

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

THURSDAY, AUGUST 9, 2018 ~ VOL. CCLXXII NO. 33

WSJ.com

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What's News

Business & Finance

The SEC is asking Tesla whether Musk was truthful when he tweeted that he had secured funding for a possible buyout of the electric-car maker. A1, B2

◆ Rite Aid and Albertsons called off their planned \$24 billion merger in the face of protests from investors. A1

◆ Airlines are boosting salaries and setting up training centers as they race to combat an expected pilot shortfall. B1

◆ Goldman is in talks with Cheniere to buy a cargo of liquefied natural gas, a deal that would give the bank a toehold in the LNG market. B1

◆ Salesforce's elevation of Block to co-chief executive shifts the center of gravity a bit away from Benioff. B1

◆ A judge said he had concerns about Sumner Redstone's medical condition and declined to order that he be deposed in a legal battle. B2

◆ Crude prices dropped 3.2% as total U.S. stockpiles of oil and fuel hit a seven-month high. B1

◆ U.S. stocks wavered amid a slump in shares of energy and consumer-staples firms. The Dow fell 45.16 points. B1

◆ The Treasury provided some answers on which small-business owners would qualify for a special 20% deduction under the new tax law. A2

◆ 21st Century Fox's quarterly profit nearly doubled as the company's cable-TV and film units posted gains. B6

◆ Western states experienced the sharpest decline for existing-home sales in the second quarter, at 4.1%. A2

World-Wide

◆ The U.S. unveiled a new series of sanctions on Moscow over a nerve-agent attack on a Russian ex-spy and his daughter in the U.K., and threatened more measures. A1

◆ Elections held in five states Tuesday underscored the GOP's growing challenges with suburban voters, which could expand the battlefield in midterms. A4

◆ Saudi Arabia is ordering its citizens to leave Canada, selling its financial assets there and freezing trade amid diplomatic tensions. A6

◆ China warned it would match the Trump administration step for step should it move ahead with new tariffs on Chinese imports. A6

◆ New York moved to become the first city in the U.S. to cap ride-hailing services including Uber and Lyft, freezing new licenses for a year. A3

◆ Rep. Christopher Collins, a New York Republican, was arrested and charged with participating in an insider-trading scheme. A5

◆ The number of people arrested for illegally crossing the U.S.-Mexico border declined for the second consecutive month in July. A3

◆ U.S. and Turkish officials failed to reach a breakthrough in an impasse over a detained American pastor. A6

◆ U.S. efforts to cripple the Taliban drug trade in Afghanistan have fallen short of expectations, officials say. A16

◆ Congolese leader Kabila won't run in long-delayed national elections. A16

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FAUZY CHANIAGO/ASSOCIATED PRESS

Rescuers Push Deeper Into Quake-Ravaged Indonesian Isle



HELP'S REACH: A military paramedic at a makeshift hospital tended to a boy hurt in Sunday's earthquake on Indonesia's Lombok island. The number of people estimated to have been displaced rose to 156,000 as rescuers pushed into new areas. The death toll rose to 131. A16

U.S. NEWS

Home Sales Decline, Hit West Hardest

By LAURA KUSISTO

Western states experienced the sharpest decline for existing-home sales in the second quarter, a sign that rising prices, higher mortgage rates and, to a limited extent, the new tax law are weighing on pricier markets.

Existing-home sales in the western region, including California, Washington and Arizona, declined 4.1% in the second quarter compared with the first quarter, according to data released Wednesday by the National Association of Realtors.

Sales in the Northeast were unchanged from the first quarter, while sales in the more affordable Midwest and South rose 1.6% and declined 2.7%, respectively.

Rising home prices and interest rates are worsening affordability and damping home sales across the country.

But the West, which has seen a particularly sharp run-

up in prices in the six-year housing rebound, is bearing the brunt of the slowdown.

"The West region has the fastest job-growing regions in the country, yet sales are coming down" because prices have risen so much, said Lawrence Yun, chief economist at the NAR.

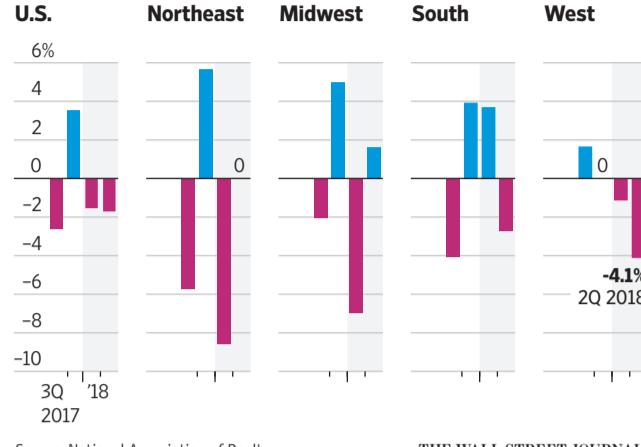
Twenty-six percent of California households could afford to purchase a home at the median price of \$596,730 in the second quarter, down from 31% in the first quarter, according to a separate report released Wednesday by the California Association of Realtors.

In 2012, 56% of households could afford to purchase the median-price home.

Mr. Yun said the tax bill, which went into effect in January and reduced the incentives for homeownership in more-expensive markets, isn't having a major affect. But anecdotally, realtors suggest that it is having a small impact in

House Divided

Existing-home sales, change from a quarter earlier



Source: National Association of Realtors

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high-tax spots such as New Jersey, Connecticut and the top end of the California market.

"Right now I would say the tax impact is isolated" to small pockets around the U.S., Mr. Yun said.

The housing market cooled in metropolitan areas across the country in the second quarter, with the pace of second-quarter sales slowing 2.4% compared with a year ago, according to the NAR. Mr. Yun blamed a lack of

supply for the weak second-quarter sales numbers. Supply ticked up by 0.5% in the second quarter compared with a year earlier but remains below normal levels, according to the NAR.

Price increases moderated for metro areas across the country, but affordability continued to worsen.

The median existing single-family-home price rose 5.3% to hit a record \$269,000. Two metropolitan markets—San Jose, Calif., and San Francisco—now have a median home price above \$1 million. The typical home in the San Jose area now costs more than \$1.4 million, while in San Francisco it costs \$1.07 million.

Single-family home prices increased in 90% of 178 metropolitan areas measured by the NAR's quarterly index.

But in some welcome news for buyers, the pace of price increases has slowed. Only 13% of metro areas in the index

saw double-digit price increases in the second quarter, down from 30% in the first quarter.

"As demand retreats somewhat, sellers understand they can't be too aggressive in raising prices," Mr. Yun said.

The prospects of a strong pickup for the housing market in the latter half of the year don't look terribly strong, according to economists.

The share of people who believe now is a good time to purchase a home fell 4 percentage points in July and the net share who say now is a good time to sell fell 6 percentage points, according to data released by Fannie Mae on Tuesday. The survey is often a good indicator of consumer behavior over the next year.

"People are getting nervous about paying up with house prices rising as fast as they are," said Doug Duncan, Fannie Mae's chief economist.

Art Imitates Farm Life as Iowa State Fair Prepares to Open



GREASING THE WHEELS: Sarah Pratt works on a butter sculpture of a John Deere Waterloo Boy tractor at the Iowa State Fair, which opens Thursday. The 11-day event in Des Moines is expected to attract a million visitors.

Deal for Rite Aid Called Off

Continued from Page One

Albertsons board declined to change the terms of the merger, the retailer said.

Rite Aid's stock rose more than 2% in after-hours trading. Most of Rite Aid's largest institutional shareholders planned to oppose the deal, people familiar with the matter said, and some smaller shareholders also had concerns. Some who own Rite Aid shares said privately they supported the deal because they didn't see the retailer thriving as a stand-alone company.

Rite Aid said its board of directors would consider company governance changes, and further speak with shareholders "to ensure alignment between the company and its investors."

Alberta Investment Management Corp., a pension fund for the Canadian province and one of Rite Aid's 10 largest shareholders, was opposed to the merger on its current terms. Highfields Capital Management, another top-10 investor with around 4.4% of Rite Aid shares, also had said it intended to vote against the deal.

Rite Aid also issued a profit warning Monday, saying it would take an estimated \$80 million hit this year due to a weaker bargaining position with drugmakers. Some investors interpreted the profit warning so close to Thursday's vote as a last-minute effort to drum up support.

"We think investors can easily see through the intent of this," Susquehanna International Group, LLP, another top-10 Rite Aid investor, wrote in a note to clients.



Rite Aid would have become an Albertsons subsidiary in the deal.

Under the terms of the cash-and-stock deal, Rite Aid investors would have exchanged 10 of their shares for a share in the combined company plus \$1.83 in cash, or alternatively 10 shares for 1.079 new shares.

Private-equity firm Cerberus Capital Management LP had been the main owner of Albertsons for over a decade and had tried to take Albertsons public in 2015. Combining with Rite Aid would have allowed Albertsons to go public and given Rite Aid shareholders about 30% of the company.

"It transforms us from a regional pharmacy player to a leader in food, health and wellness," Rite Aid Chief Executive John Standley said in a video the company released last month.

Albertsons and Rite Aid are the third-biggest companies in their sectors but competitors including Amazon.com have encroached on their turf. The companies said their merger would have helped fend off tough competition in both the grocery and pharmacy businesses.

Rite Aid said it wanted to expand the food selection at its existing stores, and its number of pharmacies would

have nearly doubled by expanding into existing Albertsons stores. Rite Aid sold nearly half its stores to Walgreens Boots Alliance Inc. last year, leaving the Camp Hill, Pa.-based chain with a smaller pharmacy network and less leverage to negotiate drug prices with payers, said Moody's analyst Mickey Chadha.

In shareholder presentations and on a website for investors, the companies detailed the benefits they saw from a merger, including \$375 million in cost savings by 2022.

Rite Aid shares had fallen 22% since February. Stocks in major drug retailers are down more than 4% this year while those in consumer staples are up some 2%. The broader S&P 500 is up 7%.

Institutional Shareholder Services Inc. and Glass Lewis, the proxy advisory firms, said they saw the rationale behind the deal given growing competition in retail, but said it came with numerous risks for investors.

"The merger combines two low-margin, overleveraged companies, both of which are facing heightened competitive environments," ISS wrote in July.

The advisory firms said the deal, which would have made Rite Aid an Albertsons subsidiary, gave the grocery retailer too much of the benefit from the combined company. ISS and Glass Lewis also questioned how thoroughly the deal was vetted and pointed out close ties between executives at the two companies.

Albertsons Chief Executive Bob Miller previously served on Rite Aid's board and had served in other roles alongside Rite Aid's Mr. Standley.

"We find the board completed a deeply flawed process and employed mediocre procedural safeguards," Glass Lewis wrote.

Rite Aid and Albertsons have said they thoroughly reviewed the deal, and established an independent board committee to evaluate other offers. Federal regulators allowed the deal to move forward in March.

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CORRECTIONS & AMPLIFICATIONS

By RUTH SIMON AND LAURA SAUNDERS

The sweeping tax overhaul enacted last year created a special 20% deduction for small-business owners—and left many waiting to find out exactly who will benefit.

On Wednesday, the Treasury Department provided some answers. Many high-earning real-estate and insurance brokers will get the tax break, but equally paid doctors, lawyers or financial advisers won't.

Owners of closely held companies should be able to claim the new tax benefit even if a small portion of their income doesn't qualify for the favorable treatment. But it could be hard for high-earning owners to get around the rules' limits by splitting up a business—a strategy some tax professionals call the "crack and pack."

"They did try to address some of the efforts to game the law," said David Kamin, a law professor at New York University. The rules also "highlight

the arbitrary nature of who benefits and who doesn't," he said.

Owners of National Football League and other sports teams wouldn't get the break, says Howard Wagner, a CPA with Crowe LLP.

The 20% deduction, for owners of pass-through businesses including limited-liability companies S corporations and partnerships, effectively lowers the top rate to 29.6% from 37%.

The deduction can be claimed by business owners whose taxable income is \$315,000 or less for joint filers. Above that, the break would be phased out over the next \$100,000 of income for service-business owners such as lawyers, doctors and consultants. Separate restrictions are tied to the level of wages paid and capital investment.

"Anti-abuse" provisions address strategies such as the crack and pack, where an owner splits a company apart, reclassifying activities to get as much income as possible taxed at the lower rate.

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., Chicago, MA 01020.

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U.S. NEWS

New York Limits Uber, Lyft Drivers

Council cites traffic, harm to yellow cabs; ride-hailing firms say passengers will suffer

BY PAUL BERGER
AND GREG BENSINGER

New York moved to become the first city in the U.S. to cap ride-hailing services including **Uber Technologies Inc.** and **Lyft Inc.**, freezing new vehicle studies for one year while it looks at the fallout from the booming industry.

The vote Wednesday by the New York City Council could cripple the growth of Uber and Lyft in their biggest U.S. market as both companies are heading toward eventual initial public offerings. The Silicon Valley companies' businesses depend on recruiting as many drivers as they can to drive down fares and cut pickup times.

Council members approved a package of bills after months of campaigning from taxi drivers and others in favor of the legislation and a challenge by the ride-hailing companies urging customers to oppose the bills.

Mayor Bill de Blasio, who has championed the measures and unsuccessfully tried to rein in the services in 2015, said he would sign the legislation. "Our city is directly confronting a crisis that is driving working New Yorkers into poverty and our streets into gridlock," he said.

The ride-hailing firms warned that the cap, which the council approved in a 39-6 vote, would lead to reduced service in the outer boroughs and to higher fares at a time when the city's subway and bus systems are frequently de-

layed and overcrowded.

"The city's 12-month pause on new vehicle licenses will threaten one of the few reliable transportation options while doing nothing to fix the subways or ease congestion," a spokeswoman for Uber, Danielle Filson, said.

Ms. Filson added: "Uber will do whatever it takes to keep up with growing demand."

Joseph Okpaku, vice president of public policy for Lyft, said: "These sweeping cuts to transportation will bring New Yorkers back to an era of struggling to get a ride, particularly for communities of color and in the outer boroughs."

The vote marks the first big lobbying setback for Uber CEO Dara Khosrowshahi.

Since joining the company in September from Expedia Group Inc., Mr. Khosrowshahi has scored several wins, including a short reprieve in London after regulators there threatened to effectively shut down Uber. He also helped to soften legislation affecting ride-hail drivers in Brazil.

Uber's fate in New York carries added weight as the company eyes an IPO in the second half of next year. If other cities follow New York's example, it could cast doubt on Uber's ability to maintain its growth, as well as the effectiveness of its lobbying operation. The nine-year-old company, last valued by investors at about \$70 billion, recorded more than \$7 billion in revenue last year but lost \$4.5 billion.

Ride-hailing companies have altered the way New Yorkers get around the city.

Subway and bus ridership is falling despite a growing population and rising employment

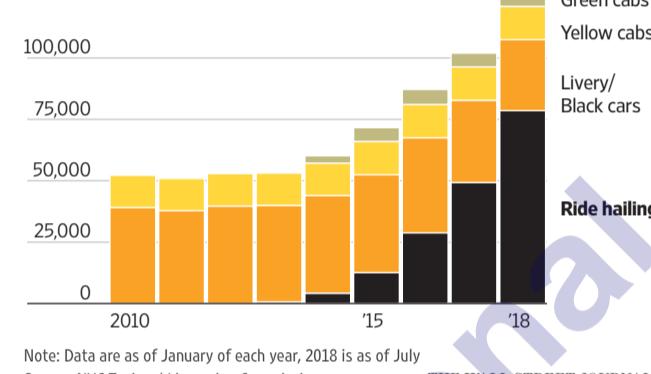


Members of the New York Taxi Workers Alliance cheer a vote to cap Uber and other ride-hailing services in the city.

Rapid Growth

Ride-hailing companies have added tens of thousands of vehicles to New York City streets.

Number of NYC Taxi and Limousine licensed vehicles



Note: Data are as of January of each year, 2018 is as of July

Source: NYC Taxi and Limousine Commission

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in New York. The Metropolitan Transportation Authority, which runs the systems, says ridership is falling most steeply in parts of the outer boroughs and during off-peak

hours—times and places where ride-hailing is growing fastest.

The taxi and livery companies are a powerful force in New York. The value of a yellow taxi medallion has plun-

gated from more than \$1 million a few years ago to less than \$200,000 today.

Uber and Lyft, which dominate the market in New York, have expanded rapidly. In 2015, 25,000 ride-hailing vehicles were licensed in the city. Today, there are about 80,000 such vehicles.

Their growth has come at a time of rising congestion on the city's streets and of falling wages for taxi, livery and black-car drivers. There are about 13,500 yellow cabs in the city and about 32,000 livery and traditional black cars. Bruce Schaller, a transportation analyst who has studied app-based ride-hailing, said on some New York City streets Uber and Lyft vehicles contribute to at least 50% of traffic.

New York is unique because it issues licenses to Uber drivers, allowing the Taxi and Limousine Commission to more closely monitor ride-hailing firms.

The council also voted to allow the city to set a minimum hourly wage for ride-hail drivers. The companies would be required to fill in the gap if drivers don't meet the threshold.

Uber has said it supports congestion pricing to help ease traffic in New York and would work with the city on setting terms.

During the cap on new vehicles, the Taxi and Limousine Commission will study whether to regulate the number of licenses in the city and where those vehicles can operate. Other bills passed by the council create new class of for-hire vehicles that can be independently regulated and a minimum payment for drivers.

Standing inside City Hall's rotunda on Wednesday, Mohammad Tipu Sultan, a 43-year-old cabdriver from Brooklyn, welcomed the vote. "This is the first step," he said. "The fight is not over."

—Katie Honan contributed to this article.

Border-Crossing Arrests Decline Amid Shift in Policy

BY ALICIA A. CALDWELL

The number of people arrested for illegally crossing the U.S.-Mexico border declined for the second consecutive month in July, according to government data.

U.S. Border Patrol agents arrested 31,303 southern border crossers last month, an 8% decline from June, according to the arrest figures compiled by U.S. Customs and Border Protection.

July is the first full month after the Trump administration halted its policy to sepa-

rate families and prosecute parents for crossing the border illegally. About 9,258 immigrants traveling as families were arrested in July, compared with about 9,400 in June. Most are expected to ask for asylum in the U.S.

"This decrease shows that when there are real consequences for breaking the law, the conduct of those considering crimes will change," said Tyler Houlton, press secretary for the Department of Homeland Security. "Despite our terribly broken immigration laws, the administration

has still been able to impact illegal immigration—but we need Congress to act to fix our system."

The number of families and unaccompanied children caught crossing the border illegally had been on the rise in recent months, and the overall volume of illegal border crossers has been described as a crisis by Trump administration officials.

Fewer than 4,000 unaccompanied children were also arrested at the border in July, a decline of more than 1,000 compared with June.

The administration's hard-line immigration policies have been widely criticized, with many Republicans and Democrats alike opposed to the family-separation policy.

Immigration advocates have said would-be asylum seekers are fearful of how they will be treated in the U.S. but continue to come to the country amid widespread violence in their home countries.

The number of immigrant families who presented themselves at legal U.S. border crossings rose slightly from June to July, when 3,027 peo-

ple asked to come into the U.S., the government data show.

Trump administration officials, including Homeland Security Secretary Kirstjen Nielsen, have encouraged families and other immigrants seeking asylum to present themselves at such border crossings.

Since the start of the budget year in October, more than 77,800 immigrants traveling as families and more than 41,000 unaccompanied immigrant children have been arrested at the border.

More than 40,000 families and 7,000 unaccompanied chil-

dren have asked for refuge at legal border crossings.

More than 2,600 immigrant children were ultimately separated from their parents before President Trump signed an executive order ending the practice on June 20.

A week later a federal judge in San Diego ordered the government to reunite the families by late July.

More than 1,800 children have been returned to their parents. As many as 400 parents may have been deported or otherwise left the U.S. without their children.

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U.S. NEWS

Elections Hold Warning Signs for GOP

By REID J. EPSTEIN
AND ANDREW DUEHREN

WASHINGTON—Elections held in five states Tuesday underscored the Republican Party's growing challenges with suburban voters, which could expand the battlefield in November's midterms.

In Ohio, Republican Troy Balderson's apparent win in a House special election Tuesday came after he performed well in the exurbs and rural areas, but his victory margin was just 0.9 percentage point as Democrat Danny O'Connor racked up big leads in the Columbus suburbs.

Mr. Balderson managed to eke ahead only after his party used every tactic in its playbook, from tying the Democratic candidate to House Minority Leader Nancy Pelosi—with more than \$5 million in TV ads behind it—to having President Trump gin up the party base to help him.

Still, the race could end up in a recount, and GOP officials began warning their colleagues that this playbook isn't sustainable in November when dozens of seats will be contested.

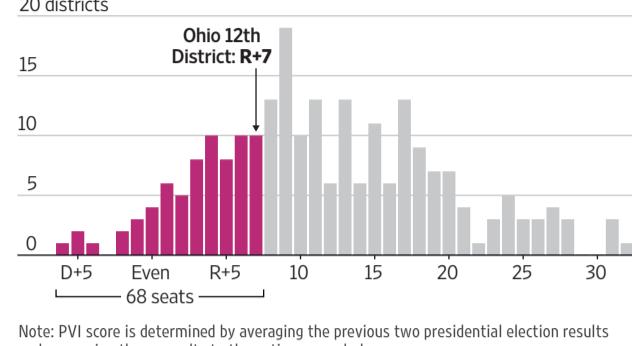
"We panicked and the cavalry came," said former Ohio Republican Party Chairman Matt Borges. "Without that cavalry, Balderson very well might have lost."

Democrats, meanwhile, were encouraged by Mr. O'Connor's performance in a

Midterm Battleground

The close race in the Ohio 12th district is worrying Republicans, who are defending 68 other seats in districts that are considered to be less Republican-leaning than that one.

Republican-held House districts by Partisan Voter Index score



Note: PVI score is determined by averaging the previous two presidential election results and comparing those results to the nation as a whole.

Source: Cook Political Report

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district Mr. Trump carried by 11 percentage points. In 2016, GOP Rep. Pat Tiberi won reelection in the same district by 36 points. Mr. Tiberi subsequently resigned to take a job leading an Ohio business group, prompting the special election.

According to an analysis from the Cook Political Report Wednesday, there are 68 GOP-held seats that are less solidly Republican than the Ohio 12th. Democrats must net 23 seats to gain control of the House in November.

"To be so close and not pull out is disappointing, but the reality is we shouldn't have been in the game," said Rep. Tim Ryan (D., Ohio). "I think

this result is a canary in the coal mine for the Republicans."

Democrats involved in Mr. O'Connor's race said Mr. Trump's Saturday night rally helped drive up Republican turnout for Mr. Balderson. GOP leaders, though, cautioned that the president may not be able to repeat that performance in dozens of congressional districts, nor will they be able to sink millions into every contested seat.

The president's impact elsewhere was less clear. In Kansas, Mr. Trump intervened on the eve of the governor's primary, with a Twitter endorsement of Secretary of State Kris Kobach against incumbent



Ohio GOP congressional candidate Troy Balderson celebrated after giving his victory speech Tuesday.

Gov. Jeff Colyer, who ascended to the post when his predecessor, Sam Brownback, resigned to become an ambassador in the Trump administration.

The race was tied in pre-primary surveys, and remained virtually deadlocked, with Mr. Kobach ahead by 200 votes out of more than 311,000 cast.

The Associated Press has yet to declare a winner in the Ohio House race or the Kansas GOP gubernatorial primary. Each may require a recount due to the narrow margins of victory.

Mr. Kobach was a Trump favorite long before the president tweeted his support. He had served as an immigration

adviser for the Trump campaign and had led the since-disbanded presidential commission tasked with investigating the president's unproven claim that millions of people voted illegally in 2016.

Tuesday held other warning signs for the GOP.

In Washington state, Rep. Cathy McMorris Rodgers, the House conference's fourth-ranking member, appeared to have won less than 50% against a field of challengers. The top two vote-getters in the open primary will face off in November.

Washington, which conducts its elections entirely by mail, had counted only about

two-thirds of its votes by late Wednesday because other ballots haven't yet been received by election officials.

In southwest Ohio, GOP Rep. Steve Chabot, an 11-term incumbent, faces challenge from Democrat Aftab Pureval.

Despite his congressional seniority, Mr. Chabot has raised just \$383,000 in 2018, a fraction of Mr. Pureval's \$1.6 million, according to Federal Election Commission disclosure reports.

"It's not surprising when you look at the energy and activism in our state," said Mr. Pureval. "We're seeing it in Cincinnati every day."

—Kristina Peterson contributed to this article.

Once Maligned, Rosenstein Gains Favor With Trump

By MICHAEL C. BENDER
AND SADIE GURMAN

Before President Trump headed to meet Russian President Vladimir Putin last month, Deputy Attorney General Rod Rosenstein requested a meeting in the Oval Office.

Mr. Rosenstein was ready to indict Russian officials for election hacking and wanted to know if Mr. Trump wanted the Justice Department to announce the charges before or after the trip. Mr. Trump told Mr. Rosenstein to issue the statement as soon as possible, adding that it would strengthen his position in talks with Moscow, according to people familiar with the exchange.

The moment was the latest indication of a significant change in the rapport between the two men. As the Russia investigation unfolds and some House Republicans mount an effort to impeach him, Mr. Rosenstein has steadily developed a stable relationship with the president that suggests he has more staying power than either his supporters or detractors suspect.

Mr. Rosenstein in the past has been a frequent target of Mr. Trump's ire as part of the president's disdain for special counsel Robert Mueller's investigation into Russian election meddling, which Mr. Rosenstein

oversees. Mr. Trump in April had to be warned by aides against firing him. Mr. Rosenstein also personally approved raids on the home, office and hotel room of Trump attorney Michael Cohen.

But in recent months, their relationship has improved. The two men talk once or twice a week, and Mr. Trump calls Mr. Rosenstein on his cellphone to discuss such issues as immigration, according to one person familiar with the matter.

'It's fantastic,'
Mr. Trump said
about his rapport
with Mr. Rosenstein.

Mr. Rosenstein consistently prepares the president's team ahead of major news, officials said. And he visits the White House as often as three times a week, meeting with the president or White House chief of staff John Kelly. He also has a regular lunch with White House general counsel Don McGahn.

"It's fantastic," Mr. Trump said about his rapport with Mr. Rosenstein when a spokesman told him The Wall Street Journal was seeking a comment. "We have a great relationship."

Make sure you tell them that." Mr. Rosenstein declined to comment for this article. In a statement, a Justice Department spokeswoman said he has a "productive working relationship" with Mr. Trump.

Mr. Trump has consistently called Mr. Mueller's investigation a "witch hunt," and Mr. Rosenstein has said protecting the probe is a priority. Russia has denied election interference.

Senior White House officials privately praise Mr. Rosenstein's handling of demands by congressional Republicans to share internal documents on the Federal Bureau of Investigation's investigations of Hillary Clinton's email server and any Trump campaign contacts with Russia.

Some Trump allies—such as Reps. Mark Meadows (R., N.C.) and Jim Jordan (R., Ohio)—accuse Mr. Rosenstein of stonewalling, but White House officials say they view their effort to impeach Mr. Rosenstein as a sideshow.

Indeed, the president has recently come to rely on Mr. Rosenstein, the No. 2 at the Justice Department, given the president's disenchantment with Attorney General Jeff Sessions over his decision to recuse himself from the Russia investigation because he served on the Trump campaign.



Deputy Attorney General Rod Rosenstein visits the White House as often as three times a week.

The attorney general rarely speaks directly with Mr. Trump, and staffers place his seat out of the president's line of sight during cabinet meetings, according to someone familiar with the matter.

Frustrated over the Mueller investigation last week, Mr.

Trump lashed out again on Twitter at Mr. Sessions, saying he should halt the probe—even though that would be Mr. Rosenstein's job.

"He feels Sessions was the one he made AG knowing all these things could happen, and then he recused himself,"

Boiling Down Trump Tweets

How often this year President Trump has mentioned in tweets the three people most tied to the special counsel's Russia investigation.

29

The references to Robert Mueller, the special counsel overseeing the probe, have been used to attack the investigation, the intelligence community and the media.

10

That exceeds the total number of times he mentioned Attorney General Jeff Sessions during all of last year, and virtually all the tweets have been antagonistic.

4

Deputy Attorney General Rod Rosenstein hasn't been criticized or mocked in a tweet since April.

said a senior administration official of the president. "He sees that as the catalyst for all these things happening, less than Rosenstein."

The Justice Department spokeswoman declined to comment on Mr. Sessions' relationship with the president.

By CAMERON MCWHIRTER

The violent Charlottesville, Va., rally in August 2017 energized the alt-right, and many in its ranks predicted their momentum would continue. But a year later, what is billed as a "white civil rights rally" across the street from the White House is expected to draw a smaller crowd, its organizer said.

"It's been a total fracturing of the right," said Jason Kessler, who organized the Charlottesville gathering and is planning Sunday's rally in Washington, D.C.

Infighting, lawsuits and a social-media crackdown are hampering white nationalist and other right-wing groups, the groups' leaders and people who track extremist groups say. Some white-supremacist groups have been blocked by financial companies that refuse to process credit-card transactions and mainstream social-media platforms like Twitter and Facebook that remove their posts, making it difficult to spread their message, find new recruits and raise funds.



White nationalists and others clashed with counterprotesters in Charlottesville, Va., on Aug. 12, 2017.

Many far-right groups and individuals have moved to lesser-known social-media and video-hosting platforms, with much less exposure to the general public.

The rally Sunday will have fewer attendees than the hun-

dreds who showed up last year in Charlottesville, said Mr. Kessler, a 34-year-old white-nationalist organizer.

A gathering by groups opposed to Mr. Kessler's rally is planned in Washington the same day.

Large counterprotests by a broad coalition of people—from civil-rights groups to militant left-wing groups such as antifa—have overshadowed many planned alt-right demonstrations in the past year. Low attendance at far-right events

in Boston, Tennessee, Florida and elsewhere disappointed organizers, and in at least one case—a rally scheduled in Murfreesboro, Tenn., in October—rally organizers never showed up.

Last August's "Unite the Right" gathering in Charlottesville—one of the largest far-right events in years—started as an effort to stop the removal of a Confederate statue from a city park. Hundreds of marchers from various white nationalist, anti-federal-government and militia groups from around the nation joined together.

One counterprotester was killed and several others were injured when a man drove a car into their group. Federal prosecutors charged a far-right sympathizer with a hate-crime act resulting in death and numerous other charges. The man has pleaded not guilty.

Chris Cantwell, a white nationalist and internet radio show host who pleaded guilty to misdemeanor assault charges stemming from Charlottesville, said the alt-right movement is "a catastrophe" and "leaderless."

The Detroit-based National Socialist Movement has been kicked off YouTube and Twitter, and credit-card companies won't process its online transactions, which limits the group's outreach and revenue, said leader Jeff Schoep. As of Aug. 2, the group's legal-defense fund had raised \$280 of its \$40,000 goal, according to a link on the group's website. Mr. Schoep said the group's situation has been "a struggle."

White nationalist group Identity Europa, whose members attended the Charlottesville rally, has had three leaders in the last year.

Another prominent group in Charlottesville, the Traditionalist Worker Party, disbanded. In March, leader Matthew Heimbach was charged with battery involving a domestic incident, according to a police report and court records.

Kathleen Blee, a University of Pittsburgh sociologist who has written books on racist groups, said she expects a resurgence in the future. But at the moment, she said, their "organizational strength is on the wane."

U.S. NEWS

Scientists Challenge Gene-Editing Study

BY AMY DOCKSER MARCUS

Scientists are challenging a high-profile study that found a popular gene-editing tool could be used to repair a disease-causing mutation in human embryos.

Two papers published in the journal *Nature* on Wednesday raised questions about the experiment, which used the gene-editing tool Crispr to fix a potentially fatal heart condition called hypertrophic cardiomyopathy.

Concerns stemming from a paper published last year included fears of unintended consequences on embryos and future generations, uncertainty about the emerging science, and whether scientists could prove Crispr actually corrected the gene.

The qualms have prompted a response from the original research team on their findings in the same journal, a new paper they say bolsters key parts of their earlier work.

The flurry of research comes as the complex scientific arguments reflect the ethical dilemmas involved with deciding if gene editing in embryos could be used in a real-world setting.

Crispr, which stands for clustered regularly interspaced short palindromic repeats, serves as the immune system of bacteria. Scientists adapted Crispr and the Cas9 enzyme it produces to make cuts at spe-

cific points along DNA, allowing a repair or insertion of a new sequence in the genetic code, with the aim of curing disease or adding new traits to plants and animals.

The possibility of editing embryos, sperm or eggs has sparked controversy in part because any changes wouldn't alter only that individual, but also be passed on to future generations.

The original research team, led by Shoukhrat Mitalipov, director of the Center for Embryonic Cell and Gene Therapy at OHSU, a public university, in Portland, Ore., said in the team's response that additional experiments support the most stunning and controversial finding from the original study: That after Crispr cuts the defective gene, which came from one parent, the embryo makes the repair by using a normal copy of the gene from the second parent as a template.

This would ensure that the faulty gene won't be inherited by future offspring.

While more research is needed and the technique needs improvement before edited embryos could be implanted in a woman, "we propose that this type of gene repair can be used for therapeutic purposes," said Dr. Mitalipov. The authors of the criticisms said the new evidence advances the team's claims but that doubts remain.



Rep. Christopher Collins leaves federal court in Manhattan on Wednesday following his arraignment on insider-trading charges.

Congressman Is Arrested

BY NICOLE HONG
AND KRISTINA PETERSON

Rep. Christopher Collins, a Republican congressman from New York, was arrested Wednesday and charged with participating in an insider-trading scheme to sell the shares of an Australian biotechnology company before the public disclosure of a failed drug trial.

Federal prosecutors in Manhattan accused Rep. Collins, 68 years old, of tipping off his son last summer about the results of a multiple-sclerosis drug trial completed by **Innate Immunotherapeutics** Ltd., a biotechnology company based in Sydney. Rep. Collins was a member of Innate's board of directors and one of the company's largest shareholders, holding approximately 16.8% of its stock, the indictment said.

Rep. Collins, who serves the 27th district in western New York near Buffalo and Roches-

ter, was the first member of Congress to endorse Donald Trump during the 2016 presidential campaign. Once considered a backbencher in the House, Rep. Collins's stature grew after Mr. Trump won the GOP nomination.

According to the indictment, Rep. Collins passed the confidential results to his son, Cameron Collins, so he could trade on the tip. Prosecutors say his son sold nearly 1.4 million Innate shares and gave the information to at least four individuals, including his fiancée and her father, Stephen Zarsky.

Mr. Zarsky then sold all of his Innate shares and shared the tip with at least three other individuals, including his brother and sister, before the public release of the trial results, according to the indictment.

Tom Price, the former secretary of health and human services, was also an investor in Innate and has previously

said he bought shares in the company after hearing about it from Rep. Collins. Dr. Price sold his Innate shares upon taking the cabinet post and wasn't a shareholder in June 2017 when the clinical-trial results were released.

Rep. Collins is accused of passing a drug-trial tip to his son for him to trade on.

conspirators to avoid more than \$768,000 in losses, the indictment said.

"I believe I acted properly and within the law at all times," Rep. Collins said at a press conference Wednesday night, saying he had also followed "all rules and ethical guidelines" for members of Congress.

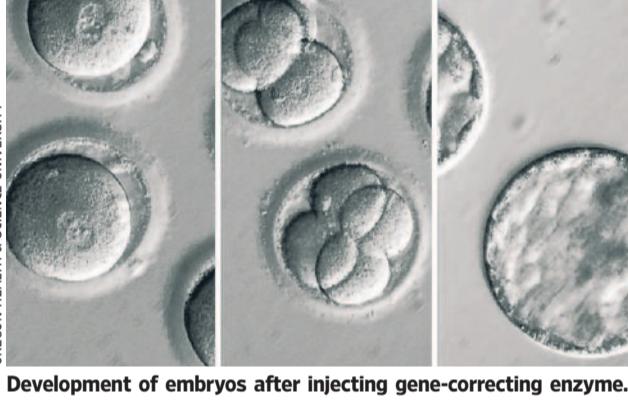
He said he would remain on the ballot in November, running for re-election.

Cameron Collins and Mr. Zarsky were also charged Wednesday. Their lawyers didn't respond to a request to comment.

All three men pleaded not guilty at their arraignment in Manhattan federal court, and each was released on \$500,000 bond.

The arrest of Rep. Collins will likely tighten his re-election campaign.

—Rebecca Davis O'Brien and Andrew Duehren contributed to this article.



Development of embryos after injecting gene-correcting enzyme.

SEC Looks At Musk's Tweets

Continued from Page One
stock's trading price earlier that day and 11% higher than its Tuesday closing price. In his tweet Tuesday afternoon, Mr. Musk wrote that the buyout had "funding secured," but he didn't provide any details.

Thomas Farley, a former president of the New York Stock Exchange, said it would be relatively straightforward for regulators to fact-check some of Mr. Musk's statements. Mr. Farley said regulators could ask to see any legal agreements that Tesla has with financial partners or backers on the going-private deal.

"If funding is certain, there is documentation to demonstrate that," Mr. Farley said. "This is a very easy one to manage, and they should manage it."

The probe by the SEC adds to a swirl of news around the electric-car maker this week. A group of Tesla board members said Wednesday Mr. Musk spoke to them last week about taking the company private.

"Last week, Elon opened a discussion with the board about taking the company private," the statement from several board members said. The talks included how being a private company could "better serve Tesla's long-term interests, and also addressed the funding for this to occur," independent directors Brad Buss, Robyn Denholm, Ira Ehrenpreis, Antonio Gracias,

Linda Johnson Rice and James Murdoch said in the statement.

Mr. Murdoch, chief executive of 21st Century Fox, is the son of Rupert Murdoch, executive chairman of Fox and News Corp., publisher of The Wall Street Journal.

The board has nine members, of which seven are independent. The statement wasn't signed by Mr. Musk, his brother Kimbal Musk or the remaining independent director, Steve Jurvetson, who is currently on leave.

Mr. Musk and Tesla haven't provided many more details of the potential deal since Mr. Musk's tweets Tuesday afternoon.

The SEC generally allows companies to disseminate news using social media as long as they have told shareholders they might use those channels in addition to regulatory filings. Tesla told investors in a November 2013 filing to follow Mr. Musk's Twitter feed for "additional information" about the company.

The company filed its regular quarterly report with the SEC Monday evening, days after the board discussions had begun, but it said nothing in the report about a potential buyout.

Tesla wouldn't be required to tell the public more until something is completed, said Jill Fisch, a law professor at the University of Pennsylvania. If it did, it might say something that later turns out to be incorrect and has to be retracted. Still, she said, "I think ensuring a level playing field in the way in which information reaches the investing public is very important."

At the very least, Mr. Musk's announcement served Tesla's purposes by boosting its share

price. If it remains elevated, that could help the company hold on to much-needed cash, by giving it more flexibility in dealing with convertible bonds coming due soon.

Tesla has \$920 million in convertible bonds that come due in March, with a conversion price of \$359.87. If Tesla stock is below that level at the time, the company will have to spend cash to redeem the bonds; if the stock price is above that level, the convertible holders will convert them into Tesla shares, relieving the company of the need to lay out cash.

Tesla had \$2.2 billion in cash on its balance sheet as of June 30 and free cash flow of negative \$1.8 billion in the first half of 2018.

Tuesday's spike took Tesla stock above the trigger price, and the shares remained above it Wednesday, though they slipped 2.4% to close at \$370.34.

Mr. Musk has been at war with short sellers—investors who are betting Tesla's stock price will decline—and has used Twitter before to joust with them.

In an email to employees on Tuesday, Mr. Musk cited short sellers and other pressures public markets put on companies as factors in announcing he wanted to take the company private. In subsequent tweets, Mr. Musk wrote that going private would end "negative propaganda" from short sellers.

"That will be the question that comes out: What was the reason for the disclosure?" said Charles Elson, director of the John L. Weinberg Center for Corporate Governance at the University of Delaware.

—Aisha Al-Muslim contributed to this article.



Tesla CEO Elon Musk has cited pressures public markets put on companies.

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.

Palantir

WORLD NEWS

Saudi Arabia Steps Up Feud With Canada

Kingdom's central bank instructs its fund managers to sell off Canadian holdings

Saudi Arabia is ordering its citizens to leave Canada, selling its financial assets there and freezing trade between the two countries as part of an extraor-

By Margherita Stancati in Beirut, Nicolas Parasie in Dubai and Paul Vieira in Ottawa

dinary diplomatic spat that has brought into global view the kingdom's extreme sensitivity to Western criticism.

The steps follow the Canadian foreign ministry's chastising of Saudi Arabia for its recent arrest of human-rights activists. The ministry, in a Twitter message sent Friday, called on Saudi authorities to "immediately release" the activists.

The Saudi government rejected what it described as Canada's unacceptable interference in its domestic affairs, and on Monday expelled the Canadian ambassador to the kingdom and recalled its own from Ottawa.

Since then, Saudi Arabia has unveiled measures intended to hurt Canada financially.

Saudi Arabia's central bank instructed its fund managers to sell off their Canadian holdings, three people familiar with the matter said on Wednesday.

The kingdom has also halted



Foreign Minister Adel al-Jubeir on Wednesday said Canada interfered in the kingdom's internal affairs.

all new business transactions between the two countries; it stopped direct flights to Canada; and it ordered Saudi patients and students to leave the country. Some 7,000 Saudi students are currently enrolled in Canadian universities on government-sponsored scholarships.

The Saudi decision to sell Canadian financial assets is poised to affect hundreds of millions of Canadian dollars of stocks, bonds and cash. The relatively small selloff isn't expected to carry a major financial impact for Canada, but it marks a sharp escalation of a spat that erupted from a tweet.

The move "sends a very bad

signal to foreign investors," said a Gulf-based banker with knowledge of the matter. "Who will want to invest in a country where such decisions can be taken?"

Representatives of Saudi Arabia's central bank weren't available to comment. The kingdom's energy ministry late Wednesday said "the current diplomatic crisis between Saudi Arabia and Canada will not, in any way, impact Saudi Aramco's relations with its customers in Canada."

While the amount at stake isn't large, a diplomatic dust-up that shows no signs of abating may have financial implications for Canada.

The Canadian dollar swooned for a brief period in Wednesday morning trading on reports of a Canadian selloff ordered by Saudi Arabia's central bank. The currency largely recovered during the day.

Canadian wheat and barley growers are also set to deal with the fallout. The Saudi Grains Organization, the state agency that buys grains and manages reserves, told Canadian producers it "can no longer accept milling wheat or feed barley cargoes of Canadian origin," according to an email reviewed by The Wall Street Journal.

Canada sold roughly 70,000 metric tons of wheat to Saudi

Billionaire Prince Making Deals Again

DUBAI—Saudi Prince al-Waleed bin Talal's \$500 million spending spree on technology firms this week marks the billionaire's return to international deal-making, while closely aligning his investment strategy with the Saudi government after he was ensnared in a corruption crackdown at home.

Prince al-Waleed said Tuesday he paid \$250 million for a 2.3% stake in Snap Inc., parent company of social-media platform Snapchat. On Sunday, he spent \$267 million on newly issued shares of Paris-based music-streaming website Deezer through majority-

owned companies Kingdom Holding Co. and Rotana Group.

His new investments come as Saudi Crown Prince Mohammed bin Salman also bets heavily on tech companies to draw expertise to the kingdom. Those efforts are part of the de facto Saudi ruler's long-term plan to reshape the kingdom's oil-reliant economy by boosting the private sector.

For Prince al-Waleed, the investments in Deezer and Snap mark his first deals since he was released in January from detention over allegations of corruption. He agreed to an undisclosed settlement with the government, which was reported by The Wall Street Journal at \$6 billion. Prince al-Waleed has denied any wrongdoing.

—Nicolas Parasie

Foreign Minister Adel al-Jubeir defended the government's response to Canada's criticism of its human-rights record.

"The crisis with Canada was imposed on us because of its interference in our internal affairs," he told reporters in Riyadh. "Canada made a mistake and should correct its wrongdoing towards Saudi Arabia."

Since May, Saudi authorities have arrested some of the country's most prominent rights activists, many of whom had campaigned for women's right to drive. The Saudi government has said those arrested are suspected of having conspired with unspecified foreign entities.

Tensions Rise Over U.S. Pastor In Turkey

Digging In, China Threatens Tariffs to Match

By YOKO KUBOTA

BEIJING—China warned it would match the Trump administration step for step should it move ahead with new tariffs on Chinese imports, as trade data showed the country is shoring up its economy for a long trade conflict with the U.S.

China's Ministry of Commerce on Wednesday criticized the U.S.'s plan to impose new 25% tariffs on \$16 billion in Chinese goods on Aug. 23, and released an updated list of items it would target with similar tariffs that would go into effect the same day.

"This is very unreasonable," the ministry said. "In order to defend China's rightful interests and the multilateral trade system, China has to retaliate as necessary."

Beijing has tried to shield the economy from the trade fight by encouraging infrastructure projects, and government data suggested those efforts contributed to a surge in imports of resources including coal, crude oil and iron ore in July.

Imports in July were up 27.3% from a year earlier, narrowing China's monthly trade surplus to \$28.1 billion, from \$41.6 billion in June.

The U.S. said it would start to expand tariffs on more Chinese imports, including electronics and semiconductors, later this month—the latest salvo in the escalating trade battle between the world's two biggest economies.

Relations between the two



Chemicals are unloaded at a port in China's eastern Jiangsu province. The country's imports of coal, crude oil and iron ore surged in July.

countries have been tense as the Trump administration tries to address the U.S.'s \$376 billion trade deficit with China, and punish China for alleged pilfering and pressure tactics to acquire U.S. technology.

Back in June, Beijing said it planned to retaliate with tariffs of its own on \$16 billion worth of U.S. goods. On Wednesday it released an amended list of items that

would be affected, which includes various chemicals and medical equipment, as well as certain types of sedans and diesel vehicles.

State media, in an editorial published Wednesday, said that China will get through this storm, and those placing tariffs on it would end up hurting themselves, without resolving economic imbalances.

"Some people selfishly

swim against the tide and act against morality, wantonly raising the barrier of tariffs and waving the stick of hegemony everywhere," said the editorial, originally published by the Xinhua News Agency.

The Chinese economy faces headwinds from weakening consumption to slowed production and investment. The yuan has declined by around 6% against the dollar in the

past two months—though that is helping some companies caught in the crosshairs of the trade battle.

U.S. companies operating in China remain concerned about retaliation beyond tariffs, which could include products getting stuck at Chinese ports or delays or increased scrutiny in licensing approvals.

—Liyan Qi, Lin Zhu and Yang Jie contributed to this article.

Russia Hit With New Sanctions

Continued from Page One

conclusion that Russia had used a nerve agent in the U.K. poisoning, State Department officials said. U.K. authorities said it was highly likely Moscow was responsible for the March attack on Sergei Skripal and his daughter Yulia, a charge Russia has denied.

A U.S. official portrayed the move as part of the administration's unified approach against Moscow. "We are all one administration, and we are all on the same page here," the official said. "We are tough on Russia."

Russia didn't comment on the U.S. announcement.

Officials said the first round of sanctions could prevent hundreds of millions of dollars of sophisticated U.S.

equipment from reaching Russian state-owned companies and will require the U.S. to halt aid to Russia, except for urgent humanitarian assistance such as food and agricultural products.

Joint U.S.-Russian space flight activities will also be exempt from sanctions. The measures ban all arms sales, terminate export licenses and prohibit other forms of military-financing assistance.

The three conditions that Russia must meet to avoid a second round of sanctions include halting the use of chemical and biological weapons, providing assurances that it no longer plans to use them and offering international observers the opportunity to verify that it is meeting these criteria.

The first round will take effect later this month, the State Department said in a statement. The second tranche, if ultimately triggered, includes downgrading or suspending diplomatic relations, suspending flights between the U.S.

and Russia and restricting imports of Russian goods.

Russia watchers said Moscow is unlikely to comply with U.S. criteria that would prevent the second round from kicking in, which holds more far-reaching consequences for diplomatic relations and the country's economy.

The U.K. praised the move

and said it would send a strong signal to Russia.

"The strong international response to the use of a chemical weapon on the streets of Salisbury sends an unequivocal message to Russia that its provocative, reckless behavior will not go unchallenged," a U.K. official said.

The Senate is poised to

consider separate sanctions that could prove more painful for Russia because of their potential to affect the banking sector. Legislation introduced Aug. 1 by a bipartisan group led by Sens. Lindsey Graham (R, S.C.) and Bob Menendez (D, N.J.) is intended to punish and deter malign activity including election interference and the use of chemical and biological weapons.

Evelyn Farkas, a former deputy assistant secretary of defense for Russia, Ukraine and Eurasia, characterized the first round of sanctions as "pretty mild," but said the potential second round "could be more onerous" as it would involve a degradation of diplomatic relations and restrictions on flights by Aeroflot, the flag carrier of the Russian Federation. Those elements, she said, "will be painful, and they will affect the Russian pride."

While the Russian government may offer "lots of assurances" of its compliance in an effort to avoid a second, more

crippling round of sanctions, Mr. Putin's regime will assuredly "not allow any inspections," Dr. Farkas said.

Mr. Skripal, a 66-year-old former colonel in Russian military intelligence who has lived in Britain since a 2010 spy exchange, and his 33-year-old daughter, Yulia, were poisoned in the English city of Salisbury in March and were critically ill for weeks.

In the days after the attack, the U.S., along with Canada and more than a dozen European countries, expelled scores of Russian diplomats and intelligence officers.

Russia retaliated by expelling dozens of Western diplomats.

In July, a woman in the U.K. died after coming into contact with the same nerve agent used to poison Mr. Skripal and his daughter.

Authorities believed she inadvertently had been exposed to items that had been contaminated. British police opened a murder investigation over the death.

WORLD NEWS

Rohingya Who Stayed Behind Lack Food, Land

BY JON EMONT
AND MYO MYO

NGA KHU YA, Myanmar—Most of Abdul Solay's family joined last year's vast exodus of Rohingya from Myanmar, as government troops torched homes and opened fire on villages in a spasm of ethnically motivated violence. Mr. Solay decided to stay behind—and now he is struggling to survive.

Jobless and landless, the 22-year-old ekes out a living catching fish in a nearby stream. His family's five cows—once a source of wealth—were confiscated. If he ventures into town, he says, he is taunted by members of Myanmar's Buddhist majority, who call him "kalar," a derogatory term for foreigners.

More than 700,000 Rohingya, a mostly Muslim minority group, have fled to Bangladesh, where they are jammed into crowded refugee camps. For the roughly 600,000 still in Myanmar, according to United Nations estimates, the situation is precarious.

On a recent government-organized trip to Maungdaw district in Myanmar's Rakhine state, The Wall Street Journal spoke to nearly a dozen Rohingya residents who said they lacked access to sufficient food, had been stripped of land and belongings, and faced severe restrictions on movement.

Maungdaw, home to Nga Khu Ya, was the center of last year's bloodshed. A Rohingya militant group launched attacks on Aug. 25 on police posts in the district, and the army responded by ethnically cleansing the Rohingya, according to the U.N., citing Rohingya testimony of soldiers

burning villages and shooting those who fled.

All along the main road in Maungdaw, there are destroyed and abandoned Rohingya villages. In one, only an outhouse remained standing. In another, an orange door hung on its hinges amid the charred ruins. Empty farm fields stretched for miles.

Myanmar's government says Rohingya terrorists are to blame and denies that the military burned houses.

Aung Tun Thet, chief coordinator for the Myanmar government's Rakhine resettlement and development office, said the government is meeting minimum food needs and has granted access to international humanitarian organizations to assist in these efforts.

International organizations that once provided food, supplies and medical services to Rohingya populations in Rakhine say their work has been sharply limited by new government restrictions on humanitarian operations.

"When you cut that lifeline, there is a very real human impact," said Pierre Peron, spokesman for the United Nations Office for the Coordination of Humanitarian Affairs in Myanmar.

Rohingya villagers interviewed by the Journal spoke warily, frequently glancing at nearby government escorts and generally declining to offer details of last year's violence.

In Nga Khu Ya, Mr. Solay said he used to work as a day laborer on other people's fields. The destruction of villages and mass departure of Rohingya, however, has devastated an already weak farming economy.

Local Buddhist communities are reluctant to hire Roh-



Rohingya refugees gathered in a 'no man's land' behind Myanmar's barricaded border in the Maungdaw district on April 25.

ingya. "It's really difficult," said Mahmet Inus, one of Mr. Solay's neighbors. "There's no farm work and no jobs."

One Rohingya who used to work for an international aid agency said he lost his job when the group halted its operations amid the upheaval last year. He said he and his

Many in the ethnic group fled Myanmar; those who remained face a precarious life.

family hid in an isolated village during the worst of the violence, when security forces burned his house down. "We lost everything," he said.

The man said he was determined to make his way to Bangladesh, but was talked

out of it by relatives who said local land was Rohingya soil and that they shouldn't abandon it. He now lives in the poorly lit attic of a small house in Maungdaw, where he was interviewed out of sight of government minders.

In Inn Din, a tidy village in northern Rakhine where Myanmar's military has acknowledged killing Rohingya last year, local Buddhist villagers said they hoped the Rohingya who had fled town would stay away.

"Now the village is peaceful," said Theng Sein, 59, a grandmother with gray hair, sitting on the steps of her small wooden house.

Kyaw Soe Moe, a local administrator, said authorities had seized multiple acres of Rohingya farmland to erect a fenced police compound to guard against terrorism in the area, which is now patrolled by pairs of rifle-toting officers.

Under international pressure, Myanmar has said displaced Rohingya can return, but the country imposes high hurdles on who is allowed back—steps the government says are necessary to prevent illegal immigration and keep out terrorists.

In Nga Khu Ya, the government has commandeered land where it has built neat rows of brightly painted rectangular buildings to process returnees. Administrators there said they were frustrated that so few Rohingya—just five—had come through the center, though they had made preparations for hundreds.

"I don't know why Muslim people don't want to come back to Myanmar," said Soe Tun, the facility's supervisor, referring to the Rohingya.

Rohingya representatives in Bangladesh say they won't return until they are guaranteed full citizenship rights and safety. Myanmar says there will be no blanket offer of citizenship to Rohingya in Bangladesh, but will consider it case by case.

Abu Hossain, a skinny 19-year-old, is one of the rare Rohingya to have returned to Myanmar, after crossing over to Bangladesh last year and living in a refugee camp for a few months.

He returned earlier this year to check on his elderly uncle, but was caught by border police, charged with illegally crossing the border and thrown into prison. He was released in May and now lives with his uncle in a rural village in Maungdaw. Life is tougher than it was in the refugee camps, he said.

"There aren't enough people in the village, so it's hard to find jobs," Mr. Hossain said. "I'm the only one who came back."

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I didn't talk for a very long time

Jacob Sanchez
Diagnosed with autism

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

AUTISM SPEAKS

IN DEPTH

Bacon Fat Goes Down the Drain

Continued from Page One
vealed to her the truth. "I pour it down the toilet," he said. "Because I don't want it to clog up my sink drain." So far, he hasn't had a toilet clog.

Those who know better have a simple reaction: "It's really stupid." Melissa Brennan, 31, said her 23-year-old roommates created a 3-foot grease clog in the pipe under their kitchen sink. "I was baffled that so-called adults would be so foolish as to not realize that grease solidifies when it cools," said the Waterloo, Ontario, student. "It's basic common sense."

Despite years of campaigns by public-works departments and health organizations, cities haven't been able to stop

people from pouring grease down the drain, resulting in catastrophic buildups of sludge in sewer systems.

When poured down the drain, the fat coats the sides of the water line, gradually building up and narrowing pipes. Grease that doesn't stick to residential pipes eventually makes its way to the city sewer system, where it can accumulate to form massive blockages. Clogs have gotten so big that workers have to use shovels to get the fat out.

London officials had to excavate a 130-ton "fatberg" from the Whitechapel sewer last year. The monstrous glob was the size of 11 double-decker buses and consisted mostly of grease runoff and trash.

In Baltimore, officials last year had to scrape out a 24-inch pipe in midtown where grease had congealed, clogging 85% of the pipe.

After noticing that there had been some overflows around the city center, the

How to get rid of grease—without clogging your pipes

- ◆ No matter what, first let it cool
- ◆ Pour into a container and let it harden; re-use for cooking or throw in the trash
- ◆ Pour into a foil-lined bowl,

public-works department sent a camera down and discovered a 20-foot long buildup of fat, according to Jeffrey Raymond, chief of communications at the Baltimore Department of Public Works. "It was really pretty shocking," he said.

Baltimore resident Sarah Ross, 27, said she hadn't realized the consequences of pouring fat down the drain, which she does regularly, until she learned of the city's sewer problem.

let it harden; fold foil around the fat and throw in the trash

- ◆ Soak up smaller quantities with paper towels; throw in the trash
- ◆ Mix with bird seed (see recipes online) and let it harden; put it in a bird feeder
- ◆ Some people feed it to the dog—although there is debate about whether that is healthy

"I'm not going to defend making a fat clog, I'm not supporting making any fatbergs. That's deplorable, that's terrible," she said.

Ms. Ross, who eats so much bacon her friends call her "the carnivore," said that her fiancé saves the bacon grease in a Mason jar to use for cooking.

"When I'm done with it, I just try to get rid of it," she said. "I know it's not the best thing to pour hot bacon grease down the garbage disposal."

In 2017, Roto-Rooter plumbers unclogged almost 211,000 residential kitchen sinks, caused by a variety of reasons, costing American homeowners over \$30 million.

Sometimes homeowners will admit to knowingly dumping the grease in the sink, said Paul Abrams, public relations director at Roto-Rooter, one of the country's largest plumbing businesses.

"They feel a little embarrassed," he said. "They know they made a mistake."

What's making things worse is bacon is having a revival. Consumption has skyrocketed as chefs and home cooks add it to everything from doughnuts to vodka to gumballs. That means there is more opportunity for misdeeds.

The first time Kris Kachurak, an audiovisual technician from Atlanta, fried up bacon with his now wife, Kelly Kachurak, it didn't end well.

Ms. Kachurak, an officer in the U.S. Public Health Service who oversees wastewater sys-

tem repairs, had to stop her husband from dumping the fat down the drain.

"I was like, 'What are you doing? Bacon grease does not go down the sink,'" she said. "We ended up yelling, I'll be honest."

Mr. Kachurak said he was following what he learned from his relatives growing up, and it wasn't until he met his wife that he learned about the detrimental effects of bacon grease on drains.

Now, he said, he disposes of the grease by letting it harden in a foil-lined bowl and then tossing it in the trash.

But sometimes, he reverts to his old ways.

"I won't lie, I've done it covertly a time or two," Mr. Kachurak said. The thinking goes like this: "Well, I have to rinse out the pan, this is just the most convenient spot." Under the water, down in the sink, boom, done."

His wife picks her battles. "I'm not sure what he does when I'm not home," she said.

part of the EU-wide relocation plan.

Donor countries including France and Germany want future spending linked more tightly to upholding EU norms. Some Polish voters and officials call such conditions, which Brussels plans to adopt, attacks on their sovereignty by hostile western elites.

Beets, not wins

In Lapy, a town of 16,000 surrounded by beet fields, residents had voted 2 to 1 to join the EU in 2003. European assistance, however, struggled to offset the economic upheaval that followed the collapse of communism. In 2008, doors closed at the antiquated, state-owned sugar factory that had converted 370,000 tons of beets into 60,000 tons of sugar annually, leaving 250 people jobless. Farmers who had bought specialized beet reapers watched crops rot. Locals blamed EU sugar quotas. The next year, a train-repair yard cut most of its 700 workers.

Foreign supermarkets opened, hurting local merchants. Consumers bought imported goods with money wired home by young people who had relocated to thriving Polish cities and other countries.

Religious leaders began to question whether the European Community shares the same values as this overwhelmingly Catholic country. They have watched closely as Ireland, another Catholic EU member, voted to allow abortion and same-sex marriage. Most Poles have indicated they want to stay in the EU. Independent polls at home show they also feel wary about giving Brussels, the EU's unofficial capital, more power.

The EU "would prefer that Poland not have a say, and instead do everything that they want," said Tadeusz Brzozko, a beet farmer outside Lapy. "Poles know our own mind and we will do what we see fit."

In 2002, at a summit in Copenhagen dubbed "One Europe," European leaders charted a rosy vision of what their money would accomplish. The gathering capped three years of debate over whether Poland and nine other nations should join as full members and receive economic assistance similar to that which had previously poured into Ireland, Greece, Spain and Portugal.

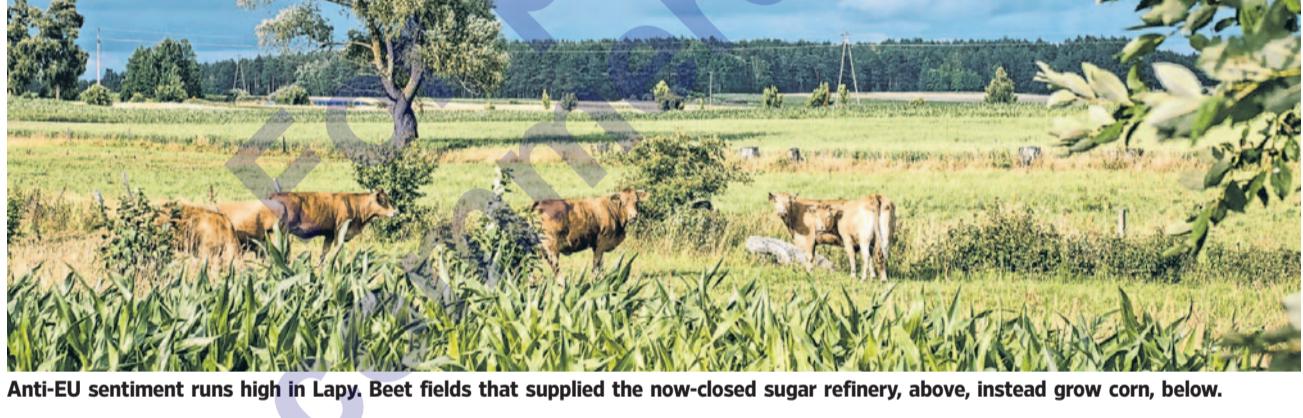
"This vision was never, never shared in countries like Poland or the Baltic States," said Günter Verheugen, a German politician who oversaw EU enlargement from 1999 to 2004.

In rural Poland, the proportion of children able to attend preschool has leapt to 84% from 2% in the 1990s, Polish officials say. Thanks in part to EU funds, Poland's output per capita was forecast to hit 67% of the EU average last year, up from 42% in 1995. The country hasn't experienced a recession since 1992.

Pro-EU Poles feel the current nationalist government takes credit for an economic turnaround EU money has helped fuel, while blaming the EU for the local businesses that have closed along the way.

Near Lapy's town square, an EU-funded office complex rents discounted rooms to startups, some given EU grants. Radoslaw Zaremba received \$6,500 to launch a photo studio.

His mother told him to be wary because she feared Brussels would want the money paid back, Mr. Zaremba said. For many around Lapy, he said, "the European Union is far away, it's not familiar, and it's scary."



PIOTR MALEK FOR THE WALL STREET JOURNAL

Anti-EU sentiment runs high in Lapy. Beet fields that supplied the now-closed sugar refinery, above, instead grow corn, below.

stop Brexit, where voters bristled at Britain's EU bill. The EU's current seven-year budget, which runs through 2020, earmarked €2 billion in cohesion funds for west Wales and Welsh Valleys, a region dotted with once-thriving steel factories and mining towns.

Many locals say EU funding was overshadowed by the disadvantages of membership, including the obligation to accept migrants from other EU nations. Blaenau Gwent voters favored Brexit by 62% to 38% to leave the EU. It was Wales' highest "leave" vote.

"The money, we got our share, but it's more important to save Wales," said Ken Sulli-

van, a retired coal miner. Britain became "so open to foreigners, it was easy to be overrun with different cultures."

The future of the EU still hangs in the balance, with divisions over refugees in particular driving wedges between its member states. If copious spending during decades of European optimism couldn't revive fading communities or unite the continent, EU officials worry about what comes next. Rising nationalism is pitting smaller, eastern countries against larger, western powers.

That is informing debate over the EU's next seven-year budget, which starts in 2021. Cohesion cash, which accounts for over one-third of the EU's 2014-20 €1 trillion budget, is under the knife. Britain's payments will start to diminish after its planned exit from the EU next year, which would force the EU to cut spending or demand more cash from Europe's capitals.

East to south
Officials are considering shifting tens of billions of euros in aid from Europe's east to its economically struggling south, including to EU founding-member Italy, where a new anti-establishment government is injecting fresh uncertainty into the bloc's future.

"This is a highly political exercise and not an accounting one," Jean-Claude Juncker, president of the EU's executive commission, said during an April EU conference on cohesion policy, in which he opposed deep cuts. "At its essence cohesion policy is about making sure that the life chances in Europe are not dictated...by accident of birthplaces."

Who Gives, Who Gets

Many Western European countries give far more to the EU than they receive. That is reversed in the east.

Biggest net contributors, in billions, 2008-17

Germany	€111.30
Poland	€93.21
France	€64.63
U.K.	€57.60
Italy	€42.04
Romania	€31.17
Netherlands	€28.26

Source: European Commission

THE WALL STREET JOURNAL

Cohesion funding has transformed recipients, initially along the Mediterranean and in Ireland, and then in the ex-communist countries that joined in 2004. Europe's fastest-growing economies depend on the cash flow. In 11 of the EU's 28 states, EU funding accounted for more than 40 cents of every euro governments spent on infrastructure, land and buildings between 2015 and 2017.

In some places, such as Western Europe, the EU sometimes markets its assistance poorly and voters are often unclear about the EU role in a mix of regional, national and European funding.

EU funding can carry onerous rules and stipulations involving complex paperwork and restrictions on project types, irking recipients. East European nationalists allege that much of the money flows back to German and French construction companies.

Donor countries have soured on cohesion funds, too, partly because of alleged corruption among recipients. In Hungary,

where skepticism of the EU runs thick, the bloc's antifraud agency says \$47.8 million spent upgrading street lamps through EU contracts awarded to a company once owned by Prime Minister Viktor Orban's son-in-law contained "serious irregularities" that may constitute fraud. The son-in-law denies the accusation. Mr. Orban says Hungary no longer needs EU cash.

Few cohesion-funding recipients are in such direct conflict with donors as Poland, which is allotted more than €60 billion under the current cohesion budget.

The ruling Law and Justice party is purging a 110-seat Supreme Court on the grounds that about eight of those judges served under Communism. The EU says the purge undercuts judicial independence and so triggered a never-used procedure that could fine Poland and limit its voting rights in the bloc. A decision is pending. Brussels has also sued Poland, Hungary and the Czech Republic for refusing to accept refugees as

Catch-Up

Joining the EU gave many less developed European nations a leg up economically.

Gross national income per capita as a percentage of EU's average GNI per capita

● Year before joining the EU

● 2017

JOINED 2004

Cyprus

Slovenia

Malta

Czech Rep.

Hungary

Slovakia

Estonia

Poland

Lithuania

Latvia

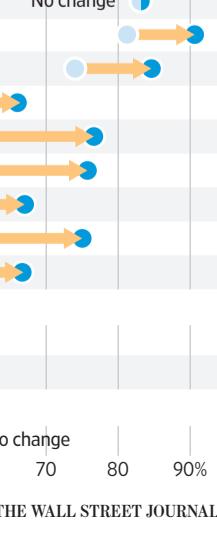
JOINED 2007

Romania

Bulgaria

JOINED 2013

Croatia



Source: European Commission

THE WALL STREET JOURNAL

GREATER NEW YORK

Major Rezoning of Inwood Is Approved

BY KATIE HONAN

The New York City Council voted Wednesday for a rezoning of the northern Manhattan neighborhood of Inwood, following years of community engagement but also fierce opposition from residents who fear it will hasten gentrification.

The neighborhood is the fifth to undergo a large-scale rezoning under Mayor Bill de Blasio, who has pushed the changes to spur the construction of affordable housing for residents who meet a certain income criteria.

Councilman Ydanis Rodriguez, who facilitated the rezoning with the New York City Economic Development Corp., said the changes will create more jobs and affordable housing in the neighborhood. The plan will allow for higher and denser buildings in parts of Inwood, and will add or protect about 4,100 affordable apartments.

It also includes new parks, educational and job resource centers, and expanded waterfront access.

"This plan is an important first step in strengthening our community and an opportunity to bring many of the resources we currently lack in our neighborhood," Mr. Rodriguez said.



Inwood residents spoke out against a rezoning of their Manhattan neighborhood in New York City Council chambers on Wednesday.

The city's investment into the neighborhood is \$200 million, according to officials.

The rezoning did face vocal opposition from residents who

feared allowing for large-scale development could create more market-rate housing that would make the neighborhood less affordable.

Inside the City Council's chambers, protesters against the plan shouted and threw fake money from a balcony as Mr. Rodriguez spoke about his

proposal. They yelled "vote no!," "shame!" and "Alta Manhattan no se vende," which translates to "Northern Manhattan is not for sale."

At least two dozen people were escorted from the site, disrupting the vote temporarily.

Mr. Rodriguez said he received a death threat regarding his vote, which he had forwarded to the police department.

Stephanie Frias, 26 years old, has spent her entire life in Inwood and was one of the protesters forced from City Hall. She said there are other protective measures for current residents that don't require a full rezoning, and feared mass displacement from the plan.

"I already see that the entire area is on its way through gentrification right now. I already feel like a stranger in my community," she said hours before the vote.

"I want to know specifically what jobs he's going to create, what's the initiative, what's the strategy? What are they going to be doing?"

Mr. de Blasio, who will sign the bill into law in a few weeks, said the plan will usher in new development and opportunities for the neighborhood.

"It means affordability, security, and opportunity for residents and new immigrants alike," he said in a statement.

Charges Imperil Congressman's Bid for Re-Election

BY JOSEPH DE AVILA

The insider-trading allegations that Republican Rep. Chris Collins is now facing complicate what was expected to be an easy path to re-election in his deep-red district near Buffalo.

Attorneys for Mr. Collins, who was arrested Wednesday and charged with illegally sharing inside tips about an Australian biotech company, said the congressman will be exonerated. The three-term congressman will face Democrat Nate McMurray, the town supervisor of Grand Island, N.Y., in November's general election.

"The charges being brought against me are meritless and I intend to fight to clear my name," Mr. Collins said in a tweet. "I will continue to work hard for the people of #NY27 and earn your vote this November."

Mr. Collins was the clear favorite to win this fall. The congressman, who was the first member of Congress to endorse President Donald Trump during the 2016 campaign, beat his last opponent by 34 points in 2016. Mr. Trump went on to win Mr. Collins's district by 25 points.

"The indictment compounds his political problems in a dis-

trict that should otherwise be safe GOP territory," said David Wasserman, House editor of the Cook Political Report, which moved the race

Rep. Chris Collins was charged with insider trading. He said the allegations are without merit.

from solid Republican to likely Republican.

Mr. McMurray, who isn't widely known in the region, has

\$80,000 on hand for campaigning, compared with \$1.34 million for Mr. Collins, who is also one of the richest members of Congress, according to election filings.

"McMurray should have the ability to raise much more now that Collins's arrest is in the spotlight," Mr. Wasserman said.

Democrats said Mr. Collins's legal trouble presents an opportunity for Mr. McMurray to pull off an upset.

"With Collins's arrest for corruption, unprecedented grass-roots energy and the strong candidacy of Nate McMurray, this seat is firmly in play for Democrats," a spokes-

woman for the Democratic Congressional Campaign Committee said.

In a statement, Mr. McMurray said the arrest of Mr. Collins shows that it is time for new leadership in the district.

"This is why I got in this race," Mr. McMurray said. "I understand that the man who claims to represent this community doesn't actually represent it."

The National Republican Congressional Committee called the allegations against Mr. Collins "very serious charges."

"We will let the facts come to light and trust the judicial

system as we continue to assess his re-election campaign," a spokesman for the National Republican Congressional Committee said.

While Mr. Collins's trial date hasn't been set, it is likely to begin after November's election.

Nathan Gonzales, editor of the nonpartisan Inside Elections newsletter, said it was too early to tell how the indictment will shake up the race. But he said the allegations against Mr. Collins do open a window for Mr. McMurray. Inside Elections moved the race from solid Republican to likely Republican.

Income Tax Proposals Split Connecticut GOP Candidates

BY JOSEPH DE AVILA

The five Republicans in Connecticut's gubernatorial primary agree on most things, except when it comes to state income tax.

During a final televised debate Wednesday, candidates Bob Stefanowski, a former business executive, and Mark Boughton, mayor of Danbury, defended their proposals to eliminate the state's income tax. Steve Obsitnik, a technology entrepreneur, called the proposals "nonsense," while David Stemerman, a former hedge-fund manager, said the state needs a "realistic plan."

"You have a moral obligation to tell voters how to do it," said candidate Tim Herbst, the former first selectman of Trumbull. "They haven't told us how they would do it."

Mr. Stefanowski said the state could absorb the revenue loss of eliminating the state income tax, which was instituted in 1991, by cutting expenses and renegotiating contracts with state employees.

"The state lived perfectly

fine without a state income tax," he said.

The five candidates will square off in the GOP primary Tuesday. The winner will face the victor of the Democratic primary, either Greenwich businessman Ned Lamont or Bridgeport Mayor Joe Ganim.

Republicans have a chance

State Republicans are eager to recapture the governor's seat after eight years.

to win the governor's race in deep-blue Connecticut, thanks in large part to the unpopularity of current Gov. Dannel Malloy, a Democrat who declined to run for a third term. The Cook Political Report rates the race as a tossup.

Members of the GOP in the state are eager to recapture the governor's seat after eight years of Democratic control that resulted in two income tax

increases and other progressive policy changes, including new gun laws and the abolition of the death penalty. Democrats hold a slim lead in the state's House of Representatives and are tied with Republicans in the Senate.

Other than tax policy, the candidates found broad agreement during the debate on television station WFSB. All oppose highway tolls. They each said they would support whoever wins the primary. And each blamed the state's weak job market on what they said was a poor business and fiscal climate.

Mr. Obsitnik said the state has a "hostile environment" toward business. Mr. Stemerman said Connecticut can attract employers with good schools, low taxes and its competitive geographic location. Mr. Herbst said the state's "fiscal volatility" was making neighboring states more attractive for employers. Mr. Boughton, who was endorsed by the Connecticut Republican Party, said the state government had developed a reputation for being unfriendly to companies.



Bryan Cranston in 'Network' at London's National Theatre. The actor will reprise the role on Broadway.

Bryan Cranston Is Broadway Bound

BY CHARLES PASSY

Bryan Cranston is returning to Broadway.

The actor, who rose to fame as Walter White in television's 'Breaking Bad' series and won a Tony Award for his portrayal of President Lyndon B. Johnson in the Broadway play "All the Way," will appear in "Network," a theatrical adaptation

of the 1976 movie.

The production, which first ran at London's National Theatre, will play for 18 weeks, starting Nov. 10, at the Cort Theatre.

The show garnered considerable acclaim in its British run from November 2017 to March 2018. Mr. Cranston earned an Olivier Award for his performance as Howard Beale,

the troubled network news anchor who says the famous line: "I'm mad as hell and I'm not going to take this anymore."

Producers of the Broadway staging include David Binder, who is slated to become the next artistic director of the Brooklyn Academy of Music, and the National Theatre. The production is directed by Tony Award winner Ivo van Hove.

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GREATER NEW YORK

Father Is Suspect in Death of Baby Found in River

By LARA KORTE

The 7-month-old child found in the East River on Sunday was already dead when he was put in the water and the baby's father is the key suspect in the case, New York City police said Wednesday.

James Currie, 37, of the Bronx, flew to Thailand but was stopped by authorities when he arrived in Bangkok, the New York Police Department said. Police said they expect his return to New York within the next week.

"There will not be a good ending to this story," said NYPD Chief of Detectives Dermot Shea. "Our thoughts and prayers go out to the mother of this child during this difficult time."

Police are waiting for medical examiners to determine the cause of the child's death. They executed a search warrant on Mr. Currie's residence but didn't provide details on what was found.

Police said surveillance video captured Mr. Currie taking the child, Mason Saldana, into his home in Co-op City

Saturday afternoon after an exchange with the baby's mother, who has a separate residence in the Bronx. Mason

Tourists discovered the 7-month-old child in the water and alerted authorities.

was apparently in healthy condition at that time. Mr. Currie left the house Sunday after-

noon with a backpack covered by a blanket, like a "papoose," Chief Shea said.

"We believe at this time, the child was deceased in that 24-hour period, and now the father is taking the child out of the residence," Chief Shea said, referring to the surveillance footage.

Mr. Currie was seen in downtown Manhattan later Sunday, walking toward the East River and carrying the same backpack, police said.

Tourists from Oklahoma discovered the baby in the water near the Manhattan side of

the river at around 4 p.m. and alerted authorities.

Mr. Currie, who worked for the Metropolitan Transportation Authority as a subway station cleaner, boarded a flight from John F. Kennedy International Airport to Bangkok on Monday, police said.

Police said they would arrest him on his return to New York and charge him with concealment of a human corpse, a felony.

"There is a possibility that those charges, as we go forward, could be upgraded," Chief Shea said.

Police identified Mason when his mother called 911 on Monday evening to report that Mr. Currie hadn't returned the child.

"At some point, the mother brings up on her own that she heard on the news about a child in the water, and she fears the worst and starts crying," Chief Shea said.

He said there were no documented reports to the Administration for Children's Services regarding the mother, the father or the baby.

"This is a heartbreaking case," he said.

GREATER NEW YORK WATCH

NEW JERSEY

Two Gunmen Sought After Injuring Officers

Two gunmen opened fire on two plainclothes police officers who were sitting in their vehicle at a red light, leaving both officers wounded and spurring an intense manhunt for the shooters.

Camden County Prosecutor Mary Eva Colalillo said the shooting occurred around 8:30 p.m. Tuesday in Camden. One of the two detectives was able to return fire, but it wasn't clear if either gunman was hit.

The detectives—a man and a woman whose names weren't released—were taken to a hospital for treatment. They were listed in stable condition on Wednesday and both are expected to survive.

Authorities declined to comment on the extent of the detectives' injuries, but media reports said the male detective was shot twice in the arm while the woman was shot in the hand.

"[They] essentially were ambushed," Camden County Police Chief J. Scott Thomson told reporters at a news conference late Tuesday night. "A male walked up and began opening fire. We have anywhere between 10 and 25 rounds that were fired at the officers."

—Associated Press

WESTCHESTER

Patient Shot to Death In Her Hospital Room

A man who said he wanted to end his ailing wife's suffering shot her to death in her bed at Westchester Medical Center on Wednesday and then killed himself, police said.

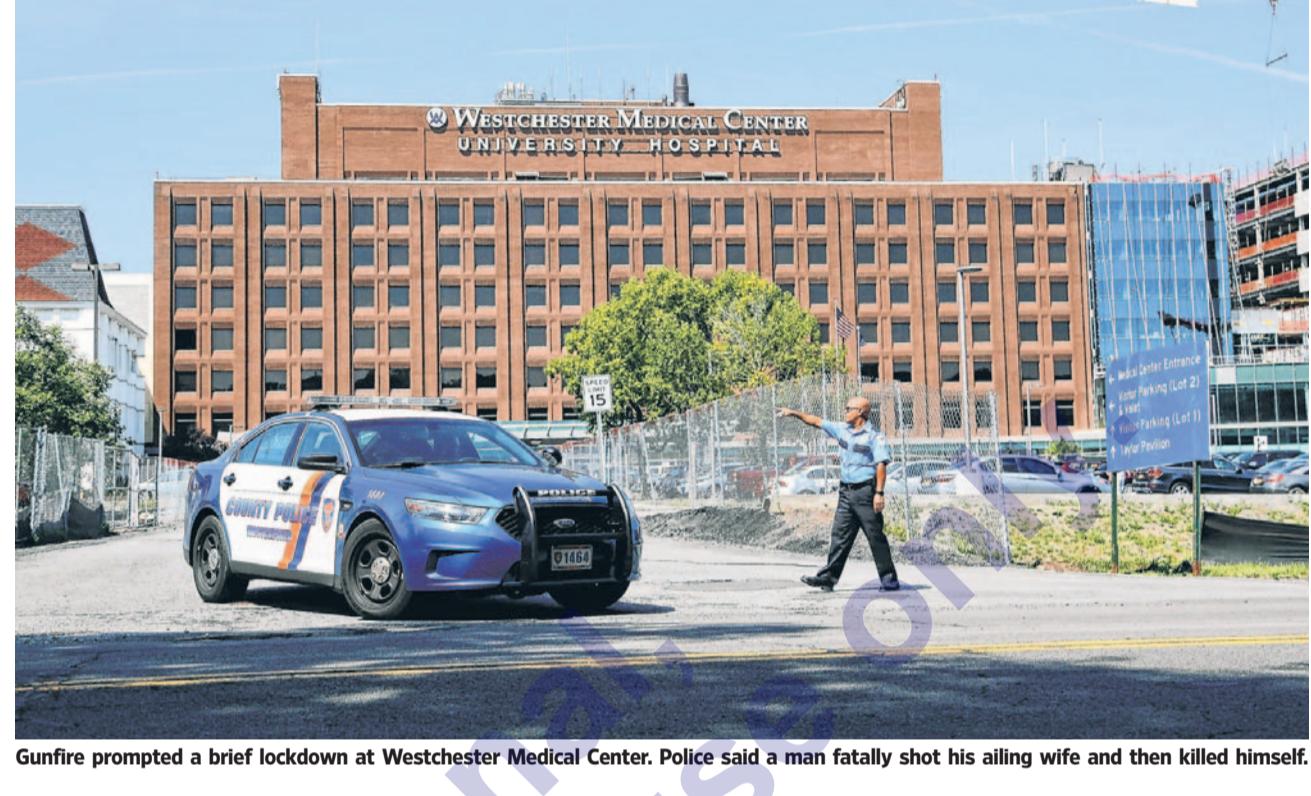
Richard DeLucia, 71 years old, left a note at the couple's condo indicating he was distraught about how his wife, Ann, 70, was suffering and wanted to put a stop to her ordeal, Westchester County police spokesman Kieran O'Leary said.

Then Mr. DeLucia went to his wife's room at the hospital with a licensed .38-caliber revolver, fired a single shot that killed her and then took his own life with another shot, police said. No one else was in the room at the time, authorities said.

Ann DeLucia, whose medical condition wasn't immediately clear, was found in her bed and her husband was found on the floor of her fourth-floor room at the Valhalla hospital, about 35 miles north of Manhattan, police said.

The gunfire prompted a brief lockdown of a major suburban medical center that cares for tens of thousands of people a year.

—Associated Press



Gunfire prompted a brief lockdown at Westchester Medical Center. Police said a man fatally shot his ailing wife and then killed himself.

GREENWICH

Suspect Arrested In Home Invasion

Police have arrested one suspect in connection with a violent weekend home invasion and say

more arrests are expected.

Greenwich police say they responded to a home on Saturday to find a victim who said he was tied up and beaten by several people who forced their way into his home and demanded cash and jewelry.

Police say evidence suggests the home invasion was targeted and not a random act.

Investigators say 46-year-old Hassan Washington, of New York City, was apprehended Tuesday and charged with home invasion, robbery, kidnapping, as-

sault and larceny.

As of Wednesday, he was being held in New York City pending extradition to Connecticut.

It was unclear whether he had a lawyer.

—Associated Press

CHEW ON THIS



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THE MIDDLE SEAT | By Scott McCartney

On U.S. Planes, The Dogs Are Winning

AIRLINE EFFORTS to corral the menagerie of animals in airplane cabins have fizzled this summer.

Delta, American, United and other carriers tightened requirements on emotional-support animals, trying to curb the dramatic increase in dogs, cats and other creatures flying uncaged with airline passengers. In some cases, 50-pound dogs share space in cramped coach seats with their owners and neighboring passengers.

Delta says it has had six biting incidents in the past 60 days. The airline now carries about 700 emotional-support animals and service dogs on flights each day, up from 450 a day in 2016. The total number of animal incidents on airplanes—from urination to barking to biting—has increased 84% since 2016, says Gil West, Delta's chief operating officer.

In June, a Delta flight attendant was badly scratched by a pit bull

and Delta banned that breed from riding in its cabin. "I think we've hit a tipping point," Mr. West says. "We're very concerned about the safety of our customers and our crew."

"This has gone too far," one airline spokesman says about incidents with pets on planes.

Last year, the number of pets carried by U.S. airlines (usually for a fee in the cabin or cargo hold) increased 11% to 784,000, according to Airlines for America, the industry's lobbying organization. The number of service animals increased 24% to 281,000, according to A4A. And the number of emotional-support animals leapt 56% in that one-year period, to 751,000.

In general, service dogs undergo lengthy training to aid an owner with a disability, including sight-limited or physically limited people and people with diagnosed emotional issues such as post-traumatic stress disorder. Emotional-support animals can be untrained and provide benefit simply from com-

panionship. They aren't considered service animals under the Americans With Disabilities Act.

Delta and United implemented new rules in March, Alaska in May and American in July. The airlines now require documentation from veterinarians that emotional-support animals are healthy and trained to behave properly in public. Passengers must turn in documents 48 hours before departure. Some airlines require a letter from a mental-health professional certifying the passenger's need for an ESA or psychiatric service animal.

Airlines say these changes are as far as they can go under current federal rules. And the changes have had minimal effect so far, they say.

United says the number of in-cabin pets it carried dipped in February, compared with the same month in 2017, after the airline announced tighter rules, and was down in March when the requirements went into effect.

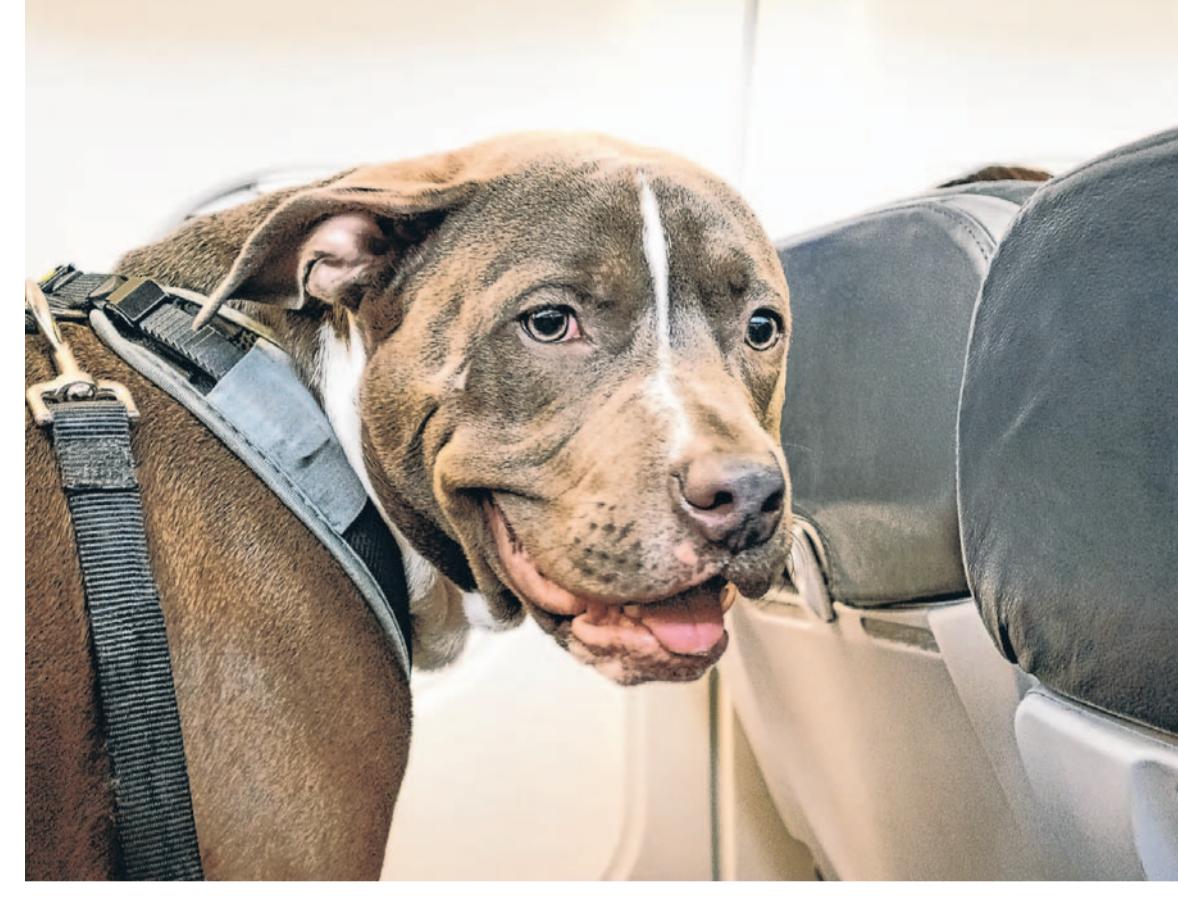
But the volume increased again in April, went higher in May and stayed up all summer at comparable levels to last year. United has seen a 75% increase in onboard incidents in the past year.

"This has gone too far," spokesman Charles Hobart says. "The March 1 rule changes represent our best approach to insuring onboard safety and reducing fraud under the DOT's existing rules."

Delta says numbers have bounced up and down, and it's too early to tell the full impact, since some changes didn't kick in until July 10.

In May the Transportation Department asked for public input on possible rule changes. Now the agency says it is reviewing the 4,467 comments it received.

The DOT tried once before to issue new rules, but an advisory



board it established couldn't agree on limits and definitions. It's possible this effort could run into the Trump administration's opposition to new regulation. But in this case, airlines are begging for new regulations rather than opposing them.

In a statement, the DOT says it's not against all new regulation. "There should be no more regulation than necessary, and those regulations should be straightforward, clear and designed to minimize burdens consistent with safety, consumer protection and access to air travel," a DOT official said.

Airlines are urging the DOT to make guidelines in the Air Carrier Access Act similar to the Americans With Disabilities Act. The ACAAA is far broader.

Some travelers like being able to take their pets with them when flying. Many insist the animals do provide necessary emotional support amid the rigors and stresses of air travel today. Many travelers don't want their pets to travel as cargo in the belly of planes.

But people who rely on highly trained service animals for daily needs say their service dogs can be provoked by aggressive dogs unfamiliar with airports and airplanes. If a service animal acts out, it may have to be retired. People with animal allergies say flights with multiple pets have grown more common, exposing them to more allergens.

And travelers say they are run-

Large dogs flying in airplane cabins as emotional-support animals have led to complaints. A Delta flight attendant, below, received facial cuts from a pit bull on a flight in June. Shortly after the attack, Delta banned pit bulls from its cabins.



ning into more animal incidents. Rani Khetarpal, a marketing executive from California who has elite status on several airlines, says flight attendants on an American flight she was on July 12 refused to work the trip because of a large pit bull on board. They feared a confrontation with the dog in the aisle.

The captain intervened and convinced the dog owner to switch seats with someone in a window seat, so the flight attendants could work in the aisle without mingling with the dog. The flight departed only slightly late. "I just think there should be stricter parameters put around it," Ms. Khetarpal says. "I don't know what that

looks like. There is a need, but people are taking advantage of the ESA policy, and it's not right."

When airlines first imposed fees of up to \$125 each way on traveling with pets, people started sniffing around for loopholes. Declaring a pet an emotional-support animal evades fees and rules limiting the size of pets allowed on board. Certificates and doctors' letters that many airlines require are readily available online.

But airlines say fee avoidance is far from the whole story. The number of passengers paying pet fees continues to go up. There's also a cultural change happening. Pets are family, welcomed at hotels and restaurants. Once air travel with pets became easier, the barn door opened.

J.D. Floyd, a traveler who logs more than 100,000 air miles a year as a financial consultant, has seen countless dogs and one ferret fly as emotional-support animals. They cause fewer problems than rambunctious children, he says. To him, emotional-support animals have just become the latest way to game the system and thumb a nose at harsh airline rules.

Mr. Floyd points to passengers who haul oversize bags to gates and then line up quickly when agents ask for volunteers to check bags, thus avoiding baggage fees.

"It's not just emotional-support animals when it comes to travel gaming," he says.

INFLUENCERS

SPIKE LEE'S TIMELY PERIOD PIECE

BY BENJAMIN DIN

"BLACKKKLANSMAN," the real-life tale of a black police officer's infiltration of the Ku Klux Klan, is set in the 1970s, but according to Spike Lee, the racism it depicts remains alive and well today.

Even its release date on Friday is significant, coming about a year after the white-nationalist rally and ensuing violence in Charlottesville, Va. To drive the point home, Mr. Lee concludes the movie with footage from the riots and the response from the president, whom he has dubbed Agent Orange.

"It's a great story. You can't get more high-concept than this," Mr. Lee, 61 years old, says. "Let's count the words: 'Black man infiltrates Ku Klux Klan.' Six words tell the whole story!"

The film is based on true events depicted in Ron Stallworth's 2014 memoir, "Black Klansman." Mr. Lee said he had never heard of Mr. Stallworth's story before Jordan Peele, the comedian and "Get Out" director who produced "BlackKKlanman," approached him.

John David Washington ("Ballers") stars in "BlackKKlanman" as Mr. Stallworth, using stereotypically white speech patterns to talk to Klan members over the phone. They include Grand Wizard David Duke, who confidently tells him on one call: "I can always tell when I'm talking to a negro." For in-person Klan events, Mr. Stallworth enlists a white officer, Flip Zimmerman (Adam Driver), to appear on his behalf.

At the Cannes Film Festival in May, "BlackKKlanman" received a standing ovation and won the Grand Prix, the first of Mr. Lee's

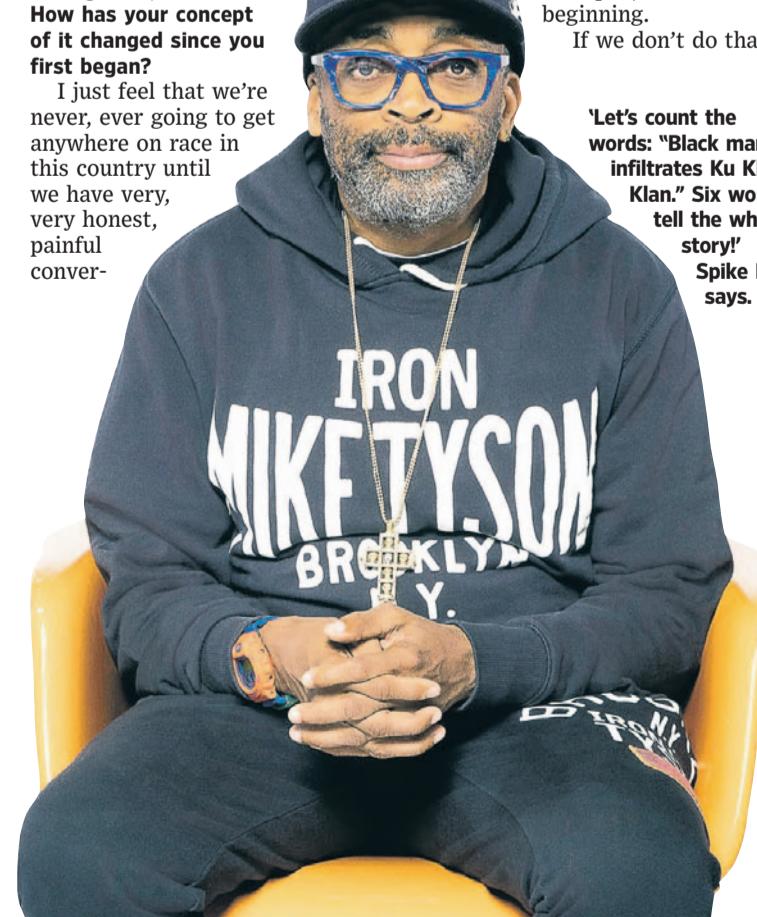
career. This summer, he has been working on the coming season of "She's Gotta Have It," a Netflix series adapted from his 1986 feature film.

He spoke with the Journal about race, politics, activism and his new film. Here are edited excerpts:

Race has been an important topic for you throughout your career. How has your concept of it changed since you first began?

I just feel that we're never, ever going to get anywhere on race in this country until we have very, very honest, painful conver-

'Let's count the words: "Black man infiltrates Ku Klux Klan." Six words tell the whole story!' Spike Lee says.



then we're still gonna be talking about this 20 years from now, the same shit.

One question comes up repeatedly throughout the film: 'Are you down for the liberation of black people?' What does that mean for audiences in 2018?

Even though the film takes place in the early '70s, I think that question still exists. Even though the character Patrice is asking that question of Ron Stallworth, she in a way could be asking that question to the audience: Are you down for the liberation of black people, of immigrants, of the gay population, for women's rights?

What was it like working on a period piece that contained themes relevant to society today?

My man, that was by design. That was not a mistake. That was planned, that was strategized. Even though this is a period piece, we still wanted to make it look, feel contemporary with what's happening in the world we live in today.

Code-switching (changing how you speak based on the audience or setting) plays a big role in this movie. How is that relevant to audiences today?

'Cause a lot of people do it! Whether you're black, you're gay, or this or that, you're faking the funk, because society has put up there that it might be horrible for you if you be who you truly are. They don't code-switch because they want to. They do that stuff because it's advantageous.

Toward the end of the film, we see the return of the double-dolly shot, where the camera and actors

Who Is He?

Name: Spike Lee

What He Does: Director, writer, producer and actor

How He Got There: His grandmother saved her Social Security checks for 50 years, which helped put him through Morehouse College and New York University. "Not getting kicked out of NYU, the grace of God and hard-ass work. I bust my ass," he adds.

His Big Break: As a graduate student at NYU, he won a Student Academy Award for his thesis film, "Joe's Bed-Stuy Barber Shop." His first feature-length film, "She's Gotta Have It," won multiple awards.

His Obsession: "The only thing I'm gonna have time for is to watch my brother, 'Anderson Cooper 360.' Eight o'clock on CNN, and then I go to bed and wake up at 5 o'clock the next morning," he says.

are all on dollies so that they appear to be floating as they walk.

Why is that such a staple for you?

It's not a return! It's in every one. "Mo' Better Blues" was the first film. Ernest Dickerson, my longtime collaborator, we were in school together at NYU. There's a shot where my character in that film, Giant, had to walk, so I said, "Let's do another dolly." We were just doing it to show off, but then we both came to a joint decision that we can't use the shot unless it helps the storytelling go forward, and it's been like that ever since.

LIFE & ARTS

MUSIC

A Folk Tradition Makes a Comeback

The Mexican dance music behind the 1950s hit ‘La Bamba’ is getting new life as young bands revisit the ‘Veracruz sound’

BY ROBBIE WHELAN

THE MEXICAN folk-music genre that inspired Ritchie Valens' 1958 hit single "La Bamba" is making a comeback in the U.S. and Mexico, as a new generation of young bands revives traditional sounds.

The lively dance music, called *son jarocho*, originally sprang from the mixing of African, European and indigenous cultures in 17th-century Mexico's coastal Veracruz. Today, rising interest in rediscovering traditional culture among Mexicans and Mexican-Americans is helping to fuel a revival.

At the forefront of the movement is New York-based singer-songwriter Zenen Zeferino and the band Radio Jarocho, who just completed a 20-city summer tour of midsize clubs in the U.S., Canada and Mexico. Other *son jarocho* bands have in recent years played such high-profile venues as New York's Carnegie Hall, Joe's Pub, and the Brooklyn Academy of Music.

Earlier this year, the Smithsonian Institution's Folkways Recordings label released two albums of the folk music. And across the U.S., enthusiasts have used Facebook to set up groups that host raucous, communal all-night jam sessions called *fandangos*—a key part of the *son jarocho* tradition—from Boston to Philadelphia to Milwaukee.

"People are rediscovering this music and they are hungry to connect with the tradition on a more personal level," says

Eduardo Díaz, head of the Latino Center at the Smithsonian Institution. Mr. Díaz compared the revival to the interest in Cuban folk and jazz music in the late 1990s following the release of the album and documentary film "Buena Vista Social Club."

"There is a whole movement of people exploring their Mexican roots and heritage," he said. "They want to figure out what defines their nationality, their roots."

Mr. Zeferino, 47, has helped bring the music to a wider audience. He grew up in rural southern Veracruz, where *son jarocho* music originated among communities formed by the descendants of the 200,000 African slaves brought to Mexico by Spanish colonists to work in the sugar cane plantations and mines.

Like Afro-Cuban music, *son jarocho*—which roughly translates as "the Veracruz sound"—features complex, syncopated rhythms and call-and-response vocal refrains, but European influence brought stringed instruments such as the guitar-like *jarana*.

As a child, Mr. Zeferino learned how to play and sing at the knees of the old masters. But by the 1980s and '90s, only a dwindling pool of enthusiasts remained, as it became "music only played by old men alone on their ranches," he says.

In 1991, Mr. Zeferino joined a group called Chuchumbé, which became legendary in southern Veracruz by writing some of the first



Clockwise from above: Musicians perform *son jarocho* music at a saint's day festival in Chacalapa, Veracruz; hand-carved stringed instruments including the *jarana* and the *requinto* are a signature of *son jarocho*; singer-songwriter Zenen Zeferino, who grew up in rural southern Veracruz, has helped bring the music to a wider audience.



new, original songs in the *son jarocho* tradition in over a generation, but never made much of a splash outside of Mexico.

The group toured extensively and held workshops to teach young players the tradition. At the same time, musicians from Veracruz began accepting invitations to travel to California to hold *fandango* workshops, amid a new wave of interest in roots music among American listeners.

But as Veracruz has become more racked by drug violence over the last decade, it got harder for Mr. Zeferino to earn a living there.

"Lots of the town fiestas and private parties in Veracruz take place in places where you have to take back roads to get there, and travel at night. When the narco violence got really bad, starting around six or seven years ago, these are the places that became dangerous," he said. A command performance for a local drug lord at a seafood restaurant, in which he was ordered to

serenade the gangster and his friends for three hours without pay, was the last straw.

In 2015, he left for New York, teaching music workshops and playing gigs. He met Julia del Palacio, a Mexico City native and dancer in the percussive *son jarocho* tradition of *zapateado*—or footwork—with a Ph.D in Mexican history from Columbia University, who invited him to join her band, Radio Jarocho.

The band, and its contemporaries, including bands like Quetzal and Los Cafeteras in Los Angeles, Jarana Beat in New York and Los Vega in Mexico City, tapped into a rising interest in Mexican identity.

"The bug has definitely spread across the country," says Betto Arcos, a Veracruz-born music journalist and concert promoter based in Los Angeles who has followed

the rise of the style. "There's this great interest in not just groups to play the music, but also on the part of musicians to travel to Veracruz and learn from the masters."

The proliferation of bands has drawn in new fans as well. Yatrika Shah-Rais, a radio DJ from Los Angeles, says she has seen about 20 *son jarocho* concerts in the last few years. "It's just extremely joyous music," says Ms. Shah-Rais. "It gives the feeling of a fiesta, like you're all in it together."

This spring, Radio Jarocho self-released its second album, and the band spent the summer touring across North America. "At the end of the day, the goal is to transport

people to Veracruz in their minds," says Mr. Zeferino.

A big part of the appeal of *son jarocho* is the tradition of the communal jam sessions called *fandangos*. In May, New York-based bandleader Arturo O'Farrill joined fellow Grammy Award winners Regina Carter and Antonio Sánchez, the Mexican drummer who composed the award-winning score to the film "Birdman," at a border crossing near San Diego for a concert featuring a *son jarocho*-inspired original composition as part of an annual cross-border *fandango* event that just celebrated its 10th year.

Mr. Zeferino recently returned for a visit to Chacalapa, his grandmother's village in southern Veracruz, where he was welcomed as a hero at the annual saint's day fiesta.

thousand residents gathered beneath a tent sheltering an altar to Saint James the Apostle, Mr. Zeferino's clear tenor voice cut through the sound of dozens of strumming *jaranas* and the rhythmic clogging of women, dancing in long flowing skirts.

"Zenen is a huge star around here," said Isabel Fernández Cuello, a mill worker who has known Mr. Zeferino since they were children and who was tapped as the master-of-ceremonies of this year's fiesta. "There are a lot of great musicians from this area, but he's the only one who has sung all over the world. We're very proud of him."

FILM

OSCARS TO TRIM TELECAST, ADD 'POPULAR' AWARD

BY ERICH SCHWARTZEL

Los Angeles

FACED WITH declining ratings for its annual awards telecast, the Academy of Motion Picture Arts and Sciences said it will keep some prizes off the air and add a "popular film" category.

The changes are among the most drastic made to the program in recent years.

In a letter to members of the Academy, the organization's board of governors offered few details on the new award, including which films would be eligible or whether the voting would be open to the general public.

"We are committed to producing an entertaining show in three hours, delivering a more accessible Oscars for our viewers world-wide," said the letter, a copy of which was reviewed by The Wall Street Journal.

It was signed by the Academy's newly re-elected president, John Bailey, and the organization's chief executive, Dawn Hudson.

To keep the show at three hours or less, the board said it would eliminate certain categories from the live telecast, which has in recent years stretched to nearly four hours due to the organization's 24 awards. The nontelevised categories will be announced during commercial breaks, a practice already in place at other awards shows. The organization didn't say which categories, or how many, would be eliminated from the broadcast, but categories such as sound mixing and short films have often been cited by critics as uninteresting to a broad audience.

The changes to Hollywood's most coveted award speak to the telecast's ratings slump and the increasingly marginal cultural influence that the Academy has. While

Hollywood studio returns have focused on megabudget offerings like "Avengers: Infinity War," the Academy has repeatedly rewarded features whose total gross sometimes equals an "Avengers" matinee. At the same time, overall domestic box-office returns have stagnated, and much of the cultural conversation has shifted to television series like "The Handmaid's Tale" and "Atlanta."

The Oscars telecast this year, in which "The Shape of Water" won best picture, pulled in a record-low 26.5 million viewers. That was a 19% drop from the year prior, the equivalent of losing the state of Indiana in viewership.

The Academy has been trying to



The Oscars this year hit a record low in viewership.

fix the problem for years, with many diagnoses centering on the tiny box-office hauls of the movies getting the most awards. In recent years, big winners like "Moonlight" and "Spotlight" have collected puny amounts at the box office, especially compared with previous Oscar favorites like "Titanic," "Forrest Gump" or "Rain Man." If more

viewers were rooting for a popular movie, the thinking goes, they're more likely to tune in.

In 2009, the Academy announced it was expanding the best-picture category to up to 10 nominees, a move that was supposed to usher in more popular fare. Instead, it mostly added to the mix more independent titles such as "Phantom Thread" and "Nebraska."

The moves are sure to provoke criticism in certain corners of Hollywood, where executives have seen the Oscars as a final bastion of honoring quality in the face of endless superhero movies. The Academy will face dissent within its ranks, too, from constituents like sound mixers and short-film creators who may see their categories shunted to the commercial break.

Next year's Oscars will air on Feb. 24.

LIFE & ARTS

ART REVIEW

Painting The Sea's Significance



BY KAREN WILKIN

Washington
SAY "HOLLAND" and we immediately see water: canals threading through the countryside, the North Sea lapping at the coast, and ships crossing the ocean. We think of how naval battles won the Dutch their independence from Spain in 1648 and subdued their English trading rivals some years later. We think of the daring voyages of the Dutch East and West India companies that established the tiny country as a great mercantile sea power. Small wonder that 17th-century Netherlandish collectors were fond of marine subjects.

Just how fond is demonstrated by "Water, Wind, and Waves: Marine Paintings From the Dutch Golden Age," at the National

Gallery of Art. This delectable show of more than 20 paintings, a large group of drawings, etchings

and engravings; and five irresistible very large, obsessively detailed ship models from the period, as elaborately embellished as the richest galleon, celebrates Dutch prowess in naval warfare, merchant shipping, fishing and even skating. Plus there's a charming portrait of a richly dressed boy playing with a sumptuous toy ship. There are "portraits" of ships, pastoral waterfront scenes, and reminders of the unpredictability of the ocean. We discover the dangers of seafaring and the pride of a well-armed fleet, the calm of domestic waters and the crowding of boats and ships in Dutch river ports, presented against infinite

variables of reflective water and all-encompassing skies.

I suspect that if any of the works on view were set among Dutch Golden Age genre scenes and portraits, we'd simply acknowledge them without fully registering their special qualities. But in "Water, Wind, and Waves," concentrating on a single aspect of 17th-century painting in Holland alerts us to nuance and variation so we both discern and appreciate the different ways marine themes were interpreted.

For high drama, there are scenes of ships in distress, most impressively the vast "Ships in a Stormy Sea" (1671-72) by Willem van de Velde the Younger, about six feet of ominous gray clouds and frothing waves, with the

tawny plane of a taut sail, just off center, anchoring the whole composition. A dark tracery of ship's lines punctuates the smooth sail, emphasizing the picture's subdued palette and spatial complexity; next stop, Cubism. For peace and poetry, there's Abraham de Verwer's "View of Hoorn" (c. 1650), all pell-mell water and rosy clouds, with the town a narrow band at the horizon and the masts of countless ships stitching sea and sky together. An early 1650s "pen painting" by Willem van de Velde the Elder, a fine black-and-white drawing in oil on panel, presents a crowd of elegant merchant ships and workaday vessels, amid lively dolphins.

A series of prints by Reinier Nooms, called "Zeeman"—seaman—and made in 1652/54, catalogs the many types of ships to be seen in Amsterdam, while a group



of works on paper by Rembrandt van Rijn, including a 1651 etching, "The Bathers," and a vigorous pen, ink and wash drawing of a view across the Amstel River (c. 1646/50), remind us that waterways served for both transportation and recreation. The role of water in its winter state is announced by scenes of skaters and other revelers, including a terrific Hendrick Avercamp watercolor, "Winter Games on the Frozen River IJssel" (c. 1626), with well-dressed gentlemen playing *kolf*, a sort of fusion of golf and ice hockey.

Marine themes are so entrenched in our conception of Dutch Golden Age art that it's surprising to learn that such subjects became common only at the beginning of the 17th century. The instigator was the well-traveled Hendrick Vroom, who used his first-hand knowledge of naval architecture to paint scenes

such as the exhibition's "Fleet at Sea" (c. 1614) with its warship, fishing boats and cargo vessels tossing on blue-green, translucent waves against a distant harbor. As the exhibition makes clear, later marine painters approached these motifs with more freedom and inventiveness, but usually remained faithful to Vroom's quest for accuracy.

Almost all the works in "Water, Wind, and Waves" are from the National Gallery's own collection. Only five paintings and those amazing ship models are borrowed. The breadth and depth of the National Gallery's holdings are so impressive that it's surprising—once again—to discover that until 1985 the museum had only one marine painting, Aelbert Cuyp's splendid "The Maas at Dordrecht" (c. 1650), with its mass of miscellaneous vessels carrying 30,000 Dutch soldiers, as-

sembled to impress the Spanish before the adoption of the treaty granting independence to the Netherlands. The present wide-ranging collection is a tribute to the initiatives, over his long tenure, of the National Gallery's legendary, recently retired curator of Northern Baroque painting, Arthur K. Wheelock Jr.

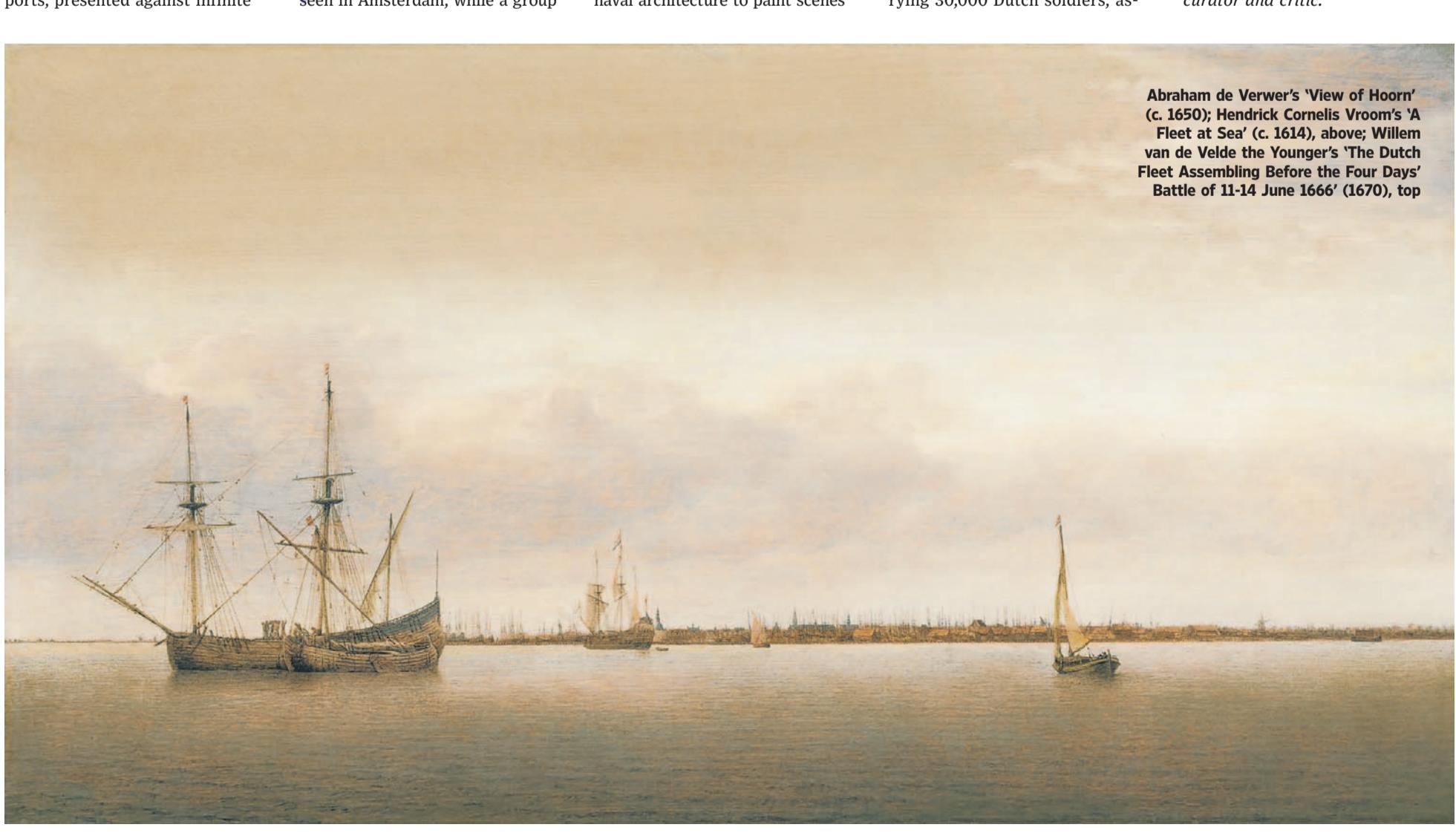
Caveats? "Water, Wind, and Waves" lacks a catalog—there's an informative free brochure—and we're not allowed to play with those extraordinary 17th-century ship models. Otherwise a delight!

Water, Wind, and Waves: Marine Paintings From the Dutch Golden Age

National Gallery of Art, through Nov. 25

Ms. Wilkin is an independent curator and critic.

Abraham de Verwer's "View of Hoorn" (c. 1650); Hendrick Cornelis Vroom's "A Fleet at Sea" (c. 1614), above; Willem van de Velde the Younger's "The Dutch Fleet Assembling Before the Four Days' Battle of 11-14 June 1666" (1670), top



OPINION

Trump's Ultimate Disruption



WONDER LAND
By Daniel Henninger

Donald Trump's disruptions to the domestic and global political order come and go so fast it can be difficult to assess their significance. Which parts are real and which parts are cotton candy?

The evening before the House election in Ohio's 12th District, the Republican candidate said: "This has gained so much national attention, and we didn't want that. We were trying to keep the national media out of it."

Come again? Everyone knows that on Saturday President Trump sweated through an Ohio rally for a state senator whose name probably half the people reading this can't identify as Troy Balderson.

Already-weak political parties are losing ground to ideologies and personalities.

The national media tsunami that just washed over central Ohio depicts Mr. Balderson as another anonymous foot-soldier in the Trump party, formerly known as the GOP. It is no doubt true that Mr. Trump, with his insistently constant public presence, has disrupted the already weak standard model of America's political parties as arbiters of candidates and ideas.

If so, we shouldn't let Mr. Trump's feud with Charles and David Koch get flushed like so many others. It was a significant event.

In an interview, Charles Koch said trade wars and prosperity were incompatible and that his organization's financial support wouldn't depend on party affiliation.

This prompted the Trump Twitter ICBM to launch on warning, because naturally Mr. Trump took Mr. Koch's opinion as a personal insult and threat. Professional Republicans cracked back because the Koch network, considered conservative, made clear its support would transcend party affiliation, for example praising North Dakota's Democratic Sen. Heidi Heitkamp on financial deregulation.

This goes down hard in the trenches. Democrats like Sen. Heitkamp are marginalized outliers in a party wholly at odds with the Koch-backed advocacy group Americans for Prosperity. On the left, nothing like these Koch party-crossings is imaginable.

That said, the Koch feud is a portent of more fractures in the party system. Mr. Trump tried to dismiss the Kochs as "a total joke in real Republican circles." One has to ask: What exactly are "real Republican circles"? Or for that matter, real Democratic circles?

The Trump camp has taken to insisting that Mr. Trump personally embodies both the Republican Party and conservatism. The only people largely forced to opt in to this choice are elected Republican politicians. But what about anyone else who self-identifies as a right-of-center voter?

There is no cult-of-personality tradition in U.S. politics. It was inevitable that someone as prominent as Charles Koch would detour off the Trump highway. The Kochs always



Charles Koch.

Ben Jealous snapped, "Are you [obscenity] kidding me?"

The traditional parties provided stability and predictability, a comfort level. Their competitors—from Trumpism to Netroots—now offer instability and perhaps a period of chaos. Some would call this healthy democratic ferment. Others may doubt the health benefits.

If it is Donald Trump's strategy to suck all the political oxygen out of the room and choke off his competitors, many voters will be driven elsewhere to get air. Amid major disruption, anything's possible. It may be that

Democrats are drifting left toward Alexandria Ocasio-Cortez, but it's not beyond imagining that a Mike Bloomberg could emerge as a liberal opt-out version of Charles Koch.

One encounters conservative and even liberal voters who say they couldn't get enough of politics in 2016, but now they've largely tuned out. They aren't Never Trumpers. They've become Fair Weather Trumpers who like some of the policy results but can't stand the daily hailstorms. Troy Balderson's near-death experience after his formerly safe Ohio House race was "nationalized" suggests that nonvoting Fair Weather Trumpers are a bad omen for the Republicans.

Beyond a likely GOP loss of the House, what lies ahead isn't clear. This is Donald Trump's ultimate disruption: an American electorate in a state of constant agitation and flux. Some voters will tie themselves to the Trump mast and ride it out. But Charles and David Koch aren't a joke. That feud was a warning shot.

Write henninger@wsj.com.

The 'Blue Wave' May Be Receding

By Karl Rove

After GOP state Sen. Troy Balderson's narrow victory in the special election for Ohio's 12th Congressional District, Republicans understand what a 23-year-old war correspondent named Winston Churchill meant when he wrote, "Nothing in life is as exhilarating as to be shot at without result."

Ohio's Tuesday vote was the last special congressional election before the midterms. Mr. Balderson leads by 1,754 votes, though 3,435 provisional and military ballots still need to be counted. The result denied Democrats momentum that would have jazzed up their base and helped fill the coffers of dozens of their House candidates.

Republicans won because Mr. Balderson was a good candidate and because his rival, Democrat Danny O'Connor, ended up embracing Nancy Pelosi. But the victory was also a GOP team effort. President Trump carried the district by 11 points and held a rally there last weekend; Trump critic John Kasich, who represented the district in Congress before becoming governor, endorsed Mr. Balderson; the Paul Ryan-associated Congressional Leadership Fund spent \$3.3 million; and the Republican National Committee and the Ohio Republican Party mounted a massive get-out-the-vote effort.

Republicans won because Mr. Balderson was a good candidate and because his rival, Democrat Danny O'Connor, ended up embracing Nancy Pelosi. But the victory was also a GOP team effort. President Trump carried the district by 11 points and held a rally there last weekend; Trump critic John Kasich, who represented the district in Congress before becoming governor, endorsed Mr. Balderson; the Paul Ryan-associated Congressional Leadership Fund spent \$3.3 million; and the Republican National Committee and the Ohio Republican Party mounted a massive get-out-the-vote effort.

Tuesday's elections show that the GOP has a fighting chance to keep the House.

In other words, Mr. O'Connor ran 6.1 points better than the district's PVI. In competitive special House elections this year and last, Democrats have beat the PVI by an average of 5.1 points.

Worse yet for Republicans, the Cook Political Report says there are 50 at-risk GOP House seats that lean Republican by as much as or less than the district Mr. Balderson won by the skin of his teeth. Democrats would need to win less than half of those 50 to take the House. Mr. Cook labels three of these as likely Democratic pickups, six as lean Democratic, 24 as toss-ups and 17

as lean Republican. Larry Sabato's "Crystal Ball" report has comparable projections.

The good news for Republicans is that in 36 of these 50 most vulnerable GOP districts, Republican incumbents are seeking re-election, most with strong district ties and name identification and more cash on hand than their Democratic opponents. Incumbency doesn't matter in special elections, but it will loom large in the fall.

The bottom line: While Republicans will certainly lose House seats in November, they have a fighting chance to keep their majority. They must re-elect almost all of their 36 incumbents whose districts are R+7 or less, put special effort into the eight open seats rated toss-ups or lean Republican and whose PVI is even or tilts Republican, and go hard after the handful of open Democratic seats that lean Republican. If they do this they might—just might—hold the House.

Elsewhere in the Midwest there also was some good news for Republicans. In five of the six competitive districts in Michigan and Kansas, GOP primary turnout was larger than the Democratic total.

Meanwhile, in Washington state's "jungle primary"—where the two top vote-getters regardless of party compete in November—the results were mixed. A pair of Republican incumbents, including House Republican Conference

Chairman Cathy McMorris Rodgers, failed to break 50%. But in a race for an open GOP congressional seat, former Republican state Sen. Dino Rossi led with almost 2½ times as many votes as his nearest Democratic competitor. He enters the general election with a \$1.8 million war chest—nearly three times as much as his opponent.

Taken as a whole, Tuesday's results don't justify the president's declaration that a "giant Red Wave" is coming. It's not. Yes, the GOP can add seats in the Senate. There are 26 Democratic seats up—10 in states Mr. Trump carried, five in states he carried by 18 points or more. Compare that with just nine Republicans up, and only one in a state Hillary Clinton carried. No Senate landscape has been as favorable to the party in power since senators were first selected by popular vote in 1914.

Yet Republicans still will lose House seats, governorships, statewide offices and state legislative seats. The question is how many. The answer will be determined by the quality of individual GOP campaigns. As Tuesday showed, actually running a good race still matters.

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

Unions Triumph at the Ballot Box

By Richard Trumka

Something is happening in America. Missouri, riding a nationwide wave of victories for working people, on Tuesday became the first state in history to overturn a so-called right-to-work law by popular vote.

It was an incredible display of the labor movement's capacity to win change. Despite the corporate right wing's best efforts, Missourians saw through the tired campaign of fear and misdirection. A clever name for a ploy to lower wages, endanger workers and undermine unions, "right to work" has always been a sham.

Working people are heading in a different direction. It's an uprising unlike any I've seen

in my 50 years in the labor movement. From crowds of striking teachers speaking out for fair treatment to an entire generation of young workers rejecting a broken status quo, Americans are demanding more than the crumbs we've been handed by corporate and political elites.

Missouri voters reject 'right to work,' and there's more to come.

Pundits jumped to write unions' obituary after *Janus v. AFSCME*. But we have never depended on any politician or judge to validate our movement. More than 260,000 workers joined unions in

2017—75% of them under 35. That momentum has carried into 2018. In a single week this April, 15,000 workers joined unions, from Harvard graduate assistants and Stanford nurses to JetBlue flight attendants and New Republic reporters. With labor unions' popularity at its highest point in nearly 15 years, MIT found that nearly half of non-union workers would vote to organize today if given the opportunity.

Tuesday's victory was a high point in a defining year for workers. With this win under our belt, we're setting our sights on November. We're preparing to sweep the country by doing what organizers do best: talk to each other. Union members are having conversations about the issues

important to us at our jobs and in our daily lives. This is about fighting for the change we need and electing advocates who will advance the cause, no matter what party they belong to. By leading with our agenda, we have elected pro-worker champions in Alabama, Virginia, New Jersey, Pennsylvania and more.

Whether it's expanding the labor movement, bargaining life-changing contracts, rewriting the rules of the economy, or filling the halls of power with our allies, unions are on the rise. Missouri is the latest sign of a groundswell. Working people are just getting started.

Mr. Trumka is president of the AFL-CIO.

solid shot would knock a file of men ten feet in the air or a charge of canister tear down half a dozen files. . . . Arms, legs, headless trunks, & heads without bodies were strewn in every direction." Citing other sources, Mr. Greene notes that, in the same battle, "men employed their bayonets and tin cups to create a 'miniature breastwork' behind which they made themselves 'as small as possible to avoid Confederate fire.'" Such efforts met with only limited success. "A shell decapitated the Fifth New York's color bearer," Mr. Greene writes, "splattering his brains over his comrades before that regiment reached cover."

Too often authors of campaign studies ignore the presence of noncombatants; Mr. Greene, by contrast, integrates their experiences with those of the soldiers to deliver the fullest possible story. He writes movingly of the suffering that the 18,000 civilians trapped in Petersburg endured during the opening weeks of the campaign. Among them was a mother who fled her home with three young children under a Union artillery barrage that shattered her nerves and left her, as she put it in her recollections of the event, "shaking as if in a chill."

Mr. Greene is to be commended also for treating the Union and Confederate high commands in a scrupulously balanced fashion, noting both mistaken calculations and shrewd decisions with straightforward clarity. His analysis of the relationship between Grant and Meade is nothing short of revelatory. He demonstrates indisputably that Meade played a major decision-making role and that his "influence over events" equaled or exceeded that of Grant. Nowhere in the initial battles for Petersburg did command miscalculations and criminal negligence factor more significantly than in the Battle of the Crater, the climactic encounter of "A Campaign of Giants." The leader of one Union division failed to instruct his men and stayed well behind the lines during the fighting, offering no leadership and drinking heavily. Mr. Greene treats with grim candor the racial brutality that underscored a battle in which Confederate soldiers murdered black Union prisoners with heart-sickening fury.

Mr. Greene closes his account by writing that the first six weeks of the Petersburg Campaign, with so many Union efforts thwarted, "brought little but sadness" to Grant. But of course there was much more to come. Whether or not one agrees with all of Mr. Greene's conclusions, there is no disputing the deep research and profound thought that he has put into his judgments. "A Campaign of Giants" stands among the most authoritative and engagingly presented Civil War studies ever written.

Mr. Cozzens is the author of "The Earth Is Weeping: The Epic Story of the Indian Wars for the American West."

BOOKSHELF | By Peter Cozzens

A Long War's Final Fight

A Campaign of Giants

By A. Wilson Greene
(North Carolina, 712 pages, \$45)

On May 4, 1864, Lt. Gen. Ulysses S. Grant, the Union general in chief, crossed the Rapidan River with the Army of the Potomac, commanded by Maj. Gen. George G. Meade. Grant hoped to place Meade's army between Gen. Robert E. Lee's legendary Army of Northern Virginia and the Confederate capital of Richmond, Va., and then defeat Lee in open battle. But Lee thwarted Grant and Meade, and for the next five weeks the two armies slugged it out along a front that moved ever closer to Richmond.

Unable to break the Confederate line east of Richmond, Grant made a daring move. Unbeknownst to Lee, he crossed the James River in mid-June 1864, in an attempt to capture Petersburg, Va., in one rapid push before Lee would be able to rush adequate forces to its defense. A vibrant industrial city of 18,000, Petersburg lay just south of the capital. It served as Richmond's logistical center and was the junction of three critical railroad supply lines. The loss of Petersburg would render Richmond indefensible and, Grant hoped, lure Lee into a final fight on ground of Grant's choosing.

The Union maneuver failed, however, and the Petersburg Campaign continued, stretching from June 1864 to March 1865, making it the longest military operation of the Civil War. It is also the least understood. Historians have written comparatively little about it, which has reinforced a misconception that the nine-month struggle was a near-static siege, a precursor to the brutal trench warfare on the Western Front in World War I.

It is true that the campaign witnessed innovations in siege and trench warfare, but it also consisted of complex maneuvering and numerous battles—several of which, had the Union emerged victorious, might have decided the city's fate early on. As it was, the fighting ground on and on until, in late March 1865, Lee failed in a desperate bid to break Grant's lines, eventually compelling the Confederates to abandon Petersburg and retreat. By then, a final capitulation was only a couple of weeks away, at Appomattox.

A. Wilson Greene's "A Campaign of Giants: The Battle for Petersburg" describes the first six weeks of the Petersburg Campaign, a period that included Union assaults on Confederate entrenchments (June 15-18); Union efforts to secure the three railroads that were the lifelines of Petersburg and Richmond (June 23-July 1); and the Battle of the Crater (July 30), one of the most horrific encounters of the war.

Mr. Greene, who has spent a quarter-century living and working on Petersburg's battlefields, first with the National Park Service and then as head of the Pamplin Historical Park, plans to write three volumes to tell the story of the campaign in its entirety. Based on the excellence of this first entry, there is every reason to believe that he will produce a comprehensive and balanced study.

Such a massive undertaking must pay close attention to the actions of subordinate commanders and units, occasionally down to the regimental level, something that Mr. Greene does masterfully. He also has a talent for choosing vivid quotations that buttress his conclusions or remind the reader of the horrors of combat. In his account of one doomed Union attack, he quotes Charles Thomas Bowen, a sergeant in the 12th U.S. Infantry: "Sometimes a

The longest battle of the Civil War is also the least understood. It included trench warfare, bold maneuvers and command miscalculations.

solid shot would knock a file of men ten feet in the air or a charge of canister tear down half a dozen files. . . . Arms, legs, headless trunks, & heads without bodies were strewn in every direction." Citing other sources, Mr. Greene notes that, in the same battle, "men employed their bayonets and tin cups to create a 'miniature breastwork' behind which they made themselves 'as small as possible to avoid Confederate fire.'" Such efforts met with only limited success. "A shell decapitated the Fifth New York's color bearer," Mr. Greene writes, "splattering his brains over his comrades before that regiment reached cover."

Too often authors of campaign studies ignore the presence of noncombatants; Mr. Greene, by contrast, integrates their experiences with those of the soldiers to deliver the fullest possible story. He writes movingly of the suffering that the 18,000 civilians trapped in Petersburg endured during the opening weeks of the campaign. Among them was a mother who fled her home with three young children under a Union artillery barrage that shattered her nerves and left her, as she put it in her recollections of the event, "shaking as if in a chill."

Mr. Greene is to be commended also for treating the Union and Confederate high commands in a scrupulously balanced fashion, noting both mistaken calculations and shrewd decisions with straightforward clarity. His analysis of the relationship between Grant and Meade is nothing short of revelatory. He demonstrates indisputably that Meade played a major decision-making role and that his "influence over events" equaled or exceeded that of Grant. Nowhere in the initial battles for Petersburg did command miscalculations and criminal negligence factor more significantly than in the Battle of the Crater, the climactic encounter of "A Campaign of Giants." The leader of one Union division failed to instruct his men and stayed well behind the lines during the fighting, offering no leadership and drinking heavily. Mr. Greene treats with grim candor the racial brutality that underscored a battle in which Confederate soldiers murdered black Union prisoners with heart-sickening fury.

Mr. Greene closes his account by writing that the first six weeks of the Petersburg Campaign, with so many Union efforts thwarted, "brought little but sadness" to Grant. But of course there was much more to come. Whether or not one agrees with all of Mr. Greene's conclusions, there is no disputing the deep research and profound thought that he has put into his judgments. "A Campaign of Giants" stands among the most authoritative and engagingly presented Civil War studies ever written.

OPINION

REVIEW & OUTLOOK

The 'Red Wave' Illusion

Republicans on present trend are poised in November to lose their majority in the House of Representatives and a slew of governorships. That's the clear message from Tuesday's election contests and a growing body of evidence. The President's persona is trumping positive policy results among voters, and without some intervening news or a change in strategy the result is likely to be a national left turn.

Republicans appear to have won a narrow victory in the special House election in Ohio, with provisional and absentee ballots still to be counted. But a win of less than 1% in a heavily Republican district is hardly a show of strength. The Democratic share of the two-party vote surged as it has in every special election this year, while GOP State Senator Troy Balderson was crushed in Franklin County around Columbus by 2 to 1.

The ominous news for Republicans is that they hold about 68 House seats that are *less* Republican than this Ohio district. Most include stretches of suburbia that have been GOP strongholds but where many voters dislike Mr. Trump's abrasive style and polarizing governance. Democrats need to pick up 23 seats to regain the majority they lost in 2010, and three or four times as many seats could be in play in November.

Further evidence came Tuesday in Washington State, where Republicans underperformed in two districts they currently hold. Cathy McMorris Rodgers, a member of the House leadership, barely led the top Democratic vote-getter in a jungle primary in her Spokane seat with 47.5%. She remains a modest favorite in the autumn, but the seven-term incumbent will have to spend heavily to win.

As for the statehouses, Democrats won 137,000 more votes than Republicans in the primary for Governor. Michigan Attorney General Bill Schuette wrapped himself around Mr. Trump to defeat Lt. Gov. Brian Calley for the GOP nomination, but Mr. Trump's approval rating in the state was 35% in the latest Marist poll. Democrats nominated career politician Gretchen Whitmer over a leftist candidate favored by Bernie Sanders. Lansing is now a prime Democratic pickup opportunity this fall despite the state's stellar economic revival under Governor Rick Snyder.

The same goes for Kansas, of all places, if Trump-endorsed Kris Kobach maintains his 191 vote lead over Jeff Colyer in the GOP Governor's race. Mr. Colyer became Governor when Sam Brownback resigned to work in the Trump Administration. Mr. Kobach will have to persuade Republicans in Johnson County in the Kansas City suburbs that he cares about more

than deporting illegal immigrants.

Tuesday's results cast doubt on the current White House strategy to make the election a referendum on Donald J. Trump. The President took credit late Tuesday for Mr. Balderson's apparent Ohio victory, and perhaps his visit to the district Saturday evening motivated some GOP voters. But his omnipresence also motivates Democrats, while it may de-motivate soft Republicans and independents who dislike Mr. Trump.

Pollster Ed Goeas of the Tarrance Group says that his surveys show about 31% to 33% of voters are solidly in Mr. Trump's camp. Another 11% or so have some doubt about his persona but put a priority on his policies and their success so far. This explains the President's approval rating of 44% or so. But another 10% of voters like his results but emphasize his persona and thus disapprove of his job performance.

This last group are the swing voters GOP candidates need in suburban districts to keep the House. They aren't impressed by Mr. Trump's name-calling, his brawls with the media or taunts of LeBron James. They don't like the debacle of family separations driven by immigration-enforcement obsessives inside the White House.

Trade protectionism also doesn't help among Republicans who work in large companies (and live in those swing districts) and are beginning to see the cost of tariffs. GOP policy successes on the economy and taxes are drowned out by the Trump cacophony.

In this political environment, even the GOP's Senate majority isn't safe. Only three or four GOP seats are in play, but the party could lose Nevada, Arizona and Tennessee. Republicans need to defeat Democratic incumbents to hold the Senate, which isn't easy in this kind of year.

* * *

Our sense is that Republican voters haven't recognized how much jeopardy the party is in. Many are content to listen only to their safe media spaces that repeat illusions about a "red wave" and invoke 2016 when the media said Mr. Trump couldn't win. Nearly all of the media does want Democrats to win again, and humility was one of the lessons we learned from the surprises of 2016.

But that's not an excuse for ignoring the evidence of GOP trouble. Mr. Trump barely won in 2016 against the weakest Democratic candidate since Michael Dukakis, and Hillary isn't on the ballot this year. Mr. Calley, who lost his Michigan primary for Governor, said Wednesday by way of explanation that "this is President Trump's Republican Party." The question to be answered in November is whether it remains a majority governing party.

United Against Putin's Poison

Russia deployed a nerve agent on British soil in March in an attempt to kill a former double agent—an attack that sickened the former Russian spy and his daughter, killed a mother of three, and terrorized the Salisbury community. Britain, the U.S. and other allies expelled Russian spies after the attack, and on Wednesday the Trump Administration announced more punitive actions. About time.

The U.S. determined under the Chemical and Biological Weapons Control and Warfare Elimination Act that Russia "used chemical or biological weapons in violation of international law." House Foreign Affairs Chairman Ed Royce (R., Calif.) has campaigned for this designation and deserves credit for prodding the Administration into action.

The White House might have been reluctant to act because the 1991 law packs a punch—and

The U.S. invokes a chemical warfare treaty to sanction Russia.

doesn't give the executive much wiggle room. The law imposes mandatory sanctions on "exports of national security-sensitive goods and technology." If Russia doesn't meet certain conditions, such as agreeing to "on-site inspections," the law mandates further punishment, which could include export and import controls, a ban on Russian flights to the U.S. and a downgrade of diplomatic relations.

The Salisbury attack has changed the attitude of the British public and Prime Minister Theresa May toward Russia, and the Kremlin's disregard for the norms of spycraft (you don't kill agents after they're released in spy swaps) and civilized nations warrants U.S. support. After the Helsinki summit when President Trump was so solicitous of Vladimir Putin, the new sanctions are also a useful message to Moscow that reckless behavior has costs.

The Right-to-Work Rout

Big spending paid off for Big Labor on Tuesday as Missouri voters rejected right-to-work legislation by an overwhelming 2 to 1. Compulsory dues will help offset the unions' \$27 million investment in political coercion.

In 2016 unions spent some \$12 million to support a Missouri Democratic gubernatorial candidate who vowed to veto right-to-work legislation that lets workers decide if they want to join a union. That effort failed, and then-Gov. Eric Greitens signed it into law his first month in office.

But under Missouri's constitution, petitioners have 90 days after a legislative session to gather signatures for a voter referendum that can override new laws. Unions got three times as many signatures as they needed to put the referendum on the ballot, and they spent more than \$15 million campaigning for Tuesday's right-to-work repeal. That's nearly five times what proponents of the law spent.

Union activists also canvassed the homes of more than half a million Missourians. Meanwhile, the state's right-to-work movement lost its most prominent spokesman in May when Mr. Greitens resigned amid allegations of sexual misconduct and campaign-finance violations. The magnitude of the referendum defeat is nonetheless startling.

Tuesday's vote puts Missouri at a disadvantage in the fierce interstate competition for busi-

Unions spend big to repeal a worker freedom law in Missouri.

ness investment. Seven of its eight neighboring states already have right-to-work laws. Illinois is the exception, of course.

After workers in neighboring Kentucky joined the ranks of the free last year, the state announced a record \$9.2 billion in corporate investment. That includes a \$1.3 million Braudy Industries aluminum mill in Ashland, which was chosen over 24 other locations elsewhere in the U.S. "If Kentucky wasn't a right-to-work state," CEO Craig Bouchard said, "it wouldn't have been on the list."

Given the choice after right-to-work passed, some 16,000 Kentucky workers decided union representation wasn't worth the cost, opting out of membership. Public-union workers won the same freedom earlier this summer, thanks to the Supreme Court's *Janus* ruling. Big Labor clearly feared the financial consequences if Missouri workers were free to choose whether or not to join unions in the private economy.

Tuesday's vote marks the first time a right-to-work law has been overturned by popular vote. Union freedom had been on a roll in recent years, with legislative victories in Wisconsin, Michigan and Indiana as well as Kentucky. The Missouri result is merely the beginning of the union counterattack, as AFL-CIO chief Richard Trumka makes clear nearby. Business leaders had better shake off their complacency if they don't want to be met one morning with a vote to unionize their own employees.

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Evidence builds of major GOP losses in November.

OPINION

LETTERS TO THE EDITOR

Most 'Deep States' World-Wide Think Alike

Walter Russell Mead discounts the importance of Pakistan's recent democratic election because the nation's "deep state" of entrenched military leaders is its true ruling establishment ("Pakistan's Deep State Seeks a New Patron," Global View, July 31).

There clearly were a number of people in the U.S. intelligence and national security agencies who were horrified by the prospect of a Trump presidency. It is no stretch to think that career employees in the State Department (many of whom served under Hillary Clinton), the Education Department, the EPA, the CFPB, etc., didn't want a new leader who promised to drain their swamp.

If the Trump administration is pushing Pakistan into the welcoming arms of China, what does the U.S. deep state think about President Trump's willingness to cut loose a long-time ally? A good guess is that many in the State Department agree

with a former U.S. ambassador to Pakistan who wrote earlier this year in the New York Times that the Trump administration should have privately conveyed to Pakistan that further support of terrorists was unacceptable. Last month Secretary of State Mike Pompeo let it be known that senior aides are on the hunt for State Department employees who were leaking to the press. Pakistan's deep state is on the outs with the U.S. only because the U.S. deep state is on the outs with President Trump. As soon as a Democratic president replaces Mr. Trump, the U.S. can try to outbid China for bragging rights in Pakistan. How much will the U.S. have to pay Pakistan for more opportunities to privately convey a strong preference for less support of terrorists who want to destroy America?

TIM LIVINGSTON
Alexandria, Va.

The Uffizi Better Explains Cultural Influence

While it is flattering to read Cammy Brothers's praise ("Extreme Makeover: Renaissance Edition," Life & Arts, Aug. 2) for many aspects of the recent reinstallation of the Uffizi Galleries, it is puzzling that she states that whereas previously Hugo van der Goes's stunning "Portinari Altarpiece" was shown in the same gallery as the Botticelli paintings, which "allowed visitors to see how Florentine artists absorbed Northern lessons about landscape, emotion, realism and even the use of oil paint. . . . In this new arrangement, the altarpiece is isolated in an adjacent room, severing that historical connection and raising the question of what such a work is doing in a museum of Italian art."

In fact, the "Portinari Altarpiece" isn't shown in an isolated manner but has become the focal point of a room entirely dedicated to the impact of Northern Renaissance painting on the Florentine Renaissance. In the last of

four rooms dominated by Botticelli's paintings, it is shown together with his thematically and compositionally related "Adoration of the Magi" and with his late "Coronation of the Virgin" (c. 1488-90). What is more, Domenico Ghirlandaio's "Pala di San Giusto" (c. 1486)—a textbook classic on Hugo van der Goes's influence on the Florentine Renaissance painters—is now shown next to the "Portinari Altarpiece." The principle to put works of art into a dialogue, which has informed the reinstallation of the Uffizi Galleries at large, has led our curators and architects to weave an especially rich and dense narrative on the connections between Northern and Southern Renaissance art, and particularly on the tangible impact of the "Portinari Altarpiece" in Florence following its arrival here on May 28, 1483.

EIKE SCHMIDT, PH.D.
Director
Le Gallerie degli Uffizi, Florence

Trump Achieves His Goals in His Own Way

Regarding your editorial "Trump's Lose-the-House Strategy" (July 31): President Trump's policy is to follow the immigration laws that Congress passed. Most Democrats voted in 2006 for a border fence and the president wants them to finally support it. In the past, Democrats, including Sen. Dick Durbin, have been for ending chain migration and the lottery system. President Trump is trying to make them actually do this. If he doesn't hold the feet to the fire of career politicians in both parties, he will never get the border secured. The polls say the public is against sanctuary cities and for legal immigration, not illegal immigration.

His strategy on foreign policy is for America to be strong instead of to appease. He is finally getting NATO countries to pay. He is defending Ukraine, and I believe North Korea now knows we have a serious president. Somehow,

Kim Jong Un stopped testing missiles last November. If Mr. Kim reneges on his commitment, President Trump will change his strategy. Is that capricious?

The president is trying to get the dangerous government of Iran to collapse in the same way President Reagan got the Soviet Union to collapse. Was it better for the Obama administration to pay the mullahs ransom and give them billions of dollars for a pretend, nonbinding deal so they could continue their terrorism policy?

The president's trade strategy is to get other countries to get rid of their tariffs and trade barriers. We've let this problem compound for decades. His strategy is working.

The president is moving as fast as he can to remove barriers and lower taxes to give power and more money back to the people, where they belong.

JACK HELLNER
Springfield, Ill.

Obstructionist Sand Clogs Wheels of State

In their otherwise excellent critique ("The Senate's Unprecedented Obstruction," op-ed, Aug. 3), David B. Rivkin Jr. and John Shu cite statistics that markedly underestimate the delays that Senate Democrats have inflicted. The figures showing that it has taken three months to confirm President Trump's executive-branch nominees versus 2½ months for President

Obama's include only those nominees who have already been confirmed. The numbers thus omit the many pending nominees who have been subject to the longest delays, including the two Justice Department nominees men-

tioned—Jeff Clark and Eric Dreibus—each pending for more than 400 days.

M. EDWARD WHELAN III
President
Ethics and Public Policy Center
Washington

Messrs. Rivkin and Shu assert that whatever is going on now in the Senate is "unprecedented obstruction." Both Democrats and Republicans have been going down this road for at least a generation. No Senate has ever blatantly thumbed its nose at the Constitution by refusing to even hold hearings on a presidential Supreme Court nominee, as Mitch McConnell did in 2016. The next time Republicans start baying about the "originalist" meaning of the Constitution, Democrats should ask: What is the meaning of the word "shall" as it appears in Article II, Section 2 of the Constitution?

TONY SCOTT
Morgan Hill, Calif.

Pepper ... And Salt

THE WALL STREET JOURNAL



"I didn't mean to burn any bridges behind me. They were just part of my crumbling infrastructure."

GILBERT FLEITAS
San Francisco

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OPINION

Chicago's Violence and Its Leadership Deficit

By Gary MacDougal

Residents of Chicago's most dangerous neighborhoods shut down Lake Shore Drive last Thursday to draw attention to the out-of-control violence in their communities. Underlining their urgent concerns, Chicago then experienced its bloodiest weekend of the year, with 74 people hit by gunfire, 12 of whom were killed.

Six-hundred fifty people were murdered in Chicago last year. This exceeds the number in New York (290) and Los Angeles (282) combined. An estimated 3,000 young

Residents don't trust the police, whose morale is poor. And Mayor Rahm Emanuel has no plan.

men in the Windy City are at especially high risk of becoming perpetrators or victims of violence. They are typically high-school dropouts with some sort of prison record who see their future prospects limited to becoming gang members or street-corner drug "entrepreneurs."

Although many city, county and state government agencies, as well as a long list of nonprofits, are working on pieces of the problem, there is no entity tasked with coordinating their efforts. This lack of strategy and leadership reflects a classic management failure.

I've spent more than six months interviewing a cross-section of those involved in or affected by Chicago's violence epidemic, including drug

dealers, gang members, community residents, church leaders, police, nonprofit leaders and officials at the city, county and state levels. These are my key findings.

• The "root causes" are not being effectively addressed. The major problems that give rise to violence are familiar: dysfunctional families, a dearth of successful role models and marginal, union-dominated public schools. Most of these high-risk young people have been in and out of the foster-care, juvenile-justice and prison systems—sometimes starting as young as 10. It is easy for young people on Chicago's South and West sides to despair of ever breaking out of their seemingly hopeless situations, especially given the geographic and skills barriers to even entry-level jobs.

Illinois is a fiscal basket case, so no new resources are forthcoming. But the distribution of existing resources must be reassessed to deal with this crisis. Gov. Bruce Rauner has appointed an executive-branch point person to lead this effort.

Some possibilities include focusing resources such as mental-health services on individuals in troubled areas, making connections between troubled youth and potential employers, and better data-sharing to identify and help individuals at risk as early and as effectively as possible. But this effort will require cooperation among local and federal agencies that so far hasn't happened.

• Lack of trust in the Chicago Police Department is a major reason for the breakdown in law and order. Witnesses often don't tell the authorities—even 911 dispatchers—what they know, for fear that police



JOSHUA LOTT/GETTY IMAGES

After a multiple shooting in Chicago, Aug. 5.

will reveal their names to gang leaders. While most Chicago police are undoubtedly honest, there are stories from residents of police confiscating drugs and guns and selling them back to gangs.

Partly as a result of this distrust, the prosecution rate for homicide cases citywide is now an abysmal 17.5%. John Maki, executive director of the Illinois Criminal Justice Information Authority, estimates that in the most violent neighborhoods the rate is in the "single digits." Imagine: you can murder someone, and there is a 90% chance you won't be prosecuted.

Officers hold meetings with local residents with the aim of building trust. This is a good idea but it has been poorly implemented. At the two meetings I attended, the two groups sat across from one another for the required

hour but never engaged in meaningful dialogue.

• Police morale is poor. Officers told me in interviews they are afraid of doing their best in a tough situation and then losing their jobs after lawyers second-guess them based on footage recorded by their new body cameras.

The best bet for reinvigorating the city's law enforcement is to bring in proven police department turnaround experts like William Bratton (who headed police forces in New York and Los Angeles) or Ray Kelly (who headed the NYPD).

There is enthusiasm for this idea on Chicago Mayor Rahm Emanuel's staff, but not by the mayor himself, perhaps because he is worried about the political risks.

• As a Democratic alderman representing a violent ward said to me: "The mayor has no real plan."

Mr. Emanuel is focused narrowly on "ShotSpotter"—a high-tech gunshot detection system that is helping the police catch shooters in the Englewood neighborhood—as a solution to the crisis. But this won't be enough. Mr. Emanuel has shown little interest in dealing with root causes of the violence.

• An array of nonprofits are helping, but their efforts are fragmented. Former Education Secretary Arne Duncan runs nonprofit called CRED, for Creating Real Economic Destiny, that is successfully helping at-risk young men train for and obtain jobs. He has determined that \$15 an hour is the wage that will get people off the streets and into legal jobs—an assumption supported by my interviews. However, the endless pipeline of troubled youth who need help will outlast groups like CRED unless the underlying social problems and police trust issues are more effectively addressed.

All of this adds up to a large, complex problem crying out for leadership. Young people on the South and West sides of Chicago aren't getting the equal opportunity they deserve as hundreds are killed or maimed. I was born in the South Side of Chicago, and it is painful to see my city become truly violent once again. Without major changes, the killing will continue.

Mr. MacDougal, a former partner of McKinsey & Co., chaired the Illinois Governor's Task Force on Human Services Reform. He is a former chairman of the Russell Sage Foundation and author of "Make a Difference: A Spectacular Breakthrough in the Fight Against Poverty" (St. Martin's Press).

I Won't Ride the Trump Train Into a Trade War

By Robert J. Barro

Most of my academic colleagues are Democrats. But even the few who are Republicans are for the most part ardent Trump opponents. So I tend to get into trouble whenever I say something positive about administration policies. Common reactions include: "Are you a Trump supporter?" or "How the hell can you be a Trump supporter?" or similar queries that are more colorful.

The truth is the administration has notable achievements. The recent tax reform improved the structure of corporate taxation. This will contribute to long-term investment and economic growth. It will also increase employment and real wages. Tax-rate cuts on the individual side were mostly favorable, enhancing short-term growth prospects in particular. The strong growth of real gross domestic product in the second quarter provides some early evidence of tax reform's success.

Regulatory changes have also been pro-growth, particularly concerning

energy, the environment and financial markets. And I have to mention the high quality of judicial appointments. Remarkably, this strong record of accomplishment has occurred despite nearly monolithic opposition from congressional Democrats.

Unfortunately, these successes may now be more than offset by President Trump's irrational trade war. It's a fair point that China and some other countries heavily restrict imports, constrain foreign businesses, and steal advanced technologies. Countering these actions is a worthy goal. But it won't work to punish China and others by curtailing the amounts that Americans buy from them through imports. The underlying mercantilist view—that there is no downside to cutting off imports because our benefits from international trade arise only from what we sell—is, frankly, ridiculous.

Living without foreign-produced goods hurts Americans more than our trading partners. And the calculations only get worse when one factors in the inevitable retaliation. Foreign countries have already begun restricting U.S. exports. They are

also entering into free-trade arrangements that exclude the U.S. It is hard to complain about Japan expanding trade with other Asian countries or the European Union, but this expansion comes partly at the expense of U.S. exports.

Colleagues are appalled I support any of his policies. He may offset the good ones with reckless tariffs.

The fundamental benefits of free trade remain, even if they escape the comprehension of the president and some of his advisers. Trade allows countries to concentrate their effort and production on goods and services for which they have comparative advantage, either because of underlying endowments or because of scale benefits from products in which they have chosen to specialize. It isn't a zero-sum game. Greater international trade benefits the whole world.

At first I thought the president's rhetoric about trade restrictions wouldn't be translated into major action. But it is now clear that he, reinforced particularly by Commerce Secretary Wilbur Ross, is committed to a trade war. This policy constitutes a serious depression risk, analogous to that from the Smoot-Hawley Tariff of the 1930s.

It is possible that actual and threatened tariffs will motivate other countries to join the U.S. in a mutual reduction of trade barriers. Mr. Trump's apparently constructive meeting with the president of the European Commission is a possible example. But there is extreme downside risk, with the most likely outcome being greater trade restrictions and reduced global commerce. In fact, a danger in the recent pleasantries from the Europeans is that they may encourage Mr. Trump to be even more aggressive in his dealings with China and others.

I expected that markets would react sharply to Mr. Trump's trade policies and that a sharp decline in stock prices would help limit how far he could go. While the market

has fallen with each threat of a trade war, the overall effect has so far been mild. But Mr. Ross said last month that the administration wouldn't be deterred even if the stock market keeps falling, writing it off as volatile and uninformative. Apparently Messrs. Ross and Trump know better than financial markets and economists about the long-term consequences of trade wars. So far, we have been lucky to avoid a stock-market crash, but we are by no means safe from a future one.

To return to my musings about whether I support Mr. Trump, I recall a long ago assessment I made of President Nixon: He didn't deserve to be impeached for Watergate but did deserve to be impeached for price controls. Similarly, Mr. Trump doesn't deserve to be impeached for his myriad instances of political incorrectness, but he may deserve to be impeached for his trade war.

Mr. Barro is a professor of economics at Harvard University and a visiting scholar at American Enterprise Institute.

Interstate Sales-Tax Compliance Is Killing My Business

By Jay Steinmetz

American commerce has never stood still, and for more than 200 years the U.S. legal system has struggled to keep up with evolving sales trends. The Supreme Court's ruling in *Gibbons v. Ogden* (1824) affirmed the federal government's power to regulate steamboats crossing state lines. Now, the court's June decision in *South Dakota v. Wayfair* has allowed states to tax sales of goods and services delivered to their residents, even when vendors aren't based there.

In *Wayfair*'s wake, courts may soon be forced to rule on the regulation of transactions made via blockchain. If automated delivery vehicles are found to establish "nexus"—or physical presence—for their owners, sellers may be forced to remit taxes in states where they deliver goods.

There currently are few limits on the sales rules states can impose, allowing legislatures to lay claim to all kinds of interstate commerce. These new layers of taxes and regulation could raise prices for vendors and consumers.

Congress must act to simplify the rules of commerce after the *Wayfair* decision. Though Justice Anthony Kennedy and Chief Justice John Roberts issued differing opinions on the case, both affirmed the federal government's power to mandate open commerce. Alexander Hamilton wrote in Federalist No. 11 that unrestrained commerce between the states would "advance the trade of each." Without a new law to limit state regulation of internet sales, interstate trade will soon be stifled.

As a business owner, my main problem isn't the money my company pays in state taxes. Rather, it's

the compliance and paperwork we're forced to undertake to make sure we don't violate the law unintentionally. My employees and I must figure out what is taxable and what isn't in all 50 states and countless localities. Is a bolt taxable? In some states that depends on whether the bolt is used to repair office equipment, which is taxable, or to fix manufacturing equipment, which isn't.

Taxes on services can be equally challenging. Texas taxes different kinds of services at different rates and requires vendors to fill out their own payment permits. For my supply-chain-management company, that means deciding which of three information-technology categories describes our services. To ensure accuracy, my employees and I have to determine whether each customer will use our products for wholesale purposes or whether they

are the final user. Texas also allows its 254 counties and more than 1,000 municipalities to impose their own sales levies, which must be calculated individually.

The Supreme Court has spoken. Now Congress should step in to impose uniform nationwide rules.

Then come the audits. Our company has been audited as many as five times in a year each year. One audit from Illinois demanded rental-car and hotel receipts in an attempt to apply the nexus standard to services we delivered to a customer. So each time we do a custom installation or on-site maintenance, we

need to check with our accountant to determine if we're establishing nexus.

Congress should step in to untangle this convoluted mess of burdensome state rules. In its place, lawmakers should impose clear nationwide standards for interstate vendors. House Republicans will have an opportunity to do so in their coming plan for "Tax Reform 2.0," announced last month by the Ways and Means Committee. The current outline doesn't mention state sales taxes. But encouraging economic growth by simplifying taxes is the stated purpose of the reform and was the key to the success of the first iteration.

Previous attempts to establish fairness in state sales taxes, like Rep. Bob Goodlatte's 2016 bill, have failed to gain steam. How about reframing sales-tax reform as a way to unleash economic activity and reduce prices for consumers?

The Council on State Taxation, an association of corporate taxpayers, issued a dense report in April that takes 66 pages to summarize the nation's sales-tax regime. Among the best practices identified by the council are exemptions for small businesses, which are critical to boost startup activity, and centralized remittance to one state-revenue authority, which reduces accounting costs.

Making provisions like these into uniform rules for interstate vendors would help companies like mine expand our operations and reduce excessive record-keeping and pricey meetings with lawyers and accountants. If Congress chooses to enact sales-tax reform, interstate commerce will expand and everyone will win.

Mr. Steinmetz is the CEO of Baltimore-based Barcoding Inc.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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Notable & Quotable: Poetry

An "editor's note" appended on the web to a poem by Anders Carson-Wee published in the July 30 issue of *The Nation*:

On July 24, 2018, *The Nation* and its poetry editors, Stephanie Burt and Carmen Giménez Smith, made this statement about the poem below, which contains disparaging and ableist language that has given offense and caused harm to members of several communities:

As poetry editors, we hold ourselves responsible for the ways in which the work we select is received. We made a serious mistake by choosing to publish the poem "How-To." We are sorry for the pain we have caused to the many communities affected by this poem. We recognize that we must

now earn your trust back. Some of our readers have asked what we were thinking. When we read the poem we took it as a profane, over-the-top attack on the ways in which members of

many groups are asked, or required, to perform the work of marginalization. We can no longer read the poem in that way.

We are currently revising our process for solicited and unsolicited submissions. But more importantly, we are listening, and we are working. We are grateful for the insightful critiques we have heard, but we know that the onus of change is on us, and we take that responsibility seriously. In the end, this decision means that we need to step back and look at not only our editing process, but at ourselves as editors.

Mr. Steinmetz is the CEO of Baltimore-based Barcoding Inc.

WORLD NEWS

U.S. Fails to Curtail Taliban Drug Trade

Air campaign falls short of hopes; 'we're not where we want to be with that'

BY DION NISSENBAUM

Al UDEID AIR BASE, Qatar—American efforts to cripple the Taliban drug trade in Afghanistan have fallen short of expectations, U.S. officials say, creating new challenges for the Trump administration's efforts to weaken the insurgency as the warring parties try to jump-start peace talks.

Nine months of targeted airstrikes on opium production sites across Afghanistan have failed to put a significant dent in the illegal drug trade that provides the Taliban with hundreds of millions of dollars, according to figures provided by the U.S. military.

"We're not where we want to be with that, but we're generally moving in the right direction," said Gen. Joseph Votel, the head of U.S. Central Command, which oversees the war strategy in Afghanistan.

The U.S.-led military coalition in Afghanistan launched the new campaign against the Taliban's drug-running operations in November as part of President Trump's strategy for ending the 17-year-old war.

The initiative hasn't had the impact military officials had hoped. So far, the air campaign has wiped out about \$46 million in Taliban revenue, less than a quarter of the money the U.S. estimates the insurgents get from the illegal drug trade. U.S. military officials estimate the drug trade provides the Taliban with 60% of its revenue.

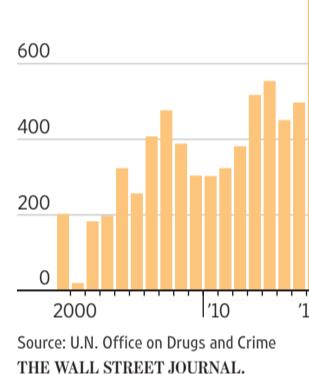
The U.S. airstrikes have hit about 200 drug-related targets, American officials said, with nearly half of them in southern Afghanistan's Helmand province, an epicenter of the Taliban insurgency and the heroin business. The strikes represent a small percentage of the targets hit in the intensified air campaign launched last year under



Poppy production hit record highs last year in Afghanistan, which produces more than 85% of the world's illegal opium.

Funding Source

Opium cultivation, which provides about 60% of the Taliban's revenue, reached record levels in Afghanistan last year.



Source: U.N. Office on Drugs and Crime

THE WALL STREET JOURNAL.

Mr. Trump's overall strategy.

Over the past 17 years, the U.S. has spent more than \$8.6 billion trying to combat the drug industry in Afghanistan.



Gen. Joseph Votel, the head of U.S. Central Command, met with Afghan military and political leaders in Herat on July 24.

The U.S. has tried to coax opium farmers to plant legal crops such as wheat and pomegranate. It has tried to punish farmers by burning or

spraying the crops with pesticides. None of the efforts has had a significant effect, according to a recent report by the special inspector general

for Afghanistan reconstruction.

Poppy production hit record highs in Afghanistan last year, where it is the country's largest cash crop, valued at between \$1.5 billion and \$3 billion. Afghanistan produces more than 85% of the world's illegal opium.

"U.S. counternarcotics activities have failed to produce lasting reductions in both cultivation and production," the watchdog agency said in its June report.

U.S. military officials said their effort focuses only on the Taliban use of drugs to finance the insurgency, not on combating the broader, more complex heroin industry in the region.

Lt. Gen. Jeffrey Harrigian, who oversees the air war in Afghanistan as head of U.S. Air Forces Central Command in Doha, hoped to replicate the success the military had in crippling Islamic State oil revenues in Iraq and Syria.

Over the past three years, the U.S. military said it was able to reduce Islamic State oil revenue by nearly 90%. Monthly revenue fell from a high of \$50 million to just \$4 million.

"It's not working as well [in Afghanistan] as in Syria," Gen. Harrigian said in an interview.

In Syria, the U.S. was able to repeatedly target oil processing sites used by Islamic State. In Afghanistan, U.S. officials said, it has been harder to identify production sites. And the military is avoiding strikes on poppy farmers who may have no firm allegiance to the Taliban. Instead, the strikes primarily target small compounds where Afghans make, store and distribute the drugs.

"This is different than what we did in Iraq and Syria," said Gen. Votel. "This, I think, presents a different targeting challenge, going after distribution and warehouses that are more easily concealed and shifted than in Iraq or Syria. I consider it to be a more difficult problem."

Even if the strikes aren't having decisive effects, U.S. officials said they are having an impact.

Lt. Col. Martin L. O'Donnell, a spokesman for the U.S.-led military coalition in Afghanistan, said the campaign had created new challenges for the Taliban.

"The Taliban has had to make difficult financial decisions about what it can and can no longer afford, and it has had to conserve funds that are becoming more and more scarce," he said. "As a result, the Taliban has increased taxes, tolls and extortions like a crime syndicate, thereby alienating themselves further from the Afghan people."

The strikes, he said, "also increase the friction between Taliban fighters, who continue to place themselves in harm's way only to suffer devastating losses, and Taliban financial leaders, who enrich themselves and live in relative comfort and safety away from the fighting."

WORLD WATCH

CONGO

President Won't Run In Delayed Election

Congolese President Joseph Kabila won't run in long-delayed national elections, a government spokesman said, leaving a close party ally who is under European Union sanctions to vie for the leadership of the world's largest cobalt producer.

The nomination of Emmanuel Ramazani Shadary, a former interior minister and Kabila loyalist, as the ruling coalition's candidate caps more than two years of uncertainty over the president's plans. Mr. Kabila's term formally expired at the end of 2016, but the 47-year-old repeatedly delayed elections amid speculation he could compete for a third term, which is banned under Congo's constitution.

The vote, now scheduled for Dec. 23, will test the stability of a country at the center of a global scramble for cobalt and other minerals needed for making the lithium batteries that power mobile phones and electric cars. The former Belgian colony has never seen a peaceful handover of power, and back-to-back wars in the 1990s and early 2000s left as many as six million people dead.

Ushered into office following

the assassination of his father, Laurent, in 2001, Mr. Kabila initially oversaw an economic resurgence, but as he muscled out competitors from inside and outside his ruling coalition, Congo has plunged back into conflict.

With Mr. Ramazani Shadary, 57, he has tapped a member of his inner circle, whose appointment as interior minister in 2016 coincided with a crackdown by security forces on opposition and civil-society groups calling for the president to step down.

—Gabriele Steinhauser and Nicholas Bariyo

ZIMBABWE

Zambia Turns Away Opposition Official

A top Zimbabwean opposition official fled to Zambia on Wednesday but was denied asylum and is expected to be repatriated and face arrest at home as concerns rose over a government crackdown after last week's disputed presidential election.

Tendai Biti, Zimbabwe's former finance minister and a leader of the opposition Movement for Democratic Change, said he is going to be deported, according to Dewa Mavinga of Human Rights Watch.

Zambia's foreign minister, Joseph Malanji, said the reasons

Mr. Biti gave for seeking asylum "did not have merit, so he is being held in safe custody and we are trying to take him back to Zimbabwe." Legal and human-rights activists were attempting to put together an appeal.

—Associated Press

INDONESIA

More Than 150,000 Displaced by Quake

The number of people estimated to have been displaced by a powerful earthquake on Indonesia's Lombok island rose to 156,000 on Wednesday, doubling dramatically overnight as rescuers pushed into new areas and struggled to bring supplies to survivors.

Sutopo Purwo Nugroho, spokesman for Indonesia's disaster-mitigation agency, who provided the government estimate, also said that the death toll had risen to 131 and that nearly 1,500 people were seriously injured by Sunday's quake.

"We've heard some calls for help underneath debris, meaning there are more people still alive," Mr. Nugroho said. "At the same time, we can smell rotting corpses, which means there are more dead bodies to come."

—Ben Otto and I Made Sentana



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In a photo released Wednesday, people prepare to evacuate Gili Trawangan island, a tourist destination in Indonesia's Lombok Strait, on Aug. 6, a day after a strong earthquake killed more than 130 people and displaced more than 150,000 on neighboring Lombok island.

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Goldman Pushes Into Gas

A deal would give the firm a coveted spot in the growing market for liquid natural gas

By LIZ HOFFMAN
AND CHRISTOPHER M. MATTHEWS

Goldman Sachs Group Inc. is in talks with **Cheniere Energy Inc.**, to buy a cargo of liquefied natural gas, or LNG, according to people familiar with the matter.

Should a deal be struck—which isn't a certainty—it would give Goldman a sought-after toehold in the LNG market, which is growing quickly as U.S. natural-gas production soars and many countries shift from coal power generation to natural gas.

American LNG exports qua-

druled from 2016 to 2017 to 1.94 billion cubic feet a day, all coming from Cheniere's Sabine Pass plant off the Gulf of Mexico, according to the U.S. Energy Information Administration. The U.S. is forecast to become the world's second-largest exporter by 2022 as new projects start operating. Some analysts expect LNG trading to eventually resemble the crude-oil market, one of the deepest in the world.

Goldman is under pressure to improve results in its commodities arm, which posted its worst year on record in 2017. The firm would look to quickly resell the gas to another party, some of the people said, which avoids the dangers associated with a weeklong ocean voyage but leaves Goldman bearing the risk if it can't find a buyer or

if prices swing. The average spot cargo leaving the U.S. is worth roughly \$30 million at current prices, according to consultancy Wood Mackenzie.

Regulators have tried to push banks out of the commodities business, imposing heavy capital charges on such trades as part of the Dodd-Frank overhaul. Two years ago, the Federal Reserve urged Congress to revoke a special exemption that since 1999 has allowed Goldman and Morgan Stanley to engage in a wider range of commodities activities than other banks. It warned that legal liability stemming from an oil spill, for example, could be crippling enough to endanger the entire financial system.

Wall Street firms have pulled back in response, particularly in physical commodi-

ties, as opposed to the paper contracts that are traded alongside them. Morgan Stanley in 2015 sold its oil-marketing and storage business, which included a fleet of tankers. Goldman sold its metals-warehousing unit, and in 2014, JPMorgan Chase & Co. sold most of its commodities business to Mercuria Energy Group.

But Goldman has deeper roots in commodities than other banks and has remained a big player in certain pockets. It is the eighth-largest marketer of natural gas in the U.S., according to data provider Natural Gas Intelligence, and still has a uranium business called Nufcor.

Goldman has been angling for a way into the LNG market, which is just beginning to

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Walmart Leaves Hostess Hungry for Shelf Space



BITE TO PROFIT: The maker of cupcakes and other treats said its results suffered after changes at the big retailer. B2

Pilot Shortage Squeezes Airlines

By ROBERT WALL
AND ANDREW TANGEL

Airlines are boosting salaries and setting up training centers as they race to combat what is projected to be one of the biggest-ever pilot shortfalls.

The dearth of pilots has long been forecast, but it is only now that airlines are being forced to act. **Boeing Co.** estimates that airlines around the world will need to recruit 635,000 pilots over the next two decades to fly the record number of planes being built and replace the thousands of aviators expected to retire during that span.

"This is one of the largest hiring cycles for airline pilots" in history, said Tim Canoll, president of the Air Line Pilots Association, International, a union that represents some 60,000 pilots in the U.S. and Canada.

After the Sept. 11, 2001, terrorist attacks and during the 2008 financial crisis, passenger traffic fell and airlines consolidated. That made cockpit-crew jobs scarce and pay raises rare.

In recent years, travel has picked up, but the bench of pilots hasn't expanded enough to keep pace. Some smaller U.S. airlines have had to scrap flights because they lack staff.

"There are simply too few pilots to operate all of today's routes and with the coming wave of retirements, the situation will reach crisis levels soon," said Faye Malarkey Black, president of the Regional Airline Association.

Some of her association's members, who generally oper-

ate short-haul flights for major carriers, have had to cancel flights because they can't find pilots to cover sick colleagues or to fly spare aircraft. That, she said, has led carriers to stop serving some markets.

In response, airlines are now taking measures to address the problem by investing in training facilities and recruiting programs, and by offering to subsidize education costs for prospective pilots. Companies are spending hundreds of millions of dollars to boost pay and benefits, and airlines in the U.S. and Europe are luring back a generation of flight officers who had decamped to the Middle East and Asia.

"No pilot in their right mind would leave the U.S. for a job in the Middle East right now," said Scott Stewart, a 37-year-old pilot, citing the strong U.S. labor market for pilots. Mr. Stewart left the U.S. in 2010 to fly for Dubai-based Emirates Airline. He returned last year and now works for Delta Air Lines Inc.

For decades, airlines tapped retiring military pilots to fill their cockpits, but cuts in the armed forces have shrunk that pipeline. Today, the competition for commercial pilots is so hot that the military is struggling with shortages of its own.

The U.S. Air Force is about 2,000 pilots short, Air Force chief of staff Gen. David Goldfein told Congress recently. The U.S. "does not produce enough pilots to adequately service commercial business and military aviation," he said.

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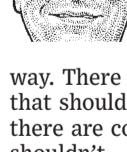


GOGLGING AUGMENTED REALITY

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HEARD ON THE STREET | By Charley Grant

Mylan, Not Tesla, Is the Buyout to Bet On



There is a right way to announce a possible corporate buyout and a wrong way. There are companies that should go private, and there are companies that shouldn't.

Generic drugmaker **Mylan N.V.** is on the right side of those questions. **Tesla Inc.** is on the wrong side.

Mylan on Wednesday said it was considering a strategic review. The board said that "public markets continue to undervalue the durability, differentiation and strengths of Mylan's global diversified business."

Contrast that with Tuesday's tweet by Tesla Chief Executive Elon Musk, who said that not only was the electric-car company consid-

ering going private, but that funding for the \$70 billion deal was already secured. Tesla's board only weighed in a day later, saying it was talking about a buyout and "also addressed the funding for this to occur."

True, Mr. Musk isn't a typical CEO, but neither is Mylan's feisty chief executive, Heather Bresch. Mylan has had its own share of drama.

Its shares sold off 3% Wednesday morning after Mylan reported weak second-quarter results. Sales in North America fell 22% from a year ago, as a weak environment for pricing continues to hamper the generic-drug industry.

Although the stock finished Wednesday up nearly 2%, it is down more than 50% from its 2015 high, when Ms. Bresch was vigor-

Time to Review

Mylan N.V. share price



Source: SIX

THE WALL STREET JOURNAL.

ously fighting a takeover offer from rival **Teva Pharmaceutical Industries**.

Of course, buyouts succeed or fail based on company fundamentals, not CEO bravado. Mylan can't boast Tesla's growth prospects, but it has a portfolio of strong, established products. More important, it has a strong balance sheet with an invest-

ment-grade credit rating and generated more than \$1 billion in operating cash flow in the first half of the year, according to generally accepted accounting principles. Tesla's operating cash flow over that same period was negative \$528 million.

Mylan's market value is about \$20 billion and trades at about eight times its newly lowered earnings forecast. Tesla is valued at \$65 billion (making Mr. Musk's claim that public markets are treating Tesla poorly seem dubious) and, given its persistent losses, doesn't have a price/earnings ratio.

Investors have both companies wrong. They should sell Tesla after Tuesday's 11% pop and buy Mylan after Wednesday's sell-off. Hype may sell cars, but it usually doesn't make money for investors.

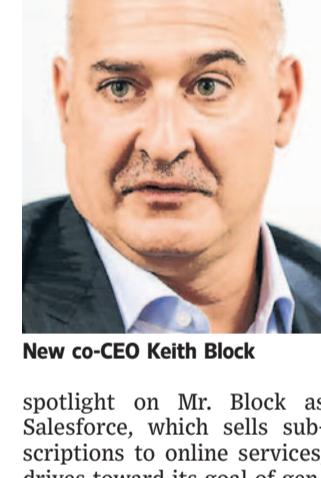
from Oracle in 2013 as vice chairman and president. The 57-year-old added the operating-chief title in 2016, and during his tenure has focused largely on executing the day-to-day business, a role he will continue.

As co-CEO, Mr. Block will report directly to Salesforce's board of directors, of which Mr. Benioff is still chairman.

Mr. Benioff, 53, meanwhile, will continue to lead in the areas of innovation, technology, marketing, stakeholder engagement and culture.

"This is just a natural evolution of what's been happening over the last five years," Mr. Block said in an interview. No particular factor precipitated the change, he said.

The promotion turns up the



New co-CEO Keith Block

spotlight on Mr. Block as Salesforce, which sells subscriptions to online services, drives toward its goal of generating \$23 billion in annual revenue in the fiscal year ending January 2022. In the most recent fiscal year, revenue jumped 25% to \$10.48 billion.

The success of Salesforce, whose stock closed up 73 cents at \$145.17, makes this move easier for investors to swallow, said Stifel Nicolaus analyst Tom Roderick.

The leadership change isn't a signal Mr. Benioff will become less engaged with Salesforce, Mr. Block said. "Marc is very engaged in the business, and he's going to work for a very, very long time," Mr. Block said.

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BUSINESS & FINANCE



SARAH BLESENER/BLOOMBERG NEWS

The snack maker said revenue rose 6.2% to \$215.8 million. Analysts had expected \$220.9 million.

Walmart Crimps Hostess

BY ANNIE GASPARRO

Hostess Brands Inc.'s sales and profit fell short of expectations in the second quarter as **Walmart** Inc. devoted less shelf space to the snack maker's products.

Shares in Hostess sank 18% to \$11.49 on the Nasdaq Stock Market on Wednesday after the maker of Twinkies and Ding Dongs disclosed its struggles at Walmart, where Hostess earned about one-fifth of its revenue last year.

That was the stock's biggest one-day drop since a private-equity firm took Hostess public again in 2016.

After buying Hostess out of bankruptcy in 2013, those investors boosted sales by putting Hostess snacks in more stores, improving their shelf life and creating new treats such as frozen, deep-fried Twinkies.

But Hostess started to falter again late last year, and Chief Executive Bill Toler said in October that he would retire. He was succeeded in April by food-industry veteran Andy Callahan.

Comparable sales in the quarter through June fell 4% from a year earlier. Analysts had expected sales would remain flat.

Hostess said Walmart cut back on promotional displays and the inventory it stocked.

"The corporate change in display philosophy...drove share loss for this customer," Mr. Callahan said on an investor call Wednesday. He later confirmed, in response to a question, that the customer he was referring to was Walmart.

Mr. Callahan said that since the second quarter Hostess had successfully lobbied Walmart to display its snacks more prominently in more stores.

Walmart declined to comment.

Hostess still expects comparable sales growth this year to outpace growth in the broader sweet-baked-goods category.

Like peers in the food industry, Hostess is also paying more for some ingredients and to deliver its products. As a result Hostess said it is raising prices for retailers.

Hostess said second-quarter revenue rose 6.2% to \$215.8 million, compared with an estimate of \$220.9 million from analysts polled by FactSet.

Adjusted earnings of 14 cents a share fell below expectations of 16 cents a share.

The company reduced its full-year guidance for earnings per share to a range of 52 to 58 cents, from a previous range of 65 to 70 cents a share.

—Waverly Colville

contributed to this article.

Judge Questions Redstone's Health

BY KEACH HAGEY AND PEG BRICKLEY

A Delaware judge said he had concerns about the medical condition of 95-year-old media mogul Sumner Redstone and declined to order that he be deposed in the legal battle between his family's holding company, **National Amusements** Inc., and **CBS** Corp.

Judge Andre Bouchard said Wednesday in Delaware Chancery Court that he worries that Mr. Redstone might not be aware of what was being done in his name. The judge struck from the court record representations of the ailing mogul's responses to questions related to the case.

"As a practical reality, I have great skepticism" that Mr. Redstone could engage in the questioning "in a formed, deliberative way," Judge Bouchard said.

Of Mr. Redstone's condition, the judge said: 'I have great skepticism....'

CBS is battling National Amusements and its de facto leader, Shari Redstone, for control of the media company. The dispute stems from her desire for CBS and Viacom Inc. to explore a merger against the wishes of CBS.

CBS in May approved a dividend that would reduce National Amusements' voting stake from nearly 80% to about 20%. National Amusements moved to block the dividend by changing CBS's bylaws to require a 90% supermajority for such a change. A trial in the case is set for October.

CBS had asked that Mr. Redstone be deposed in the case, or that any representations in the litigation of his intentions or desires be discounted.

The judge said he wouldn't order Mr. Redstone to be deposed. He also ruled that a video shot in January by Mr. Redstone's longtime friend and CBS director Arnold Kopelson, submitted to the court by CBS as evidence of what it argued was Mr. Redstone's lack of mental capacity, wouldn't be made public.

The Wall Street Journal had requested on Monday that the video, which was submitted under seal, should be made public, arguing that Mr. Redstone's mental status was of public interest to shareholders in CBS and Viacom.

The judge refused National Amusements' request to strike the video from the case record altogether, calling it "highly probative."

Mr. Redstone's health has deteriorated in recent years to the point where he has been unable to communicate beyond grunts.

National Amusements' lawyers argued that Mr. Redstone's health was immaterial because he is just one of seven National Amusements board members voting on the holding company's decisions. However, he owns roughly 80% of National Amusements' stock and has the power to replace all board members.

Judge Bouchard was the judge in a separate legal fight two years ago between National Amusements and Viacom, which it also controls. In that case, Viacom executives and directors argued that Mr. Redstone lacked mental capacity and was being manipulated by his daughter, Ms. Redstone. Ms. Redstone denied the allegation, and the parties settled the litigation, leading to the overhaul of Viacom's board and management and the rise of Ms. Redstone to power.

Judge Bouchard said that with respect to Mr. Redstone's condition, "I have great skepticism that goes back two years."

CBS cheered the judge's ruling, saying it was pleased it will be able to review documents related to the question of who controls of National Amusements and what it described as National Amusements' "coup against the Viacom Board in 2016."

National Amusements declined to comment.

A Private Tesla May Find It Harder to Raise Capital

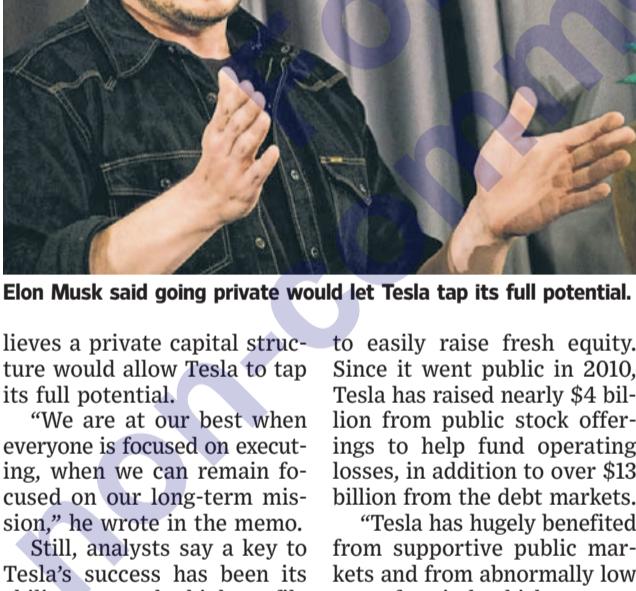
BY MIKE COLIAS AND ROLFE WINKLER

Elon Musk is betting that a privately held **Tesla** Inc. would free his company of distracting scrutiny. But going private could also complicate Tesla's effort to build a mainstream electric car by removing the easy access to capital the Wall Street darling has enjoyed.

Mr. Musk on Tuesday proposed taking Tesla private at \$420 a share, about 11% higher than the day's closing stock price. He called the funding "secured" for what would be the biggest corporate buyout to date, but he hasn't disclosed details. The board on Wednesday said it is still evaluating the plan. Tesla's stock closed down 2.4% at \$370.34 on Wednesday.

Taking Tesla private would end one of the fiercest debates in recent years between bulls and bears, with Mr. Musk frequently sparring with detractors and short sellers. It would also shield Tesla's financial health and other competitive information from rivals racing to catch up with their own electric vehicles.

In a memo to employees and several Twitter messages Tuesday, Mr. Musk said he be-



Elon Musk said going private would let Tesla tap its full potential.

lieves a private capital structure would allow Tesla to tap its full potential.

"We are at our best when everyone is focused on executing, when we can remain focused on our long-term mission," he wrote in the memo.

Still, analysts say a key to Tesla's success has been its ability to use the high profile and promotional skills of its chief executive and the loyal investor support it engenders

to easily raise fresh equity. Since it went public in 2010, Tesla has raised nearly \$4 billion from public stock offerings to help fund operating losses, in addition to over \$13 billion from the debt markets.

"Tesla has hugely benefited from supportive public markets and from abnormally low cost of capital, which may not be sustained privately," Jefferies analyst Philippe Houchois wrote in a research note.

The billionaire CEO has never fit the mold of a public-company CEO. He often has shrugged off badly missed financial forecasts or production targets and has jostled with analysts and short sellers. The pressure mounted in the past year as Mr. Musk twice missed self-imposed production deadlines, even as he sometimes slept on the factory floor to meet them.

Leading a private company

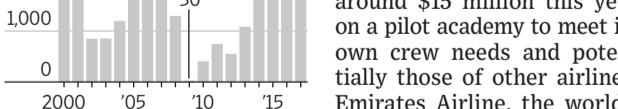
could allow Mr. Musk greater latitude to run Tesla the way he wants, analysts say, pulling off his unorthodox moves without the penalty of an immediate stock hit. Tesla's shares tanked in 2016 when he merged Tesla with solar-panel company SolarCity Corp., of which Mr. Musk was the largest shareholder. Some investors viewed the deal as a bailout of a company that had struggled to raise capital.

Electric Surge

Tesla's value zoomed past Detroit auto makers amid investor appetite for growth

Market capitalization

\$70 billion



Source: FactSet

THE WALL STREET JOURNAL.

Demand Boosts Pilots' Pay

Continued from page B1

That has made pilots a pricey commodity. Pay for regional-airline pilots, often an entry-level position, has risen to about \$50,000 a year, including bonuses, up from \$30,000 in early 2016, said Mr.

The traditional airline hiring pool of former military pilots has shrunk.

Canoll, president of the pilots union. Median U.S. pilot pay was \$162,230 last year, up 3% from 2010, according to government figures.

American Airlines Group Inc. has lifted pilot and flight-attendant pay and benefits at a cost of \$230 million in 2017 and \$350 million in both 2018

and 2019. The raises follow 2016 salary increases won by pilots at Delta and budget carrier Southwest Airlines Co.

The higher pay is aimed at attracting enough pilots to replace those about to retire. American said it estimates that 75% of its approximately 15,000 pilots will retire over the next 15 years.

Delta expects about half of its more than 14,000 pilots to reach the federal mandatory retirement age of 65 in the next decade. The airline said it plans to work with various universities to beef up recruiting as it moves to hire more than 8,000 pilots in the coming years.

"This is the best the industry has been in my entire career," said 20-year airline veteran Bill Krupp, now flying MD-88 planes for Delta. He recently returned to the U.S. after spending years flying in the Middle East. He left to work overseas in 2005 after his U.S. airline employer went bust.

United Continental Holdings Inc. wouldn't address how many of its pilots are set to depart in the coming years, but said it had taken steps to bolster a recruiting pipeline of

pilots from regional carriers. It added that the prospect of an eventual job with United could help its feeder carriers lure new recruits.

Airlines also are revamping benefits to retain staff. Endeavor Air, a regional arm of Delta, has converted annual retention bonuses it was offering into higher base pay, providing greater security as the money won't disappear at the first sign of a downturn.

PSA Airlines, a regional carrier owned by American Airlines, has introduced a cadet scholarship program, offering to pay students up to \$5,000 to help cover the cost of becoming a pilot. It also will reimburse commuting pilots up to \$3,000 a year for costs such as hotel stays.

The competition for pilots is also fierce overseas. Ryanair Holdings PLC, Europe's biggest budget carrier, has tried to poach pilots from rivals. On social media, Ryanair's head of

talent acquisition, Mark Duffy, promised to get experienced Norwegian Air Shuttle ASA co-pilots quickly into the better-paid captain's seat if they switched employers. Norwegian Air wouldn't directly address its rivals' actions, but said it had been hiring Ryanair pilots and was open to adding more.

Airlines also are setting up training centers to avoid getting into costly bidding wars for staff.

Australia's Qantas Airways Ltd. has said it would spend around \$15 million this year on a pilot academy to meet its own crew needs and potentially those of other airlines.

Emirates Airline, the world's largest carrier by international traffic, last year opened a \$270 million training center to help attract new pilots. Even rapidly expanding Eastern European discounter Wizz Air Holdings PLC, among the most cost-conscious carriers flying, has set up a pilot academy. Chief Executive József Váradi said Wizz Air's aggressive expansion requires it to add 300 to 400 pilots a year in the next five years. With the academy, Mr. Váradi said, "we can control our own destiny."

Hiring Spree

Pilot salaries are steadily rising again after economic woes a decade ago depressed pay, while major U.S. carriers have been hiring at levels not seen since before Sept. 11, 2001.

BUSINESS NEWS

CVS Chief Defends Benefit Managers

By PATRICK THOMAS

CVS Health Corp. Chief Executive Larry Merlo said that industry middlemen aren't responsible for increasing U.S. drug prices, noting that prices are rising faster for medicines with smaller manufacturer rebates.

CVS owns Caremark, one of the biggest pharmacy-benefit managers. The PBMs process prescriptions for insurers or companies that pay for medicines and use their size to negotiate with drugmakers and pharmacies. Mr. Merlo said CVS expects 3%, or about \$300 million, of its 2018 earnings to come from rebates it pockets.

President Trump has criticized high drug prices and pressured drugmaker **Pfizer** Inc. to abandon plans to raise list prices. In May, the president proposed initiatives to curb drug prices. The administration has said that rebates paid to PBMs lead to higher prices.

Drug companies have sought to shift blame for the high prices, and have been increasingly vocal in blaming PBMs for drug-price increases and high out-of-pocket costs for patients.

"Drug manufacturers want you to believe that increasing drug prices are a result of them happy to pay rebates and that PBMs are retaining these rebates. And this is simply not true," Mr. Merlo said Wednesday. "Our data showed that list price is increasing faster for drugs with small rebates than it is for medications with substantial rebates."

Mr. Merlo said that his company has generated tens of billions of dollars in rebates and that 98% of those funds are passed through to its clients, which are insurers, companies and groups that pay for medicines. He said drug prices rose 0.2% for its clients on a per-capita basis last year.

The new Health and Human Services Secretary Alex Azar is a former drug company executive. In an effort to control prices, HHS has been proposing moves that analysts say would target middlemen more than drugmakers.

On Wednesday, CVS reported its second-quarter revenue rose 2.2% to \$46.71 billion. The unit that includes Caremark reported \$33.2 billion in revenue, up 2.8% from a year ago.

For the quarter, CVS posted a loss of \$2.56 billion, compared with a profit of \$1.1 billion a year earlier. The second quarter included a \$3.9 billion impairment charge for its Omnicare long-term care business.

—Jonathan D. Rockoff contributed to this article.



Southern Co. intends to take a pretax charge of \$1.1 billion to its earnings after new cost overruns in the construction of the Vogtle nuclear-power plant in Georgia.

Nuclear Costs Sting Southern Co.

Charge to earnings set as construction costs for Vogtle power plant increase over \$1 billion

By RUSSELL GOLD

Less than a year ago, **Southern Co.** officials forged a political and financial deal to continue building a nuclear-power plant beset by cost overruns and delays. The com-

pany pledged that a new construction contractor would fix problems that had plagued the project.

On Wednesday, Southern said its costs to build the Alvin W. Vogtle Electric Generating Plant had risen again by more than \$1 billion and said it would take a charge to its second-quarter earnings to cover the new cost overruns. Company officials said they still expected to have the two new power-generating units

completed by 2021 and 2022.

The difficulties finishing Vogtle highlight how difficult it would be to even think about a nuclear renaissance in the U.S., despite support for nuclear power from the White House. Existing plants are closing at a rapid clip because of competition from lower-cost natural gas. And Vogtle has turned from a showcase of a new generation of nuclear power into an object lesson in the financial risk of a private

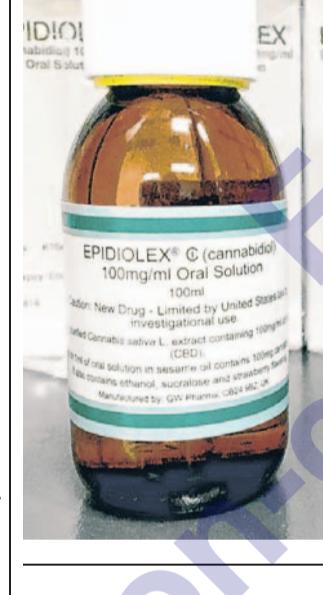
company trying to build a nuclear-power plant.

Southern said it wouldn't ask Georgia regulators to pass along most of the cost increase to electricity customers. It said it would take a pretax charge of \$1.1 billion to its earnings and issue \$800 million in new equity before the end of the year. The company said that this stock issuance wouldn't affect its 4%-to-6% earnings-per-share guidance.

The total projected cost of

the new Vogtle reactors now tops \$27 billion, more than double the initial estimates when they were approved in 2008. The 2021 startup for the first new unit is more than five years after it was initially scheduled to start.

On Wednesday, Southern reported a \$154 million loss for the second quarter after the nuclear-related write-down erased what would have otherwise been an \$815 million profit.



Cannabis-Based Drug Is \$32,500

By PETER LOFTUS

GW Pharmaceuticals PLC said it plans to charge about \$32,500 per patient annually in the U.S. for its new treatment for rare forms of epilepsy, the first prescription drug derived from the marijuana plant.

The U.S. Food and Drug Administration approved Epidiolex, also known as cannabidiol, in June to reduce seizures associated with forms of epilepsy known as Lennox-Gastaut syndrome and Dravet syndrome, in patients 2 years of age and older.

GW Pharmaceuticals, based in the U.K., makes cannabidiol

from a proprietary strain of cannabis designed to maximize a therapeutic component while minimizing components that produce euphoria or a high.

Chief Executive Justin Gover said in an interview Wednesday that the company set the price to be in line with other brand-name epilepsy drugs, such as H. Lundbeck A/S's Onfi. He noted the FDA designated the product an "orphan drug," meaning it treats rare conditions, and that some other orphan drugs carry higher prices.

"We wanted to make sure we were pricing Epidiolex in such a way where the means

to access this medication would be consistent with branded epilepsy drugs these patients already use," he said.

Out-of-pocket costs for patients taking Epidiolex could range from \$5 to \$10 a month for those in state Medicaid programs to as high as \$200 a month for some private insurance plans, Julian Gangolli, president of the company's North America unit, said on a conference call with analysts Tuesday. Uninsured patients may qualify for receiving the drug free.

Jacqueline French, chief scientific officer of the Epilepsy Foundation, said there are low-cost generic epilepsy

drugs on the market, but many patients with the rare forms of the disease have tried them and the drugs didn't help much.

Dr. French said Epidiolex improved symptoms for many children in clinical trials, and she is happy the price isn't significantly higher.

The company expects to make the drug available after the U.S. Drug Enforcement Administration assigns it a controlled-substance classification, a decision expected by late September. GW Pharmaceuticals will distribute the drug through specialty pharmacies that ship directly to patients and caregivers.

Mylan Considers a Shake-Up

By NISHANT MOHAN

Mylan NV is planning a strategic review of its business amid a prolonged sales slump in North America, the drugmaker's largest single market.

The company said Wednesday its board has formed a committee to explore options, but it didn't set a timetable to complete the review.

When asked during a conference call whether the company's board is considering

selling, merging or going private, Mylan Chief Executive Heather Bresch said, "There's no thing not on the table."

Mylan and other makers of generic drugs have struggled to deal with falling prices and tough competition in the market. However, Ms. Bresch said Mylan also faces challenges with its products gaining access to the market.

Shares of Mylan, which markets treatments such as the EpiPen Auto-Injector and a

range of generic drugs, dropped as much as 9% after the company fell short of analysts' estimates on sales and profit in its latest quarter and cut its full-year financial targets. However, shares rebounded during the day and closed up 1.8% at \$39.23.

Mylan's international business now represents more than 60% of the company's overall sales, as North America's share of sales weakens. Sales in North America fell 20% through the first six months of 2018 from a year earlier, compared with a 10% gain in Europe and a 9% increase in other markets.

Mylan said revenue in the latest period sank 5% to \$2.81 billion, driven by steep declines in North America. Analysts had expected \$2.96 billion in revenue.

Mylan's second-quarter profit fell 87% to \$37.5 million, or 7 cents a share. In addition to lower sales in North America, Mylan faced higher costs from manufacturing and restructuring.

Excluding special and one-time items, Mylan posted per-share earnings of \$1.07, down from \$1.10 a year earlier. Analysts had expected adjusted earnings of \$1.22 a share.

Mylan also lowered its earnings target for the year. The company expects adjusted per-share earnings of \$4.55 to \$4.90, down from its prior target range of \$5.20 to \$5.60.

Insys Therapeutics To Settle With U.S.

Insys Therapeutics Inc. agreed to pay \$150 million to settle a Justice Department investigation into the company's past sales and commercial practices.

The pharmaceutical company said Wednesday that it had reached an agreement in principle with the Justice Department. Insys, which set aside \$150 million last year in connection with the investigation, said it would pay the settlement over five years.

Insys said it could also have to pay as much as \$75 million based on "certain events" and agree to certain nonfinancial terms and conditions.

In April, the Justice Depart-

ment intervened in five lawsuits accusing Insys of violating the False Claims Act in its marketing of its painkiller Subsys. The painkiller is a spray of the opioid fentanyl.

A long-running investigation by the U.S. Attorney's Office for the District of Massachusetts into allegations that Insys officials bribed doctors to prescribe large amounts of the drug led to the arrests of former Insys Chief Executive John Kapoor and six former Insys executives and managers. Dr. Kapoor has pleaded not guilty.

Chief Executive Saeed Motahari, in a news release, called the settlement a "very important step for our company" that would "continue our transformative efforts to foster a compliant and ethical culture."

Insys shares rose 17% to \$7.79 on the Nasdaq Stock Market on Wednesday.

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TECHNOLOGY

WSJ.com/Tech

PERSONAL TECHNOLOGY | By Joanna Stern

A Peek Into Augmented Reality's Future

No, I haven't had a psychedelic sandwich for lunch. I've just been wearing what looks like a pair of oversize swim goggles, attached to a Discman thingy on my hip—the Magic Leap One Creator Edition.

These augmented-reality goggles put virtual objects into the real world, unlike virtual-reality goggles, which block the real world out. Think "Pokémon Go" but far more realistic and potentially useful.

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BANKRUPTCIES

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re: ENDURO RESOURCE LLC, et al., Case No. 18-11174 (KG)

Partners, Chapter 11 (Jointly Administered)

Debtors.³ Ref. Docket No. 345

NOTICE OF ENTRY OF ORDER CONFIRMING THE JOINT PLAN OF LIQUIDATION OF ENDURO RESOURCE PARTNERS LLC AND ITS DEBTOR AFFILIATES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

PLEASE TAKE NOTICE OF THE FOLLOWING:

A. Confirmation of Plan. On August 1, 2018, the United States Bankruptcy Court for the District of Delaware ("the "Bankruptcy Court") entered an order ("the "Confirmation Order") confirming the Joint Plan of Liquidation of Enduro Resource Partners LLC and its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code (as modified or amended, the "Plan"), in the Chapter 11 Cases of the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"). Unless otherwise defined in the Notice, capitalized terms and phrases used herein have the meanings given to them in the Plan and the Confirmation Order. This Notice is intended solely to provide notice of the entry of the Confirmation Order. It does not, and shall not be construed to, limit rights or remedies under the provisions of the Confirmation Order. The following paragraphs identify some of the provisions of the Confirmation Order for the convenience of creditors; however, creditors should refer to the full text of the Confirmation Order and should not rely upon the summary provided below.

2. Bar Dates.

a. Fee Claims. On or prior to forty-five (45) days after the Effective Date, each Professional shall File with the Bankruptcy Court its final fee application seeking final approval of all fees and expenses from the Petition Date through the Effective Date; provided that the Debtors may pay retained Professionals or other Entities in the ordinary course of business after the Effective Date in accordance with the Fee Claims method and served on the Debtors and the requesting party no later than twenty (20) days after such Fee Claim is filed with the Bankruptcy Court. To the extent necessary, the Plan and the Confirmation Order shall amend and supersede any previously entered order regarding the payment of Fee Claims. Within ten (10) days after entry of a Final Order with respect to its final fee application, each Professional shall remit any overpayment to the Debtors and the Debtors shall pay any unpaid amounts to each Professional.

Any Holder of a Fee Claim that is required to File a request for payment or proof of such Claims and that does not File such requests or proofs of Claim on or before the tenth (10) days after the Effective Date shall be forever barred from asserting such Claims against any of the Debtors, their Estates, or the Plan Administration Trust.

b. Administrative Claims Other Than Tax and Fee Claims. Other than with respect to (i) Administrative Claims for which the Bankruptcy Court previously has established a Bar Date and (ii) Fee Claims, any and all requests for payment or proofs of Administrative Claims must be Filed and served on the Plan Administrator and its counsel no later than thirty (30) days after the Effective Date (the "Administrative Claims Bar Date"). Objections to any such Administrative Expenses Claims must be Filed and served on the claimant no later than sixty (60) days after the Administrative Expense Claims Bar Date, which date may be extended by application to the Bankruptcy Court. The Plan Administrator shall use reasonable efforts to promptly and diligently pursue resolution of any and all Disputed Administrative Claims.

Any Holder of an Administrative Claim that is required to File a request for payment or proof of such Claims and that does not File such requests or proofs of Claim on or before the Administrative Claims Bar Date shall be forever barred from asserting such Claims against any of the Debtors, their Estates, or the Plan Administration Trust.

c. Rejection Damages Claims. All Claims arising from the rejection of Executory Contracts or Unexpired Leases must be Filed with the clerk of the Bankruptcy Court no later than the tenth (10) day after the filing of the Plan and served on the Debtors and counsel for the Debtors within thirty (30) days of the occurrence of the Effective Date. Any Claim arising from the rejection of Executory Contracts or Unexpired Leases that becomes an Allowed Claim is classified and shall be treated as a Class 3 General Unsecured Claim.

d. Bankruptcy Court Address. For purposes of Filing requests for payment of Administrative Claims and applications for allowance of Professional Fee Claims, the address of the Bankruptcy Court is 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801.

e. Copies of Confirmation Order. Copies of the Confirmation Order and the Plan may be obtained by written request to Enduro Resource Partners LLC, c/o 1000 N. King St., El Segundo, CA 90245, and may be received by any party in interest during normal business hours at the Office of the Clerk of the Court, United States Bankruptcy Court, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801. You may also obtain copies of the Confirmation Order or of any pleadings filed in these Chapter 11 Cases for a fee at: <http://www.deb.uscourts.gov> or free of charge at <http://www.kccllc.net/enduro>.

Dated: August 6, 2018, Wilmington, Delaware

/s/ Kara Hammond Coyle Michael R. Nestor (No. 3526), Kara Hammond Coyle (No. 4410), YOUNG CONAWAY STARGATT & TAYLOR, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, Telephone: (302) 571-6600, Facsimile: (302) 571-1253, Email: mnestor@ycst.com, kc.coyle@ycst.com, George A. Davis (admitted pro hac vice), LATHAM & WATKINS LLP, 885 Third Avenue, New York, New York 10022, Telephone: (212) 906-1200, Facsimile: (212) 751-4864, Email: george.davis@lw.com, and Caroline Reckler (admitted pro hac vice), L. Warren L. Warren (admitted pro hac vice), B. Gott (admitted pro hac vice), LATHAM & WATKINS LLP, 330 North Wabash Avenue, Suite 2800, Chicago, Illinois 60611, Telephone: (312) 876-7700, Facsimile: (312) 993-9767, Email: caroline.reckler@lw.com, matthew.warren@lw.com, jason.gott@lw.com, Counsel for Debtors and Debtors in Possession

The debtors in these chapter 11 cases, along with the last four digits of each debtor's United States federal tax identification number, if applicable, or other applicable identification number, are: Enduro Resource Partners LLC (6288); Enduro Resource Holdings LLC (5571); Enduro Operating LLC (7513); Enduro Management Company LLC (5932); Washakie Midstream Services LLC (7562); and Washakie Pipeline Company LLC (7998). The debtors' mailing address is 777 Main Street, Suite 800, Fort Worth, Texas 76102.

If you haven't been following Silicon Valley's mounting interest in AR, it's time. Microsoft's HoloLens headset is starting to pick up steam in enterprise applications. Apple has big plans in the space.

Magic Leap, while a no-name to most, has received nutty amounts of cash, and a lot of buzz in the tech community. Since 2011, it has raised over \$2.3 billion—including funds from Google and AT&T—on the promise of its mysterious "Lightfield" technology.

And yet there's been no product, until now. Starting

Wednesday, the company began selling the \$2,295 One Creator Edition.

When Magic Leap invited me last month to its headquarters in Plantation, Fla., to test it out, I was skeptical. Then I put the contraption on.

Given all the gear I had on, I felt like Darth Vader visiting the optometrist.

These are the pieces of hardware that allow me to see and interact with them:

The goofy goggles. What you and I would call a lens, Magic Leap calls a "photonic chip," because of all the custom electronics inside that power the special Lightfield sauce. Magic Leap's Chief Executive Rony Abovitz spent an hour explaining the physics.

The Lightwear goggles generate digital light at different depths and send slightly different pictures to each eye, mimicking the way light from the world hits our eyeballs.

Unlike an AR app on a phone, which superimposes digital images onto a digital video of your surroundings, these glasses add digital objects to your view of the real world.

The Lightwear glasses make digital objects sometimes look so real, they play tricks on your mind. I certainly didn't think the flying robot I placed in the corner was genuine, yet the steam coming out of his jets looked like it was from a tea kettle. During one demo, I picked up an actual chess piece just to confirm it wasn't an illusion. What makes Magic Leap's

The 'Magic' Trick

How Magic Leap's goggles with Lightfield technology show you objects that aren't really there.

The gear

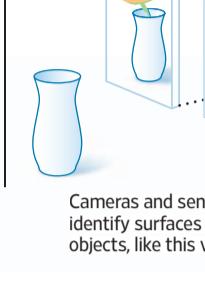
Lightwear goggles

Cable connects Lightwear to Lightpack.

Lightpack

Computer processor, memory and battery

Inside the goggles



Cameras and sensors identify surfaces and objects, like this vase.

Lenses (aka photonic chips)

Digital light is generated at different depths.

The image in each eye is slightly offset to suggest three-dimensional realism.

The photonic chips add elements, like this flower, by layering digital light over natural light.

THE WALL STREET JOURNAL.

objects so believable is how they fit into our world. Cameras and other sensors in the headset scan surrounding objects and surfaces—from your arms to the chair's armrest. When I placed a virtual orange fish between two actual couch pillows, it swam back and forth between them.

The Lightwear, while not as restrictive as Microsoft's HoloLens, has a limited field of view that constrains the experience. Some objects appeared cut off unless I turned my head or took a few steps back. Mr. Abovitz says this will be improved in Magic Leap Two.

The fanny pack. A cable down the back of the goggles connects to a circular, hip-worn Lightpack minicomputer. It has all the parts—processor, memory, battery—

to power the headset for up to three hours on a charge.

While I looked like a one-string marionette, and the pack got warm after a bit, it was certainly preferable to wearing all of those components on my face. The 0.7-pound Lightwear headset is a little more than half the weight of Microsoft's chunky HoloLens. Soft pads lining the headset make it comfortable. Even after 45 minutes, I felt fine—no snorkel-mask imprints or VR-like nausea.

The hand-held control.

While the headset's cameras allow you to use your hands to push, block and move some digital objects, the controller lets you select different apps in the main menu, move objects to different parts of the room and resize items. (Oh, and shoot robots.) Some apps support voice commands. There are two speakers inside the

headset to add 3-D audio.

Similar to the smartphone revolution, AR will be only as good as its apps. The NBA Preview app featuring a LeBron James fast break made it easy to imagine watching news, entertainment or sports in completely new ways.

Magic Leap's spatial web browser will let developers share 3-D models that you can drag and drop into your own environment.

Magic Leap is attempting to build the computer and operating system that comes after our laptops, smartphones and TVs. It's a bold, exciting, petrifying vision of the future. My experience with the One Creator leaves me thinking we shouldn't count the crazy Florida startup out.

Only developers should buy these glasses, but should you try them out? Definitely.

Samsung Cranks Up Tech Investment

BY TIMOTHY W. MARTIN

The Samsung conglomerate said it will invest more than \$22 billion over the next three years to target such areas as artificial intelligence and auto-technology components, as it seeks out growth drivers beyond phones and memory chips.

The bulk of the spending will be earmarked for Samsung Electronics Co., the conglomerate's crown jewel. The company is the world's No. 1 maker of smartphones, semiconductors and televisions and last year put more toward capital expenditures than any other publicly traded company.

Samsung said it would invest heavily in four key areas through 2020. Auto tech, artificial intelligence and new fifth-generation, or 5G, cellular technology—all of which fall under Samsung's umbrella—will draw funding, as will its nascent drug companies specializing in contract manufacturing and biosimilar medications.

Samsung, South Korea's largest business empire, spans 62 affiliates as diverse as life insurance and theme parks. It didn't provide a specific breakdown of the new investments, but the spending represents its



BEHNAJARTI/REUTERS

The group envisions spending more than \$22 billion over three years.

broadest investment in new business pursuits since 2010.

When combined with previously announced investments, the company will spend 180 trillion won, or about \$161 billion, over the three-year period, a total that includes commitments for semiconductors and displays. Roughly \$100 billion will go to capital expenditures, according to S&P Global Market Intelligence estimates.

Lee Jae-yong, Samsung's de facto leader, has made innovation a priority across the conglomerate, according to people familiar with the matter. In October, Samsung Electronics Chairman Kwon Oh-hyun said

the firm was facing an "unprecedented crisis" and was "hard-pressed to find new growth areas right now."

The company replaced all three of its CEOs in March.

Samsung lacked bold moves last year, as the conglomerate dealt with a leadership vacuum after Mr. Lee was jailed during a high-profile corruption probe. He was released on a suspended sentence in February and has appealed his case to the Supreme Court.

On Monday Mr. Lee made his first public appearance in South Korea since leaving jail, meeting with the country's finance minister at a Samsung

semiconductor facility in Pyeongtaek, about 40 miles south of Seoul. During the visit, Finance Minister Kim Dong-yeon called Samsung's role in helping reshape the economy important.

The country's left-leaning president, Moon Jae-in, has made job creation a priority, especially for the underemployed youth, saying the situation could become a national disaster if unaddressed. The conglomerate's investments will directly create 40,000 jobs over the next three years, Samsung said.

The South Korean firm's focus on auto tech has accelerated after it announced in late 2016 an \$8 billion deal to buy Harman International Industries Inc., the company's largest-ever acquisition. It also launched a \$300 million auto-tech investment fund last year.

Samsung has also been building up its AI capabilities aggressively, opening new research centers in Cambridge, U.K., Toronto and Moscow in May. The company plans to build an internal team of at least 1,000 AI-dedicated engineers and researchers by 2020, with new hires and worker reassessments. By that year, Samsung wants to put AI features and internet connectivity into all of its products.

Tech Firms Split on How to Handle Infowars

BY MARC VARTABEDIAN

Silicon Valley can't decide how to deal with Alex Jones.

Twitter Inc. Chief Executive Jack Dorsey tweeted late Tuesday that his platform wouldn't join other social networks in banning parts or all of the far-right provocateur's content. His reason: Mr. Jones hadn't violated Twitter policy, which bans bullying or threatening behavior but not posts that are simply offensive to many.

Twitter shouldn't "succumb and simply react to outside pressure," Mr. Dorsey wrote, adding that the company doesn't take a political viewpoint: "That's not us."

Mr. Jones is a longtime conspiracy theorist whose website, Infowars.com, has pushed unfounded claims, such as calling the Sandy Hook Elementary School massacre in 2012 a hoax, and accusing Democrats of running a global child-sex ring.

Mr. Dorsey's succession of tweets cast in sharp relief the tech industry's at times incon-

gruous efforts to police conspiracy theories and hate speech. While the biggest tech companies have historically avoided being arbiters of what is acceptable and what is not, recent moves against Mr. Jones mark a potential shift toward more active self-monitoring by social-media platforms.

Apple Inc. took the lead in erasing much Infowars content from its Podcast app and iTunes store on Sunday. Facebook Inc., Alphabet Inc.'s YouTube unit and Spotify Technology SA followed suit on Monday. Microsoft Corp.'s LinkedIn and Pinterest Inc. also removed Infowars content.

However, many of those firms also tried to calibrate their moves, and stopped short of banning Mr. Jones altogether. Apple, for example, eliminated access to five Infowars podcasts but allowed his apps to remain available for download through Apple's app store.

Facebook changed course Monday after weeks of defend-

ing Infowars' presence on its site even amid mounting criticism. The company had previously said Mr. Jones's content didn't violate Facebook's standards, while at the same time saying it could be given less attention in news feeds.

In taking further action on Monday, Facebook cited "re-

Twitter declines to join other social networks in banning the site's content.

peated violations" of its policy against hate speech and content glorifying violence. It said pages that have been "unpublished," such as Infowars', are subject to an appeal by their owners "in case we made a mistake." If the owners don't appeal or lose the appeal, the page is removed permanently, Facebook said.

Mr. Jones cast the actions against him as part of a per-

THE WALL STREET JOURNAL.

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September 14, 2018 | Singapore (Luncheon)

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October 2018 | Dallas, TX

October 9, 2018 | Chicago, IL

November 14, 2018 | Tokyo

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MANAGEMENT

Innovation as a Team Wins, Study Finds

BY JANAKI CHADHA

Companies that welcome ideas from all employees have better growth prospects than those with a less-inclusive approach to innovation, a new study finds.

The finding comes from research and consulting firm Great Place to Work, which surveyed about 500,000 U.S. employees at nearly 800 public and privately owned companies, most of them based in the U.S. Employees were asked how often they were included in larger, strategic decisions, whether they felt management was interested in their ideas and whether they were encouraged to try new approaches to their work.

It found that companies

where more people said they felt their ideas were sought out and valued tended to yield more revenue growth and employee productivity. Companies that scored in the top quartile on those metrics generated, on average, more than five times the revenue growth of companies in the bottom quartile.

The analysis—which split companies into three tiers based on how many employees said they got opportunities to innovate—found workers at firms in the most inclusive group were 14% more likely to say they want to stay at their company long term than those in the least inclusive group. Those employees were also 32% more likely to describe themselves as willing to put extra effort into work,

compared with the least-inclusive group.

High-scoring companies ranged from small startups to large multinationals and came from an array of industries, from finance to health care. Researchers found many had set up special structures or practices to encourage employees to brainstorm and contribute business ideas.

At Quicken Loans Inc., for instance, employees are given four hours each week of focused “bullet time.” During those hours, they are able to step away from day-to-day responsibilities and explore new skills and parts of the company’s business not directly related to their own work, said Quicken Loans CEO Jay Farner.

In one case, Mr. Farner

said, an employee used his weekly bullet time to improve his new app-building skills and helped develop an Alexa-based app for Quicken Loans’ online lending platform Rocket Mortgage.

Employees were asked how often they were included in larger, strategic decisions

employees can offer in the way of new ideas and improvements, said Marcus Erb, vice president of innovation & development at Great Place to Work. “Leaders that don’t see that are going to miss out.”

Wegmans Food Markets Inc., a family-owned regional grocery chain with 48,000 employees, says it has “innovation teams” made up of frontline workers in Wegmans grocery stores and employees in the company’s main office. These teams come up with new programs and improvements that are tested at select stores with the prospect of being applied companywide.

At Genentech Inc., drug researchers can elect to hold a forum with the company’s se-

nior leadership whenever they’d like to nominate a new medicine to be developed. Genentech scientist Ciara Metcalfe says the practice enabled her to pursue research into estrogen receptors that ended up questioning a long-standing scientific hypothesis related to a particular type of breast-cancer medication.

At one of the forums, Ms. Metcalfe said she and a team of colleagues got feedback on the proposal, which eventually led to the creation of a new molecule that continued to later-stage testing.

“Having a mechanism like that to ensure that very senior leaders are in the rooms with the people doing the everyday science is really critical,” she said.

As Entrepreneurs, Women Fight Old Battles

Startup founders who are new mothers find that the times haven’t changed that much

BY YOREE KOH

Launching a business can be all-consuming for any entrepreneur, but the challenges are often magnified for women starting a company and a family around the same time.

This remains true even as women make progress in male-dominated fields and as traditional roles in many homes are changing.

Many women founders say the reality remains the same: tending to two babies—those they are raising at home and the new businesses they are nurturing—requires sacrifices, creative strategies and a strong support system.

For instance, Diane Loviglio, co-founder and chief executive of Boon and Gable, a personal stylist startup in San Francisco, makes the same six-egg breakfast omelet for her family every day—a routine that eliminates one decision from her packed schedule and saves her a few precious minutes. Her husband is CTO at the company, and they divide household tasks.

“I think it’s the hardest thing to do,” Xuezhao Lan said of being a mom and founder at once. “You have to be on all the time and your business could literally die next week,” she said.

Ms. Lan, a former executive with Dropbox Inc., had her second son in January, about six months after launching Basis Set Ventures, a San Francisco venture-capital fund that invests in artificial intelligence. She outfitted her 5,000-square-foot office with a children’s play area, filled with Legos and robots, so her children and those of employees could be entertained dur-



Xuezhao Lan, founder of Basis Set Ventures, and her son Holden Ling. The office has a children’s play area.

GE to Sell Energy Financing Business

BY ALLISON PRANG

General Electric Co. struck a deal to sell another part of GE Capital, this time selling its energy debt-financing business to Starwood Property Trust Inc. for \$2.56 billion.

Starwood said Wednesday it agreed to buy GE Capital’s Energy Project Finance Debt Business.

The deal includes unfunded loan commitments of \$400 million.

Starwood said that the unit would complement its Starwood Energy Group, founded in 2005, which makes energy infrastructure investments.

GE has been shrinking its GE Capital business for years.

It was once considered a systemically important financial institution in the U.S., but shed that designation in 2016 as the company divested several parts of the business.

This year, GE said it was looking to substantially reduce the size of GE Capital’s energy and industrial businesses over the next 24 months.

GE has also been working on getting out of other operations outside of GE Capital.

The Wall Street Journal reported late last month that GE had hired an investment bank to auction off parts of GE Digital, its software division.

GE also agreed to sell its industrial-engines unit and its railroad division.

Shares of GE fell 0.8% on Wednesday.

Shares of Starwood declined 3.7%.

Fox Cable and Film Help Drive Results

BY MARIA ARMENTAL

21st Century Fox Inc.’s quarterly profit nearly doubled as its cable-TV and film units posted gains. The results come as Fox looks to close a \$71 billion sale of entertainment assets to Walt Disney Co.

The cable networks unit drove results with an 11% increase in domestic affiliate fee revenue. The filmed entertainment division swung to a \$289

million operating profit. The broadcast-TV unit had a 23% drop in operating profit, though revenue rose 14%.

For the fourth quarter ended June 30, Fox reported profit of \$920 million, or 49 cents a share, compared with \$476 million, or 26 cents a share, a year earlier. Revenue rose 18% to \$7.94 billion. 21st Century Fox and News Corp., parent of The Wall Street Journal, share common ownership.

New York Times Posts Growth in Subscribers

BY BENJAMIN MULLIN

Digital subscriptions continued to be the main driver of growth at New York Times Co. in the second quarter, but customer additions slowed and digital ad revenue fell.

The news publisher posted a 1.8% rise in total revenue, boosted by a 4.2% increase from a year earlier in subscription revenue to \$260.6 million. The Times added 109,000 digital news subscribers, 41,000 of which came from the company’s

Cooking and Crossword products.

Growth in digital-only subscribers, however, has slowed. The Times added 139,000 digital subscriptions in the first quarter, and 157,000 in the fourth quarter of 2017. Digital ad revenue fell 7.5% in the quarter to \$51 million, owing to a smaller audience and a decline in digital creative services such as those offered by the paper’s T Brand Studio.

New York Times shares ended Wednesday down more than 6%.

Axios to Create a Series for HBO

BY BENJAMIN MULLIN

Axios, the digital news startup known for concise stories, is about to go long—on TV.

The company has signed a deal with premium cable network HBO to produce a limited-run series of news documentaries timed to the midterm elections.

Titled “Axios,” the series will focus on politics, technology and culture with a combination of breaking news, short documentaries and high-profile interviews, the company said.

It is part of Axios’s strategy to gradually expand the breadth of content the company publishes and experiment with new formats.

By signing up Axios, HBO adds additional content to its slate of current-events programming. Its stable already includes “Vice News Tonight,” a deal with Vice Media, a partnership with progressive media company Crooked Media, “Last Week Tonight” host John Oliver and comedian Bill Maher.

HBO parent WarnerMedia was recently purchased by AT&T Inc., and the telecom company has signaled its intentions to spend aggressively on content to compete with ri-



Axios’ will feature co-founder Mike Allen and other journalists.

vals like Netflix. The episodes in “Axios” will feature some of the company’s journalists, including co-founders Mike Allen and Jim VandeHei, chief technology correspondent Ina Fried and business editor Dan Primack.

This year, Axios began publishing “deep dives,” examinations of weighty topics such as China’s rise, automated labor and global trade that run longer than the typical Axios

story. The company is currently hiring an editor who will lead the production of similar content.

“Working with HBO gives us the chance to see if our obsession with the big trends reordering America and our shorter, smarter style translates to the big screen,” Mr. VandeHei said.

Digital and legacy publishers, from Vox Media to BuzzFeed to the New York Times, are looking for ways to bring their content to television or streaming platforms, to promote their outlets’ brands and bring in licensing revenue when selling digital ads is a tough business. Producing high-quality TV can be expensive and time-consuming, as many new entrants learn.

HBO and Axios declined to comment on the financial terms of their arrangement.

The TV deal represents one of several revenue streams that Axios is seeking to cultivate, Mr. VandeHei said. The company is on pace to double its revenue to more than \$20 million in 2018, mostly through short-form native advertising with companies including Facebook Inc., and Boeing Co.

It is unclear whether the company is profitable.

The company has also begun testing a high-end subscription product for corporations and other big organizations, but it isn’t known whether it will launch in 2018, according to a person familiar with the matter.

After raising \$20 million in November for an expansion, Axios has gone on a hiring spree.

The company employs 123 people, having hired 123 people to spearhead coverage of science, cybersecurity, artificial intelligence and other areas.

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25583.75 ▼45.16, or 0.18%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.10 20.24
 P/E estimate * 16.47 18.61
 Dividend yield 2.11 2.26
 All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

May June July Aug. 23000 2550

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2857.70 ▼0.75, or 0.03%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.74 23.90
 P/E estimate * 17.62 18.95
 Dividend yield 1.82 1.97
 All-time high 2872.87, 01/26/18



May June July Aug. 2650 2550

Nasdaq Composite Index

7888.33 ▲4.66, or 0.06%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.01 25.73
 P/E estimate * 21.15 21.43
 Dividend yield 0.96 1.10
 All-time high: 7932.24, 07/25/18



May June July Aug. 7025 6850

Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	3-yr. ann.
Dow Jones								
Industrial Average	25634.11	25557.48	25583.75	-45.16	-0.18	26616.71	21674.51	16.0 3.5 13.8
Transportation Avg	11227.36	11155.87	11174.92	-42.64	-0.38	11373.38	9021.12	21.0 5.3 10.6
Utility Average	727.39	722.44	724.89	-2.96	-0.41	774.47	647.90	-1.1 0.2 7.1
Total Stock Market	29713.28	29608.33	29665.39	-16.32	-0.05	29681.71	25030.26	16.1 7.2 11.0
Barron's 400	769.16	764.39	768.00	-0.27	-0.04	768.27	629.56	18.9 8.0 11.4

Nasdaq Stock Market

	High	Low	Latest	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.
Nasdaq Composite	7901.69	7864.46	7888.33	4.66	0.06	7932.24	6213.13	24.2 14.3 16.1		
Nasdaq 100	7486.21	7435.77	7469.54	6.89	0.09	7508.59	5786.54	26.2 16.8 18.2		

S&P

	High	Low	Latest	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.
500 Index	2862.44	2853.09	2857.70	-0.75	-0.03	2872.87	2425.55	15.5 6.9 11.2		
MidCap 400	2014.20	2002.92	2009.97	-5.18	-0.26	2015.15	1691.67	15.8 5.8 10.5		
SmallCap 600	1063.81	1055.83	1062.22	-0.74	-0.07	1062.96	817.25	25.9 13.5 14.8		

Other Indexes

	High	Low	Latest	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.
Russell 2000	1689.34	1677.67	1686.88	-1.42	-0.08	1706.99	1356.90	20.8 9.9 11.8		
NYSE Composite	13007.65	12966.82	12987.91	-11.68	-0.09	13637.02	11699.83	8.9 1.4 6.5		
Value Line	584.47	581.12	582.98	-1.49	-0.25	589.69	503.24	12.4 3.7 6.5		
NYSE Arca Biotech	5164.14	5128.15	5137.38	-40.49	-0.78	5177.87	3787.17	31.1 21.7 8.2		
NYSE Arca Pharma	573.45	568.79	571.90	-0.07	-0.01	593.12	514.66	9.4 4.9 -1.3		
KBW Bank	111.54	110.55	111.25	0.60	0.54	116.52	89.71	15.2 4.3 12.5		
PHLX® Gold/Silver	74.68	73.82	74.39	0.23	0.31	93.26	74.16	-10.2 -12.8 17.6		
PHLX® Oil Service	148.51	146.66	148.23	-0.56	-0.38	170.18	117.79	17.5 -0.9 -5.8		
PHLX® Semiconductor	1406.04	1395.01	1403.77	3.76	0.27	1449.90	1060.02	28.7 12.0 30.1		
Cboe Volatility	11.18	10.52	10.85	-0.08	-0.73	37.32	9.14	-2.3 -1.7 -6.8		

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Finl Select Sector SPDR	XLF	8,150.1	28.42	-0.05	-0.18	28.47	28.38
SPDR S&P 500	SPY	7,596.3	285.14	-0.32	-0.11	285.66	284.95
Roku Cl A	ROKU	4,513.7	50.89	3.64	7.70	51.80	45.35
iShares MSCI Emg Markets	EEM	4,202.2	44.24	-0.02	-0.05	44.27	44.19
General Electric	GE	3,837.8	13.05	...	unch.	13.06	13.01
Invesco QQQ Trust I	QQQ	2,271.5	181.67	-0.35	-0.19	182.02	181.45
Ambev ADR	ABEV	2,212.3	5.14	0.04	0.78	5.14	5.08
Yelp	YELP	2,180.1	43.53	5.37	14.07	44.74	38.00

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Belmond	BEL	53.1	13.00	1.85	16.59	13.25	11.15
Yelp	YELP	2,180.1	43.53	5.37	14.07	44.74	38.00
SailPoint Technologies	SAIL	141.7	28.50	2.67	10.34	28.95	25.00
Rigel Pharmaceuticals	RIGL	78.7	2.91	0.23	8.58	2.95	2.68
Roku Cl A	ROKU	4,513.7	50.89	3.64	7.70	51.80	45.35

...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open	High	Low	Settle	Chg	Open interest
	Open	High	hi lo	Low	Settle	Chg	interest					
Copper-High (CMX) -25,000 lbs.; \$ per lb.												
Aug 2,7400	2,7420		2,7390	2,7405	-0.005	1,159						
Sept 2,7530	2,7735		2,7360	2,7510	-0.010	145,583						
Gold (CMX) -100 troy oz.; \$ per troy oz.												
Aug 12,12.00	12,15.20		12,05.90	12,12.60	3.00	1,190						
Sept 12,11.50	12,16.40		12,07.00	12,14.20	3.00	2,263						
Oct 12,14.10	12,18.50		12,08.80	12,16.20	2.90	54,813						
Dec 12,18.70	12,23.80		12,13.60	12,21.00	2.70	346,916						
Feb'19 12,24.60	12,28.70	▼	12,20.00	12,26.60	2.70	31,861						
June		12,28.30	2.70	7,258							
Palladium (NYM) -50 troy oz.; \$ per troy oz.												
Sept 902.20	907.40		885.00	886.40	-16.50	17,322						
Dec 899.90	905.00		882.50	884.00	-16.50	5,543						
Platinum (NYM) -50 troy oz.; \$ per troy oz.												
Sept 825.50	825.50		825.40	827.50	-1.90	26						
Oct 831.70	835.70		824.60	829.50	-1.90	73,449						
Silver (CMX) -5,000 troy oz.; \$ per troy oz.												
Aug 15,380	15,470		15,290	15,432	0.059	261						
Sept 15,380	15,470		15,290	15,432	0.059	154,202						
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.												
Sept 69.11	69.37		66.32	66.94	-2.23	326,463						
Oct 68.27	68.55		65.64	66.25	-2.08	290,023						
Dec 67.57	67.85		65.05	65.54	-2.08	294,320						
Jan'19 67.35	67.56		64.86	65.30	-2.05	173,326						
June 65.80	65.99		63.45	63.86	-1.83	167,813						
Dec 63.91	64.18		61.83	62.22	-1.65	212,516						
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.												
Sept 2,1640	2,1755		2,1024	2,1157	-0.054	106,580						
Oct 2,1694	2,1806		2,1081	2,1207	-0.055	62,663						
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.												
Sept 2,0931	2,0985		2,0067	2,0195	-0.0845	139,865						
Oct 1,9752	1,9792		1,8950	1,9080	-0.0747	105,543						
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.												
Sept 2,891	2,951		2,884	2,949	.052	246,134						
Oct 2,897	2,957		2,891	2,955	.055	182,117						
Nov 2,934	2,991		2,927	2,989	.054	160,097						
Jan'19 3,115	3,165		3,110	3,163	.046	173,062						
March 2,968	3,020		2,964	3,019	.045	152,689						
April 2,657	2,691		2,651	2,691	.034	133,467						

Agriculture Futures

	Contract						Open	High	Low	Settle	Chg	Open interest
	Open	High	hi lo	Low	Settle	Chg	interest					
Corn (CBT) -5,000 bu.; cents per bu.												
Sept 370.50	373.75		370.00	371.25	.50	464,125						
Dec 384.50	387.50		383.75	385.00	.50	804,531						
Oats (CBT) -5,000 bu.; cents per bu.												
Sept 257.75	264.50		255.75	263.75	8.50	1,212						
Dec 264.50	273.75		264.50	273.00	9.25	3,172						
Soybeans (CBT) -5,000 bu.; cents per bu.												
Aug 892.00	895.75		889.75	893.75	4.50	1,210						
Sept 902.50	914.00		898.50	910.50	4.75	420,611						
Soybean Meal (CBT) -100 tons; \$ per ton.												
Aug 332.30	338.00		331.50	337.10	4.40	1,594						
Dec 332.00	337.70		330.50	337.40	4.80	198,185						
Soybean Oil (CBT) -60,000 lbs.; cents per lb.												
Aug 28.59	28.72		28.39	28.45	-14	838						
Dec 29.05	29.22		28.87	28.91	-18	251,604						
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.												
Sept 109.22	109.20		105.80	106.50	-.26	6,305						
Nov 110.44	110.04		107.00	108.25	-.21	2,125						
Wheat (CBT) -5,000 bu.; cents per bu.												
Sept 569.75	578.00		564.50	570.00	1.75	149,005						
Dec 591.50	590.00		586.25	591.25	1.25	191,435						
Wheat (KCB) -5,000 bu.; cents per bu.												
Sept 579.50	590.50		578.00	584.25	4.75	95,922						
Dec 608.50	617.75		605.00	610.75	3.50	118,268						
Wheat (MPLS) -5,000 bu.; cents per bu.												
Sept 626.75	634.50		625.25	632.75	5.00	25,528						
Dec 642.75	651.00		642.50	648.75	4.00	26,634						
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.												
Aug 149.65	151.00		148.90	150.65	.80	6,468						
Sept 148.450	150.250		147.200	149.7								

BIGGEST 1,000 STOCKS

WSJ.com/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.
- dd**-Indicates loss in the most recent four quarters.
- fD**-First day of trading.
- h**-Does not meet continued listing standards.
- lf**-Late filing.
- q**-Temporary exemption from Nasdaq requirements.
- t**-NYSE bankruptcy.
- v**-Trading halted on primary market.
- vj**-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 8, 2018

Stock	Net		Stock	Net		Stock	Net		Stock	Net		Stock	Net		Stock	Net		Stock	Net				
	Stock	Sym Close	Chg	Stock	Sym Close	Chg	Stock	Sym Close	Chg	Stock	Sym Close		Chg	Stock	Sym Close	Chg	Stock	Sym Close	Chg				
A	B	C			D	E	F		G	H	I		R	S		T	W	X	Y	Z			
ABB	ABB	23.16	0.06	Bio-Techne	TECH	31.72	-2.82	DCP Midstream	DCP	44.73	0.66	MSCI	MSC	172.69	-0.17	Qualcomm	QCOM	65.16	-0.28	Twilio	TWLO	73.87	-1.23
ADT	ADT	9.48	0.33	Bio-RadLab	BIO	316.40	7.43	DCT Industrial	DCT	65.99	-0.86	Macrach	MAC	58.81	-0.34	QuestDiag	DGX	180.70	-0.77	Twitter	TWTR	31.84	-0.83
AEIS	AEIS	13.95	0.32	BioMarinPharma	MRNR	103.32	-2.40	DISH Network	DISH	35.85	-0.86	Macy's	M	39.89	0.42	QuarateRetailB	QRTEB	22.97	1.34	TylerTech	TYL	234.18	0.65
Aflac	AFL	46.87	0.17	BlackKnight	BKI	53.10	...	DTE Energy	DTE	110.16	-0.19	MadisonSquGarden	MSG	316.52	-3.64	TysonFoods	TSN	59.55	-0.33	Ventas	VTR	57.90	-0.50
AGNC Inv	AGNC	18.88	0.08	BlackRock	BK	487.05	-0.41	DIXON INDUSTRIAL	DIX	88.99	1.91	MagellanMid	MDM	70.91	0.97	VeriskAnalytics	VRSK	116.38	0.21	Verizon	VZ	52.70	0.24
ANGI Homescvs	ANGI	15.96	-0.21	Blackstone	BX	35.97	0.41	DISH Network	DISH	35.85	-0.86	MarkeR	MRK	117.87	-4.90	Ubs Group	UBS	16.12	0.14	WestRock	WRK	56.17	-0.55
Ansys	ANSS	172.87	0.09	Blackbirdio	BLL	157.20	-2.40	DishNet	DISH	35.85	-0.86	GrubHub	GRUB	127.89	-0.99	Udr	UDS	38.90	-0.25	Weyerhaeuser	WY	34.33	0.07
ASM	ASML	213.00	-0.56	Boeing	BA	347.78	-2.98	Dixie	DIX	109.55	-0.10	HCA Healthcare	HCA	128.31	-1.13	Ugi	UGI	53.89	-0.07	Whataburger	WBLK	99.15	-0.47
AT&T	T	32.34	-0.04	BookingHdgs	BKGNG	2045.00	-32.99	Dixie	DIX	109.55	-0.10	Hcp	HCP	26.09	-0.38	US Foods	USFD	33.06	-0.16	Williams	WMB	31.55	-0.02
AbbottLabs	ABT	64.84	0.10	BornAgain	BWA	45.55	-0.81	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Usg	USG	43.21	-0.04	WilliamsPartners	WPZ	47.14	0.07
AbbVie	ABBV	93.73	-0.33	BornPropn	BXP	129.66	-0.68	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	UbiquitNetworks	UBNT	29.72	-0.52	Willis Towers	WTIW	151.52	0.36
Abiomed	ABMD	376.01	-0.39	Bosch	BSX	34.29	1.07	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	UltraBeauty	UL	24.37	-0.03	Wipro	WIT	5.08	-0.02
Accenture	ACN	161.14	-0.05	Braskem	BAK	29.11	-0.56	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	WooriBank	WIF	45.65	1.71	Workday	WDAY	135.01	0.26
ActivisionBliz	ATVI	70.00	-0.22	BrightHorizons	BFM	109.66	0.39	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Wwt	WWE	89.14	-0.04	Worldpay	WP	83.35	-0.58
AdobeSystems	ADBE	185.83	0.44	BristolMyers	BMY	60.17	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	WynnHdths	WWD	43.92	-1.80	WyndhamHdths	WHD	58.47	-2.45
AdvanceAuto	AADV	14.61	0.25	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Yanex	YNDX	32.14	-3.26	YumBrands	YUM	81.92	0.59
Advantech	ADVA	16.41	0.25	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	YumChinCo	YUMC	34.70	...	YumChinCo	YUMC	81.92	0.59
AdmiraDevic	ADM	19.58	0.02	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
AerCap	AER	6.63	0.05	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
Aetna	AET	193.63	5.44	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
AffiliatedMgrs	AMGL	151.71	-3.51	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
Aigentech	AGT	6.78	-0.28	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
Allegiantech	AGT	6.78	-0.28	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
Allegiantech	AGT	6.78	-0.28	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
Allegiantech	AGT	6.78	-0.28	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
Allegiantech	AGT	6.78	-0.28	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
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Allegiantech	AGT	6.78	-0.28	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-0.01
Allegiantech	AGT	6.78	-0.28	BrownForman	BFB	56.36	-0.19	Dixie	DIX	109.55	-0.10	Hilldrift	HDFC	104.64	0.82	Zain	ZAIN	10.56	-0.01	Zain	ZAIN	10.56	-

BANKING & FINANCE

Canada Faces Fire on Money Laundering

After a Vancouver-based real-estate agent wired almost \$240,000 from Canada's Bank of Montreal to an account in Boston last year, U.S. authorities swooped in.

**By Alistair MacDonald,
Paul Vieira
and Vipal Monga**

They arrested Omid Mashinchi and in January charged him with laundering drug money. Mr. Mashinchi pleaded guilty to the charges in late July in federal court in Massachusetts.

The case is one of several recently in which the U.S. has moved on suspicious transactions involving Canadian financial firms or citizens, and comes as Canada's record of clamping down on money laundering is under fire at home and abroad.

When British Columbia's attorney general, David Eby, was briefed by law-enforcement officials last year on alleged money laundering in his province, the scale of activity described to him "blew my mind," Mr. Eby said.

Mr. Eby said he was embarrassed to learn that Australian authorities had even dubbed a common tactic among Chinese gangs, in which illicit money is processed through casinos, as "the Vancouver method."

Canada's financial-intelligence agency, the Financial Transactions and Reports Analysis Centre of Canada, or Fintrac, said in a recent report to lawmakers that more than two-thirds of Canadian banks it examined had "significant

levels" of noncompliance with anti-money-laundering rules, according to a copy reviewed by The Wall Street Journal.

The Royal Canadian Mounted Police estimated in 2011, the latest year for which data is available, that between 5 billion and 15 billion Canadian dollars (US\$3.8 billion to US\$11.5 billion) is laundered in the country every year.

Canada has five of the world's largest 60 banks and is an increasing destination for global capital. So what happens within the country has effects beyond its borders, according to anti-money-laundering specialists and regulators.

"Canada must immediately take action in order to change the perception that it welcomes, or even encourages, corrupt behavior," Marc Tassé, head of the University of Ottawa's anticorruption center, recently told a parliamentary committee.

Canada's finance ministry said Tuesday it takes the fight against money laundering seriously. A spokesman added that lawmakers are reviewing ways to strengthen the detection and deterrence of money laundering and are expected to issue recommendations in the fall.

Canada logs few money-laundering convictions compared with its peers. From 2000 to 2016, it recorded convictions in 316 cases on charges related to money laundering, according to Statistics Canada. Last year alone, U.K. prosecutors notched 1,435 convictions in which the main offense was money laundering.

Authorities in other countries are often the ones to act.



Bank of Montreal's anti-money-laundering program was cited by a regulator.

reply to requests for comment.

Critics of Canada's approach to money laundering say several factors stymie attempts to crack down. These include strict privacy laws that make it difficult to get warrants, a reluctance to prosecute and the failure in some cases of banks to report suspicious transactions.

"What I saw was various banks underestimating the amount of work, resources and time that they would have to spend to deal with the [money-laundering] risks," said Nicolas Burbidge, who until 2016 led the compliance division of Canada's main financial regulator, Office of the Superintendent of Financial Institutions.

Money-laundering specialists claim regulators don't take a tough enough stance, or in some cases lack powers to act. OSFI can't fine banks.

Fintrac has the authority to fine but uses the power sparingly. Since December 2008, it has levied 95 penalties, raising around US\$2.7 million. That compares with about \$28 billion in such fines the U.S. has issued since 2008 and \$409 million for the U.K.

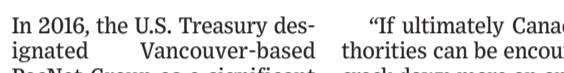
Even when regulators spot problems, action isn't always taken. In a 2011 letter to **Bank of Montreal**, OSFI concluded the bank's anti-money-laundering and antiterror finance program "is not where it needs to be to meet...regulatory requirements," according to a copy reviewed by the Journal.

BMO declined to comment on the letters but said the bank maintains rigorous anti-money-laundering controls.

Not Fine

U.S. fines for money-laundering lapses at financial-services firms dwarf those elsewhere. But compared with other Western nations, Canadian fines have still been small.

Total fines since 2008



Sources: Financial Transactions and Reports Analysis Centre of Canada; Fenergo (other countries)

**U.S.
\$28 billion**

In 2016, the U.S. Treasury designated Vancouver-based PacNet Group as a significant transnational criminal organization laundering funds from global mail fraud. PacNet, a financial-services firm, denied the accusations but ceased business activities.

"If ultimately Canadian authorities can be encouraged to crack down more on operations like PacNet, that would be a wonderful thing," said Steve St. Clair, a former assistant attorney general in Iowa who also investigated the company.

In the case of Mr. Mashinchi,

U.S. prosecutors charged him with five counts of laundering proceeds from the illegal drug trade, according to an indictment. Vancouver police Superintendent Mike Porteous said Mr. Mashinchi had been on their "radar for a long time." Mr. Mashinchi's lawyer didn't

comment.

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States Spar With U.S. on Fintech

By YUKA HAYASHI

WASHINGTON—The Trump administration's plan to expand the federal government's role in overseeing financial-technology startups has prompted pushback from some states, setting up a fight over who will regulate new markets for online lending and other banking products.

"What I'd like to see is for the federal government to step back or enter cooperative agreements with states," said Mark Brnovich, Arizona's Republican attorney general. "Washington, D.C., is, frankly, where good ideas go to die."

Arizona recently launched its own "sandbox" initiative to encourage companies to work with state officials to test new financial products and business models.

Now, it and other states that are courting fintech companies with state licenses and rules have another competitor in the federal government.

The U.S. Treasury Department last week released a report calling on financial regulators to embrace fintech

developments, and the Office of the Comptroller of the Currency said it would accept applications for banking charters from startups. The Consumer Financial Protection Bureau and Commodity Futures Trading Commission in recent weeks and months have both launched their own sandbox initiatives.

State officials fear the federal push will limit their states' ability to influence new businesses to the benefit of consumers in their states. One

worry is that federal financial agencies will override state usury laws against excessive interest rates.

"An OCC fintech charter is a regulatory train wreck in the making," said John Ryan, chief executive of the Conference of State Bank Supervisors.

Mr. Ryan's group, representing 50 state bank regulators, says the OCC doesn't have the authority to override state banking laws. The group previously sued the OCC over the matter, but a judge dismissed the case in March because the agency at the time hadn't made a final decision about national charters.

The states' group is considering whether to mount a new legal fight, said Mike Stevens, its senior executive vice president.

The Treasury report, which promised reduced "regulatory fragmentation" and support for new financial business models, has received a positive response from some fintech companies.

"We believe the federal approach is better," said Brian Peters, executive director of Financial Innovation Now, a group representing technology giants such as **Amazon.com** Inc. and **PayPal Holdings** Inc.

"It allows consumers to feel like they have consistent protections around the country regardless of whether they are sending money to family in California or in Arkansas," Mr. Peters added.

Others in the industry, including some in cryptocurrency and blockchain technology, said state regulators would continue to have a role.



Arizona's Mark Brnovich, right, criticized a U.S. fintech proposal.

Goldman's LNG Talks Ongoing

Continued from page B1

develop. For years, most of the world's liquid natural gas was sold directly to big energy companies and utilities, which used it to generate electricity and heat.

But financial firms have been edging in. Four European

trading houses—Glencore PLC, Vitol Group, Trafigura Pte Ltd. and Gunvor Group Ltd.—traded roughly \$10 billion worth of liquid natural gas in 2017, accounting for 9% of global trade, according to Wood Mackenzie.

These financial middlemen buy gas from producers such as Cheniere and resell it at higher prices to utilities and others in developing countries in Asia and Africa, whose low credit ratings prevent them from signing long-term deals with suppliers. Trafigura in January signed a 15-year deal

with Cheniere that will supply it with 1 million tons a year to trade or resell in the spot market.

Seeking a foothold in the business, Goldman traders went looking for an LNG contract late last year, people who are familiar with the matter said. Talks with Cheniere are ongoing, and they may not ultimately result in a signed agreement, the people added. Goldman could also look to make the purchase from someone else.

Commodities trading holds a special place at Goldman.

The division still operates as J. Aron, a coffee and metals trader that Goldman bought in 1981. Top executives including Chief Executive Lloyd Blankfein and Chief Financial Officer Martin Chavez got their starts at J. Aron.

Profits have declined across the industry and J. Aron posted its worst year on record in 2017, though this year has been better. Mr. Chavez said recently that Goldman "remains committed in every way to help our clients manage their commodity risk."

HNA Unit to Sell Aircraft Lessor Stake

By JULIE STEINBERG

A unit of **HNA Group** Co. agreed to sell 30% of aircraft lessor Avolon Holdings Ltd. for \$2.2 billion to Japan's **Orix Corp.**, the latest in a string of sales by the formerly acquisitive Chinese conglomerate.

Bohai Capital, whose largest shareholder is HNA, will sell the stake to the aviation arm of Japanese financial services group Orix, the companies said Wednesday. HNA, the airlines-to-hotels company, has sold assets around the world as it seeks to repay debt and streamline after a multiyear shopping spree.

The agreement partially unwinds one of HNA's highest-profile takeovers, and should allow Avolon to borrow more cheaply. That is an important advantage in the capital-intensive business of acquiring and renting out aircraft.

Avolon Chief Executive Dómhnall Slattery said in an interview that the deal would let Avolon secure an investment-grade credit rating faster, while Bohai would use the cash proceeds to pay down debt. He said Avolon would benefit from Orix's stronger credit rating, but it could also still make use of HNA's buying power, as the owner of multiple airlines.

After Avolon bondholders worried HNA might use it as a cash cow, Avolon amended its debt agreements to limit payments to its owners. Financial dealings between the companies will be further simplified.

An Avolon spokesman said it would pay a dividend to Bohai before the deal closed, while recent disposals initially centered on less strategic assets such as property, in recent months it has divested itself of hotels, too. The sale of a 30% stake in this business signals a willingness to scale back even in areas the company has identified as future priorities.

While Bohai would repay in full an outstanding loan from Avolon.

Avolon is the world's third-largest jet leasing company with a fleet of more than 550 aircraft, plus orders for more than 300 Airbus SE and Boeing Co. planes. Orix already owns and manages more than 200 planes. Avolon doubled in size by last year after buying the aircraft leasing arm of CIT Group Inc. for \$4 billion.

HNA sold about 60 billion yuan (\$8.8 billion) of assets in the first half of 2018, more than 10% of net assets, it said recently. These included stakes in Hilton Worldwide Holdings Inc., Park Hotels & Resorts Inc., and Spain's NH Hotel Group; a townhouse in New York; and land in Hong Kong.

HNA's purchase of Avolon for \$2.6 billion in 2016 was meant to extend its grip on a self-proclaimed core business, alongside tourism and logistics.

While recent disposals initially centered on less strategic assets such as property, in recent months it has divested itself of hotels, too. The sale of a 30% stake in this business signals a willingness to scale back even in areas the company has identified as future priorities.

An HNA spokeswoman said the sale was consistent with a strategy to improve overall performance.

Mr. Slattery said Orix would function as a strategic long-term investor, not a financial one. HNA has no interest in selling a controlling stake in Avolon, he added. Avolon expects the deal to close in the fourth quarter.

Mutual Funds

Data provided by LIPPER

Fund	Net YTD Chg %Ret	Fund	Net YTD Chg %Ret	Fund	Net YTD Chg %Ret	Fund	Net YTD Chg %Ret	Fund	Net YTD Chg %Ret	Fund	Net YTD Chg %Ret
Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.											
American Century Inv	50.89 -0.03 17.2	Baird Funds	500DlxInstPm	99.98 -0.02 8.1	SrsEmrgMkt	19.98 -0.10 -6.7	Income	NA ...	IntEqDlxInst	20.04 -0.01 -0.6	TotHdldxAdm
Ultra	50.89 -0.03 17.2	BBGI	500DlxPrem	99.98 -0.02 8.0	SrsGroRetail	19.44 -0.02 16.9	IntEqDlxAdm	21.82 ...	TotIntEqDlxAdm	10.91 ...	Wells
American Funds Cl A	43.23 -0.05 11.4	BlackRock Funds A	500DlxPrem	67.93 -0.13 9.6	SrsIntGrw	16.39 +0.03 1.5	IncomeFd	NA ...	GblValue	29.25 -0.02 2.7	Welln
AMCpA p	42.20 -0.05 4.4	AMCpA p	500DlxPrem	42.79 +0.02 -0.8	SrsIntVal	10.47 +0.02 -2.1	Price Funds	NA ...	TotStAdm	71.69 -0.04 8.3	Wndrl
BalA p	27.80 -0.01 3.1	BalA p	500DlxPrem	15.43 -0.01 8.1	StlTotalBond	10.35 ... -1.1	Lazard Instl	NA ...	TxVm r	13.99 ...	Vanguard
BondA p	12.53 ... -1.5	BondA p	500DlxPrem	82.44 -0.04 8.3	ErgMktEq	17.85 -0.09 -10.8	MetropWest	112.20 +0.17 16.5	Adm	42.80 -0.02 4.6	Index Fds
CapIBA p	60.94 -0.07 -1.4	CapIBA p	500DlxPrem	82.43 -0.04 8.3	Fir Eagle Funds	NA ...	ShdDurIncm	20.41 +0.02 14.1</			

MARKETS

Treasuries Gain After Note Sale

By AKANE OTANI

U.S. government-bond prices inched higher after a closely watched Treasury Department auction of a record amount of 10-year notes drew strong demand.

CREDIT MARKETS The yield on the benchmark 10-year U.S. Treasury note settled at 2.969%, compared with 2.973% Tuesday. Yields fall as bond prices rise.

Investors and analysts have been watching turnout at the Treasury's auctions to gauge whether there is sufficient demand to soak up the additional debt the Treasury is issuing to help fund a growing federal budget deficit. The government auctioned a record \$26 billion in 10-year notes Wednesday.

So far, demand from foreign buyers, as well as domestic money managers, has helped keep the 10-year yield off its highs of the year, analysts said. The Treasury sold the 10-year notes at a yield of 2.960%, a touch lower than where the notes were trading just before the auction—which analysts said suggests investors were relatively eager to scoop up the bonds.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

10-YEAR NOTES

Applications	\$69,684,814,000
Accepted bids	\$29,495,525,000
"noncompetitively"	\$29,446,300
"foreign noncompetitively"	\$0
Auction price (rate)	99.268892 (2.960%)
Interest rate	2.875%
Bids at clearing yield accepted	35.06%
Cusip number	9128284V9

The notes, dated Aug. 15, 2018, mature on Aug. 15, 2028.



Investors question if Turkey's president would assent to stringent bailout conditions for loans.

IMF Bailout Won't Easily Come Together for Turkey

As Turkey's currency plummets, investors are concerned that one much-used crash mat may not be there to break its

By Josh Zumbrun in Washington and Christopher Whittall in London

fall: an IMF bailout.

Since the beginning of last year, the International Monetary Fund has stepped in 16 times with funding for countries that have spiraling debts or falling currencies, most recently a \$50 billion package for Argentina.

The Turkish lira has fallen almost 30% against the dollar this year and yields on its bonds have risen fast, but investors question whether President Recep Tayyip Erdogan

would ever agree to the sort of stringent demands that the IMF asks for in exchange for loans.

The IMF said Wednesday that Turkey hasn't asked for its help. It may never do so. But the idea that the IMF is there can act as a backstop for the currency and bonds of troubled countries. Many investors don't see that safety net easily coming together for Turkey, adding to the pressure on one of the world's largest emerging markets.

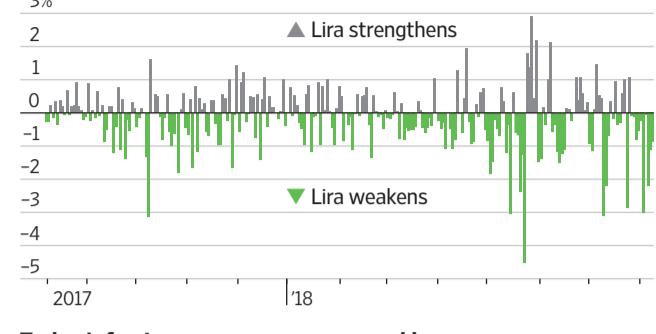
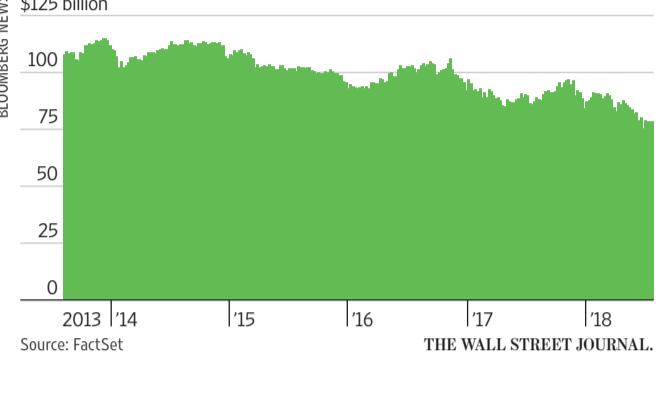
"I think it's hard to believe that the IMF could help Turkey or for Turkey to ask for the IMF to help in a balance of payments crisis," said Luca Sibani, senior portfolio manager at Epsilon SGR. "This is a further element of vulnerability" for Turkey, he said.

Emerging markets have come under intense pressure amid a strengthening dollar, higher U.S. interest rates and an escalating trade conflict. That heaped extra strain on Argentine bonds and the peso earlier this year, but its June IMF deal stabilized the country's markets.

For Turkey, investors worry about President Erdogan's influence over monetary and economic policy after he granted himself the right to appoint the central bank's governors and named his son-in-law as finance minister. Investors fear the growing sway of Mr. Erdogan, who has expressed a preference for lower rates, will discourage the central bank from taming inflation that hit an annual rate of 15.85% in July.

Tough Times

Turkey's volatile and weakening currency and depleting foreign-exchange reserves have investors on edge.

Daily change in Turkish lira vs. U.S. dollar**Turkey's foreign-currency reserves, weekly**

Source: FactSet

try's economy.

Mr. Macri had already instituted programs to cut spending and bring Argentina's fiscal and current account deficits back under control—the sort of steps the IMF requires with its rescue programs.

When Mr. Erdogan took office in 2003, Turkey was two years into an IMF bailout plan under which it was receiving billions of dollars' of loans in exchange for implementing the fund's recipe of fiscal and budget rigor.

Although the bailout plan was widely regarded as thrusting Turkey's economy on a steady growth track, Mr. Erdogan has consistently minimized the fund's role, instead crediting his own stewardship for the recovery.

Oil Prices Plunge After Stockpiles Data Show Rise

Crude slides to lowest close since June as fuel inventories reach seven-month record

By DAN MOLINSKI AND SARAH MCFARLANE

Oil prices fell to their lowest level in nearly seven weeks as total U.S. stockpiles of oil

COMMODITIES and fuel hit a seven-month high and U.S.-China trade tensions escalated.

Light, sweet crude for September delivery slid 3.2% to \$66.94 a barrel on the New York Mercantile Exchange. That was its lowest close since June 21. Brent crude, the

global benchmark, also fell 3.2%, to \$72.28 a barrel.

The U.S. Energy Information Administration reported that crude-oil inventories alone declined slightly last week from the previous week.

But investors focused more on the broader gauge of total combined stockpiles of crude oil and fuels such as gasoline, which rose by 3.3 million barrels, to 1.21 billion barrels, the highest since early January. That is bearish for prices, because it suggests demand isn't keeping up with supplies.

"We do still have a lot of oil in the U.S.," said John Woods, president of JJ Woods Associates, adding that as refineries head toward maintenance season after the summer driving season, inventories could rise more. "There's room for

[prices in] the crude market to soften a bit more," he said.

The EIA report indicated another weekly decline in U.S. oil production, to 10.8 million barrels a day, from 10.9 million a week earlier. This suggests that logistical problems in Texas, including a lack of sufficient pipelines, are forcing oil producers to tap the brakes on output until they can improve infrastructure.

An intensifying trade fight between the U.S. and China over tariffs also pressured oil prices. On Wednesday, China's commerce ministry, in a retaliatory move, said it would impose 25% tariffs on an additional \$16 billion in U.S. imports, matching U.S. tariffs on China goods dollar-for-dollar. The tariffs will go into effect on Aug. 23, the same date

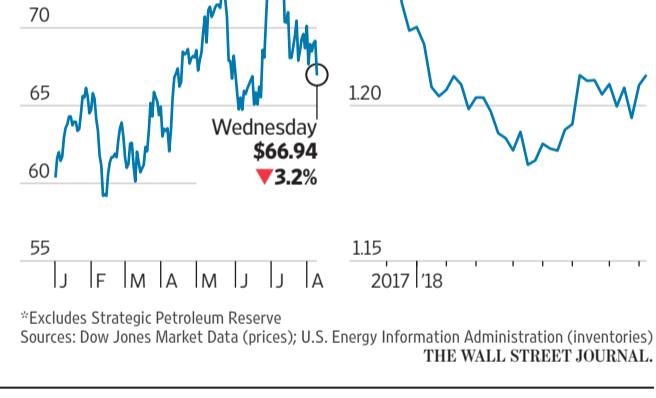
as the U.S. ones. These trade tensions can push oil prices lower in two ways.

Investors worry that a potential global trade war could ensue, leading to softer economic growth throughout the world and possibly reducing demand for oil. Also, the ratcheting-up of tensions has been sending investors into haven assets such as the U.S. dollar, and since oil is bought and sold in greenbacks, a stronger currency tends to weaken oil prices.

Analysts said recent, tight-range trading may also have played a role in setting up Wednesday's dramatic, breakout move lower. Prices had been jiggling up and down between roughly \$67 a barrel and \$70 a barrel for most of the past month.

Supply Shock

Oil prices slid after weekly U.S. data showed total stockpiles of oil and other fuels increased—a sign demand isn't meeting supply.

U.S. crude-oil futures prices

*Excludes Strategic Petroleum Reserve

Sources: Dow Jones Market Data (prices); U.S. Energy Information Administration (inventories)

THE WALL STREET JOURNAL.

Flirting With Record Territory

The S&P 500 is just 0.5% away from its record but inched lower Wednesday.



Source: FactSet

THE WALL STREET JOURNAL.

U.S. Stocks Waver; Energy Shares Fall

By BEN ST. CLAIR AND ALLISON PRANG

U.S. stocks wavered between small gains and losses as shares of consumer-staples and energy companies slumped and the S&P 500 hovered just below

WEDNESDAY'S MARKETS its record.

The broad stock-market index fell less than 0.1%, or 0.75 point, to 2857.70, after closing at its second-highest level

ever Tuesday. It remains about 0.5% away from its January

high. The Dow Jones Industrial Average dropped 45.16 points, or 0.2%, to 25583.75, while the Nasdaq Composite rose 4.66 points, or less than 0.1%, to 7888.33.

Investors continue to parse corporate-earnings results, with the bulk of companies done reporting numbers for the most-recent quarter. The long-running uncertainty over trade also pressed on as the Trump administration completed plans Tuesday to impose tariffs on an additional \$16 billion of Chinese imports. The penalties, which were widely expected and would take effect



Shares of Walt Disney fell 2.2% after the theme-park operator and media company reported quarterly results that missed estimates.

JACOB LANGSTON/ORLANDO SENTINEL/ASSOCIATED PRESS

Aug. 23, bring the total amount of Chinese goods covered by tariffs to \$50 billion.

Still, U.S. economic data have pointed to a strong economy, and investors have remained guardedly optimistic as companies this year have reported positive earnings growth, pushing the S&P 500 up 3.6% in the past month. Unfilled jobs are growing in nearly every industry amid an expanding economy and a historically low unemployment rate, which was 3.9% last month. The problem is most acute in a few fields, led by transportation.

Ryan Kelley, portfolio manager at Hennessy Funds, said earnings are "somewhat old news" given that most companies in the broader index have already reported results, but "we're very encouraged" that fundamentals are fueling the market.

"Trade continues to be an issue," but it isn't clear how tariffs are going to affect earnings, Mr. Kelley said.

Shares of energy companies were among the worst performers in the S&P 500, with the sector losing 0.8% as oil prices tumbled.

Declines in the consumer-

staples sector, down 0.8%, also dragged on the broad index, while technology and financials edged higher.

Shares of Snap fell 89 cents, or 6.8%, to 12.23 after the company posted its first quarterly decline in users.

Shares of CVS Health rose 2.72, or 4.2%, to 68.17 after adjusted earnings, revenue and same-store sales all beat estimates for the latest quarter.

Shares of Walt Disney fell 2.58, or 2.2%, to 113.98 after the media company reported adjusted earnings and revenue that missed estimates amid a

ramp-up in spending.

"The factor that's driving markets are earnings," said Neil Veitch, global investment director at SVM Asset Management. "The market, particularly in the U.S., continues to grind higher," added Mr. Veitch, who like many investors is optimistic about growth prospects.

Elsewhere, the Stoxx Europe 600 slipped 0.2%. In early trading in Asia Thursday, Japan's Nikkei Stock Average edged down 0.28%, while Hong Kong's Hang Seng was flat. The Shanghai Composite Index was up 0.44%.

MARKETS

Traders Bet on Stock Rally

Tax cuts and a robust U.S. economy boosted corporate profits in the three months through June

With U.S. stock benchmarks mere points away from fresh records, some traders are piling into bets that share prices will rally higher and volatility will remain muted.

The S&P 500 and the technology-heavy Nasdaq Composite hit their second-highest close in history on Tuesday.

Options investors and traders are wagering the gains will continue. They have been scooping up bullish call options on the S&P 500, contracts that would pay out if the stock index took another leg higher, according to Credit Suisse. Call options give the right to buy shares at a later time if they hit a designated price.

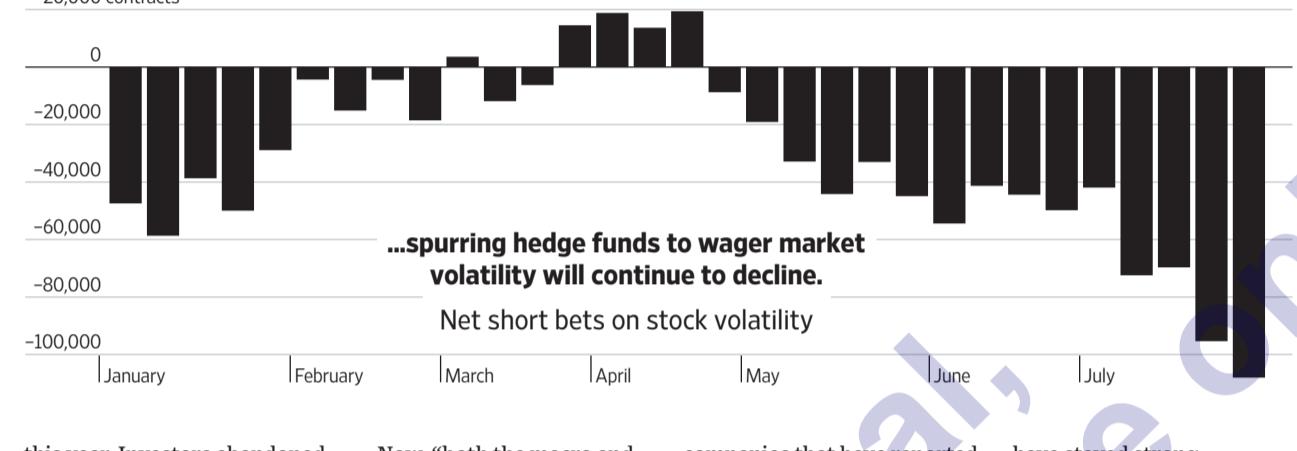
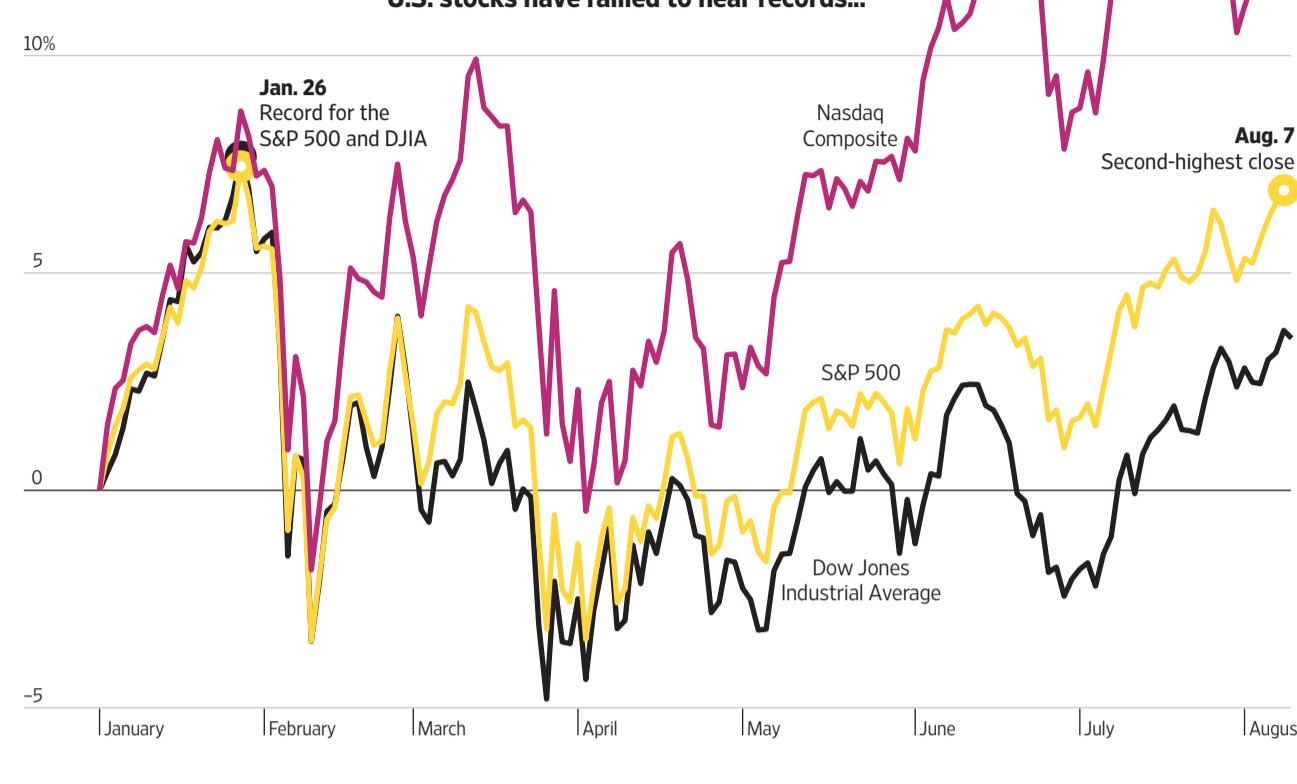
An options measure known as skew on the S&P 500 has also fallen, according to Credit Suisse. Skew tracks the cost of bearish options versus bullish ones. When skew falls, it means bearish contracts are getting relatively cheaper.

In other words, traders in recent days have been shelling out for bullish options rather than bearish ones.

Meanwhile, skew remains elevated for exchange-traded funds like the tech-heavy Invesco QQQ Trust and iShares Russell 2000 ETF, known as IWM, according to a Credit Suisse memo Monday.

This signals there is still some fear lurking in the market over tech and small-cap stocks—groups that have been outperformers in the stock market this year.

The recent activity marks a reversion to an environment that dominated much of the past year and the early part of



...spurring hedge funds to wager market volatility will continue to decline.

this year. Investors abandoned more defensive options positions and hedges and favored bullish options, fearful of missing out on a potential rally. A volatility shock struck markets in February, causing a pause to this trend.

Now, "both the macro and earnings backdrop set up well for [the S&P 500] to grind higher in the near term," wrote Mandy Xu, derivatives strategist at Credit Suisse, in a note this week.

The majority of U.S.

companies that have reported earnings have beat revenue and earnings estimates, according to FactSet. Tax cuts and a robust U.S. economy boosted corporate profits in the three months through June. Employment figures

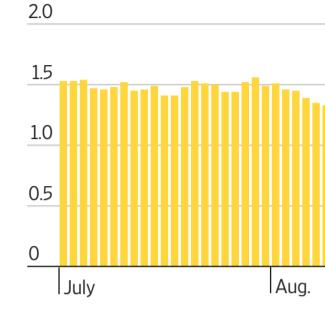
have stayed strong.

Another bullish sign is in the futures markets.

So-called "short vol" bets—or wagers that market volatility will fall—by investors including hedge funds hit the highest level

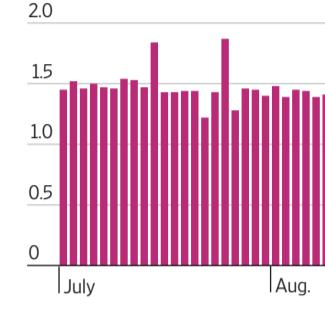
Recently, the cost of bearish S&P 500 options has fallen versus the cost of bullish ones, a ratio known as 'skew.'

S&P 500 skew



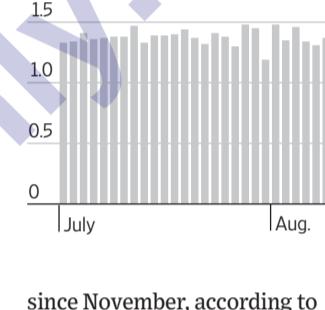
Meanwhile, skew for popular technology and small-cap ETFs remains elevated...

Invesco QQQ Trust skew



...a sign investors are nervous about these two groups.

iShares Russell 2000 ETF (IWM) skew



since November, according to Commodity Futures Trading Commission data as of last week.

A bearish bet on volatility is akin to a bullish bet on stocks, since market turbulence tends to fall as equities drift higher.

Reporting by Gunjan Banerji, Graphics by Kiersten Schmidt/THE WALL STREET JOURNAL.

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OVERHEARD

Lenders' Hidden Link to Private Markets

Dark Money

Annualized growth in cross-border lending by borrowers' sector



trillion of such loans and offshore financial centers received the majority. This likely covers a huge variety of business.

Where they definitely touch illiquid, private assets is with loans to private-equity funds that help them boost returns; loans to funds that buy up pools of second-hand stakes in private-equity

funds; or loans to funds that in turn lend directly to smaller private companies. That includes U.S. Business Development Companies, which in 2018 got legal approval to double their borrowing. Data are scarce, but anecdotal evidence suggests these kinds of exposures add up to at least \$100 billion.

A bigger risk is lending to

exchange-traded funds and mutual funds that buy leveraged loans, the debt used to fund buyout deals. These funds take on debt worth about one-third of their asset base, according to the Institute of International Finance, and their investors can pull cash out at short notice. Such funds potentially are very unstable in a sell-off and may need to restrict redemptions.

Then there is the growing role in arranging and selling leveraged loans played by nonbanks, such as KKR Capital Markets, for instance, or Jefferies Financial Group. This is supposed to have cut financial-stability risks.

However, researchers at the New York Federal Reserve got a big surprise when they studied what happened after 2014 when big banks were told to limit leverage multiples on loans.

Nonbanks took market share

from the big banks, but almost all of the extra loan-

ranging nonbanks did was funded by borrowing from those big banks. It is unclear whether that was temporary borrowing or if it continued and grew.

On top of this, big banks still underwrite leveraged loans and finance pools of these loans for collateralized loan obligations before they are sold. Banks shift this stuff more quickly than in the past, but again hard data on their exposures are sketchy even for privileged observers such as ratings firms. But as private equity chases bigger deals and more CLO managers prepare multiple issues, these exposures have surely grown.

This isn't to say another 2008-style crisis is looming, but banks remain interconnected with private-market risks in ways that aren't clear. We just don't know how much will wash back onto their balance sheets next time the music stops.

—Paul J. Davies

Walt Disney Co. has bet its future on a streaming service that will allow it to deliver its incomparable content right to customers.

But the **Netflix** competitor may be missing a big piece of that library when it launches in late 2019.

The rights to all "Star Wars" films released so far are held by parties like **Turner Broadcasting** and by Netflix itself, as Sanford Bernstein analyst **Todd Juenger** said.

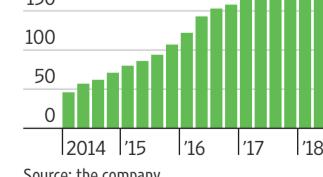
Disney Chief Executive **Robert Iger**, acknowledging the likely absence of the "Star Wars" library, pointed out that Episode IX, due for release in December 2019, will be available.

That puts a lot of pressure on Episode IX to get "Star Wars" fans to sign up for Disney's service. Even bringing back Billy Dee Williams for the film may not be enough.

Snap Loses Both Friends and Investors

Fade Out

Snap's daily active users per quarter



this year. But investors get worried when social networks lose users; **Twitter** and **Facebook** are down 15% and 25%, respectively, since reporting declines in their own second-quarter reports last month.

Still, one important differ-

ence is worth noting: Facebook and Twitter produce profits. Snap still loses money.

So investors who first welcomed Snap's outlook eventually faded. Snap's shares, which jumped initially following the results Tuesday, slid nearly 7% on Wednesday. That still leaves the stock trading at about 12 times forward sales—a generous multiple for a cash-burning social network now showing signs of peak usage. Facebook and Twitter trade at 8.3 and 7.9 times forward sales, respectively.

Snap may keep the ad dollars flowing in the near term. But social networks that are losing friends face more serious questions in the longer term.

—Dan Gallagher

What can stop the Turkish market tailspin? One recurring suggestion is the Turkish central bank should deliver a knockout rate increase, having failed to do enough so far. But Turkey's problems run deeper.

The lira has fallen 7% against the dollar so far in August, 28% so far this year, and a whopping 64% over five years. Most notably in recent weeks it has failed to rally even as the dollar's broader rise has paused, signaling that the problems are rooted in Turkey, not in a broader inhospitable environment for emerging markets. Bond yields have shot higher and Turkish stocks have taken a drubbing, down 16.5% this year.

The central bank bears its

share of responsibility for this: It shocked the market in July by leaving rates unchanged when analysts expected an rise in response to surging inflation, which has reached almost 16%.

The further decline in the currency will fuel higher prices still. That will lift the size of the response necessary for markets to believe the central bank is serious.

However, the latest lurch lower in the lira has coincided with increased geopolitical tensions: The U.S. has imposed sanctions due to Turkey's detention of an American pastor. The economic impact is limited, but the situation could escalate and monetary policy isn't a cure-all.

Meanwhile, Turkey's eco-

nomic model under President Recep Tayyip Erdogan is increasingly under question, relying as it does on credit flows to support growth. External debt has risen to 53% of gross domestic product, with nearly 70% of it in the private sector.

The clamor for action from the Turkish central bank will only get louder, largely because it would be the most immediate and decisive step to stem the lira's fall. But that would only be the first step for Turkey on the road to regaining confidence. Reducing Turkey's reliance on flows of hot money from abroad, making it less vulnerable to turns in sentiment, and encouraging long-term investment will take a lot more work—and time.

—Richard Barley