco is clearly not ready for retirement.

—Dan Gallagher

OVERHEARD

"LONGEST BULL MARKET EVER," say the strategists at LPL Financial, presumably all caps signify the joy that everyone in the finance industry feels from that term.

The big day is Wednesday when the current bull market, which started on March 9, 2009, surpasses the previous record, set in the 1990s. There are always reasons to be worried, the strategists say, but age isn't one of them. Their argument is unique though: "Given the current oldest

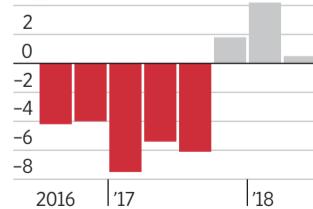
woman in America is 113 and the oldest man is 112 (and smokes 12 cigars a day), perhaps age is nothing more than a number," they said.

There also are reasons to be positive, the strategists are eager to remind. Economic growth is strong, government spending is up, profits are solid, consumers are spending and inflation is low. But how positive? "We think this economic expansion and bull market could potentially have years left to go."

For Macy's, Good Isn't Good Enough

Out of the Red

Macy's quarterly sales growth



retailers haven't figured out how to stop Amazon.com.

Part of Macy's improved performance had to do with the closure of underperforming stores, which acts to increase overall same-store sales. They rose 0.5%. Analysts had been expecting them to drop 0.9%. It also had to do with the cleanup of inventory, which allows retailers to lift prices. But as Simeon Siegel, a retail analyst at Nomura Securities, notes, a price lift can't go on forever. Off-price channels are flooded with last year's product, meaning inventory levels may not look so clean going forward, he says.

Another factor may be the prospect of tariffs, which could hit right before the

holiday season. Offsetting that concern is a strong economy. With low unemployment, consumers are confident and are spending more.

Macy's reported earnings of 70 cents a share, topping the 51 cents a share expected by analysts. In a call with analysts, CEO Jeff Gennette emphasized that all three divisions of the company—Macy's, Bloomingdale's and Bluemercury—performed well in the quarter. Same-store sales for the year are expected to increase by 2.5%.

For investors, that may no longer be enough. If President Trump's tariffs take hold, their pessimism may prove to be on the mark.

—Elizabeth Winkler

One answer may be that the optimism that has lifted retail stocks since the holidays, when they performed well, is dwindling. Before reporting second-quarter earnings Wednesday morning,