

# THE WALL STREET JOURNAL.

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

WEDNESDAY, AUGUST 29, 2018 ~ VOL. CCLXXII NO. 50

WSJ.com

★★★★ \$4.00

DJIA 26064.02 ▲ 14.38 0.1% NASDAQ 8030.04 ▲ 0.2% STOXX 600 385.46 ▼ 0.03% 10-YR. TREAS. ▼ 10/32, yield 2.884% OIL \$68.53 ▼ \$0.34 GOLD \$1,207.40 ▼ \$1.60 EURO \$1.1695 YEN 111.19

## What's News

### Business & Finance

New-vehicle sales in the world's largest auto markets are encountering their first sustained slowdown since the financial crisis, after nearly a decade of growth. A1

◆ Yum China has rejected an investor consortium's offer to take it private that valued the restaurant operator at over \$17 billion. B1

◆ Aston Martin was expected as early as Wednesday to unveil plans for a stock-market listing this year. B1

◆ Home-price growth in the U.S. slowed in June for the third straight month, welcome news for buyers. A2

◆ The Senate voted to confirm Columbia University economist Richard Clarida as Fed vice chairman. A2

◆ Ex-Barnes & Noble CEO Parneros sued the book-seller, accusing its executive chairman of fabricating reasons to fire him. B2

◆ The Nasdaq and the S&P 500 posted small gains, closing at new records. The Dow rose 14.38 points. B13

◆ The OCC took the first step toward rewriting rules for lending in lower-income neighborhoods. B12

◆ Best Buy posted rising sales but said profit growth would slow as it continues to invest in its operations. B2

◆ J.Crew's flagship brand snapped a four-year slump, posting a slight gain in quarterly sales at the firm's existing stores and websites. B3

◆ Tiffany reported soaring profit and sales, underscoring affluent shoppers' willingness to spend on luxury brands. B3

### World-Wide

◆ Trump accused Google of elevating critical news stories about his presidency at the expense of friendly conservative voices, signaling potential government action if it didn't alter its alleged practices. A1

◆ Florida primary voters set up a governor's race between GOP Rep. DeSantis, an outspoken Trump defender, and Tallahassee Mayor Gil-lum, a progressive who won the Democratic nod. A1

◆ U.S. and Canadian negotiators began a sprint to complete a Nafta rewrite, as pressure built on Trudeau to cut a deal and Trump faced skepticism from Congress. A6

◆ Germany is considering providing emergency financial assistance to Turkey, as concerns grow in Berlin about the impact of a full-blown economic crisis. A8

◆ Some top GOP lawmakers are urging Sessions to resist any pressure to quit, and to stay on at least through the midterm elections. A4

◆ Puerto Rico's death toll from Hurricane Maria was nearly 3,000, according to a study commissioned by the island's governor. A3

◆ California advanced legislation that would mandate completely carbon-free electricity generation, with a target of 2045. A3

◆ The U.S. doesn't plan to suspend any more military exercises with South Korea, Mattis said. A18

◆ A U.N. report flagged possible war crimes by a Saudi-led coalition and Houthi rebels in the Yemen conflict. A8

**CONTENTS** Opinion A15-17  
Banking & Finance B12 Property Report B6  
Business News B7 Sports A14  
Crossword A14 Technology B4  
Head on Street B14 U.S. News A2-4  
Life & Arts A11-13 Weather A14  
Markets B13-14 World News A6-9,18

3 5 3 3 4>  
0 78908 63141 1

© 2018 Dow Jones & Company, Inc.  
All Rights Reserved

WEDNESDAY, AUGUST 29, 2018 ~ VOL. CCLXXII NO. 50



Ron DeSantis, left, told supporters he thanked President Trump for the support that helped him win Florida's GOP gubernatorial primary. Andrew Gillum, who secured the Democratic nomination, is an unabashed progressive who has called for the president's impeachment.



## President Accuses Google Of Bias

Alleged slant in search engine results draws fire and threat of White House action

WASHINGTON—President Trump accused Google of elevating critical news stories about his presidency at the expense of friendly conservative voices, signaling potential government action if it didn't change its alleged practices.

By Vivian Salama,  
Douglas MacMillan  
and Drew Fitzgerald

Mr. Trump complained Tuesday on Twitter that Google search results for the words "Trump news" returned results primarily from what he labeled "Left-Wing Media." Google and others "are suppressing voices of Conservatives and hiding information and news that is good," he wrote. The way such sites present results, he wrote, is a "very serious situation--will be addressed."

Later, in remarks at the White House, Mr. Trump said companies including Google, Facebook Inc. and Twitter Inc. are "treading on very, very troubling territory" and warned: "They better be careful because you can't do that to people."

The allegations come as

Please turn to page A2

## Backing For Sessions

Some top Republicans urged the attorney general to resist pressure to quit..... A4

## Two Upstarts Triumph in Florida

Trump choice DeSantis wins the GOP nod for governor; Democrats pick progressive Gillum

By JANET HOOK  
AND REID J. EPSTEIN

Florida primary voters Tuesday set up a dramatic governor's race between GOP Rep. Ron DeSantis, one of President Trump's most outspoken defenders, and Tallahassee Mayor Andrew Gillum,

a progressive who won the Democratic nomination in an upset victory that jarred the party establishment.

The primary results present Florida voters with one of the starker contrasts of any race in the country.

Mr. DeSantis, 39 years old, is a Navy veteran and member of the conservative House Freedom Caucus who campaigned heavily on his endorsement from Mr. Trump.

Mr. Gillum, who defeated the favored former Rep. Gwen Graham in a crowded Demo-

catic primary, has called for the president's impeachment. If he beats Mr. DeSantis in the fall, Mr. Gillum would become the state's first black governor.

In Arizona, Republican primary voters picked Rep. Martha McSally as their nominee to succeed GOP Sen. Jeff Flake, one of the president's most outspoken critics.

Tuesday's results in Florida illustrate how much both political parties have been transformed following Mr. Trump's upset victory in the 2016 presidential election. The Republi-

can Party has become the party of Trump, while Democrats are under heavy pressure to turn to the left in the wake of Hillary Clinton's debilitating loss to Mr. Trump in 2016.

It is especially apt that this face-off takes place in Florida, the nation's largest swing state, one that Mr. Trump won by less than 2 percentage points.

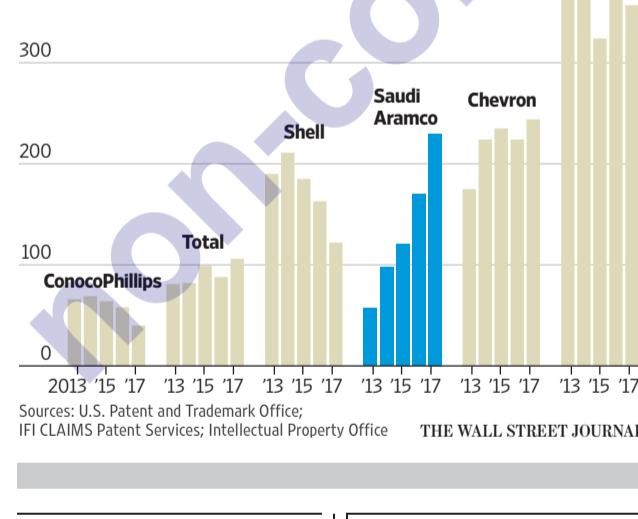
The decisive victory by Mr. DeSantis over Florida agriculture commissioner Adam Putnam, a well-funded Republican backed by the party establish-

Please turn to page A4

## Saudi Tech Push Boosts Patents

The U.S. Patent and Trademark Office granted Saudi Arabia's state oil company, Aramco, 230 patents last year, four times as many as in 2013, as it grows into an innovation powerhouse. B1

Number of patents approved by the U.S. Patent and Trademark Office



## Yahoo, Bucking Industry, Scans Emails for Data to Sell

Web giant pushes harder to analyze inboxes for advertisers

The U.S. tech industry has largely declared it is off limits to scan emails for information to sell to advertisers. Yahoo still sees the practice as a potential gold mine.

Yahoo's owner, the Oath unit of Verizon Communications Inc., has been pitching a service to advertisers that analyzes more than 200 million Yahoo Mail inboxes and the rich user data they contain, searching for clues about what products those users might buy, said people who have attended Oath's presentations as well as current and former employees of the company.

Oath said the practice extends to AOL Mail, which it also owns. Together, they constitute the only major U.S. email provider

By Douglas MacMillan,  
Sarah Krouse  
and Keach Hagey

that scans user inboxes for marketing purposes.

The strategy bucks a recent Silicon Valley trend toward more data privacy and shows

an industry divided on where to draw the line between user protections and technologies that many advertisers crave.

Alphabet Inc.'s Google, the most popular email provider with 1.4 billion users, said it stopped scanning messages in Gmail for ad targeting last year, citing user privacy. Microsoft Corp., the former email leader, said it has never used email data for advertising.

Yahoo's practice began more than a decade ago and expanded over the years, said a person familiar with the matter. The com-

Please turn to page A10

## Global Auto Sales Slow, Pressuring Profits

By WILLIAM BOSTON

After nearly a decade of growth, new-vehicle sales in the world's largest auto markets are encountering their first sustained slowdown since the global financial crisis, putting pressure on profits as uncertainty around U.S. trade policies looms.

China's once-booming car market is cooling, in part because of escalating trade tensions with the U.S. American demand for cars and trucks—long a bright spot for the global auto industry—has topped out, following a seven-year growth streak that helped lift earnings for many car makers and auto-parts suppliers worldwide.

In Europe, where new-vehicle sales have benefited from

## The Hunt for an 18-Foot Python Unites a Divided Nation

\* \* \* \* \*  
Chasing Poland's loose snake are drones, amateur sleuths and a dog called Cocaine

By DREW HINSHAW

WARSAW, Poland—The summer snake scare began with an act of oversharing.

A fisherman posted to Facebook a picture of an 18-foot-long python's freshly shed skin that he had found in a suburban park.

From there it took off, bringing internet panic. It was the peak of July, and a heat wave had brought weather more suitable for pythons than Poles.

"I am scared for my children and my pets," one Facebook user said.

After reported sightings grew across Poland, local agencies went all out in their

snake hunt. The government cleared airspace in the capital last month to let drones pursue the beast. Helicopters, amateur sleuths, a woman dressed as a snake and a celebrity private detective soon elbowed into the quest. A hotline helped police nab

three other exotic snakes slithering through town.

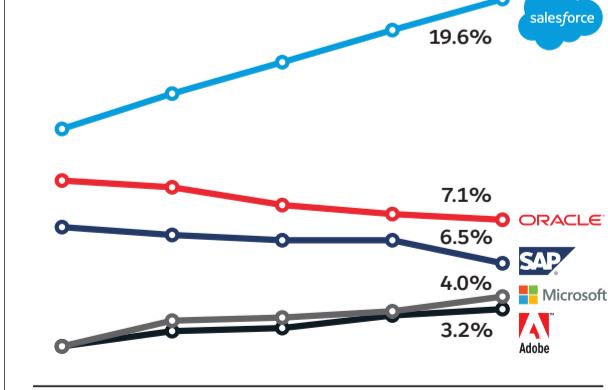
Snake droppings suggest that Bertha, as searchers call her, had been eating something out there in the chest-high grass, something furry.

"DANGER SNAKE," warn police signs around the Debina nature preserve, which is popular with dog walkers.

Please turn to page A10

## Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017 Market Share Revenue Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2018.

salesforce

[salesforce.com/number1CRM](http://salesforce.com/number1CRM)

CRM Applications market includes the following IDC-defined functional markets: Sales, Customer Service, Contact Center, and Marketing Applications. © 2018 salesforce.com, Inc. All rights reserved. salesforce.com is a registered trademark of salesforce.com, Inc., as are other names and marks.

## U.S. NEWS

# Now Even Children Face ID Theft

BY YUKA HAYASHI

**WASHINGTON**—Parents have a new item to add to their financial to-do list: check their child's credit history.

A new federal law going into effect in September will make it easier for families to combat the growing problem of identity fraud of minors, allowing them to make inquiries about credit files in their child's name and freeze a file at no cost.

Data-security experts say children are increasingly targeted by thieves who steal their Social Security numbers to create fake or "synthetic" identities, then open credit cards, take out loans or apply for public assistance. One credit-reporting company, Experian, estimates such identity theft will affect one in four children before they become an adult.

The ability to check children's credit reports is part of a broader banking law that also allowed unlimited, free credit freezes for adults, a response to a massive data breach at Equifax Inc. last September.

Criminals see the clean credit histories of children as particularly attractive, in part because parents rarely check on them. That often allows theft to go unnoticed for years, until the victims reach college age and start applying for credit cards and student loans. Also, a 2011 change in how the government assigns Social Security numbers to babies and new immigrants made it easier to steal numbers without being discovered, experts said.

Young children don't have credit files unless parents or guardians open them—or someone committing fraud did.

Last year, the Federal Trade Commission received 14,000 complaints involving identity theft targeting people 19 and younger, about 3.7% of complaints for all age groups. But experts say those numbers may



Jill Carlon with her daughter, Avery, whose identity was stolen. It took years to clear up her record.

understate the problem because parents are often unaware of children being targeted.

"We have found children are increasingly victims of identity theft," said Suzanne Barber, director of the Center for Identity at the University of Texas at Austin. "If I were going to patchwork an identity, whose would I want to use? I'd probably use the identity that is checked least often."

Al Pascual, an analyst specializing in fraud and security at Javelin Strategy & Research, said a child's personal information is more valuable on the dark web than an adult's, with

a full set of personal information known as "fullz"—name, date of birth, address and Social Security number—"going for 10 times, 20 times more" than an adult file, which typically fetches \$5 per person.

ID Analytics, an identity-fraud prevention unit of Symantec Corp., estimates 2.2%—or one in every 50—of credit applications filed under newly issued Social Security numbers carried fake identities last year, up from 1.2% in 2013. Many of those numbers are believed to belong to young children.

Once a child's personal information is stolen, cleaning up

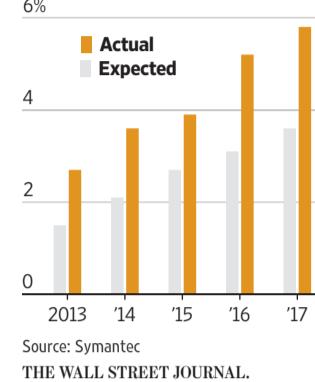
the aftermath can be difficult.

Jill Carlon, a Peoria, Ariz., mother of three, said she spent seven years fixing her daughter's credit file after receiving a call in 2011 about a new J.C. Penney Co. credit card opened using her then 7-year-old daughter's Social Security number. More accounts followed, including at Dillard's Inc., Macy's Inc. and Fry's Electronics Inc. Then collection notices came from a local hotel.

"As a mother, I am supposed to be there to protect her and do everything I can," said Ms. Carlon, a 46-year-old nurse. "It was out of my control."

## Fraud Alert

The share of credit applications made under new Social Security numbers has risen faster than projected, indicating more potentially illegitimate numbers.



Source: Symantec

THE WALL STREET JOURNAL.

Ms. Carlon tried to close the accounts, but was turned away because the name on the accounts didn't match her daughter's, Avery. She called banks, credit-reporting companies, the police and lawyers, then turned to politicians for help.

The Carlons changed their daughter's first and middle names in an attempt to get her a new Social Security number. Finally, earlier this year, she was issued a new number.

Once the provision in the new law goes into effect Sept. 21, parents should contact the three main credit-reporting companies—Experian, Equifax and TransUnion—to check on their children's credit files, experts say. Most young children shouldn't have credit files, though some experts recommend parents create a file for their child, then freeze it.

Ken Meiser, chief compliance officer at ID Analytics, says the credit-reporting system is built on the idea that the first person to claim an identity is that person. "It makes sense for a parent to make sure that they have created that file and protected it," he said.

## U.S. WATCH

### FEDERAL RESERVE

#### Senate Clears Clarida As Vice Chairman

The Senate voted to confirm Columbia University economist Richard Clarida as Federal Reserve vice chairman, filling a top leadership position ahead of the central bank's September policy meeting.

President Trump selected Mr. Clarida in April to serve as the No. 2 to Fed Chairman Jerome Powell, whom Mr. Trump nominated last year.

The Senate confirmed Mr. Clarida to a four-year term as vice chairman in a 69-26 vote Tuesday. It also confirmed him, by voice vote, as a member of the Fed board to finish a term ending in February 2022.

The vote comes days after Mr. Trump, in a meeting with donors, raised doubts about Mr. Powell and said he was unhappy with the Fed's recent moves to increase interest rates.

—Kate Davidson

### ECONOMY

#### Trade Deficit in Goods Widened in July

A preliminary report on international trade for July showed the U.S. trade deficit in goods widened last month to \$72.2 billion from \$67.9 billion in June.

The trade deficit in goods had narrowed slightly from February to May but now appears to have widened two months in a row, although the data are preliminary and don't cover trade in services.

Exports of goods fell to \$140 billion last month from \$142.5 billion in June, while imports rose to \$212.2 billion, up from \$210.4 billion in June on a seasonally adjusted basis, according to the Commerce Department report, which provides an early and partial snapshot of trade and inventory data.

"Export growth is expected to cool over the coming months, weighed down by more modest global momentum, a firmer U.S. dollar, trade tariffs and trade policy uncertainty," wrote Oren Klachkin, lead economist for Oxford Economics.

—Joshua Zumbrun

### TEXAS

#### Ex-Officer Convicted In Fatal Shooting

A white former police officer was convicted of murder Tuesday for fatally shooting an unarmed black teenager when he fired into a car carrying people leaving a house party in suburban Dallas.

Dallas County jurors weren't swayed by former Balch Springs Officer Roy Oliver's claim that he feared for his partner's life when he fired into the car. The gunfire killed 15-year-old Jordan Edwards.

Mr. Oliver and his partner were responding to a report of underage drinking at the house party when the shooting occurred in April 2017. He was fired from the Balch Springs Police Department days later.

Mr. Oliver testified that he opened fire after seeing the car move toward his partner. But his partner told jurors he didn't fear for his life.

—Associated Press

# Pace of Home-Price Increases Again Slows

BY LAURA KUSISTO

The Case-Shiller 10-city index gained 6% over the year, down from 6.2% the prior month. The 20-city index gained 6.3%, down from 6.5% the previous month.

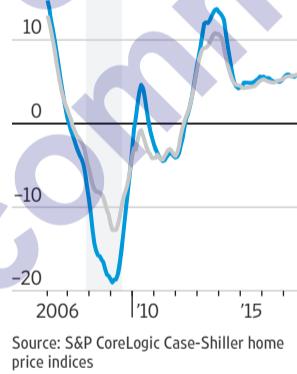
The housing market has been slowing in recent months, a result of rising mortgage rates, a lack of inventory and a run-up in prices that has strained affordability. Existing-home sales have declined for four straight months, the National Association of Realtors said last week. Sales of new homes declined for the second straight month in July, the Commerce Department said Thursday.

Nonetheless, even with the slowdown in price increases, gains are still roughly twice their long-term average. "It may just be that the prices take a bit of time to catch up with the rest of the market slowdown," Mr. Blitzer said.

Seattle, which has seen the fastest home-price growth in the country for nearly two years, dropped to second

## Stunted Growth

Case-Shiller National Home Price Index, change from a year earlier



Source: S&P CoreLogic Case-Shiller home price indices

THE WALL STREET JOURNAL.

place in June. Prices grew 12.8% in the year ended in June. Seattle realtors have reported rising inventory levels and homes sitting on the market for weeks as buyers take their time.

Las Vegas, where home

prices increased 13% in June compared with a year earlier, now has the fastest-growing home prices in the country. That is a potentially worrying indicator, given that housing market's tendency to overheat. But this time the boom appears to be built on a more solid foundation, as Las Vegas is now also one of the fastest-growing markets in the country in terms of both jobs and population.

Case-Shiller's index focuses on larger, and primarily pricier, urban areas. Zillow Senior Economist Aaron Terrazas said Zillow's data show gains slowing in pricier markets such as Seattle, Denver and Los Angeles but continuing to accelerate or hold steady in less expensive markets.

Price increases appear primarily to be squeezing middle- and upper-middle-class buyers, with the wealthiest Americans continuing to spend more to buy homes. Toll Brothers saw a 30% increase in profit in the quarter

ended July 31, with customers spending \$165,000 on average toward premium customization and design features.

A rise in mortgage rates has contributed to a slowdown in sales in recent months. The average rate for a 30-year, fixed-rate mortgage fell to 4.51% last week from 4.53% a week earlier—hitting the lowest level since mid-April, according to data released Thursday by Freddie Mac. Nonetheless, the rate for a 30-year mortgage a year ago was 3.86%, near historic lows.

Tian Liu, chief economist at Genworth Mortgage Insurance, said buyers have been digesting the increase in rates but a slowdown in price increases could help draw people back in, creating new momentum in the market.

"The reason we think it's going to be a deceleration rather than an outright decline is you still have many buyers that are looking to get into the market," he said.

The chart was incorrectly labeled in millions of dollars.

The photo of the Virgil C. Summer power plant in South Carolina that accompanied a Technology article Monday about the project incorrectly omitted credit for High Flyer.

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

## CORRECTIONS & AMPLIFICATIONS

An obituary for Sen. John McCain on Monday omitted the name of a sister who survives him: Jean Alexandra "Sandy" McCain Morgan.

A chart with a Page One article Tuesday about airlines showed 2017 baggage-fee revenue in billions of dollars.

Letters to the Editor: Fax 212-416-2891; email: [wsjtrs@wsj.com](mailto:wsjtrs@wsj.com)

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: [customercenter.wsj.com](http://customercenter.wsj.com); By email: [wsjsupport@wsj.com](mailto:wsjsupport@wsj.com)

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

## REPRINTS & LICENSING

By email: [customreprints@dowjones.com](mailto:customreprints@dowjones.com); By phone: 1-800-843-0008

GOT A TIP FOR US? SUBMIT IT AT [WSJ.COM/TIPS](http://WSJ.COM/TIPS)

## THE WALL STREET JOURNAL

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

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

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

Published daily except Sundays and general legal holidays.

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

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

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of

which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser's order.

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

Letters to the Editor: Fax 212-416-2891; email: [wsjtrs@wsj.com](mailto:wsjtrs@wsj.com)

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: [customercenter.wsj.com](http://customercenter.wsj.com); By email: [wsjsupport@wsj.com](mailto:wsjsupport@wsj.com)

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

## REPRINTS & LICENSING

By email: [customreprints@dowjones.com](mailto:customreprints@dowjones.com); By phone: 1-800-843-0008

GOT A TIP FOR US? SUBMIT IT AT [WSJ.COM/TIPS](http://WSJ.COM/TIPS)

## U.S. NEWS

# Hurricane Death Toll Now Put Near 3,000

Report commissioned by Puerto Rico eclipses prior count of 64 dead; governor is apologetic

BY ARIAN CAMPO-FLORES

The death toll in Puerto Rico from Hurricane Maria last year was nearly 3,000, far more than prior estimates and the original official count of 64, according to a long-awaited study commissioned by the island's governor.

The report, by researchers at George Washington University's Milken Institute School of Public Health, estimated there were 2,975 excess deaths in Puerto Rico from September 2017 through February 2018 stemming from the hurricane. That far surpasses the original official count and is more than double some of the previous estimates from academic studies and media organizations.

Puerto Rico's government has faced criticism for nearly a year that it drastically undercounted the number of fatalities caused by Maria. This month, it acknowledged in a document filed to Congress that the death toll was much higher than the official total.

Gov. Ricardo Rosselló said at a news conference Tuesday that he would sign an executive order updating the official death toll, with the caveat that the number was an estimate. And he said he took responsibility as the governor for mishandling the fatality-count issue.

"Yes, I made mistakes. Yes, in hindsight, things could have been handled differently," Mr.



Maria flooded streets and destroyed homes in San Juan, Puerto Rico, in September 2017. The poor and elderly men were likeliest to die, the new report found.

Rosselló said. "My commitment as governor is accepting that criticism, but also building on it."

The updated count makes Maria one of the deadliest hurricanes in U.S. history. Hurricane Katrina, which struck the Gulf Coast in 2005, killed more than 1,830 people.

The release of the study comes as the one-year anniversary of Maria approaches on Sept. 20, and Congress considers the island government's request for federal aid

to rebuild from the storm.

The study found that all areas of the island were affected by the storm, but certain areas and groups were more vulnerable. The risk of death was 45% higher for people living in poorer municipalities, the study said. Puerto Rican men aged 65 and older also had a higher risk of death.

"The latest study...puts the tragedy of Hurricane Maria on the same scale as the Sept. 11 attacks," said Rep. Bennie G. Thompson (D., Miss.), the top

Democrat on the House Homeland Security Committee. "Because FEMA and the federal government were simply unprepared, thousands of our fellow American citizens have perished—and we now know that the poor and elderly were the most at risk."

White House press secretary Sarah Sanders said that the U.S. "will continue to support the government of Puerto Rico and the Puerto Rican communities in their recovery from Hurricane Irma

and Maria for years to come."

In the document filed to Congress, island officials detailed an ambitious reconstruction proposal. The 531-page plan included requests for \$139 billion worth of projects, including housing initiatives and energy investments.

Since Oct. 1, 2017, the Federal Emergency Management Agency has designated more than \$13.7 billion for Puerto Rico. There is no money specifically to help Puerto Rico in the government funding bills

that both chambers are considering for next year.

The George Washington University researchers estimated the number of excess deaths by analyzing death certificates and other mortality data, and comparing the number of deaths during the designated period to past mortality patterns. They calculated the total number of deaths was 22% higher than would have been expected.

*Natalie Andrews contributed to this article.*



The coding program, which is called The Last Mile, aims to help inmates find work and stay out of prison once they are released.

## In Indiana, Inmates Learn How to Code

BY KRIS MAHER

INDIANAPOLIS—Jennifer Fleming was convicted of dealing drugs in 2012, but when she gets out of prison next year, she is hoping for a job in computer coding.

"Technology is definitely going to be a steppingstone in keeping myself stable," said Ms. Fleming, who is one of eight women in a pilot program at the Indiana Women's Prison that officials plan to roll out to other prisons in the state. Ms. Fleming, 40 years old, passed a test and two rounds of interviews to be accepted into the program.

The program called The Last Mile aims to help inmates find work and stay out of prison once they are released. Researchers at Rand Corp. have found that inmates who participated in educational programs were 43% less likely to return to prison than inmates who didn't.

Ex-inmates are typically among the last groups on the sidelines of the jobs market. The U.S. economy has been in a sustained period of low unemployment with many states across the Midwest and Northeast, in particular, experiencing labor shortages and employers needing to reach further for workers.

Officials in Maine, which had a 3% unemployment rate in July, are inviting employers to the state prison in Warren for a seminar on hiring prisoners in September. Organizers expected between 25 and 50 employers. So far, 114 have signed up, from retailers to construc-



Coding instructor Quincy Williams helps Stacy Orue during a class at the Indiana Women's Prison in Indianapolis this month.

tion companies. The state is proposing that employers send their own managers into prisons to train inmates.

"Everywhere you go up here, there are help wanted signs," said Ed Upham, director of the state's Bureau of Employment Services. "This is an overlooked population whose time has come."

In Wisconsin, where the unemployment rate was 2.9% in July, about 20 current inmates build semitrailers for Stoughton Trailers LLC through a state work-release program to hire prisoners. They work as entry-level assemblers up to advanced welders earning as much as \$20 an hour. Initially, the program was a tough sell for managers, but today the inmates who arrive every day provide a buffer against absenteeism, said Meghan Yeadon, a human-resources recruiter for the trailer maker who oversees the program.

"They want to be here and

work as many hours as they can," she said. Since last year, the company, which employs 1,250 manufacturing workers, has hired about five inmates into full-time positions upon their release.

The Last Mile, founded in 2014, operates in Indiana as well as in six correctional facilities in California. All 50 people who have completed the program in California and been released are employed, and none have returned to prison, the organization said.

Indiana has a 37% recidivism rate within the first three years of release, and 75% of former inmates are unemployed one year after being released. The state houses 27,000 offenders in 23 prisons, and 90% of inmates will be released back into society.

"Many of the tech companies see the value of what we're bringing to the community," said Kenyatta Leal, a co-founder of The Last Mile and a

former inmate himself. He said the nonprofit is in negotiations to expand the coding program into prisons in Kansas, Oklahoma and Arizona. In Indiana, the first year of the program cost \$130,000 and was paid for by a family in the state.

At the Indiana Women's Prison, classes are held from 7:30 a.m. to 3 p.m. five days a week. Because inmates aren't allowed internet access, the women study versions of sites downloaded by their instructor.

They sit in front of computer screens and work through assignments at their own pace, learning how to create websites with navigation bars and dropdown boxes. Other assignments include writing the code for features like making dots appear on a screen and change color.

Organizers say participants will do about 800 hours of programming over the yearlong course.

"This is a tough program," said Laurie Johnson, the prison's warden.

Ms. Fleming said that before her arrest she had relapsed into addiction while taking care of her father as he was dying of lung cancer. She lost custody of her three children. She hopes to get a job to help pay off her \$47,000 in student debt, which she said came from studying at Purdue University where she was a semester shy of completing a bachelor's degree.

She showed off her 99.01% average for the course, and then used a tool to find errors in 9,566 lines of code, including one where an extra space had been inserted. "This is so precise," she said.

California Gov. Jerry Brown signed legislation eliminating cash bail for people accused of crimes, in a major step forward for a growing national movement.

Several U.S. cities and states have in recent years reduced their reliance on bail, arguing the system unfairly confines poor people, creating overcrowded jails and extra costs for taxpayers. California, which has historically set some of the highest bail amounts in the nation, is now the largest state to do so.

When the law goes into effect on Oct. 1, 2019, people accused of crimes in California will no longer be required to put up money in order to "make bail" and be released before trial. Instead, public employees will conduct a risk as-

essment and then recommend to a judge whether the accused should be kept in jail or be released either on their own recognizance or with conditions such as home detention or GPS trackers. Prosecutors will also be able to request detention.

Kentucky, New Jersey and the District of Columbia have already almost eliminated bail in practice, said Amber Widgery, a senior policy specialist for the National Conference of State Legislatures. California's new law goes further than those states have by officially ending the practice, rather than just ceasing its use in most cases, Ms. Widgery said.

David Quintana, a lobbyist for the California Bail Agents Association, said the new law would lead to those accused of crimes skipping out on court dates while eliminating 7,000 jobs in the cash-bail industry.

## Clean Energy Bill Gains in California

BY ERIN AILWORTH AND ALEJANDRO LAZO

California advanced legislation Tuesday that would make it the first large state to mandate completely carbon-free electricity generation, with a target of 2045.

If signed into law by Gov. Jerry Brown, the bill would keep the nation's most populous state at the forefront of environmental regulation trends and could have a big impact on electricity generation beyond California's borders. In 2017, California imported roughly 30% of its electricity generation, according to state data.

Though the bill sets the most ambitious carbon-free goals in the nation, it doesn't specify how California would get there.

It would require utilities to transition gradually to electricity resources that don't emit greenhouse-gas emissions, such as wind, solar, hydroelectric and nuclear power. The first target: 33% carbon-free power by the end of 2020. Utilities would then need to get 50% of their power from carbon-free resources by the end of 2026 before hitting the 100% goal 19 years later.

It passed the Assembly Tuesday evening by a vote of 43-33, according to the office of the

## State to End Cash Bail for Accused

BY ALEJANDRO LAZO AND DAN FROSCH

California Gov. Jerry Brown signed legislation eliminating cash bail for people accused of crimes, in a major step forward for a growing national movement.

Several U.S. cities and states have in recent years reduced their reliance on bail, arguing the system unfairly confines poor people, creating overcrowded jails and extra costs for taxpayers. California, which has historically set some of the highest bail amounts in the nation, is now the largest state to do so.

When the law goes into effect on Oct. 1, 2019, people accused of crimes in California will no longer be required to put up money in order to "make bail" and be released before trial. Instead, public employees will conduct a risk as-

## U.S. NEWS



Attorney General Jeff Sessions has signaled he is tired of the barrage of criticism from President Trump but feels obligated to remain to avoid turmoil resulting from his exit.



## New Office To Help Firms With Labor Laws

By HEIDI VOGT

**WASHINGTON**—The U.S. Labor Department said it is creating an office to better help companies comply with regulations before finding they have run afoul of labor laws, a move that policy watchers said was a change in tone from an Obama-era emphasis on enforcement.

The responsibilities of the Office of Compliance Initiatives will include working with enforcement agencies to improve their effectiveness and use of data, as well as increasing outreach to employers and employees to prevent violations, the Labor Department said Tuesday. One early initiative is a website to help companies understand their responsibilities and a revamped site for workers on their rights.

The new office's work will also include "facilitating and encouraging a culture that promotes compliance assistance within the department," the Labor Department said.

Many in the business community have said the Labor Department under President Obama overstressed the need for aggressive enforcement.

"Coming out of the last administration, we did not see a culture of compliance assistance," said Marc Freedman, vice president of workplace policy at the U.S. Chamber of Commerce. He said the Obama administration aimed to "scare employers into doing the right thing." He cited as an example the "regulation by shaming" that the Occupational Safety and Health Administration used to pressure companies it was investigating.

Labor Secretary Alexander Acosta said the creation of the new office didn't mean the Labor Department would be any less rigorous in punishing companies that flout regulations.

"Vigorous enforcement and compliance assistance go hand in hand," Mr. Acosta said. "The Office of Compliance Initiatives expands our efforts to promote full compliance with federal labor law."

Still, David Weil, who headed the department's Wage and Hour Division under Mr. Obama, said the focus on a shift in culture could be seen as a signal that enforcement is less of a priority.

"What worries me," he said, "is that is to say, 'Listen, you career-enforcement people: Back off. What we're about is not enforcement. We're about compliance assistance.'"

The Labor Department said the new office would be funded with existing resources.

# Republicans Urge Sessions to Stay

GOP senators ask attorney general to remain through midterm elections

**WASHINGTON**—Some top Republican lawmakers are urging Attorney General Jeff Sessions to resist any pressure to quit following criticism from President Trump, and to stay in the job at least through the midterm elections.

By Kristina Peterson, Peter Nicholas and Sadie Gurman

The same morning as Mr. Trump was venting his frustration at the Justice Department, five Republican senators met Mr. Sessions this past Thursday for breakfast in his personal dining room on the fifth floor of the department's headquarters. Their message:

Hang in there despite Mr. Trump's broadsides, according to senators and aides.

Mr. Trump told one Republican lawmaker recently that he wanted to fire Mr. Sessions before the midterm elections, according to a person familiar with the matter, but Republicans say they are convinced that pushback from Capitol Hill and within the White House has persuaded Mr. Trump to stand down for now.

The breakfast huddle came at Mr. Sessions' invitation and included Sens. John Cornyn of Texas, Thom Tillis of North Carolina, Jerry Moran of Kansas, Ben Sasse of Nebraska and John Kennedy of Louisiana, most of whom sit on the Judiciary Committee, which oversees the Justice Department. It was the latest instance of Republican lawmakers seeking to keep their former colleague in his post and avoid a bruising fight over a successor in the

weeks before Election Day.

Mr. Sessions signaled that he is tiring of the barrage from Mr. Trump, GOP senators said, but that for the moment he feels obligated to remain in his post to avoid the political and legal turmoil that would stem from his departure.

The developments reflect a divide between Mr. Trump and congressional Republicans. The president has made clear his anger at Mr. Sessions, his sense of personal betrayal and his desire for the attorney general's departure, while GOP lawmakers are eager to avoid any damaging political storms before Nov. 6.

Senate Majority Leader Mitch McConnell (R., Ky.) parted ways with Mr. Trump Tuesday by strongly supporting Mr. Sessions. "I have total confidence in the attorney general," he told reporters. "I think he ought to stay exactly where he is."

The situation after the elec-

tion is far less clear. It isn't unusual for top officials to leave after a midterm election, and Mr. Sessions has made it clear privately that he finds the presidential attacks dispiriting. In addition, Republican senators including Lindsey Graham (R., S.C.) have suggested recently they are more open to Mr. Ses-

sions' departure than they were previously.

The Justice Department declined to comment.

Mr. Trump's public criticism of Mr. Sessions goes against the advice of top aides and Republican lawmakers, who warn

that removing the attorney general could energize Democrats before the election and possibly provide grist for impeachment proceedings should they retake Congress, as a potential obstruction of justice.

Although most Democrats opposed Mr. Sessions' confirmation, they now agree with many Republicans that he should stay in place.

"I'm concerned that the president is trying to find a way to fire Mueller and disrupt that investigation and that getting rid of Sessions is part of it," Sen. Jeff Merkley (D., Ore.) said. "It's important for him to stay there."

White House chief of staff John Kelly has made clear he doesn't want to see Mr. Sessions fired, a person close to the White House said. Should he be removed, it could touch off a wave of resignations, the person said.

—Siobhan Hughes contributed to this article.

# Lawmakers Weigh How to Memorialize McCain

By BEN KESLING AND JOSHUA JAMERSON

**WASHINGTON**—Senate Republicans are advocating for a slow approach on deciding how to memorialize John McCain, in a move that could sap momentum from a Democratic initiative to name a Capitol Hill office building after the long-time statesman and war hero.

Senate Majority Leader Mitch McConnell (R., Ky.) said Tuesday that he would form a bipartisan panel to determine

the best way to honor the Republican senator from Arizona, who died Saturday. Some of the options, he said, were naming the Senate Armed Services Committee room after Mr. McCain or placing his portrait in the Capitol's Senate Reception Room.

"We should probably call it not a committee, but a gang," Mr. McConnell said on the Senate floor. "So I'm glad we'll be able to form this gang to ensure that a suitable, lasting tribute becomes a reality."

Senate Minority Leader Chuck Schumer (D., N.Y.) over the weekend said he would introduce a measure in Congress to rename the Russell Senate Office Building after Mr. McCain.

More than half the Democratic Senate caucus—at least 34 of 49 members—supported the measure, according to a WSJ whip count Tuesday, including Sens. Cory Booker (D., N.J.), Elizabeth Warren (D., Mass.) and Kirsten Gillibrand (D., N.Y.).

Several Republicans also

voiced support, including Sens. Bob Corker (R., Tenn.), Orrin Hatch (R., Utah) and Susan Collins (R., Maine).

GOP Sen. Jeff Flake of Arizona said Sunday he would like to become the "first Republican co-sponsor" of Mr. Schumer's planned measure.

Mr. McConnell on Tuesday didn't indicate he supported Mr. Schumer's proposal.

"There may be other, even better ways that we should explore," Ms. Collins said Monday. "I believe that Sens. McConnell

and Schumer should come up with a bipartisan agreement on the best way to celebrate and honor Sen. McCain."

Democrats support Mr. McCain's name on the building in part as a tribute, but also because it would remove the name of Sen. Richard Russell.

Mr. Russell was a Georgia senator who served as a Democrat from 1933-1971. His legacy includes supporting a program to help poor schoolchildren but also an ardent pro-segregation position.

## Upstarts Win Nods In Florida

*Continued from Page One* ment, was the latest evidence of Mr. Trump's dominant role in the 2018 Republican primaries.

Of the three dozen Republicans Mr. Trump has endorsed in primaries this year, Mr. DeSantis is the one whose win owes the most to the president's sway: The Trump endorsement this summer upended a race that had been seen as Mr. Putnam's to lose.

Mr. Trump took to Twitter to hail the results. "Such a fantastic win for Ron DeSantis and the people of the Great State of Florida," he said.

Mr. DeSantis told his supporters at a victory party that he had talked to Mr. Trump to thank him for his support.

"I'm not always the most popular guy in D.C. but I did have support from someone in Washington," he said. "If you walk down Pennsylvania Avenue he lives in the white house with the pillars in front."

Mr. Gillum's victory came as a shock to the Democratic political establishment in Florida and Washington, who had widely expected Ms. Graham to prevail.

Ms. Graham, a former congresswoman, led every public poll of the race and was the best known when the race be-

gan. Her father, Bob Graham, was a past Florida governor and senator, and she was the only woman in a five-candidate field in a year in which female candidates have dominated Democratic primaries.

Mr. Gillum, 39, is a break from the sort of centrist Democrats who have won statewide races in Florida. He is the son of a bus driver, and he won his first race for city council as a 23-year-old student at A&M University.

An unabashed progressive backed by Vermont Sen. Bernie Sanders, he ran TV advertisements calling for, among other things, abolishing U.S. Immigration and Customs Enforcement and banning assault weapons.

In victory remarks to supporters, Mr. Gillum said his campaign would serve as a rebuke to Trumpian politics.

"We're going to make clear to the rest of the world that the dark days that we've been

under coming out of Washington, that the derision and the division that is coming out of the White House, right here in the state of Florida, we are going to remind this nation of what is truly the American way," Mr. Gillum said.

The race to succeed Republican Gov. Rick Scott, who is term-limited, is considered a tossup by the nonpartisan Cook Political Report.

In Oklahoma's GOP primary runoff for governor, Republicans chose mortgage executive Kevin Stitt over Mick Cornett, a former Oklahoma City mayor. Mr. Stitt's victory serves as the latest evidence that Republican primary voters place little value on political experience when given an option of a political newcomer.

Mr. Stitt is a heavy favorite in the general election against Democrat Drew Edmonson, a former state attorney general.

In Arizona, Ms. McSally was declared the winner of the

Senate Republican primary by the Associated Press over former state senator Kelli Ward and former Maricopa County Sheriff Joe Arpaio.

Ms. McSally was the candidate strongly favored by the GOP establishment for the Flake seat, which is one of Democrats' top targets in their quest to win a Senate majority, or at least to gain seats. Ms. McSally, a former Air Force fighter pilot, will face Democratic Rep. Kyrsten Sinema, who had no serious opponent in the Democratic primary, in what will be a national marquee race.

Although Mr. Flake was one of Mr. Trump's most outspoken GOP critics, the primary to succeed him focused on who could claim to be the president's closest ally. Ms. McSally, who had kept her distance from Mr. Trump during the 2016 campaign and has refused to say whether she voted for him, stuck to the right and portrayed herself as a Trump loyalist.

Mr. Arpaio, a hardened opponent of illegal immigration, last year received a pardon from Mr. Trump after being convicted of charges in connection with his department's immigration raids.

Ms. Ward had prompted praise from Mr. Trump when she mounted a primary challenge to Mr. Flake before he decided to retire. She drew criticism in recent days when she accused Sen. John McCain's family of announcing the end of his cancer treatment to undercut her campaign. Mr. McCain died on Saturday.



Martha McSally won the Arizona GOP Senate primary.

NICOLE NERI/REUTERS

**X-CHAIR**  
Stylish • Ergonomic • Comfortable

Dynamic Variable Lumbar Support (DVL) feels incredible!

This is Not Your Grandfather's Office Chair!

Free Shipping & 30 Day Risk Free Trial  
Save \$100 Now! And, Use code **FreeFootrest** For a Free Footrest  
[BuyXchair.com](http://BuyXchair.com)

BuyXchair.com | 844-4-XCHAIR | Corporate Discounts Available

gan. Her father, Bob Graham, was a past Florida governor and senator, and she was the only woman in a five-candidate field in a year in which female candidates have dominated Democratic primaries.

Mr. Gillum, 39, is a break from the sort of centrist Democrats who have won statewide races in Florida. He is the son of a bus driver, and he won his first race for city council as a 23-year-old student at A&M University.

An unabashed progressive backed by Vermont Sen. Bernie Sanders, he ran TV advertisements calling for, among other things, abolishing U.S. Immigration and Customs Enforcement and banning assault weapons.

In victory remarks to supporters, Mr. Gillum said his campaign would serve as a rebuke to Trumpian politics.

"We're going to make clear to the rest of the world that the dark days that we've been

under coming out of Washington, that the derision and the division that is coming out of the White House, right here in the state of Florida, we are going to remind this nation of what is truly the American way," Mr. Gillum said.

The race to succeed Republican Gov. Rick Scott, who is term-limited, is considered a tossup by the nonpartisan Cook Political Report.

In Oklahoma's GOP primary runoff for governor, Republicans chose mortgage executive Kevin Stitt over Mick Cornett, a former Oklahoma City mayor. Mr. Stitt's victory serves as the latest evidence that Republican primary voters place little value on political experience when given an option of a political newcomer.

Mr. Stitt is a heavy favorite in the general election against Democrat Drew Edmonson, a former state attorney general.

In Arizona, Ms. McSally was declared the winner of the

# THE VALUE OF ZERO

Only at Fidelity.

- **Zero** account fees
- **Zero** minimums to open an account
- **Zero** minimum investment Fidelity mutual funds
- **Zero** expense ratio index mutual funds

Because at Fidelity, we believe  
nothing should stand between you and your money.

[Fidelity.com/value](http://Fidelity.com/value)

Zero account fees and minimums are available for retail brokerage accounts only.

Fidelity now offers the Fidelity ZERO Total Market Index Fund (FZROX) and Fidelity ZERO International Index Fund (FZILX) available to individual retail investors who purchase their shares through a Fidelity brokerage account.



**Fidelity**  
INVESTMENTS

Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

Expenses charged by investments (e.g., funds and managed accounts) and commissions, interest charges, or other expenses for transactions may still apply. All Fidelity funds with investment minimums of \$10k or less, and in stock and bond index fund classes with minimums of \$100 million or less, now have zero minimums. See the fund's prospectus and [Fidelity.com/commissions](http://Fidelity.com/commissions) for further details.

Fidelity Brokerage Services LLC, Member NYSE, SIPC. © 2018 FMR LLC. All rights reserved. 852659.3.0

# WORLD NEWS

## U.S., Canada Talk Trade Under Pressure

Trump gives Trudeau little leeway, but the American leader faces his own risk: Congress

U.S. and Canadian negotiators began a last-minute sprint to complete a North American Free Trade Agreement rewrite, as pressure built on Canadian

*By Paul Vieira  
in Ottawa and  
Jacob M. Schlesinger  
in Washington*

Prime Minister Justin Trudeau to cut a deal and President Trump faced skepticism from Congress.

After being sidelined in the discussions for three months, Canadian Foreign Minister Chrystia Freeland arrived in Washington to meet with U.S. counterparts, a day after Mr. Trump said the U.S. and Mexico had agreed to new trade terms and suggested Canada had little leeway to change what the other sides had agreed upon.

However, the U.S.-Mexico accord has provisions Canada has objected to.

"This is going to be a full steam-ahead effort," Ms. Freeland told reporters following a meeting with U.S. Trade Representative Robert Lighthizer. "This is a really big deal. We are going to engage in earnest." She planned to meet with her Mexican counterparts late Tuesday before, she said, talks among the countries swing into higher gear starting Wednesday.

Roughly 75% of Canada's exports head to the U.S., and Canada is America's second-largest trading partner, following China.

Because Canada is such an important trading partner, some of Mr. Trump's congressional allies suggested they might not support a new Nafta deal if Canada isn't part of it. That could complicate the president's negotiating stance because he needs congressional approval of a new deal.

"Kansas is an export dependent state—our farmers, ranchers and manufacturers rely on the ability to sell to consumers around the world," Kansas Republican Sen. Jerry Moran wrote to Mr. Trump on Tuesday.

He added that Canada was the top market for Kansas last year, accounting for over 22%



Canadian negotiator Chrystia Freeland in Washington on Tuesday.

of all exports.

A large faction of lawmakers has also grown agitated over what it considers the Trump administration's disregard for Capitol Hill's role in trade policy, and are threatening to use a Canadian exclusion as a way to stymie the necessary congressional vote on a revised Nafta.

"Conversion into a bilateral agreement would not qualify,"

tion's hardball approach to trade policy. Mr. Trump has threatened to impose auto tariffs on Canada if it is unwilling to compromise.

The Trump administration said it would give Canada until Friday to iron out crucial differences—on issues including dairy trade, how future disputes get resolved, and other matters—although some trade experts say talks are likely to extend into September.

For Canada's Liberal government, the coming days and weeks represent a pivotal moment that could have repercussions for its re-election chances next year.

"We are rightly or wrongly being presented with a take-it-or-leave-it result that the U.S. and Mexico have come up with," said Derek Burney, chief of staff to former Canadian Prime Minister Brian Mulroney.

Trade tension between Washington and Ottawa spilled out into the open in May, after the Trump administration imposed tariffs on Canadian-made steel and aluminum on national security grounds. Mr. Trudeau approved retaliatory tariffs against the U.S. and vowed not to be

pushed around by America.

Mr. Trump later launched personal attacks against Mr. Trudeau on Twitter after he felt slighted by the Canadian prime minister after face-to-face meetings in Canada.

Even before the dust-up on metals tariffs, U.S. officials were frustrated with Canadian tactics at the negotiating table, people familiar with the matter say. U.S. officials blamed Canada for stalling negotiations amid deadlines the U.S. and Mexico politicians faced.

Furthermore, the people said, the Trump administration was upset over Canadian attempts to divide the U.S. political system by directly lobbying members of Congress and state-level lawmakers to champion Canada's side in the Nafta talks.

Ms. Freeland said Canada was encouraged by progress achieved by the U.S. and Mexico, adding Mexico made "significant concessions" that led to new rules governing the trade of autos. "The fact that Mexico was able to do something that is quite difficult...really sets the stage for some productive conversations this week," she said.

## Mexico's Role As Car Hub Faces Challenge

The Trump administration's new trade deal with Mexico is likely to force some auto makers to rethink their strategy for many Mexican-built models, threatening the country's role as a go-to producer of lower-priced small cars and sedans for the U.S. market.

*By Chester Dawson,  
 Adrienne Roberts  
 and Robbie Whelan*

The U.S.-Mexico trade agreement comes nearly two decades after the North American Free Trade Agreement was established, resulting in a shift by many car makers to move production of less-lucrative models, particularly small cars and compact sedans, to Mexico to take advantage of the country's low labor rates. But under the new agreement, many of those Mexican-built models may not meet the tougher content requirements, potentially forcing them to be subject to a 2.5% tariff.

"Auto makers are going to face some tough decisions," said Kristin Dziczek, an industry expert at the Center for Automotive Research in Ann Arbor, Mich. Rather than make big changes to their production plans, car makers are more likely to pass along the 2.5% tariff to consumers or simply stop selling those lower-margin models in the U.S., she said. That could end up increasing prices or limiting the selection of cars typically bought by budget-minded consumers, analysts say.

The trade agreement unveiled Monday reworks existing Nafta rules, increasing the

minimum share of car components that need to be made in North America to 75% from 62.5%. It also added a requirement that 40% to 45% of content be made by workers earning at least \$16 an hour, a move that could effectively force auto makers to either raise wages in Mexico or source more content to the U.S. and Canada where auto wages are higher to avoid the 2.5% tariff.

Industry officials say they are hopeful for some flexibility in how the wage figure is calculated as the details of the new U.S.-Mexico trade agreement become clearer.

The deal puts pressure on Canada to come to the table. The trade pact needs congressional approval and key lawmakers have signaled they might reject a White House attempt to send up a bilateral agreement that excludes Canada.

The agreement spares many of the larger vehicles imported from Mexico that have high levels of U.S.-made content, including pickup trucks made by General Motors Co. and Fiat Chrysler Automobiles NV. But nearly a dozen models assembled in Mexico appear to run afoul of the new rules, according to a Wall Street Journal analysis of 2018 model-year data from the National Highway Traffic Safety Administration.

The Mexican government anticipates about 32% of the vehicles manufactured in the country won't meet the new content rules to qualify for free trade.

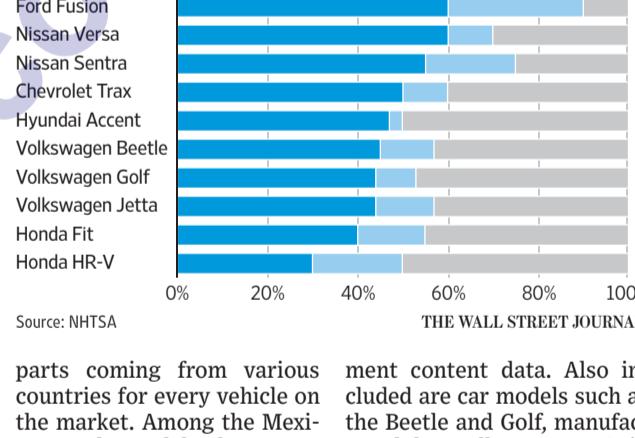
NHTSA publishes an online database listing the share of



Under the new trade deal, many Mexican-built models may not meet tougher content requirements, subjecting them to a 2.5% tariff.

### Border Hurdle

Some Mexican-built models may fall short of new restrictions designed to boost U.S.-made content.



parts coming from various countries for every vehicle on the market. Among the Mexican-made models that won't likely meet the new requirements are the Honda HR-V, Nissan Sentra and Ford Fusion, according to the govern-

ment content data. Also included are car models such as the Beetle and Golf, manufactured by Volkswagen AG in Mexico. Volkswagen builds 41% of its U.S.-sold vehicles in Mexico—more than double that of GM, the next-largest

auto maker building cars in Mexico for shipment to the U.S.

Volkswagen said in a statement that while it welcomed the U.S.-Mexico deal "in principle," it needed to conduct a "very careful examination" once the details of the agreement become clearer. That echoed statements from Nissan Motor Co., Ford Motor Co. and other auto makers with vehicles that appear to fall below the content threshold.

The tougher content restrictions follow President Trump's trade rhetoric targeting auto makers since winning the election in 2016. Both Ford and Toyota Motor Corp. have since changed plans in Mexico, with Ford canceling a planned small-car plant and Toyota scrapping plans to build the compact Corolla, scaling back its investment and shifting to truck production.

The U.S.-Mexico trade agreement comes as more Mexican exports are being shipped to markets outside of the U.S. and

as American demand for traditional sedans has dropped in favor of larger vehicles such as sport-utility vehicles.

Mexico's non-Nafta exports are projected to grow from 19% of its vehicle output in 2015 to 29% in 2023, according to estimates from the Center for Automotive Research.

BMW AG is expected to open a factory in Mexico next year to build its 3-Series sedan that it plans to sell in unspecified export markets.

The agreement could provide a disincentive to further direct investment by car companies in Mexico, said Manuel Montoya, head of the Automotive Cluster of Nuevo Leon, an industry group that represents suppliers in Mexico's north.

Mr. Montoya said the requirement that 40% to 45% of car components be made by workers earning at least \$16 an hour would force "a large part of the production to be done in Canada or the U.S., because in Mexico those types of jobs just don't exist."

## Auto Markets in Slowdown

*Continued from Page One*

the continent's economic recovery, the car market is also softening as demand returns to prerecession levels. That is making profits harder to come by in a region where many car companies have long struggled to make money.

To be sure, global demand remains robust, driven by continued economic strength, but headwinds are gathering.

President Trump's trade policies are undermining consumer confidence in many markets outside the U.S. and are widely seen as the biggest threat to continued economic growth.

An easing of tensions between the U.S. and its major trading partners could prevent the slowdown in auto sales growth from becoming a more

rapid decline, analysts say.

Evidence of that came Monday, when an agreement between the U.S. and Mexico to rewrite portions of the North American Free Trade Agreement buoyed investors, lifting U.S. stocks, global currencies and commodities. Shares of General Motors Co. and Ford Motor Co. surged. On Tuesday, German auto makers including Volkswagen AG, BMW AG and Daimler AG—which have big

factories in the U.S. and Mexico—outperformed the country's broader DAX stock index.

But the U.S. is still threatening Europe with new import duties and ratcheting up tariffs on China, the world's biggest auto market by sales, which has responded with a 40% import tax on U.S.-built vehicles. An all-out trade war could push the auto industry off a cliff, analysts say. Oxford Economics, a global forecasting group, esti-

mates that a "moderate trade war scenario" could result in a decline in global gross domestic product in real terms of about 0.5% in 2019, which could sap demand for new vehicles.

This worry has put several car makers, including Ford and Fiat Chrysler Automobiles NV, into caution mode as they temper their financial expectations. Daimler in June issued an unexpected profit warning, saying China's retaliatory import duties on vehicles built in the U.S. would dent sales and profits for the sport-utility vehicles it makes at an Alabama plant.

Last week, Continental AG, the world's second-largest auto-parts supplier, also warned investors its profits could take a hit this year, blaming softer demand for cars in Europe and China.

"The slowdown comes at a very difficult time as [the industry] transitions to more electrification and the robocar arms race sucks up research and development money," said Dave Sullivan, an analyst with consulting firm AutoPacific Inc.

The weakening outlook

comes as firms grapple with higher steel and aluminum prices stemming from new tariffs imposed by the Trump administration this year. Stiffening emissions regulations in Europe and China are also forcing auto manufacturers to spend billions of dollars on new technologies to curb tailpipe pollution.

Global auto sales have increased steadily since 2010, rising on average more than 5% annually. This year, sales are on track to hit 97 million vehicles worldwide, but the growth rate is expected to slow to 1.8% from 2017, according to forecasting firm LMC Automotive.

Mr. Trump has threatened to impose additional tariffs on the auto industry and has said he sees such threats as a way to extract concessions from trading partners. In May, the White House asked the Commerce Department to investigate whether it could use a national security law to impose tariffs of up to 25% on cars and auto parts imported into the U.S.

Such actions could further crimp car sales, auto makers

and analysts say. In China, the slowdown in the new-car market comes after years of rapid growth driven in part by the wealth amassed by an expanding middle class.

July sales of new cars in China fell 5.3% from a year earlier to 1.59 million, surprising investors and causing auto makers to rethink forecasts. For the full year, sales are forecast to grow 1.2%, according to LMC Automotive, down from 13% growth in 2016 and 2.1% in 2017.

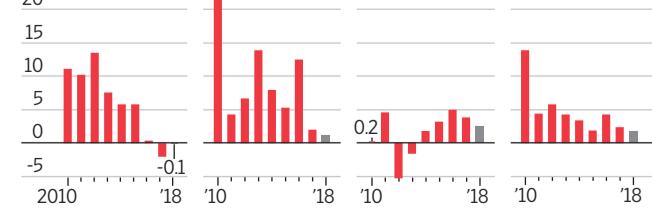
Ford in July cut its full-year profit guidance after reporting weaker-than-expected results in China and Europe, two key markets where it lost money in the second quarter. FCA also has reduced its profit forecast for 2018, blaming poor performance in China.

In Europe, new-car demand has nearly returned to its pre-financial crisis peak. Sales of new cars in the European Union were up 2.9% in the first half, but that is down from the 4.7% growth posted for the first half of 2017.

### Downshifting

After a strong run, auto demand is cooling in major markets.

**Light-vehicle sales, change from a year earlier**



Note: Light-vehicles weigh less than six tons; 2018 figures are estimates

THE WALL STREET JOURNAL

## Special Advertising Section

# Security for the Modern Workforce

*In a climate of escalating cyber threats, businesses must protect their data without sacrificing collaboration.*



New security threats are everywhere these days. State-sponsored attackers, many threatening to disrupt businesses and hold valuable data ransom, pose a far greater threat than the rogue hackers of yesteryear. Meanwhile, a new class of attacks — popularly known as Spectre and Meltdown — targets hardware vulnerabilities to steal sensitive data. When every new technology capability, from devices to the network to the cloud, is answered with a new attack method, how are businesses focused on growth and innovation supposed to keep up?

"The sophistication of cyberattackers has grown significantly," says Tom Garrison, vice president of the client computing group at Intel. "The vectors of attack continue to advance, and Intel knows that we are an essential line of defense and that these challenges are serious. For years, we have worked to develop new security features to stay ahead of these threats. With every generation of hardware, we are working tirelessly to improve."

The industry continues to collaborate on mitigations of new security threats, and there is a growing industry consensus regarding the recommended strategies to address security risks. In tandem with these efforts, technology companies are proactively driving new developments to protect customers, including enterprises faced with these growing challenges.

"CDW and Intel have been partnering together to help our customers drive more employee productivity, increase security and reduce total cost of ownership by leveraging Intel's new processors and adopting the latest Intel hardware, like vPro and Optane," says Ben Hodges, senior category manager at CDW.

Today, a competitive business needs to be technology-minded, mobile-first and always-on — often while maintaining a remote workforce. Through the Intel vPro™ platform, Intel delivers built-in security features like multifactor authentication in the processor, storing important details about the user's credentials at the hardware level. Some versions also provide protection from firmware attacks via Intel Runtime BIOS Resilience. These protections are designed for the modern businesses that rely on remote collaboration.

Businesses can help secure their data by leveraging the Intel vPro platform together with the Windows 10 operating system. Intel and Microsoft have long partnered on business solutions and continue to collaborate on hardening security features through the combination of hardware and software that are optimized for compatibility.

When Microsoft and other vendors build security into the operating system from the beginning, the software can communicate directly with the hardware and determine whether the machine is operating as designed. "From a security standpoint, the best solution is

to make sure you're operating with the latest hardware and operating system to give your business the best available security posture," Garrison says.

#### COLLABORATING SECURELY

Intel has taken that hardware foundation a step further, facilitating more secure meeting collaboration through Intel Unite software — which provides wireless, encrypted screen sharing — built on top of the Intel vPro platform. This combined software/hardware solution gives businesses a more secure way to connect globally dispersed teams. Intel uses the solution in more than 5,000 conference rooms worldwide, where it has improved security and reduced the time it takes to share content during meetings.

"Everything is encrypted, so the content is protected even if one person is in the office and another is sitting in a café on someone else's network," Garrison says. "Today, we need ways for workers to remain productive whether or not they're physically sitting together. With Intel Unite, businesses can be more confident that their data is secure even as it's being shared between remote teams."

Another company that uses the Intel

Unite product, manufacturer Sames Kremlin, needed a better way to maintain productivity across North American sites. They described Intel Unite as remarkably easy to use. Where a competing array of dongles and interfaces once turned meetings into painstaking affairs, Intel Unite lets employees focus on the content of the meeting rather than the technology used to share it.

"All of the technology we deliver, whether it's a chip inside the PC or a platform for securely sharing content, is designed with the business environment in mind," Garrison says. "We know security will continue to challenge the industry, but we're up for that challenge because it's so important to our customers."

Ultimately, every business has to think about its security and should ensure that regular updates to software and hardware are part of their protection strategy. The good news is that the entire computing industry knows how critical it is to provide a good product, and companies like Intel are developing solutions to offload some of the burden when it comes to taking a proactive security stance.

The Wall Street Journal news organization was not involved in the creation of this content.  
Intel, Core and vPro are trademarks of Intel Corporation or its subsidiaries in the U.S. and/or other countries.



## Be great, from wherever with IT Orchestration by CDW.™

Today, opportunities come fast. And they happen everywhere. That's why you need tools that can help your employees work their best from anywhere. With Intel® notebooks powered by 8th Gen Intel® Core™ vPro™ processors, you get the speed, flexibility and security you need to work on your own terms. And when they're optimized by CDW, you get a solution designed and configured to help you stay one step ahead of whatever's coming next. It's more than technology. It's IT Orchestration by CDW.™

[CDW.com/intelbegreat](http://CDW.com/intelbegreat)



## WORLD NEWS

# Iran Strains to Limit Illicit Dollar Trade

Underground traders deliver cash in pizza boxes to meet surging demand from Iranians

By ASA FITCH

A delivery man pulled up to a central Tehran home recently carrying a cardboard box with a warm cheese pizza—and \$3,000 in U.S. bills.

The order for dollars had come in less than three hours earlier via Telegram, a widely used encrypted messaging app. The delivery man took payment in Iranian rials via bank card. The pizza was included in the deal.

"I'm not a drug dealer, but our government has led us into a guerrilla war," said Nima, an underground currency dealer who coordinated the transaction. He asked that his full name not to be used for fear of arrest.

The black market for dollars has gotten a major boost in Iran, as the regime in Tehran faces increasing pressure from tightening U.S. sanctions and a faltering domestic economy.

A steep plunge in the value of Iran's currency has led to a spike in demand for dollars in recent months from Iranians seeking safer assets. On Tuesday, one dollar bought 107,000 rials, compared with 43,000 rials in January.

As it tries to reverse the rial's decline, Iran has sought to limit the market for dollars by cracking down on the illicit trade. That has locked authorities in a cat-and-mouse game with currency traders who operate in backroom shops and via messaging apps.

The currency's fate may determine the political fortunes of the country's top politicians. Iran's pragmatist President Hassan Rouhani has come under growing pressure from hard-line opponents over the



Iranian President Hassan Rouhani, addressing parliament Tuesday, has come under pressure from hard-line opponents over the economy.

economy, leading to the removal of the central-bank governor in July and the removal of the labor and economy ministers this month. Mr. Rouhani himself faced questions in Iran's parliament Tuesday, and the body's members voted that they were unconvinced with his performance on the economy, including the weakening rial.

The drop in the rial has also contributed to popular unrest. It has raised the cost of travel abroad and more than doubled the cost of imports, pushing inflation higher and helping to fuel impromptu protests in recent months.

Unrest has simmered since December, when the widest protests in almost a decade spread across Iran. A security

crackdown ended them, but sporadic protests over the economy, labor rights and women's rights have persisted.

In February, after the rial's recent drop began, authorities arrested dozens of currency traders. In April, the government made it illegal to trade outside of artificially strong government rates, driving much of the currency trade underground.

The U.S. withdrawal from the Iran nuclear deal in May helped push the rial down further, to record lows against the dollar. The 2015 agreement had freed Iran from many international sanctions in exchange for curbs on its nuclear program, but President Trump argued that it hadn't led to a

change in efforts by Iran's military to spread influence across the Middle East.

Mr. Trump moved this month to restore U.S. penalties for any significant transactions in Iranian rials and on Iran's trade in precious metals, among other areas. Another round of sanctions is set for November, covering oil and banks. Iran's economy is expected to contract next year as a result.

Tehran has recently loosened the reins on the foreign-currency market a bit in a bid to divert business away from the black market. In July, a new secondary currency market was opened for the benefit of small importers and exporters who wanted to trade in currencies at market rates. In August, the

authorities removed the ban on trading at currency exchanges outside of official rates.

Yet some restrictions remain, including limits on the amount of physical dollars that currency dealers can give to customers and a requirement that larger transactions use the officially sanctioned secondary market. That has kept a portion of the trade underground, although one industry insider said black-market transactions had slowed in recent weeks because the record-high price of dollars was having an impact on demand.

Some economists have pinned Iran's dollar problem on a shortage of the currency at the central bank, or else on a reluctance to burn through official reserves to support the

ABEDIN TAHERKENAREH/EP/SHUTTERSTOCK

rial—a set of concerns Iranian officials have dismissed. Mr. Rouhani said in January that Iran had sufficient foreign-exchange reserves to stabilize the currency, an assertion his former central bank governor Valiollah Seif repeated in April.

And the government has continued the crackdown. Authorities announced the arrest of five foreign-exchange dealers on unspecified financial-crimes allegations on Aug. 5.

Many currency traders have remained underground, fearing arrest. Nima, like other currency dealers who use Telegram and WhatsApp, takes great lengths to avoid scrutiny. The network draws business solely by referral, and will take on customers only after a phone call where efforts are made to detect a government agent.

The business also operates from a leather shop, he said. To trade in dollars, though, people have to know the password: "I'd like a modest, bright leather handbag." After confirming an amount, an employee fetches a leather pouch from the basement. The dollars are inside.

—A correspondent in Tehran contributed to this article.

# Germany Considers Financial Aid to Steady Turkey

By BOJAN PANCEVSKI

ISTANBUL—The German government is considering providing emergency financial assistance to Turkey as concerns grow in Berlin that a full-blown economic crisis could destabilize the region and trigger a new wave of migration, German and European officials said.

Berlin's main concern is that a crisis could undo a landmark deal with Turkey under which Ankara has cracked down on Europe-bound refugees passing through its territory in exchange for funding. Germany experienced a popular backlash after the country took in nearly two million asylum seekers since 2015.

"We would do a lot to try to stabilize Turkey," a senior German official said. "We don't have much choice."

The talks are at an early stage and may not result in any aid, particularly in view of what polls suggest is strong German public opposition.

A Deutschlandtrend poll published last week found that 72% of Germans were against any fi-



Chancellor Angela Merkel is under pressure on migration.

nancial aid to Turkey. This means any German assistance to Turkey could also involve political risk for German Chancellor Angela Merkel.

Possibilities being discussed within the German government range from a coordinated European bailout similar to the one deployed during the eurozone debt crisis to project-specific

tarian.

It would also mark significant departure from Germany's reluctance to commit funds during the crisis of the euro currency that began in 2009, though the German official said strict conditions, including austerity, would be attached to any aid.

Germany's apparent willingness to act contrasts with the attitude of U.S., which has shown little interest in calming markets as they pummeled the Turkish currency, the lira, earlier this month. On the contrary, President Trump, locked in a dispute with Mr. Erdogan over the detention of a U.S. pastor in Turkey, has piled sanctions and new tariffs on the country.

German officials said such policies might have amplified Turkey's woes and reduced market confidence.

"This is an absolutely insane and ill-informed policy," said one senior German official about Washington's stance. The U.S. Embassy in Ankara declined to comment.

Other European governments have grown equally concerned

about Turkey's economic woes. Hosting his Turkish counterpart in Paris on Monday, French Finance Minister Bruno Le Maire said it was important to support Turkey's efforts to repair its economy.

Turkey, a member of the North Atlantic Treaty Organization, might need a bailout package of about \$60 billion because of loan reimbursements coming due in the next few years and the growing difficulties banks and corporations face in rolling over debt, economists said. That would top aid granted to Argentina, a smaller emerging economy facing similar problems, which received a \$50 billion credit line from the International Monetary Fund in June.

Two senior officials in Berlin said German Finance Minister Olaf Scholz had discussed some of the IMF-linked options with his Turkish counterpart Berat Albayrak in recent conversations and are expected to discuss financial aid in the run-up to Mr. Erdogan's planned visit to Berlin on Sept. 28.

The collapse of the lira—it has lost 40% of its value against

the dollar this year—has pushed up inflation and put pressure on companies and individuals who have loans denominated in foreign currency. The threat of mass defaults, in turn, has been weighing on Turkish banks.

Countries facing balance-of-payment problems have in the past turned to the Washington-based IMF, which can provide liquidity to its shareholders in exchange for often unpopular economic reforms.

But with the U.S. threatening to veto any Turkish request for IMF funding, officials in Berlin and Brussels said Europe might have to step in on its own.

Two Brussels-based senior European Union officials confirmed discussions about a possible bailout but insisted the IMF would have to be involved. Other avenues short of a full-fledged bailout could involve loans by the European Investment Bank or the European Bank for Reconstruction and Development for specific projects, one of the officials said.

Any such measure would require an agreement among the EU's member states.

# United Nations Flags Possible War Crimes in Yemen

By ASA FITCH

Members of a Saudi-led coalition and allied forces fighting Houthi rebels in Yemen may be guilty of torture, using child soldiers and attacks on civilians that amount to war crimes, a United Nations report said, adding to international criticism of the group.

The U.N. report on Tuesday also found that Houthis could be guilty of war crimes due to their blockage of goods into civilian areas, and cited evidence that the rebels tortured detainees and recruited child soldiers.

The Saudi-led coalition referred the U.N. report for review by its legal team, and would take a position following that process, according to a Saudi state television report.

A Houthi representative said the issue had been sent to the rebels' legal office for review, but declined further comment.

The report, by a panel of three experts, focused in part on the U.S.-backed coalition's airstrikes, which have killed hundreds of civilians. The U.S.



The site of an airstrike this month. The U.S.-backed coalition's strikes have killed hundreds of civilians.

supplies many of the precision weapons used in Saudi coalition airstrikes, and provides other limited support, including aerial refueling for coalition jets.

In Washington, Defense Secretary Jim Mattis said the U.S. hadn't seen any "callous

disregard" by the Saudis toward civilians in Yemen. "Our goal is to reduce this tragedy, and to get it to the U.N.-brokered table as quickly as possible," Mr. Mattis said.

The coalition—which includes Saudi Arabia, the United

Arab Emirates and Yemeni allies—has waged a war against the Houthis since 2015, using a combination of airstrikes and ground forces in a bid to oust the Iran-allied rebels from the Yemeni capital of San'a and restore the internationally recog-

## U.S., U.K. Team Up To Fight Cholera

In the wake of last year's cholera epidemic in Yemen, NASA has teamed up with the U.K. agencies and aid groups to use sophisticated computer models that combine satellite observation with data on local sanitation infrastructure to predict where cholera is likely to break out next.

The U.K.'s national weather service said suspected cholera cases during the last week of June numbered around 2,600, down from more than 50,000 in the period last year.

nized government of President Abed Rabbo Mansour Hadi. At least 6,660 civilians have been killed in the conflict, according to the U.N., many allegedly from the coalition air campaign.

Anwar Gargash, the U.A.E.'s minister of state for foreign

affairs, tweeted that the U.A.E. would review and respond to the report, while highlighting violations by the Houthis.

The U.N. report comes as talks to end the Yemen war—the first major diplomatic effort since 2016—are set to begin early next month in Geneva.

Other allegations in the report included accusations of sexual violence and severe restrictions on the flow of commercial goods and people through ports and airports.

"There is little evidence of any attempt by parties to the conflict to minimize civilian casualties," said Kamel Jendoubi, the chairman of the panel. "I call on them to prioritize human dignity in this forgotten conflict."

As civilian casualties mount, pressure on the coalition has grown from human-rights groups, the U.N. and in the U.S., where skepticism is mounting over arms and other support for the Saudi-led war.

—Nancy A. Youssef contributed to this article.

PAID ADVERTISEMENT

**WARNING: This product  
contains nicotine. Nicotine  
is an addictive chemical.**

*For personal, non-commercial use only.*

**I WISH  
I HAD  
FOUND IT  
A LONG  
TIME AGO.”**

— Pat, age 48. JUUL customer since December, 2016.

HEAR HIS STORY AT [JUUL.COM/PAT](http://JUUL.COM/PAT)

JUUL

THE ALTERNATIVE FOR ADULT SMOKERS

This advertisement paid for by JUUL Labs



STAND UP TO CANCER™  
10 YEARS OF IMPACT



AUDIENCE

Bloomberg

bravo

DISCOVERY  
Life

E

ePIX

ESCAPE

ESPNNEWS

FUSE MUSIC

FREEFORM

FS2

FX

fyi, HBO

HBO  
LATINO

hulu

ion  
TELEVISION

TV

Laff

Logo

MLB  
NETWORK



STARZ STARZ  
ENCORE ENCORE  
ESPAÑOL



LIVE FRIDAY SEPT 7 8|7C

[STANDUPTOCANCER.ORG](http://STANDUPTOCANCER.ORG)

Bristol-Myers Squibb

CVS Health

Genentech

A Member of the Roche Group

LUSTGARTEN  
FOUNDATION

PANCREATIC CANCER RESEARCH



mastercard

Sidney Kimmel  
FOUNDATION

American Airlines

American  
Cancer Society

MERCK

RALLY

St. Baldrick's  
FOUNDATION

VAN ANDEL  
RESEARCH INSTITUTE

American Lung Association's LUNG FORCE, Breast Cancer Research Foundation, Canadian Cancer Society, Canadian Institutes of Health Research, Cancer Stem Cell Consortium, Farrah Fawcett Foundation, Genome Canada, Laura Ziskin Family Trust, LUNGevity Foundation, National Ovarian Cancer Coalition, Ontario Institute for Cancer Research, Ovarian Cancer Research Fund Alliance, Society for Immunotherapy of Cancer

STAND UP TO CANCER IS A DIVISION OF THE ENTERTAINMENT INDUSTRY FOUNDATION, A 501(C)(3) CHARITABLE ORGANIZATION. IMAGES ARE FROM STAND UP TO CANCER TELECASTS AND EVENTS.  
THE AMERICAN ASSOCIATION FOR CANCER RESEARCH (AACR) IS STAND UP TO CANCER'S SCIENTIFIC PARTNER.

## WORLD NEWS

# U.N. Censure Unsettles Suu Kyi Ties to Military

BY JAMES HOOKWAY

For a while, it looked like Aung San Suu Kyi was playing the long game by soft-pedaling the army's vicious campaign to clear Myanmar of Rohingya Muslims.

The former Nobel Peace Prize winner has made a point of cooperating with her one-time military captors since winning national elections in 2015, and her advisers have said her realpolitik approach was meant to win the generals' confidence so she could proceed with more democratic reforms.

But a damning United Nations report that recommended six army officials be prosecuted for genocide also laid blame on Ms. Suu Kyi, saying she failed to use her position as head of government and her moral authority to stem a wave of violent Buddhist nationalism.

It also accused her government of trying to cover up the extent of the turmoil by destroying evidence, denying any wrongdoing by the military and blocking U.N. teams from entering the area.

The assessment leaves Ms. Suu Kyi in a fraught relationship with the military as each blames the other for a worsening situation that could unravel its effort to open up to the West. Both sides have been careful not to upset the country's delicate constitutional balance, under which the army enjoys control of home and defense ministries but none of the responsibility for health, education and other difficult-to-provide public services.

"The Rohingya crisis has become a top-level global issue with an impact on aid budgets and investment," said one person with extensive experience in the country. "Both the civilian government and

the military are now beginning to realize that this is the new normal—the reputational damage is done and won't be forgotten in a few months."

The U.N. report elevated the clearances of the stateless Rohingya—which some human-rights groups have said killed at least 10,000 and drove more than 700,000 others to seek refuge in Bangladesh—to the level of some of the worst crimes of the 20th century. The three-member fact finding team singled out army commander-in-chief Senior Gen. Min Aung Hlaing and five of his deputies for prosecution.

Speaking to business leaders in Myanmar as the U.N. report was released Monday, Ms. Suu Kyi said the country needed to come together to endure outside scrutiny.

But pressure is building for sterner action. The U.N. investigation team has recommended that the situation be referred to the International Criminal Court, and if not there, a special tribunal. The U.N. Security Council is expected to consider the matter later this year, though some diplomats suggested that vetoes from permanent members China and Russia would prevent the matter from going any further.

Additional financial sanctions from the West are a likelier prospect. The European Union and the U.S. have already moved to freeze the accounts of selected military officers and barred companies from doing business with them, though the blacklist doesn't yet include Gen. Min Aung Hlaing.

One person familiar with the situation said sanctions would do little to discourage the army from its campaign against the Rohingya. Nor is it likely to sway public opinion,



A U.N. report faulted Ms. Suu Kyi's government for its role in the violence, which forced 700,000 Rohingya in Myanmar to flee to Bangladesh.



which, thanks in part to anti-Rohingya sentiment stirred up on social media, overwhelmingly backs the clearances.

A diplomat said the previous dictatorship survived in isolation for decades, buoyed in part by its vast neighbor, China. "They are familiar with the role of international pariah," he said.

Opprobrium heaped on Gen. Min Aung Hlaing from abroad might enhance the army's influence ahead of elections scheduled for 2020. Myat Hein,

a former air force commander now with the pro-military Union Solidarity and Development Party, has suggested that sanctions would rally more people behind the general.

Like other military loyalists, he accuses the Rohingya of attempting to carve out an independent state and compares the situation to the breakaway of predominantly Muslim Kosovo from Serbia during the Yugoslav civil war.

Attitudes will likely harden in Myanmar as both Ms. Suu

Kyi and the army turn from the West and instead try to develop more business with Asia. Ms. Suu Kyi was in Singapore last week to do just that.

"She didn't make any effort to address the complaints of the West on the Rohingya," one of the people closely following the situation said. "She pitched her speeches at the region: China, Japan and Singapore."

—Myo Myo  
in Yangon, Myanmar,  
contributed to this article.

## Government Lobbies Against Facebook's Ban of General

Army commander Senior Gen. Min Aung Hlaing, whom United Nations investigators say should be prosecuted for genocide along with five of his deputies, lost a platform to communicate when Facebook removed his page from its site Monday for hate speech.

Gen. Min Aung Hlaing's Facebook page had been his primary means of outside communication. In one post last year, he described the Rohingya as illegal immigrants and said pushing them out was an "unfinished job."

Government spokesman Zaw Htay said Tuesday the ban was already causing friction between the civilian government and the military. He said he is lobbying Facebook to reverse the ban, complaining that it impedes free speech.

Facebook, which has acknowledged its slow response to a torrent of anti-Rohingya hate speech spread on its site in Myanmar, also removed nearly 20 other people and organizations.

# The World's Most Influential Marketers

## Member Benefits

### Annual Meeting

June 18-20, 2019 | Cannes

WSJ editors, business leaders and brand visionaries convene to identify and debate the business issues that matter most to marketers.

### Editor's Dinner Series

September 26, 2018 | New York

October 2, 2018 | New York

November 14, 2018 | Laguna Beach

December 11, 2018 | New York

February 27, 2019 | New York

Moderated by senior WSJ editors, these engagements bring together top executives for dinner and discussions on issues facing global business.

### D.LIVE

November 12-14, 2018 | Laguna Beach

June 13-14, 2019 | Hong Kong

Complimentary access to The Wall Street Journal's premier technology events. D.LIVE brings together an unmatched group of CEOs, founders, investors and luminaries from around the world to set the global tech agenda.

Proudly Sponsored By: **Deloitte**.

© 2018 Dow Jones & Co., Inc. All rights reserved. 6DJ6527



The Wall Street Journal's CMO Network is an invitation-only membership that brings together an exclusive group of Chief Marketing Officers and brand visionaries to discover and debate the current issues and emerging trends facing the world's marketers.

Membership is by invitation.  
For more information, please email [CMONetwork@wsj.com](mailto:CMONetwork@wsj.com).

THE WALL STREET JOURNAL.  
Read ambitiously

## FROM PAGE ONE

# The Great Snake Escape

Continued from Page One

For a country riven by a culture war between its nationalist government and the liberal opposition, the thought of a cruise-missile-length serpent hunting pets in the Warsaw suburbs has become a welcome diversion. Thousands of Poles have shared rumors, grim jokes and memes guessing the predator's motives or next moves.

"It has been described as a python-o-mania," said Polish animal-rights author Dariusz Gzyra. "Animals are this type of phenomenon that help unify a divided society."

And yet nobody has found Bertha, who is suspected to have been someone's pet. If she isn't found before autumn, her coldblooded life will end with the summer.

The following account of Europe's biggest snake hunt is based on extensive interviews with the search parties, herpetologists, police and a Belgian

shepherd named Cocaine who came closer than anyone to finding the missing snake.

Poland's python fiasco points to a conundrum of the modern era: that social media complicates the problems it aims to solve. Trained snake handlers would have found her, experts say, if it weren't for the amateurs who thundered in, posing for Instagram glory.

"The problem is that everybody was walking on the ground, making noise, trying to find an animal that is afraid of noise," said the Warsaw Zoo's Reptile Brigade Leader Olga Pofelska.

Poland has at times been better at importing exotic animals than keeping them. A pair of kangaroos hopped away from a petting zoo three years ago. One was later found bouncing through Warsaw. Earlier this year, another zoo's chimpanzee picked his cage's lock and scurried away. In the 1990s, a warthog bolted from his keepers, becoming a local media sensation as well as a four-hoofed metaphor for the nation's thirst for freedom after communism.

With Bertha—an Indian or Burmese python—the alarm began within hours after the fisherman posted his Facebook pic-



Volunteers hold Bertha the python's skin at a nature preserve outside Warsaw, Poland.

ANIMAL RESCUE POLSKA

ture. Under public pressure, police blocked roads and contemplated closing beaches. The local animal-rescue crew entered the area.

The plan at first was to find the snake and poke it with a stick into a cage, searchers said, but the terrain favored the snake. She had settled into a thickly forested, mud-puddled park. Endoscopes nudged into holes failed to find her.

In swarmed the fire brigade, which built a tent city for 40 cadets tapped for the job. Ms. Pofelska briefed the nervous young men. "A snake is one big muscle," she recalled informing

them. "If it comes to contact between man and snake, you have no chance."

As the cadets, sweating in their protective suits, stepped gingerly through the grass, drones beamed down intelligence monitored in real time.

Some drone feeds lacked precise GPS coordinates. Others captured supposed snakes that turned out to be logs.

Animal rescuers identified python tracks. Some were likely mangled by tire treads and footprints from amateurs who had rushed in.

Days went by. Poles started to doubt their institutions.

The police chased their own lead. A hang glider flying over the area had photographed two men hauling a snake to a car. The car belonged to an erotic art photographer who specializes in shooting women wrapped in snakes.

Detectives searched the photographer's home and its serpent-filled bathroom. None of his reptiles matched the skin.

Enter the hero a city needs: Cocaine, a Belgian shepherd recognized as one of Poland's more temperamental but motivated sniffer dogs. Her handlers consider Cocaine, who injured a paw when she was a puppy,

prickly but uniquely talented.

Using two different sniff methods, Cocaine combed the woods in late July, detecting spots where the snake had sat or swum into the water. She found some fur-lined snake excrement. She showed some interest in entering one overgrown area but her handlers held her back. "We didn't want the snake to eat the dog," said her trainer, Renata Jechorek.

Since then, animal rescuers have chased bum leads dialed in daily. The snake ate a beaver, one fisherman claimed. It attacked me, said another.

With the chances of finding Bertha dimming, some citizens are back to taking out frustration on the capital's bureaucracy. "Poor animal," wrote one Facebook user. "The system fails again."

Earlier this month, rescuers found one last clue to her past.

"Someone would like to give away a 20-year-old female python, her name is Bertha," reads an anonymous and presumably unanswered ad posted in February on a local website. "Six meters long. Her previous owner has died and there is no one to take care of her. Would anybody like to adopt a snake?"

—Natalia Ojewska contributed to this article.

## How Yahoo Sorts Mail

Yahoo puts mail users into different 'audiences' based on the emails it finds in their inboxes and sells marketers on the ability to target ads to them.

Flight-confirmation emails	Brokerage trade confirmations	Auto-loan notifications	Ride-sharing driver emails	Department-store receipts	Video-streaming service receipts
Audience: Frequent travelers	Investors	Car owners	Self-employed people	Retail shoppers	Film buffs
Potential advertiser: Hotel chain	Investment fund	Insurance provider	Tax-software provider	Rival department store	Movie studio

Source: Interviews with current and former Yahoo executives. Note: Yahoo's actual audience names may differ from above. Users may fall into multiple audience categories.

# Yahoo Still Scans Mail, Sells Data

Continued from Page One

pany has increasingly looked for new ways to wring revenue out of its aging portfolio of web properties, which have stagnated in the era of smartphones and social networking.

When Verizon created Oath last year, it envisioned the new unit as a future advertising rival to Google and Facebook Inc. for its potential to marry data on Verizon's vast pool of wireless subscribers with Yahoo's highly trafficked online hubs, Verizon executives have said.

Oath owns dozens of popular websites, such as HuffPost and Yahoo Finance. It helps advertisers show messages on these sites as well as across the web, using a variety of ad-placement services.

Email scanning has become one of the company's most effective methods for improving ad targeting, said Doug Sharp, Oath's vice president of data, measurements and insights. He said that the practice applies only to commercial emails in people's accounts—from retailers, say, or mass mailings—and that users have the ability to opt out.

Mr. Sharp said that being served ads is part of the trade-off users make in exchange for free online services, and that Yahoo's research shows they prefer ads that are relevant to them.

"Email is an expensive system," Mr. Sharp said. "I think it's reasonable and ethical to expect the value exchange, if you've got this mail service and there is advertising going on."



Yahoo is now part of Verizon's Oath unit headed by former AOL chief Tim Armstrong, above.

Sharp. For example, he said, Yahoo's system labels people who receive trade confirmations from online brokerage accounts as "investors" who can be targeted for finance-related advertisements.

Oath is testing the boundaries of what users may be comfortable sharing. Unlike with web-browsing habits and search histories, many users expect a greater degree of privacy when it comes to personal-communication tools such as email, said Lauren Gelman, an online-privacy lawyer and former executive director of Stanford Law School's Center for Internet and Society.

Google previously sold ads related to keywords in email messages. It used the information in personal and commercial email messages to show users relevant ads while they were looking at Gmail—not to target any users elsewhere on the web—a Google spokesman said.

The scanning practice excluded paid users of Gmail, she said. Google and Oath said they prevented advertisers from targeting users based on certain sensitive categories of email, such as health conditions.

Google said it stopped targeting ads based on Gmail data last year, saying it wanted users to "remain confident that Google will keep privacy and security paramount." Google already collects so much data from its search engine that it no longer needed to rely on email data, said Andreas Reiffen, chief executive of digital-ad consultant Crealytics GmbH.

Oath's email scanning appears to go a step further than

Google's former system, by creating interest profiles of users based on the data in their email and using that intelligence to target them elsewhere on the web. Oath groups similar users together as an "audience" to which marketers can target ads, Mr. Sharp said.

Yahoo Mail users who receive frequent emails about driving for Lyft Inc. are sometimes placed into a "self-employed" audience, Mr. Sharp said. Some people who bought several plane tickets in the past year are labeled frequent travelers. A spokeswoman for Lyft declined to comment.

The cookies Oath places on users' computers allow it to identify which audience they are part of and show them ads without ever providing any personally identifiable information to marketers, Mr. Sharp said.

Oath's systems are designed to ignore personal messages and look for only commercial emails, which make up the vast majority of the messages that arrive in Yahoo Mail inboxes, Mr. Sharp said. Its algorithms strip out all personal information, such as names and email addresses.

At one point, Oath's computers mistakenly labeled invitations to Indian weddings—which traditionally are sizable, multiday gatherings—as commercial emails, "because they end up as mass-mailed forms" to so many people, Mr. Sharp said. The company fixed that problem by looking for phrases common to wedding invitations and discarding any results.

In its privacy policy, Oath says all Yahoo Mail users may have portions of some emails reviewed by human employees. Oath employees may manually review sections of mass-mailed commercial emails that appear to be "boilerplate," or the same for many users, the policy says.

A small number of users have explicitly opted in to letting human beings read all of their emails as a way to refine the algorithms and make sure no personal emails are being mislabeled, Mr. Sharp said.

This is how the company discovered the Indian wedding problem, he said.

## Past Prime

Internet pioneers Yahoo and AOL struggled to increase revenue in the years before Verizon acquired them.

### Annual revenue

\$8 billion

7

6

5

4

3

2

1

0

2007 '09 '11 '13 '15 '17

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 2009

acquired in 2007

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 2009

acquired in 2007

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 2009

acquired in 2007

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 2009

acquired in 2007

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 2009

acquired in 2007

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 2009

acquired in 2007

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 2009

acquired in 2007

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 2009

acquired in 2007

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 2009

acquired in 2007

acquired in 2017

acquired in 2015

acquired in 2013

acquired in 2011

acquired in 200

# GREATER NEW YORK

## Attorney General Candidates Face Off

The Democrats vowed to clean up Albany corruption and criticized Trump administration

BY CORINNE RAMEY

The four Democratic candidates for New York state attorney general faced off in a debate Tuesday, in a race largely considered still up for grabs just two weeks before the September primary.

The candidates—Leecia Eve, a former aide to Gov. Andrew Cuomo and Verizon executive currently on leave to campaign; Letitia James, New York City's public advocate; Rep. Sean Patrick Maloney, who represents parts of the Hudson Valley; and Zephyr Teachout, a Fordham University law professor specializing in corruption and antitrust law—jumped into the race following the abrupt resignation of former Attorney General Eric Schneiderman in May.

The winner of the Sept. 13 primary will compete against Republican nominee Keith



The Democratic candidates, from left, Letitia James, Sean Patrick Maloney, Leecia Eve and Zephyr Teachout, squared off Tuesday.

HOLLY PIGET/POLITICO

Wofford, a lawyer at firm Ropes & Gray LLP, in the Nov. 6 general election.

"This is a real unknown," said Craig Burnett, a political-science professor at Hofstra University, of the primary. "Whoever wins this will with all probability be the next attorney general."

At John Jay College of Criminal Justice in Manhattan on Tuesday, the four candidates largely agreed on major policy issues. All railed against the Trump administration and promised to clean up corrup-

tion in Albany. Each sought to claim independence when asked about their relationships with New York Gov. Andrew Cuomo, a Democrat.

But the candidates did throw some barbs, many of which were aimed at Ms. Teachout.

Ms. Eve accused Ms. Teachout of "flip-flopping," saying she had once opposed the SAFE Act, a gun-control law passed after the 2012 Sandy Hook Elementary School shooting in Newtown, Conn. "I

think you should just admit that you blew it," Mr. Maloney said to Ms. Teachout.

Ms. Teachout said she supported the law, but had opposed the process through which it was enacted.

Ms. Eve, referring to Ms. Teachout's unsuccessful bids for public office, said: "You call yourself an outsider, but are you really an outsider or an insider who has never won a race?"

"Yes, I'm persistent!" Ms. Teachout proclaimed.

In a Siena College poll conducted last month, 25% of likely Democratic primary voters said they would vote for Ms. James, 16% for Mr. Maloney, 13% for Ms. Teachout and 4% for Ms. Eve. Forty-two percent were undecided, the survey found. The poll, conducted by phone from July 22 through 26, had a margin of error of plus or minus 3.9%.

Ms. James, who has the formal backing of the state Democratic Party and Mr. Cuomo, is considered the establishment

favorite. But Ms. Teachout, who last week won endorsements from both the New York Times and the New York Daily News, is running at a time when upstart candidates on the left are doing better than expected, said Mr. Burnett, the professor.

"She has some wind in her sails going into the primary," he added.

Although a state office, the attorney general post carries outsized influence due to its jurisdiction over Wall Street and its ability to use the Martin Act, the state's broad antifraud law.

The candidates' opposition to Mr. Trump isn't a new idea for the office. Both Mr. Schneiderman and Barbara Underwood, the current attorney general, positioned themselves as bulwarks against the Republican Trump administration, challenging policies from taxes to reproductive health to the environment. Since Mr. Trump was elected in 2016, the attorney general's office has filed more than 150 legal actions against his administration, a spokeswoman for Ms. Underwood said.

## What Was All the Buzz About?

A lone hot-dog stand was all the buzz in Times Square on Tuesday when thousands of bees swarmed the cart, stopping traffic and attracting a large crowd.

The bees sent some pedestrians into a panic as they flew over Seventh Avenue before settling on the hot-dog cart's yellow-and-blue umbrella at the corner of 43rd Street, witnesses said. Officer Mike Lauriano, a New York Police Department beekeeper, armed with a vacuum connected to a temporary hive, was called to the scene at 2:30 p.m., an NYPD spokeswoman said. No injuries—or bee stings—were reported.

Police temporarily stopped traffic on 43rd Street. "Bee' nice," an officer joked to a bystander.

Andrew Coté, president of the New York City Beekeepers Association, estimated there were at least 15,000 bees attached to the hot-dog stand. He said the umbrella somewhat resembled a tree. "I don't think they were really after the chili dog," he said.

The bees were taken to a hive in an undisclosed location.

—Zolan Kanno-Youngs



BRENDAN McDERMID/REUTERS

## Columbia Student Files Sex Lawsuit

BY MELISSA KORN

A student at Columbia University's School of General Studies is suing the university's trustees and a former dean of students in federal court, alleging that the former administrator coerced her into "an inappropriate sexual and romantic relationship" this summer and that the school failed to protect her.

The 25-year-old student, identified as Jane Doe in court papers filed Tuesday in a federal court in Manhattan, alleged she was referred to School of General Studies Dean of Students Tom Harford by a campus crisis center after she reported being raped by an acquaintance, with the expectation that he could help find emergency housing and other assistance.

Mr. Harford allegedly subjected her to "unwanted, abusive, and inappropriate sexual activity," intimidated her and used her need for financial aid as "bait" to maintain the relationship, according to the court filing. The complaint accuses the school of failing "to ensure a safe environment for learning and teaching."

The plaintiff alleged that another administrator had seen their flirtatious text messages, and that she had told others at the school that Mr. Harford, 55, gave her \$500 in cash.

The School of General Studies enrolls nontraditional students pursuing undergraduate degrees; they typically are older than the general undergraduate population. The plaintiff is set to begin classes at Columbia this fall. She started living in Columbia housing in May.

Last Tuesday, School of General Studies Dean Lisa Rosen-Metsch sent an email to students saying she had removed Mr. Harford from his position "after conduct that is unacceptable."

A Columbia spokeswoman said Mr. Harford was "promptly" removed this month, and that while the school can't comment on the specifics of this litigation, it takes such matters seriously.

"Our priority is providing a safe and supportive learning environment that fosters the intellectual and personal fulfillment of our students," she said.

Mr. Harford, who had been dean of students since 2012, couldn't be reached for comment.

The lawsuit alleges that Mr. Harford engaged in sexual acts in the plaintiff's apartment, as well as on campus, including in Mr. Harford's office.

The plaintiff is seeking \$50 million in damages.

## A Refuge for Pushcart Vendors Gets a New Home

BY JOSH BARBANEL

The pushcarts of the Lower East Side were forced off the streets by Mayor Fiorello La Guardia in 1940 and moved to the drab redbrick buildings of the Essex Street Market with no street-level windows.

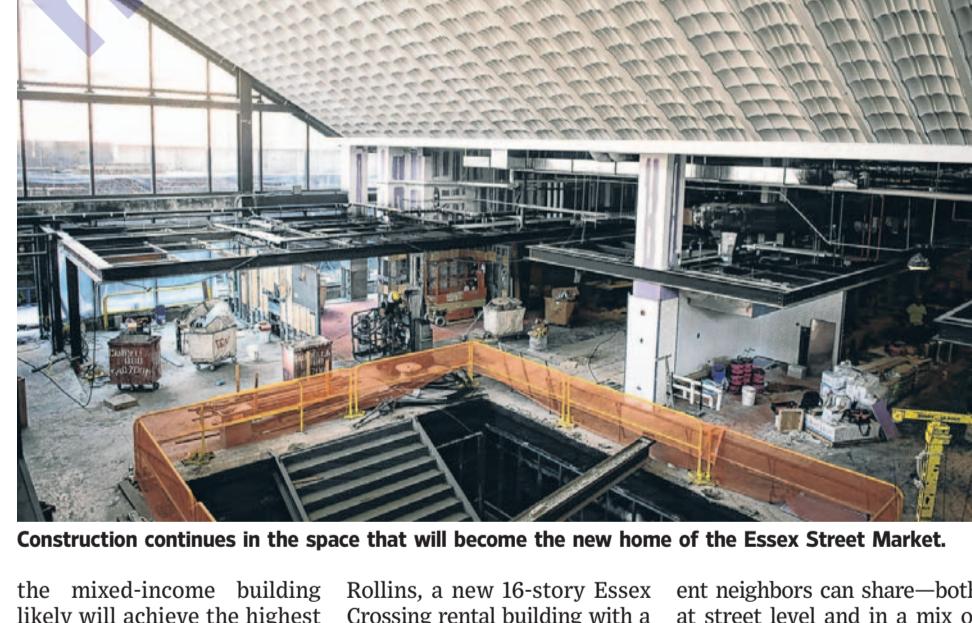
Now, the cultural and economic descendants of those pushcart merchants are about to return to the limelight, to a city-owned market with a 40-foot-high wall of windows in a new 26-story rental building known as the Essex.

Mr. La Guardia waged an extended war against unlicensed and itinerant peddlers, wanting them out of sight. But today—in the age of locally sourced food, street markets and food trucks—the city-owned market is getting a showcase space.

The change also reflects the shifting fortunes of the neighborhood: Younger, more-affluent residents have moved into what has long been a neighborhood of poor immigrants, initially from Europe and later from Puerto Rico and the Dominican Republic. The old market has struggled over the decades.

The new market in the Essex is at the heart of a nine-building development known as Essex Crossing, which has more than 1,000 apartments—half of them designated as affordable units—and more than 1.6 million square feet of space. It also is one of the prime amenities for renters in the new tower above, which houses 195 apartments at 125 Delancey St.

The 98 market-rate units in



MARK KAULZLICH/FOR THE WALL STREET JOURNAL

Construction continues in the space that will become the new home of the Essex Street Market.

the mixed-income building likely will achieve the highest rents ever on the Lower East Side, said Matthew Villette, a senior vice president at Douglas Elliman Development Marketing, who is working on the development.

He cited the limited supply of housing on the Lower East Side, the open views from the soaring upper floors, as well as the amenities in the complex that include a lounge on the roof and one on the sixth floor, with hammocks and grills looking out on an urban farm and the Williamsburg Bridge.

Rents at the Essex would start at about \$3,500 a month for a studio, and are pegged above the strong rents at the

Rollins, a new 16-story Essex Crossing rental building with a Target store that opened earlier this year, Mr. Villette said.

Isaac Henderson, a development director at L+M Development Partners, said the latest wave of neighborhood settlers have driven up retail rents on the Lower East Side and forced out many older businesses.

"It went from being one of the most-diverse retail spaces in the city of New York, to a place for bars and ATMs," he said. "With Essex Crossing, we are bringing back what the Lower East Side was."

The Essex is designed to be a hub that affluent gentrifiers who have reinvigorated the neighborhood and their older, less-affluent

neighbors can share—both at street level and in a mix of market-rate and affordable apartments above.

In its heyday, there were four sprawling buildings in the Essex Street Market with more than 140 vendors. But the market shrank during decades of hard times, beginning in the 1970s. In the fall, the remaining 25 merchants will be moving to the Essex.

Anne Saxelby, a cheesemonger who sells domestically sourced cheeses out of a 10-square-foot space in the old Essex Street Market, said merchants were both worried and excited about the change, and working hard to make sure that their customers will follow them across the street.

"We are the same crazy family of vendors. We've been trying to communicate that to everyone," she said.

Ms. Saxelby said the new market will include a demonstration kitchen and meeting space, with programs specifically geared toward seniors and low-income residents. Her space will triple in size in the new market, which has a dramatic design. It is positioned below a sloping white roof that resembles barrel-vaulted tile that also serves as the angled floor of the seating areas of a 14-screen Regal Cinemas.

Underneath, the city-owned and subsidized market is connected by broad staircases to another level of privately owned subterranean retail space, known as Market Line, that eventually will extend 700 feet below three buildings with food vendors, galleries, fashion boutiques and music venues.

Rohan Mehra, a principal of the Prusik Group, which is developing Market Line, said the first installment is designed to complement the city-owned Essex Street Market. It will include local food outlets such as a test kitchen for Doughnut Plant, a branch of the Ukrainian restaurant Veselka and a beer hall.

Under an agreement with the city, the developers are covering the cost of the move for existing Essex Street Market merchants. The city has agreed to initially keep rents the same for existing space, said Megha Chopra, an assistant vice president for public markets at the city's Economic Development Corporation.

Mr. Harford, who had been dean of students since 2012, couldn't be reached for comment.

The lawsuit alleges that Mr. Harford engaged in sexual acts in the plaintiff's apartment, as well as on campus, including in Mr. Harford's office.

The plaintiff is seeking \$50 million in damages.

## GREATER NEW YORK

## GREATER NEW YORK WATCH

LIBERTY ISLAND

## Trial Date Is Set For Statue Climber

A woman who was arrested after climbing the base of the Statue of Liberty to protest U.S. immigration policies said she wants to go to trial.

Therese Okoumou appeared in federal court in Manhattan on Tuesday, where a judge set a Nov. 5 trial date. She is charged with trespassing and other misdemeanors.

Ms. Okoumou, a naturalized U.S. citizen from Congo, has said she climbed about 100 feet to the bottom of the statue's robes on July Fourth to protest Republican President Trump's immigration policies. Prosecutors have called it a dangerous stunt that forced the evacuation of thousands of visitors from Liberty Island.

Ms. Okoumou is eager to present her case to a jury, defense attorney Ron Kuby said. He called the jury system "the conscience of the people."

—Associated Press

METRO MONEY | By Anne Kadet

## City Cafe Serves Up a Career Lifeline



Talk about discouraging. Despite bombarding fast-food outlets with applications, Dylan Penalo couldn't get a job at McDonald's, Or Burger King, Chipotle or Subway. Not even Taco Bell.

Interviews for doorman jobs didn't pan out either. "I had to pay money to buy shoes, slacks and a nice shirt for nothing," he says. "That was pretty hard."

Mr. Penalo, who is 19 years old and dropped out of school four years ago, lives with his grandmother in public housing on Manhattan's Lower East Side. He had never worked a day in his life.

But this spring he heard about an opportunity to train as a barista at GrandLo Café, a new coffee spot in his neighborhood. It sounded promising. "They take anybody!" says Mr. Penalo.

It's true. The spacious cafe, which opened in March, is run by a nonprofit, Grand Street Settlement. The nine-week program aims to train New York City residents from age 16 to 24 who are neither employed nor in school, and pays them a weekly stipend ranging from \$100 to \$150 to work in the cafe.

And if plans pan out, it will sell enough coffee and pastries to fund both the training program and its own operations.

"We have to be more entrepreneurial in the non-profit sector," says Robert Cordero, executive director of Grand Street Settlement, the charity operating the cafe. "We can't just sit around and wait for a grant."

GrandLo has one big advantage: free rent. Space for the 2,500-square-foot cafe, which likely would cost at least \$15,000 a month given area rates, was donated by



Jeanna Trotman recently took orders from two customers at the GrandLo Café on the Lower East Side of Manhattan.

Delancey Street Associates, the consortium behind the \$1.5 billion Essex Crossing development—the nine-building residential, office and retail complex, under construction, within which the cafe is situated.

Ron Moelis, CEO of consortium partner L+M Development Partners, says the arrangement provides Essex Crossing with a valuable amenity early in the life of the complex, which is opening in stages. "It makes it a more desirable place to be," he says.

With seating for 55, GrandLo features the concrete floors, framed prints and sleek furnishings of a typical upscale cafe. It serves java from Counter Culture Coffee, a specialty North Carolina roaster whose beans are popular with cafes all over town, and the usual assortment of pastries, sal-

ads and panini.

Cafe co-manager Adam Perez, who grew up on the Lower East Side, formerly oversaw several Manhattan Starbucks locations.

GrandLo recruits are often starting from scratch, and it's surprising what they don't know, Mr. Perez says. Some never have sampled an avocado or cooked an egg, for example. "Some of them didn't know what milk foam was," he adds.

Trainees learn to make cappuccino and take payments, of course. But there's more attention paid to skills such as how to smile, greet a customer and not lose your cool if patrons get nasty.

"I learned to never let your feelings get the best of you, or it will wind up worse than it is," says Mr. Penalo, who developed a penchant for iced lattes after joining

as a trainee in May.

While trainees take turns at tasks ranging from sandwich making to bathroom cleaning, Mr. Penalo says his favorite job was manning the register. "You can put a smile on a customer's face just by making a little joke here and there," he says.

GrandLo has regulars including Silas Otero, a project manager who works next door. While he wishes the cafe offered more menu options and longer hours—it's open daily from 7 a.m. to 3 p.m.—he likes the coffee and service. "People are always friendly," he says.

Six months in, GrandLo sales are averaging about \$300 a day, or just more than \$100,000 a year—far short of the projected \$500,000-a-year break-even point, Mr. Cordero says. But he expects annual revenue to

eventually exceed \$1 million, a typical take for a successful cafe of GrandLo's size.

Results for the first group of trainees, who finished last month, are mixed. Of the nine recruits, two never showed up, one moved away and three are still looking for work.

But three have found steady jobs, including Mr. Penalo. He landed a full-time maintenance gig for a cleaning company, earning \$13.36 an hour mopping stairwells, sweeping sidewalks and changing toilet paper rolls.

He has his sights set on becoming a firefighter. For now, he's enjoying his first paycheck. "Before, I felt down. I didn't want to do anything," he says. "Now, I'd rather work, to keep myself occupied. I'm getting my life right."

*Anne.Kadet@wsj.com*



## DROPPING OFF LUNCH TO A SENIOR COULD BE THE PICK-ME-UP YOU NEED.

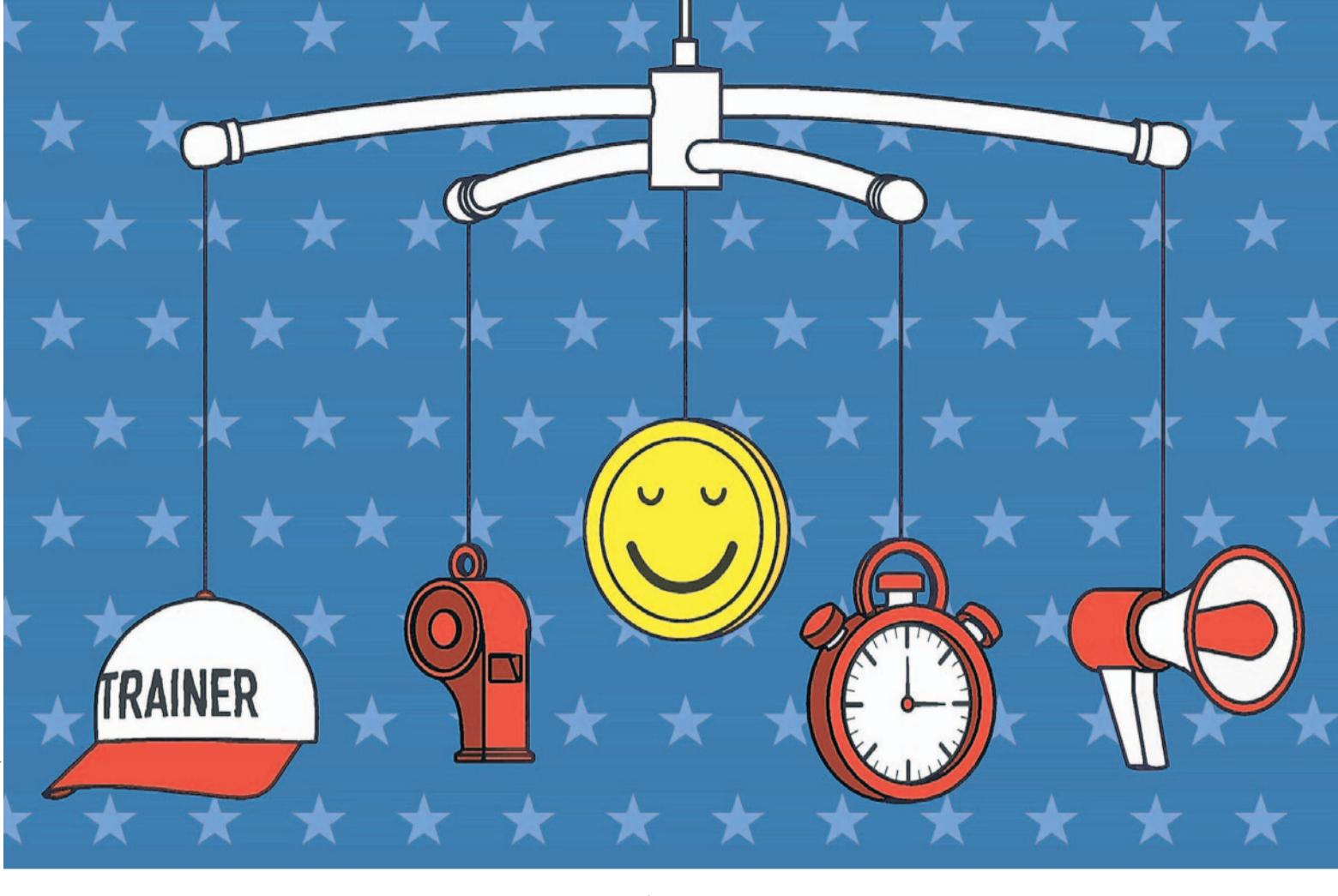
Volunteer for Meals on Wheels

[AmericaLetsDoLunch.org](http://AmericaLetsDoLunch.org)

**MEALS on WHEELS®**



# LIFE & ARTS



TOMASZ VALENTA; PHOTO: BETTE LANGER

WORK &amp; FAMILY | By Sue Shellenbarger

## A Coach for Sleepless Babies

After too many nights without enough rest, some exhausted parents are seeking out experts

**NEW PARENTS** will try just about anything to get a fussy baby to sleep, from rocking, nursing and singing, to popping them into an infant seat for a nighttime car ride.

Now, groggy moms and dads are trying a new tool: A sleep coach.

About one in five parents of 6-month-olds report problems getting their babies to sleep. Some are turning to a small but growing industry of sleep consultants for help. For fees ranging from about \$300 for two weeks of consultations by phone and text to \$7,500 for 72 hours of in-home coaching, these advisers help parents get babies to sleep on their own.

Parents say the coaches help cut through confusion about what sleep-training methods are best. After many sleep-deprived nights spent trying to soothe or sing her 5-month-old daughter Thira to sleep, Ashley Langer says, "I felt like a zombie." She and her husband, Adam, had read several books on infant sleep, but "they all preached something different," she says. Whatever soothing technique

Ms. Langer tried, Thira kept waking up several times a night.

In desperation one night, Ms. Langer googled baby coaches, found a New York company called Mommywise and hired sleep coach Devon Clement to come to her New Rochelle, N.Y., home. After two days' coaching, Ms. Clement helped Ms. Langer reschedule feedings and begin leaving Thira alone in her crib long enough to fall asleep on her own. Five months later, Thira is still sleeping through the night. Ms. Langer says some of her friends are jealous. "They think I'm lying," she says.

New parents have slogged through sleepless nights for generations. But the landscape has gotten trickier.

Research on the benefits of breast-feeding has more mothers nursing their babies longer, on demand and through the night, to maintain their milk supply. The American Academy of Pediatrics' 2016 advice that babies should sleep in the same room as their parents, in a separate bed, for 6 to

12 months, to guard against crib death, can make sleeping harder for all. Also, in an era when most parents need two incomes, the return to work often overlaps with babies' sleep training.

All these factors combined to help make Danielle DiCerbo feel like a crazy person after 5½ months with her new baby, Luca. Since Luca's birth, she and her husband, Mike Daddio, had rarely slept more than 2½ hours at a time in their two-bedroom Brooklyn, N.Y., apartment. But both had to return to work, Mr. Daddio as a builder and Ms. DiCerbo running her own consulting firm. "It was a complete nightmare," Ms. DiCerbo says.

She acknowledges that sleep coaches can be expensive, and they aren't for everyone. Even some family members were skeptical. "People were like, 'That's crazy, come on. Is there really a



Ashley Langer used a sleep coach for her daughter.

professional that can sleep-train a baby?" But after she hired a coach who helped them get Luca sleeping through the night while continuing to breast-feed, she decided the outcome was worth the cost. "People pay for therapy," she says. "What would you pay for your sanity?"

Elizabeth Murray, a spokeswoman for the American Academy of Pediatrics, says the sleep-coaching trend makes her a little sad. "It seems to me a sign of parents' feeling that they can't do this on their own, that somehow they're failing and they need an expert for every little thing," rather than working with their child's doctor, says Dr. Murray, an assistant professor of clinical pediatrics at the University

of Rochester in New York.

Some parents say crossfire on social media over the right way to do sleep training has undermined their confidence. Numerous books in recent years have promoted varied approaches, from cuddling the baby nonstop so he never cries, to putting him in his crib and ignoring his cries until morning.

Among the most popular is graduated extinction, or the check-and-console method. It involves putting the child to bed drowsy but awake and checking on him at progressively longer intervals until he falls asleep. Another method, bedtime fading, calls for temporarily delaying bedtime by about 15 minutes more each night, to help the baby fall asleep, then gradually moving it earlier.

A third method—dubbed the shuffle by author and sleep coach Kim West—is called camping out, or the shuffle. It entails sitting close to pat and comfort the baby until she falls asleep, then moving a little farther away every few days until she no longer needs your presence.

New mother Katie Hansen turned to Facebook for sleep-training advice. "I'd see people sharing articles about how you're damaging your kids if you let them cry," she says. After several months of rushing to comfort her baby twins every time one of them cried, she and her husband were desperate for sleep.

She turned to sleep consultant Lori Strong of Austin, Texas, who helped her set a bedtime routine and teach the twins to fall asleep on their own. "It's really helpful to have somebody who's an expert, but who also isn't going to make you feel silly" for doubting yourself, says Ms. Hansen, of Abilene, Texas.

The most common mistake parents make is failing to pick one approach and stick to it. "The best method for any family is the one they can follow consistently," says Becky Roosevelt, a Pleasanton, Calif., sleep consultant.

Long nights spent doing the pacifier dance—jumping up repeatedly to give their baby daughter Lily her pacifier—had Stephanie Diamond and her husband exhausted. "We were running ragged," says Dr. Diamond, of Miami Shores, Fla. With help from sleep consultant Sasha Carr, a Norwalk, Conn., psychologist, they learned to use the check-and-console method, to help Lily fall asleep without rocking or using a pacifier.

Most parents rely on referrals to find a sleep coach. It's important to weigh a consultant's training. Mommywise coaches have experience as postpartum doulas and training in newborn care, says founder Natalie Nevares. Two organizations, the Family Sleep Institute and Ms. West's Gentle Sleep Coach program, certify students who complete several months' training plus supervised practice.

### LIFE

## SLOW DATING INSTEAD OF SWIPING RIGHT

BY KARI PAUL

**CASEY-LEIGH** Jordan has been on and off dating app Tinder for the past four years but recently deleted it in a fit of frustration. She had been talking to a man on the app and scheduled a time to meet up that day, but when she messaged him to confirm, he disappeared.

"Dating sucks in New York," says Ms. Jordan, a 31-year-old manager at a hair salon New York City. "There are so many options, and it can be really overwhelming."

After struggling to meet people without apps, she downloaded the app Hinge, which seemed like a happy medium. The app's incorporation of icebreaker questions and more detailed profiles made her connections feel more substantial. "I still wish there were more ways to meet people organically and in person," she says. "People are different when they talk to you from behind a screen."

Millennials like her who have spent years rapidly swiping through singles are looking to slow down dating. Zeroing in on fewer possible partners with more potential feels like a relief to them.

Ms. Jordan says she believes some dating apps encourage bad behavior. One guy drank a whole pitcher of margaritas on their weeknight date. Another turned out to be in a relationship

already. Several others "ghosted" her—stopped communication without explanation. Eventually she put a disclaimer in her profile: no "pen pals," or people just in town for one night, no hookups, and "no scrubs," or freeloaders.

"It's a constant theme in the history of dating that people are stressed out about it," says Moira Weigel, dating historian and author of "Labor of Love: The Inven-

tion of Dating."

"But apps have created a fatigue that is qualitatively new because an app is never not there. There is something new about the intensity with which these apps wear people out."

The \$2.9 billion dating industry has seen a 140% increase in revenue since 2009, according to a report from market research firm IBISWorld. Mobile dating services have represented the fastest-growing segment of the industry and account for 31% of total industry revenue. A spokeswoman for Match Group says downloads of Tinder's app remain consistent on a worldwide and domestic basis. She didn't provide user numbers.

Darril George, a 39-year-old financial planner in Atlanta, had grown weary of online dating when his friend Dani Johnson invited him to join an experiment she was creating: a dating club called Black Gentry. "It feels very manufactured when you get onto Tinder or Bumble and you end up on an assembly line of dates," he says.

Ms. Johnson set up a group chat and began to plan meet-

ups for the 40 single members. There were a few core requirements to join: Participants were all in their late 20s to late 30s, African-American and vetted in person before attending.

The group participated in activities like laser tag. One night they played a game of Jenga with questions or prompts on each wooden piece like "hold your partner's hand until the next turn." The project led to more than a dozen successful dates and four couples within the group. Another

10 people found partners outside the group or rekindled romances with past partners.

"An unintended outcome was that by slowing dating down and talking about goals and values, people were able to think about how they were showing up in their relationships and engaging others," Ms. Johnson says.

Slower options continue to gain popularity. Offline dating service Three Day Rule offers dating coaching and handpicked partners. Prices start at \$4,500 for three months. The company doubled its revenue last year and expanded to its 10th city in the U.S. in June.

Once, a platform that sends users just one potential match each day, launched in October 2015 in France and expanded to the U.S. in

April. The app hit 7 million downloads globally in May.

Match, which owns Tinder and OkCupid, is eyeing slow dating as well. In June, it acquired Hinge, which positions itself as a more deliberate alternative to gamelike dating services like Tinder.

Hinge saw its user base grow by more than 400% after redesigning

the platform in 2017 to eliminate its swiping feature after learning 80% of its users had never found a long-term relationship on a dating app, according to Justin McLeod,

Hinge's CEO and co-founder. The changes were meant to foster more selectivity. "Some apps flatten people and objectify them, making them into a little card you can swipe through," Mr. McLeod says.

For those who reject apps outright, there's always the old-fashioned practice of meeting people in person, an experiment that Susan, a 34-year-old nonprofit director in Texas, began this year. She has handed business cards to men at the airport and in the park. She's seeing a man she met at a swing-dancing night. A return to real-life dating feels revolutionary in this age, says Susan, who asked that her last name not be used. "This is a more natural approach and it's what we should have been doing all along," she says.



Casey-Leigh Jordan's profile photo on the dating app Hinge.

## LIFE &amp; ARTS



CATE DINGLEY FOR THE WALL STREET JOURNAL

MY RIDE | By A.J. Baime

## Part Harley-Davidson, Part 'Spaceship'



Jeffrey 'Meatloaf' Scales with his 2006 Harley-Davidson Street Rod, the third Harley he has customized.

**Jeffrey "Meatloaf" Scales, 49, a heavy-duty tow-truck driver with the New York City Department of Sanitation who lives in Brooklyn, N.Y., on his custom 2006 Harley-Davidson Street Rod, as told to A.J. Baime.**

Growing up in Brooklyn, I was always into motorcycles. I wanted one so bad, but I could not afford one. I finally saved up enough to buy a Honda CBR1000 when I was 25. Then one day I went to a Greek festival in Philadelphia, and I saw these three guys ride up on Harley-Davidsons. It drove me nuts how bad I wanted one. So I started saving.

In 2003, I got my first Harley. I started modifying it, working in a shop in Brooklyn. I am laid back but I am really flashy, too. I wanted the bike to be a representation of who I am. I wanted to take the whole idea of what a Harley-Davidson is and turn it upside down, so to speak. So I built something truly different, with a 26-inch front wheel.

Back then, in Brooklyn, nobody was riding Harleys with front wheels that big, and people took notice. The

bike ended up on the cover of IronWorks magazine.

I decided to build another. And another. The bike you see here is my third. I bought the bike used in 2010, modified the neck to fit a 30-inch wheel, redid the stereo, added custom body parts and upgraded the suspension so the ride is extra smooth. The paint is Lamborghini Tiffany Blue. The whole build took nine months.

I left the engine pure Harley-Davidson. On a previous bike, I customized the engine, but in New York there is so much starting and stopping and I found that the engine would overheat. So this time, I left the motor stock.

Now this bike is like a spaceship, and I cruise all

over the city. Every year I ride in a charity event called the Distinguished Gentleman's Ride—thousands of motorcycle riders wearing suits cruising in cities all over the world—to benefit cancer research. In the winter I wear fur coats. People see me and think, "This guy's crazy." But people who know me know that I'm just Meatloaf. I got my own style.

I am working on my fourth bike, and my goal is to have my own line of custom Harley-Davidson motorcycles someday. That is my dream, and I am going through the stages to get there.

—Contact A.J. Baime at [Facebook.com/ajbaime](http://Facebook.com/ajbaime).

## ADVERTISEMENT

## Showroom

To advertise: 800-366-3975 or [WSJ.com/classifieds](http://WSJ.com/classifieds)

PORSCHE

Proudly Celebrating  
35 Years of Excellence

ISRINGHAUSEN

14 911 50th Anniv. Ed. Coupe Manual  
Graphite/Classic Int. 17K mi i CPO  
\$127,90016 Panamera 4 Edition Hatchback  
Jet Black/Black 12K mi CPO  
\$71,9002015 Mercedes-Benz SL 550  
Lunar Blue/Grey 122K mi i CPO  
\$69,900

> 911	Black/Black	242 mi	\$94,900
18 911 Carrera Coupe Manual	GT Silver/Black	4K mi CPO	\$117,900
17 911 Carrera S Cabriolet PDK	White/Luxor Beige	6K mi CPO	\$94,900
14 911 Carrera 4S Cabriolet PDK	Carrera White/Black	8K mi	\$209,900
11 911 GT3 RS Manual, 1 Owner, PCCBs	Oslo Blue/Black	2K mi	\$289,900
07 911 GT3 RS Coupe 2 Owner, PCCBs	Orange/Black	3K mi	\$249,900
07 911 GT3 RS Coupe Manual	Arctic Silver/Black	18K mi	\$159,900
06 911 Carrera S Cabriolet Manual, 1 Owner	Black/Black	10K mi	\$56,900

> MACAN/CAYENNE/PANAMERA	Black/Chalk & Black	492 mi CPO	\$149,900
18 Panamera Turbo	Volcano Grey/Black	9K mi	\$53,900
18 Macan	Black/Black	42K mi CPO	\$61,900
16 Cayenne S	White/Luxor Beige & Black	40K mi CPO	\$49,900
15 Cayenne Diesel			

> BOXSTER/CAYMAN	Black/Black & Luxor Beige	5K mi	CPO \$64,900
18 Cayman PDK			

> SPECIALTY/EXOTICS			
18 BMW M2 Coupe M Suspension Kit	Black Sapphire/Black	312 mi	\$57,900
16 Cadillac M4 GTS	Black Sapphire/Black	46 mi	\$115,900
16 Dodge Challenger SRT Hellcat	Black/Black	12K mi	\$54,900
15 Mercedes-Benz G 63 AMG	Graphite/ Light Brown	42K mi CPO	\$95,900
12 Maserati Gran Turismo MC Stradale	Red/Black	33K mi	\$59,900
09 Ferrari 430 Scuderia	Black/Black	12K mi	\$184,900
89 Mercedes-Benz 560 SL	Arctic White/Grey	24K mi	\$49,900
89 Mercedes-Benz 560 SL	Signal Red/Beige	38K mi	\$47,900

All prices exclude Tax, Title, Registration and Licensing; Delivery and Handling Fees. Dealer is not responsible for pricing errors.

877-362-9770 | Springfield, IL  
sales@isringhausen.com | [Isringhausen.com](http://Isringhausen.com)

• Specializing in Premium, Hard to Find Vehicles.

• Nationwide, Worry-Free Shipping

LEASE

877-989-1500

- Nationwide Delivery
- We now lease in NY
- Buy or Sell
- Trades Accepted

39 mos. 10k miles/yr, 0 Down, GAP included + TTL. Closed end lease.

All New Makes &amp; Models • 0 Down • Call 7 Days

[www.LEASEFAX.com](http://www.LEASEFAX.com)

Audi Q7	699mo	GMC Yukon SLE	499mo	Mercedes GLC	499mo
Cadillac Escalade Lux	899mo	Jeep Gr Cherokee Ltd	399mo	Mercedes GLE43 C4	899mo
Chevy Corvette	699mo	Jeep Unlimited	339mo	Mercedes GLS	859mo
Chevy Equinox	239 mo	Land Rover Disco Sport	499mo	Mercedes G63	\$10K off MSRP
Chevy Suburban	519mo	Lexus GX460	499mo	Mercedes S-Class	1099 mo
Chevy Traverse	359mo	Lexus LS500	1119mo	Porsche Macan	699mo
Chevy Tahoe	\$10K off MSRP	Lexus LX570	999mo	Range Rover	1059mo
GMC Denali	729mo	Lincoln Continental	499mo	Range Rover Sport	759mo
		Lincoln Navigator	All New 899mo	Volkswagen Atlas	399mo

BOATING



GRAND BANKS 46

Motoryacht for sale Upgraded electronics TV Stabilizers etc. Excellent condition for cruising couple/guests or dockside entertaining or live aboard. Ideal for Great Loop adventures - roomy and reliable.

Call Clarke 772-696-4846  
for Florida visit and details

Mr. Scales bought this motorcycle in 2010 and customized it with a 30-inch wheel and Lamborghini Tiffany Blue paint. He wanted the license plate 'El Jefe'—'the boss' in Spanish—but that vanity plate was already taken, he says.



## LIFE &amp; ARTS

## EXHIBITION REVIEW

# A New View of Westminster Abbey

BY RICHARD CORK

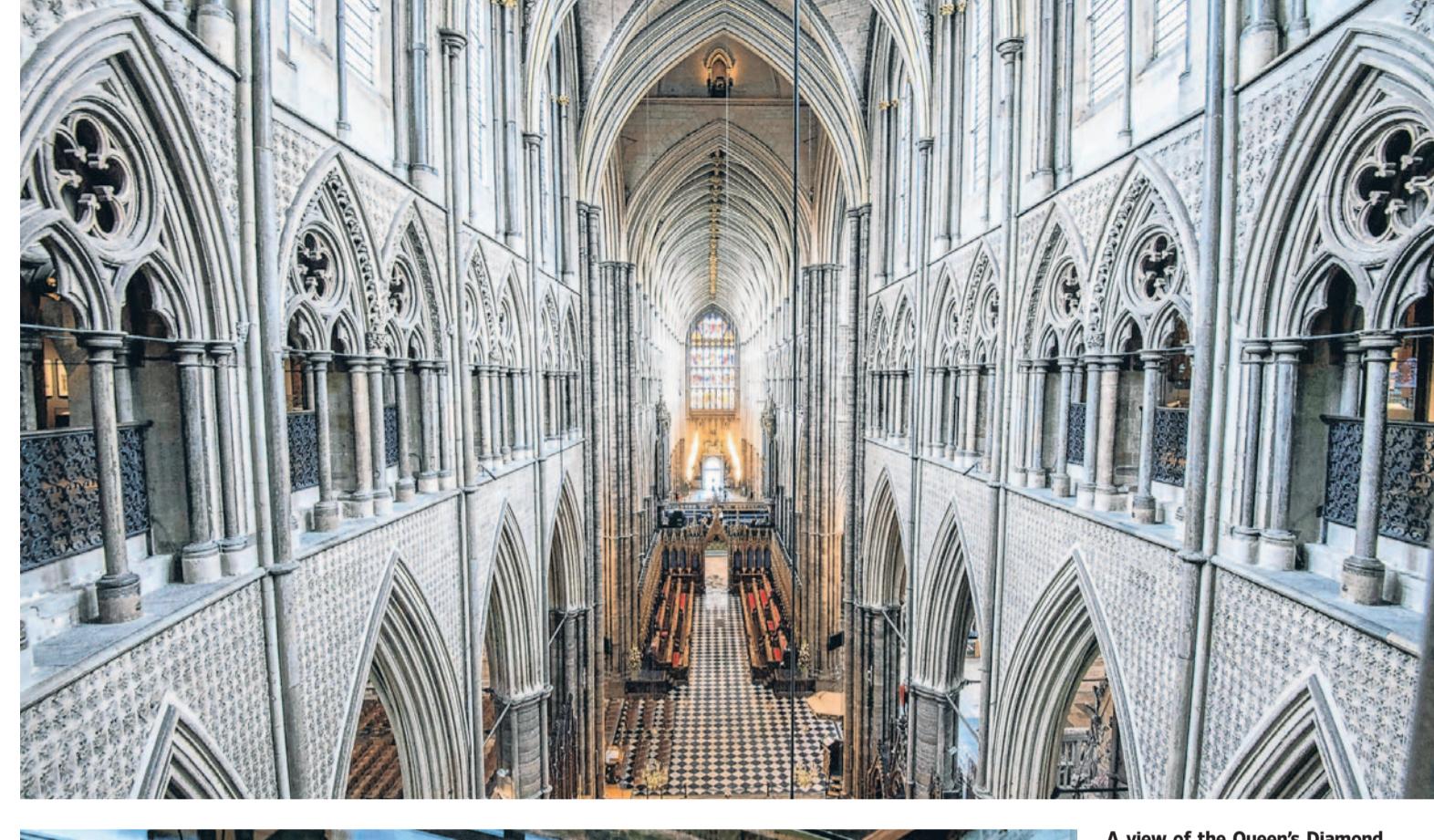
London

**WALKING UP** the new tower added to Westminster Abbey, I feel astonished to gaze out and discover so many enticing views of this mighty medieval building. As I mount the 108 steps of the tower's staircase, its windows provide me with close-ups of buttresses where grinning and snarling carved beasts abound. The exterior of Westminster Abbey is embellished with a profusion of decorative images, reflecting the enthusiasm of Henry III. From 1245 he personally gave the money to rebuild the Abbey, including an eastern Triforium—an extensive gallery high above the arches of the choir. Created more than 52 feet above ground level, this extensive space was re-roofed by Christopher Wren in the early 18th century. It had never been open to the public. But now, after a radical \$29.5 million transformation by the London-based architecture practice MUMA, everyone can ascend the tower and visit the Queen's Diamond Jubilee Galleries, which opened a few months ago.

No less than 300 treasures from the Abbey are displayed here, and yet there is no feeling of cluttered confusion. Nor has the Triforium been converted into an anonymous white space. Instead, a warm and discreet wooden floor supports me as I make my way past the ancient oak beams still supporting Wren's raftered roof. Wherever I look, fascinating images from the Abbey's thousand-year history can be savored. In the first space alone, a life-size marble statue of Rear Adm. Richard Tyrrell seems to be floating upward. Carved in 1770 by Nicholas Read, this suspended figure memorializes a naval hero who was buried at sea. Here he rises up to heaven, and his soulful piety contrasts dramatically with a nearby medieval dragon projecting from another wall, its greedy mouth gaping as if to devour all the fragments displayed in a showcase below.

One of the outright masterpieces in the Diamond Jubilee Galleries is the "Westminster Retable," decorated panels that were hung above the back of an altar. The "Westminster Retable" was almost certainly the high altarpiece of Henry III's Abbey and the oldest to survive in England. Severely damaged, its panels nevertheless contain enough exquisitely painted fragments to prove how impressive the entire work must have been. They are brilliantly lighted in this new display, and include two compassionate figures involved with the miraculous feeding of the 5,000 described in the Gospels. As for the orb held in Christ's left hand, close inspection reveals that it contains a magical landscape alive with animals, flying birds, and trees nourished by glowing sunlight.

Turning away from the "West-



CLOCKWISE FROM BOTTOM RIGHT: ZUMA PRESS (2); GETTY IMAGES



A view of the Queen's Diamond Jubilee Galleries, which opened in June, and nave of Westminster Abbey, above; the 'Westminster Retable,' left; funeral effigy head of King Henry VII (1509), below



minster Retable," I am able to walk across to an arch, stare down into the great nave and relish what the poet John Betjeman described as the "best view in Europe." It shows just how graceful the Abbey's interior really is. The professional skill and physical strength commanded by the men who built this magnificent nave must have been prodigious. And looking up elsewhere in the Galleries' exhibition, I notice a vivid stone carving of a robust craftsman who worked here during the 1250s. Wearing a cap tied securely under his bristling beard, this determined individual leans forward with a fierce expression on his face. Nervous urgency can be detected there, too,

suggesting that this craftsman is all too aware of acute time pressure as well as the physical danger of working at such dizzy heights.

An amazing variety of objects can be encountered while walking around these galleries. They range from gleaming ceremonial helmets and swords of state to an elegant anointing spoon. Outstanding among the paintings is a luminous, well-preserved altarpiece by the Italian artist Bicci di Lorenzo (1375-1452). The altarpiece was made around 1434 for the church of Santa Trinità in Florence. This gentle work shows the Virgin and Christ Child flanked by contemplative, elongated saints. Mary holds up a dark flower, prompting the

blanched Jesus to stretch out and prepare to touch its petals.

The most surprising exhibits are the funeral effigies of monarchs, all made to accompany their coffins in processions to the burial place. The most simplified and poignant is Catherine de Valois, wife of Henry V. Carved from a single piece of wood in 1437, she gazes down with a sense of melancholy resignation. She seems almost modest compared with the outrageously flamboyant Charles II, presented here in full regalia with an enormous wig tumbling over his grandiose robes.

He is very puffed-up, whereas the effigy head of Henry VII looks painfully introspective. Far and

away the most lifelike, it was probably made by Pietro Torrigiano, the accomplished Florentine sculptor who is notorious for having broken Michelangelo's nose while they worked as young apprentices for Lorenzo de' Medici. Torrigiano also produced the same king's tomb for the Abbey's Lady Chapel commissioned in 1503. But Henry VII's effigy head is believed to be based on his death mask, and its direct realism could not be further removed from the self-important smugness so evident in other effigies. Here is a monarch confronting his own mortality with stoical frankness, and the centuries drop away as I find myself empathizing with his painful predicament.

Mr. Cork's latest book, "Face to Face: Interviews With Artists," was published by Tate in 2015.

## FILM REVIEW

# HUNTING THE ARCHITECT OF THE FINAL SOLUTION

BY JOHN ANDERSON

**THREE THINGS** make Adolf Eichmann worthwhile as a movie character: his abduction, his trial and his hanging. "Operation Finale," which stars Ben Kingsley as the fugitive Nazi and Oscar Isaac as one of the real-life Mossad agents who tracked him down, is very much about the Israeli kidnapping of Eichmann from Buenos Aires in 1960. There's also a smidgen about the trial. But nothing about the hanging. So a rollicking good time is out of the question.

A more serious point raised by the existence of "Operation Finale," directed by Chris Weitz ("The Twilight Saga: New Moon") and written by Matthew Orton, is whether Eichmann—the man who inspired Hannah Arendt's observation about the banality of evil—deserves to be played by Mr. Kingsley, or anyone, and thus given what adds up to a platform. Eichmann isn't ennobled, per se, except for the implicit dignity he's given in being the subject of a rather well-budgeted movie. And being portrayed by the actor who played Gandhi, Anne Frank's father and Itzhak Stern in "Schindler's List." It hardly seems banal enough.

If you can make the leap, "Operation Finale" is a serviceable thriller, kind of an "Argo" in Argentina, replete with ornate prepara-



Ben Kingsley stars as Adolf Eichmann in Chris Weitz's film.

tions, plans gone awry and narrow escapes. In an overture to the main action, Israeli agent Peter Malkin (Mr. Isaac) and a Mossad unit dispatched to 1954 Austria grab a man out from under his wife and children and shoot him in his front yard. Wrong Nazi, as it turns out, which is not just bad for the Nazi but bad for Malkin, especially when Eichmann is discovered to be living in Buenos Aires. Israel then has to decide whether to violate Argentine sovereignty and kidnap—all together now—"the Architect of the Final Solution." (It's that kind

lies told by those swine at Nuremberg.) He's a department head at a Mercedes-Benz plant. He takes the same bus home every day. He is a creature of bureaucratic habit, which may come across as ironic, given Eichmann's history as an administrator, but that's how Malkin and company manage to orchestrate his capture.

There are hang-ups in the process, naturally, including decisions on high in Israel about whether the entire operation is proper, and how it will be accepted on the world stage—and whether it's

more efficacious simply to find Eichmann and kill him. "A trial will put all of this to bed," argues Rafi Eitan (Nick Kroll), referring to the Holocaust itself, and it's practically a laugh line. But Rafi wins the argument, and the unit being sent to South America receives an impassioned visit from Prime Minister David Ben-Gurion (Simon Russell Beale), who tells them, basically, "Don't screw this up."

Virtually all the characters in

"Operation Finale" are based on actual people, including Sylvia Hermann (Haley Lu Richardson), who dates Eichmann's son Klaus (Joe Alwyn)

until the night he takes her to one of his not-so-clandestine Nazi meetings

and she gets wind of the agenda the party has in mind for the Jews of Argentina.

One thing leads to another and Sylvia helps set up the elder Eichmann for positive identification.

Once that's established, the kidnap game is afoot.

Trying to pass off the 74-year-old Mr. Kingsley as the 54-year-old Eichmann leads to some makeup malfunctions, but the performance is a thoughtful one. His Eichmann is a con man who thinks he's an intellectual; it's never quite clear if he's convinced himself of his lies

or not, but the effect is to keep the viewer off balance. Each member of the Israeli abduction team has a different attitude about what to do with their captive. One simply wants to kill him. Another, Hanna Elian (an excellent Mélanie Laurent), is a doctor who wants to make sure she keeps him sedated without giving him an overdose.

Zvi Aharoni (the equally excellent Michael Aronov) wants to psychologically break Eichmann—who for some reason must sign an extradition agreement before he can be spirited away—

through isolation and stress. But Peter goes the other way, engaging his prisoner in discussions of his crimes and his claims of innocence ("I was chained to my desk 20 hours a day!") and even his clueless pleas for sympathy ("I had to drink schnapps to keep from fainting," he says, recalling one scene of mass murder).

To say Mr. Kingsley's performance is more than Eichmann deserves, of course, is really not saying anything—it's a sturdy film, albeit about a shaky subject. Also, it's good to be reminded now and then of the insidious nature of fascism and how it can pop up everywhere you're not looking.

The story of Israeli agents' 1960 kidnapping of the Nazi in Argentina



## OPINION

## So Long, Russia. And Thanks!

BUSINESS WORLD  
By Holman W. Jenkins, Jr.

But not if the subject is Andrew Cuomo, Democratic governor of New York.

Last month, the architect of Mr. Cuomo's billion-dollar upstate development plan was convicted of bid rigging. In March, another former aide, a longtime confidant whom Mr. Cuomo's father once referred to as a third son, was found guilty on bribery charges. Somehow we feel sure the New York Times nonetheless will be endorsing Mr. Cuomo for re-election in the fall.

You didn't need to get five words into the latest calls for Donald Trump's impeachment to discover it's over the same objectionable qualities that we've heard about for three years. Michael Cohen's payments to Stephanie Clifford and Karen McDougal are a pretext.

At least it isn't Russia. This turning of the page is sad for Craig Unger, author of a just-released book about Mr. Trump's business history, full of sentences like "we do not know exactly when the KGB first opened a file on Donald Trump." Or how about his description of Oleg Kalugin, the 83-year-old ex-KGB agent living in the U.S. who knows

To this columnist, it was inevitable that Mr. Trump's past would come into collision with our vast regulatory state, which can find something on anybody if it looks hard enough, even somebody more scrupulously honest than Mr. Trump.

Harvard law professor and Bloomberg contributor Noah Feldman positively chortles

nothing about Mr. Trump, as "a master of the tradecraft that was used to ensnare Trump."

Such sentences are exercises in the fallacy of begging the question—presuming the truth of an unsubstantiated claim. Unfortunately for Mr. Unger, Mr. Trump's enemies are throwing aside their Russia crutches. Mr. Trump's longtime CFO, Allen Weisselberg, has received immunity from a federal prosecutor in New York. No, this does not mean every Trump tax return, loan application, conservation easement or cash transfer now will be scrutinized. But it could. And smart Democrats have known all along that Mr. Trump's businesses are his real vulnerability.

The sad face that Mr. Trump made on election night after winning, it's easy to believe, was born of a realization. Nobody has an incentive to invest unreasonable sums of time and money to create legal jeopardy for a loser. A president is different. And Mr. Trump is a fat target. Bill Clinton involved himself in one real-estate deal in his life. Imagine a Whitewater a week for 40 years.

To this columnist, it was inevitable that Mr. Trump's past would come into collision with our vast regulatory state, which can find something on anybody if it looks hard enough, even somebody more scrupulously honest than Mr. Trump.

While it would be problematic to assume voters gave Mr. Trump a pass for prior crimes, it's equally problematic to

that the Cohen plea now invites the U.S. attorney in Manhattan to seek more crimes and eventually to "indict the Trump Organization itself and seize assets derived from criminal activity."

I wonder how this might play in the possibly more nuanced mind of Manafort juror Paula Duncan, who was capable of both appreciating that

launch a hunt for crimes that didn't seem worthwhile to the myrmidons of the state before he was elected president.

It also behooves us to take a fresh look at how different Mr. Trump really is—or perhaps better said, in what way he is different and what way he is not. Friday's headline in the Washington Post, "Trump undermining legal system, critics fear," has that born-yesterday quality to anybody who's been paying attention the past few decades. Half of America surely will recall hearing an FBI chief say that Hillary Clinton violated the law in relation to her official duties and it wasn't worth prosecuting.

The risk of going down this road, thankfully, will be limited as long as Republicans remain a sizeable power in the Senate. A vote to convict after impeachment would be unlikely unless GOP voters themselves decide Mr. Trump has betrayed their cause.

What we're also going to learn is that even if the federal government is paralyzed for the next two years, even if our politics is more deeply embittered, Mr. Trump can flourish in such an environment.

In the meantime, goodbye to Russia. You served your purpose. Vladimir Putin's effect on the 2016 election, we can now admit, was trivial—his real influence has come almost entirely through the willingness of U.S. combatants to exploit Russia in pursuit of their own power ambitions and vendettas.

BOOKSHELF | By Alexandra Mullen

## A Doctorate In Desire

## The Victorian and the Romantic

By Nell Stevens  
(Doubleday, 258 pages, \$26.95)

**A**s a burgeoning memoirist, Nell Stevens specializes in starting out in the wrong direction. In 2013 she went off to the Falkland Islands to write a novel. She ended up writing a memoir about not writing a novel, published last year as "Bleaker House." In this year's memoir—"The Victorian and the Romantic"—she details her efforts to finish her dissertation on the Victorian novelist Elizabeth Gaskell and describes her pursuit of love instead.

In parts of Ms. Stevens's narrative, former graduate students will recognize the narrow monomanias of early attempts at scholarship: the gnomic comments from advisers, the Sitzfleisch in rare-book rooms, the heart-stopping error in a transcribed quotation. But that's all really just background for Ms. Stevens's *grande passion*: Max. Even as she waxes lyrical about Max's "tousled black hair," "the reassuring thickness of his forearm" and the charm of his "chin, or his waist, or his knees," Ms. Stevens is conscious that "other people's desires . . . are always hard to comprehend." As she notes, "former passions of my own . . . seem overblown and embarrassing with hindsight." And yet she cannot resist the all-too-human desire to see her own feelings for Max reflected everywhere around her. Which takes us to back to Elizabeth Gaskell.

Outwardly, the journeys of Ms. Stevens and Mrs. Gaskell are quite dissimilar. In 1857, Gaskell, the middle-aged wife of a Unitarian minister in Manchester, traveled to Rome with two of her daughters to give herself a vacation after writing what turned out to be a ground-breaking biography of her recently deceased friend Charlotte Brontë. In 2013, Ms. Stevens, a doctoral candidate at King's College London, took the Eurostar to Paris to meet up with her as-yet-unrequited love interest, a former MFA classmate whom she had gotten to know when she was studying in Boston.

Inwardly, however, Ms. Stevens identifies her own situation with Gaskell's: embarked on a quest for a marriage of true minds. One member of Gaskell's Roman circle was a younger man already famous for his gift for friendship, the sunny-natured Charles Eliot Norton. His father had had the distinction of being Emerson's most disliked professor at Harvard, and he himself was a Harvard professor (in fine arts) as well as one of the co-founders of the Nation magazine. He showed his good literary judgment in writing the first positive review of Walt Whitman's "Leaves of Grass" in 1855. From across the Atlantic he had already admired Gaskell's novels, the best known of which today are "Cranford" and "North and South." "A wonderful story-teller," Norton had written of her, "never exaggerating and always dramatic."

When Norton and Gaskell met up in Rome, he was still a bachelor living with his mother and sisters. He was, as Gaskell's biographer Jenny Uglow notes, "at ease in the company of women." The intelligent and lively Gaskell seemed to re-create in Rome his own warm domestic life in Boston. Indeed, he corresponded with Gaskell's daughter Meta until his death in 1908 at age 80.

**A fanciful memoirist, once a graduate student in English, tells parallel tales of doomed love—her own and that of the novelist Elizabeth Gaskell.**

Like Gaskell, Norton was a charmer with a sting of wit—in Rome he described Father Manning, the smoothly high-society British convert to Catholicism, as "the Apostle to the Genteels." Was Gaskell in love with him? Ms. Stevens is sure that she was, and she is determined to prove it. But how? "Because Mrs. Gaskell never wrote about her desire directly, . . . I read between the lines, and when I see nothing there, I crowbar them farther apart and look again." Her crowbar pries open a world of imagination where scholarly probity fears to tread.

Here, for instance, is a piece of a letter that Gaskell wrote to Norton four years after their time in Rome: "Oh! Don't you long to go back to Rome. Meta & I were SO talking about you . . . and about your face as we first saw it,—and this morning comes your letter." How did Gaskell feel as she wrote this sentence? Ms. Stevens believes Norton's face was "an object of desire" that made Gaskell's "heart thud and her cheeks flush. She wanted to touch him. She ached for him, the way I ache for Max." Elsewhere Ms. Stevens channels Gaskell in long passages in the second person: "You lapsed into wistfulness"; "You began to shape the restless yearning you had grown so accustomed to feeling"; "You could try to formulate some sort of falsehood about being happy. . . . But you could say none of these things."

Many writers have paralleled their reading and their lives, such as Julie Powell in "Julie & Julia," her account of traversing Julia Child's famous cookbook. And many writers have deployed fictionalizing tricks to perk up a literary study—just last year Helena Kelly studded her book on Jane Austen with her own fictional purple passages. Ms. Stevens ups this game of fact vs. fiction by declaring that none of it really matters: "Every word has been filtered through the distortions of my memory, bias and efforts to tell a story. . . . Studies, letters and texts excerpted here are not always faithfully quoted."

If you're attracted to an unreliable narrator who blends the sportive and the poignant, the emotional and the knowing, Ms. Stevens's creative memoir may hit your sweet spot. If a more conventional narrator who shares those qualities is your cup of tea, perhaps you should turn to Elizabeth Gaskell. She was far more than a (hypothetically) clichéd, romantically unfulfilled woman of a certain age. She wrote her first novel when she was in her mid-30s, at her husband's suggestion, to help her cure herself from her grief after the death of their baby son (their second child to die). She was, as Virginia Woolf deduced from her books, "a cultivated woman, for whom publicity had no glamour, with a keen sense of humour and a quick temper." And a good writer to boot.

Does the course of Ms. Stevens's trans-Atlantic love run smooth? It would be unfair to say. There is one shareable tidbit that's not in the book, however. Reader, she finished the dissertation.

Ms. Mullen writes for the *Hudson Review* and the *New Criterion*.

POLITICS & IDEAS  
By William A. Galston

it was substantial. McCain's chief virtue as a lawmaker was his steadfast commitment to the Senate as the locus of oversight, criticism and advice for the executive branch.

The hearings McCain conducted as a member and then chairman of the Armed Services Committee were always tough and not always entirely fair. But no one could doubt his commitment to the nation's defense, and especially to the men and women in uniform whose lives were on the line. He wanted the defense budget to be large enough to ensure that American forces had the best training and equipment. But he loathed the Pentagon's waste and, worse, its failure to terminate weapons that cost too much and delivered too little. On more than one occasion he ruthlessly exposed a military commander's lack of strategic clarity and failures of candor about battlefield progress, knowing that evasions and half-truths would cost lives on the front lines. He was never cowed by the rank and reputation of the military leaders arrayed before him. Like President Eisenhower, his

experience gave him a BS detector sharp enough to cut through Pentagon jargon and acronyms to reach the often uncomfortable truth.

John McCain was a constitutional senator who believed passionately in the Senate's role as a restraint on presidential power. He put it this way in his moving valedictory address on the floor of the institution he loved: "We are an important check on the powers of the executive. . . . Whether or not we are of the same party, we are not the president's subordinates. We are his equal!" He continued: "As his responsibilities are onerous, many and powerful, so are ours. And we play a vital role in shaping and directing the judiciary, the military and the cabinet, in planning and supporting foreign and domestic policies."

As his career approached its close, McCain worried that the Senate was abdicating its constitutional responsibilities. The explanation, he argued, was hyperpartisanship, which led too many senators to place party above country and, when the president was of their own party, to view themselves as members of the president's "team" rather than of a separate and coequal branch of government.

As McCain grasped intuitively, this tendency strikes at the heart of our constitutional system. James Madison understood that power tends to expand unless met by a countervailing force, so he designed

each branch of government to have both the constitutional means and institutional motives to resist the encroachments of the others. "Ambition must be made to counteract ambition," he writes in the *Federalist*. "The interests of the man must be connected with the constitutional rights of the place." A party system that subordinates the legislature to the executive subverts Madison's scheme, risking a dangerous concentration of power in the presidency.

**He defended the chamber's role as his colleagues ceded power to the presidency.**

Congressional gridlock divests power in the same way, tempting presidents to take legislative authority into their own hands. "We've been spinning our wheels on too many issues because we keep trying to find a way to win without help from across the aisle," McCain declared as the GOP attempted to repeal ObamaCare. "We're getting nothing done." Preserving our system requires us to do something "less satisfying than 'winning,'" he added. "Even when we must give a little to get a little. Even when our efforts manage just 3 yards and a cloud of dust, while critics on both sides denounce us for timidity."

The late Arizona senator loathed the forces he saw as degrading our politics. "Stop listening to the bombastic loudmouths on the radio and television and internet," he urged. "To hell with them." His colleagues were listening attentively. The president, alas, was not.

John McCain's illness and death brought out the worst in President Trump. In the signing ceremony this month for the Defense Authorization Act, he refused to mention McCain's name, even though the bill was named in his honor. In the hours after his death, Mr. Trump shelved a statement prepared by his senior staff that would have praised McCain as a hero, choosing instead to tweet out a perfunctory condolence to his family. He even failed to issue the customary proclamation ordering U.S. flags to be flown at half-staff until the date of interment, until a chorus of criticism forced him to relent.

Winston Churchill began his history of World War II with a maxim that summed up the war's moral message: "In War: Resolution, In Defeat: Defiance, In Victory: Magnanimity, In Peace: Goodwill." Donald Trump may be the least magnanimous victor in American history. By refusing to recognize the virtues of others, or even to observe the ordinary decencies, he succeeds only in diminishing himself. The contrast with the man he denigrates even in death could not be starker.

**AI is disruptive, but it hasn't rendered humanity obsolete.**

This is part of a broader pattern of AI systems achieving superhuman levels of performance and yet making blunders that leave us scratching our heads. Researchers from Carnegie Mellon were able to fool a facial recognition system consistently into thinking that one of them, clearly a man, was actress Milla Jovovich, by

wearing carefully designed eyeglass frames.

In both cases, the cause of the mistake is that the AI system solves problems in a very different way than humans.

Often, this involves picking up on some statistical pattern that can be used to great effect, but it sometimes produces answers that lack common sense. Moreover, if something changes about how the data is produced, performance may plummet. This occurs especially when the change is intended to mislead the system, as with the eyeglass frames.

From this information, we can gather insight into which jobs, or parts of jobs, AI systems will take from us. Tasks that require responding to the same kind of standardized input over and over, with a clear measure of success, are a natural fit. Such tasks range from the diagnosis of medical images to flipping burgers. On the other hand, jobs that are messy

and unpredictable and require an understanding of people and the broader world—I like to think of kindergarten teachers—will likely remain safe for a long time.

Much progress has been made in AI in a short time, so future breakthroughs are not unthinkable. For now, humans remain unsurpassed in their broad, integrated, flexible and robust understanding of the world. If AI starts to catch up with us on that, some of the most intractable problems in philosophy, such as the nature of consciousness, will become very pertinent. But currently there is no clear path toward building such systems. The AI systems we know how to build today are likely to be disruptive in many domains—the labor market, our social fabric, the nature of warfare. But they do not make humanity obsolete.

*Mr. Conitzer is a professor of computer science at Duke University.*

By Vincent Conitzer

**T**he late Stephen Hawking warned that artificial intelligence could "spell the end of the human race." Already, AI systems are starting to outperform people in domains ranging from board games to speech recognition. Is humanity on the way out?

For those not working in AI, it can be difficult to interpret achievements in the field. Take, for example, Watson's 2011 victory over human "Jeopardy!" champions Brad Rutter and Ken Jennings. This was a stunning achievement because while it should surprise nobody that Watson had access to an encyclopedic amount of knowledge, "Jeopardy!" requires more than that. The hard part—at least for AI systems, but often for humans as well—is understanding the clue well enough to guess the correct answer. Many AI researchers, myself

## OPINION

## REVIEW &amp; OUTLOOK

## Elon Musk's Public Reckoning

**T**esla shareholders have been on a bumpy ride amid Elon Musk's media outbursts and flirtation with taking the company private. The CEO late last week abandoned that idea, and perhaps he saw that public markets have their uses.

Mr. Musk blindsided investors and Tesla's board with his Aug. 7 tweet that he hoped to take the company private at \$420 a share with "funding secured." A few hours later he issued a statement explaining his motivations, and investors bid up shares.

"As a public company, we are subject to wild swings in our stock price that can be a major distraction," he wrote. "Being public also subjects us to the quarterly earnings cycle that puts enormous pressure on Tesla to make decisions that may be right for a given quarter, but not necessarily right for the long-term."

The CEO has been doing hand-to-hand combat with short sellers, stock analysts and reporters, though he may be his own worst enemy. Tesla's stock tumbled after it became apparent that Mr. Musk's plan for going private was embryonic. Shares are now trading at \$311, down about 22% from their peak and 9% before his drive-by tweet.

The Securities and Exchange Commission is investigating his tweets, perhaps for stock-price manipulation. After rushed discussions with shareholders and underwriters, Mr. Musk announced late Friday that "most of Tesla's existing shareholders believe we are better off as a public company."

They're on to something. Whatever Mr. Musk's intentions, most current shareholders probably wouldn't be able to keep shares in a private Tesla. Institutional investors have regulatory restrictions on their illiquid holdings. Private shares are considered illiquid since they can only be traded once or twice a year. Exchange-traded funds would have to drop their shares, which would hurt many ordinary investors. Re-

## Tesla may be a wild ride, but everyone knows the financial risks.

tail investors who aren't wealthy enough to qualify as "accredited investors" under the SEC regulations would also be excluded. These are some of Mr. Musk's biggest fans.

One benefit of a public exchange listing is that anyone can benefit from a company's growth. Someone who bought 20 Tesla shares at \$17 when it went public in 2010 and cashed out today would be nearly \$6,000 richer today (excluding taxes).

SEC rules also require that public companies inform all shareholders of earnings and other market sensitive information at the same time, so big investors don't have a trading edge. Quarterly-earnings disclosures keep executives accountable, and Mr. Musk has only himself to blame for lifting investor expectations with optimistic goals that he is feeling so much pressure to meet. Directors of public companies also have more incentive to ride herd on a CEO who is causing trouble.

As for those evil short sellers, they provide a healthy counter to investor ebullience. The reality is that most Tesla shareholders are bullish, which is manifest in its \$53 billion market valuation that exceeds GM's despite delivering 95% fewer cars in the second quarter and failure to ever turn an annual profit.

There is no single best way to organize a business, and Mr. Musk is right that private companies can typically operate with fewer regulatory restrictions and shareholder pressures. Many successful companies aren't publicly traded, including Koch Industries, Cargill and even Mr. Musk's SpaceX.

But there are also benefits for companies from a public listing, not least the ease of raising capital by issuing new shares. Tesla may need that recourse this year to repay creditors. By staying public Mr. Musk is also letting more people bet on and benefit from Tesla's future success. Everyone knows the financial risks.

## Pope Francis in the Dock

**F**or Catholics still reeling from a recent Pennsylvania grand jury report detailing decades of sexual abuse by priests and coverups by their bishops, the weekend brought another shock. A former papal nuncio (ambassador) to the U.S. claims Pope Francis lifted or ignored sanctions imposed by his predecessor on Cardinal Theodore McCarrick for the cardinal's abuse of seminarians. The nuncio, Archbishop Carlo Maria Viganò, also called for Pope Francis to resign.

The archbishop's charges have split the Catholic community. Some defend his reputation for honesty and professionalism while others suggest he is motivated by dislike for Pope Francis, or that he disagrees with the pope's liberal politics. Some secular defenders who like the pope's politics, and are stalwarts of the #MeToo movement, want to excuse the episode.

But motives are irrelevant here, or at least they should be. The question is whether the archbishop's claims are true, and that should be fairly easy to determine.

Earlier this summer, the Vatican stripped Cardinal McCarrick of his cardinal's hat and restricted him after the Archdiocese of New York deemed credible an allegation that he had sexually abused a teenager. But among the bombshells in his 11-page letter, Archbishop Viganò reveals the cardinal had been put under sanction years before by Pope Benedict—until Pope

## A former papal nuncio accuses the pontiff of a sex abuse coverup.

Francis gave him a get-out-of-jail pass.

At least in America, most bishops have done a fair job implementing the 2002 reforms designed to hold abusive clerics accountable to the law and the church. Most Americans have thought the ugly subculture of priests abusing boys and girls was largely cleaned up. But if the archbishop is right, the lies continue.

Pope Francis did not help himself when asked about the charges on his way home from Ireland on Sunday, saying he would neither confirm nor deny the allegations. More encouraging was the reaction from the president of the U.S. Conference of Catholic Bishops, Cardinal Daniel DiNardo. Far from dismissing Archbishop Viganò, he asked for a Vatican investigation and issued a statement saying "the questions raised deserve answers that are conclusive and based on evidence."

Among the ironies here is that, in the capitalist system Pope Francis so often attacks, no corporate executive publicly accused of covering up abuses like this could escape accountability. The Catholic Church is not a profit-making corporation, and the Pope is no CEO.

But when it comes to allegations of abuse and coverup against its leaders by a man who is also a senior leader, surely a church has an even greater interest in getting to the truth. Pope Francis will have to disclose and explain the truth or forfeit his moral authority.

## China's Re-education Camps

**M**ore information keeps coming to light about China's mistreatment of its ethnic Uighur minority, and Beijing's responses aren't helping its credibility.

The Journal reported this month that China is expanding a network of internment camps for Uighurs and other Muslims in the northwest region of Xinjiang. Satellite photos show several walled facilities under construction as recently as four weeks ago. Six former prisoners told the Journal that they and others were subjected to physical and mental abuse to make them renounce Islam.

The Chinese government also admitted this month for the first time that this ethnic prison system exists. Hu Lianhe, a high-ranking official handling minority affairs, told a United Nations panel on racial discrimination that the camps are vocational schools for petty criminals.

Mr. Hu denied that China has arbitrarily detained Uighurs and other Muslim minorities in "re-education centers." He also said that the estimate of one million prisoners, cited by U.N. experts and U.S. officials, is false. A Foreign Ministry spokesman told foreign journalists that anti-China forces were making "false accusations against China for political purposes."

For all of Beijing's indignation, evidence that the camps hold hundreds of thousands of innocent Muslims is overwhelming. Whole neighborhoods in the cities of Urumqi and Kashgar are deserted, with homes sealed by police. Adrian Zenz, a researcher at the European School of Culture and Theology in Berlin, analyzed public construction contracts that show the government has spent more than \$100 mil-

lion to build 78 re-education camps of up to 82,000 square meters. Mr. Zenz estimates there are as many as 1,300 camps.

The reason China's Muslims are speaking to foreign journalists now is telling. They typically stay silent for fear that relatives might be imprisoned. As whole families disappear behind detention-center walls,

there is nobody left to protect. Relatives report that some prisoners have died in the camps.

Mr. Hu told the U.N. panel that "there is no suppression of ethnic minorities or violations of their freedom of religious belief in the name of counterterrorism." But a 2015 counterterrorism law has been used to criminalize ordinary expressions of belief such as daily prayer, growing a beard, fasting during Ramadan or obeying traditional dietary restrictions.

Former inmates say camp guards pressure prisoners to renounce Islam and profess loyalty to the Communist Party. One young Uighur told the Journal, "They would also tell us about religion, saying there is no such thing as religion, why do you believe in religion, there is no God." Another said, "They said we should give thanks not to Allah, but to Xi Jinping," China's supreme leader.

Communist China has never lived up to its promises to respect freedom of religion, but for a time after Mao Zedong the regime showed some tolerance. Under Xi Jinping persecution is the most extreme since Mao's Cultural Revolution. Authorities are harassing mainstream believers across the country, demolishing Christian churches as well as mosques. The world may not be able to stop these abuses, but it can expose them.

## Evidence grows that Beijing has imprisoned thousands of Muslims.

## LETTERS TO THE EDITOR

## OECD's View of U.S. Inequality Is Mistaken

The OECD's Chief Statistician Martine Durand's reaction to our article "The Myth of American Inequality" (op-ed, Aug. 10) in her letter of Aug. 24 was unnecessarily defensive. Our principal point was that the U.S. reports incomplete data to the OECD, which significantly overstates U.S. income inequality.

Ms. Durand does not contest some \$1.1 trillion of U.S. transfer payments we add to the census report. She contests only the further addition of Medicare and Medicaid. In other large, developed OECD countries health care is available universally and is provided by government employees. America's poor, seniors and disabled obtain health-care services from private providers who bill the government for their services. Since most other Americans buy private health insurance and pay for their own care, by any logical definition U.S. Medicare and Medicaid expenditures are transfer payments, which

significantly alter income distribution.

In fact, whether or not other OECD nations count their public health services as a transfer payment would have only a small impact on their income distributions since the benefits are supposedly distributed equally to everyone. The significant impact on income distribution from including national health services as transfer payments would come from the disproportionate taxes that the middle and upper income households pay to support the national health service. Those taxes are already included in the data submitted to OECD.

The fact remains that if the U.S. submitted income distribution data that strictly conformed to the OECD guidelines, income distribution in the U.S. would fall in the middle of the seven largest developed countries.

PHIL GRAMM  
Helotes, Texas  
JOHN F. EARLY  
Ridgefield, Conn.

## Furman Is Wrong About Bank Capital Buffer

In "The Fed Should Raise Rates, but Not the Ones You're Thinking" (op-ed, Aug. 21), Jason Furman presents four reasons the Fed should use the so-called countercyclical capital buffer (CCyB) to increase bank capital requirements. All his reasons are wrong.

He states that the Fed's own analysis indicates that its standard for raising the CCyB (financial vulnerabilities that are "meaningfully above normal") has been met. While he points selectively to the Fed's finding that some risks are elevated, he omits the Fed's conclusion that those risks are offset by the robust state of the banking system. This was confirmed in last week's FOMC minutes, which found financial vulnerabilities to be "moderate on balance."

Second, he argues that the Fed should raise the CCyB to slow economic growth. But if the Fed wishes to slow growth, it can raise interest rates, which will restrain the economy broadly. Raising capital requirements will slow growth only by boosting borrowing rates for bank-dependent borrowers including small businesses and middle-class households.

Third, he argues that bank regulations are too procyclical—they get easier in good times and tougher in bad times. But this ignores the crucial role of stress tests, which get tougher in good times by design. By our estimates, the Fed's 2018 stress test raised capital requirements by a full percentage point relative to the 2017 test.

Fourth, he argues that the Fed should raise the CCyB now, slowing growth, so that it can lower it later

when there is a recession. This is similar to the "keep your powder dry" argument that some made in 2008 suggesting the Fed should refrain from lowering rates to zero as the economy imploded, just so that it could lower them later. Lucky for all of us, the Fed didn't listen.

BILL NELSON  
Bank Policy Institute  
Washington

Raising bank capital standards could destabilize the economy, contrary to Jason Furman's assertion. His fallacy is treating capital as a simple valve that can be used to dial risk up or down, with no unintended consequences.

Lending takes place outside the banking system as well as inside—think trade credit, finance companies, payday lenders and private placements. Bank capital requirements and other regulations impact the mix of bank and nonbank credit. We can certainly make banks safer with higher capital, but that could shift more lending to the riskier, less-regulated nonbank sector. Remember the special-purpose entities of the early 2000s and their contribution to the mortgage finance panic.

Mr. Furman may have a case for higher capital standards, but he should explicitly acknowledge the greater incentive for nonbank financial intermediation as well as other unintended consequences.

BILL CONERLY  
Lake Oswego, Ore.

## Oregon Opioid-Abuse Policy Is the Right One

In "Oregon Overshoots on Opioids" (op-ed, Aug. 17), doctors Sally Satel and Stefan Kertesz argue that an Oregon Medicaid proposal to limit opioid prescriptions for five chronic conditions would "exacerbate suffering for thousands of patients." We disagree. This new proposal would expand evidence-based options for chronic pain management, allowing Oregonians to find a care plan that works for them.

The Centers for Disease Control and Prevention reported an 11% increase in prescription opioid deaths in the U.S. between 2015 and 2016. Oregon bucked this tragic trend, leading the nation with a 17% decline.

How? By implementing prescribing

guidelines, expanding Medicaid coverage for nonopioid interventions for afflictions like neck and back pain and increasing access to naloxone and recovery services.

Patients deserve safe, effective choices to relieve pain—not just a pill. Evidence is insufficient to determine the effectiveness of long-term opioid therapy for improving chronic pain and function. Patients who use opioids for at least 90 days are 60% more likely to still be on opioids in five years. According to the CDC, nonopioid therapies such as Tylenol, therapy, exercise and massage may be better and safer.

We are considering adding coverage for a slate of services such as yoga, cognitive behavioral therapy and massage therapy. We are also looking at placing limits on the duration of opioid treatment (and tapering for patients currently on long-term opioid therapy), while allowing doctors to make exceptions.

An independent panel of health experts will consider the evidence and public input to evaluate this proposal. Offering only one pain-management option that continues to kill Americans at alarming rates is a tragedy we can't accept.

PATRICK ALLEN  
Director, Oregon Health Authority  
Salem, Ore.

## Pepper ... And Salt

THE WALL STREET JOURNAL



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

PROF. JACQUELINE STEVENS  
Northwestern University  
Evanston, Ill.

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

## OPINION

# America Goes on the Cyberoffensive

By Dave Weinstein

The Trump administration has rolled back Obama-era rules governing the use of cyberweapons. U.S. government hackers will now have more latitude to respond to and deter cyberattacks by adversaries.

For the military—especially U.S. Cyber Command, which has long desired more freedom to maneuver—this is welcome news. Other agencies, especially those with sensitive intelligence and diplomatic equities at stake, are surely less enthusiastic about the prospect of turning up the temperature in the cyberwars.

**U.S. government hackers will now have greater latitude to deter and answer attacks.**

Cyber policy is shaped by a trade-off between deterrence on the one hand and intelligence collection and diplomatic standing on the other. A relaxed cyber engagement policy increases U.S. deterrence capabilities—if you hit us, we can hit back. But it could also endanger existing spy operations. Robert Chesney, a University of Texas legal scholar, has observed that if the National Security Agency “is in a target system and reaping important intelligence, an offensive operation that imperils that collection may or may not be in the country’s net national interest.” If the military goes on a cyberoffensive, it could also undermine the standing

of U.S. diplomats when they call for international norms supporting a free and open internet.

During the Bush and Obama administrations, advocates of intelligence and diplomatic priorities enjoyed greater institutional clout in Washington and better access to the president. But in the Trump White House, the military has significant access to the West Wing, while the intelligence and diplomatic corps are at odds with the president. The days of sacrificing deterrence to other interests in cyberspace seem numbered.

These conflicts are not new or unique to cyberspace. What the Pentagon calls “intelligence gain/loss” considerations are applicable to all domains. Dropping a bomb on a terrorist camp may disrupt one plot, but it may also kill the terrorist group’s courier who is under surveillance. Is a tactical military win worth risking a strategic intelligence asset and possible damage to U.S. diplomatic interests?

In the digital domain, these calculations become much more complicated and unpredictable. Unlike the physical realm, where it is easy to calculate the blast radius of an ordnance or the likelihood of civilian casualties, the collateral effects of a cyberoperation are often best guesses.

Consider the 2017 Russian cyberattack that became known as NotPetya. What started as a targeted operation against organizations in Ukraine quickly spun out of control. It metastasized into a global campaign that struck some of the world’s largest corporations, including the American drug manufacturer Merck, the Danish shipping giant Maersk



STOCK/GETTY IMAGES

and even the Russian state-owned oil company Rosneft. The cyberweapon—part of which was allegedly developed by and later stolen from the NSA—traveled well beyond Russia’s intended targets.

If the U.S. launched malware at Russia, would the Kremlin stop hacking the emails of American political candidates and remove their “implants” in our critical infrastructure? Or would the code be reverse-engineered and used against the U.S. after the operation burned American intelligence sources? Fear of the latter has resulted in a very conservative approach to engaging adversaries in cyberspace.

For the U.S. cyber arsenal to serve as an effective deterrent, leaders must be willing to sacrifice intelligence and diplomatic interests for military ones when circumstances warrant it. But the best use of the cyber arsenal is not necessarily in

response to cyberattacks. Fighting cyber with cyber may expose America’s own digital defenses. It also perpetuates the norm that hostilities are confined to either the physical or virtual domain. If the U.S. and other digitally dense and dependent nations do not reserve the right to respond to cyberattacks with conventional means, we will be beholden to perpetrators of asymmetric cyberwarfare.

Stability in cyberspace depends on a universal definition of force that encompasses cyberwarfare. America’s use of cyberweapons should be reserved for two scenarios. The first is offensive. Cyber-weapons are an effective first-strike capability when conventional conflict is imminent or has already commenced. No one has demonstrated this better than the Russians, who launched distributed denial of service attacks in concert with ground assets during their invasions of

Georgia in 2008 and Crimea in 2014. The U.S. should prioritize integrating digital weapons with its conventional arsenal.

The second is defensive. Cyberoperators enjoy levels of stealth and speed unrivaled by conventional weapons systems to prevent or repel attacks, be they on the battlefield or in cyberspace. The U.S. should not hesitate to disable infrastructure that is facilitating the digital invasion of our sovereignty. To minimize the harm to U.S. diplomatic legitimacy from defensive cyberoperations, America must secure international partnerships that support them.

Despite the challenges and risks of operating militarily in this new domain, the status quo is simply unacceptable. Just ask Adm. Mike Rogers, former commander of U.S. Cyber Command. When pressed shortly before his departure from office in February by the Senate Armed Services Committee about America’s weak response to Russia’s election meddling, he said: “I haven’t been granted any, you know, additional authorities.”

So long as the U.S. Cyber Command has its hands tied, adversaries do not perceive sufficient costs from attacking in cyberspace. Meanwhile, international norms against strong countermeasures favor countries with the least to lose. The U.S. must be prepared to defend its digital sovereignty with all the tools at its disposal.

*Mr. Weinstein is a cybersecurity policy fellow at New America, vice president of Threat Research at Clarity, and a former operations planner at U.S. Cyber Command.*

## The Unbearable Darkness of Young Adult Literature

By Steve Salerno

Although “Heather Has Two Mommies” caused quite a stir upon its 1989 publication, a case could be made that the book was a reasonable reflection of the gay-rights zeitgeist as well as the latter-day realities of American domesticity. If nothing else, “Heather” was uplifting in theme and execution, likely to make young readers more comfortable with an evolving culture.

The same can’t be said for a list of “socially aware” books featured prominently at the inaugural Summit on the Research and Teaching of Young Adult Literature, held at the University of Nevada, Las Vegas in June. The four-day summit convened nearly 50 presenters—top educators and authors from across the land—and focused nominally on “Rising Up: Socially Relevant Texts, Critical Literacy, and Identity.”

But “rising up” might not be the first phrase that comes to mind when one surveys a representative sampling of the marquee fare:

• “How It Went Down,” a novel by Kekla Magoon, presents 18 different perspectives on the shooting

of an unarmed black youth. (This is the second prominent young-adult book on the topic published recently. While not featured at the summit, Angie Thomas’s “The Hate U Give”—also about the shooting of an unarmed black youth—contended for a National Book Award in 2017.)

• “Shout” is author Laurie Halse Anderson’s memoir of her sexual assault and struggle with eating disorders while growing up with an alcoholic parent suffering from post-traumatic stress disorder. Ms. Anderson’s debut novel, “Speak,” examined sexual assault from the viewpoint of a ninth-grade girl.

• In “Losers Bracket,” family therapist Chris Crutcher introduces young readers to the heartbreaking lives of children who continue to love and depend on their parents “no matter how badly treated” they may be.

Attendees were somehow unanimous in saying that they left the conference more confident than ever of literature’s power to inspire.

Inspiration has always been the hallmark of young-adult literature, which traditionally consists of reassuring texts infused with values

espoused by most of mainstream society. And many of today’s best-selling books in the YA genre remain faithful to that ethic. But such books tend not to catch the eye of the curators of today’s lists of recommended titles, who evidently assume that all students arrive at school traumatized in some fashion.

### Books on sexual abuse, dysphoria, racism, gang life, domestic violence and school shootings.

Therefore, they reason, to meet children “at their own level,” books must deal with sexual abuse, dysphoria, racism, domestic violence, gang life, school shootings and other forbidding aspects of a world that, one would think, is spinning off its axis. As James Blasingame, executive director of the Assembly on Literature for Adolescents, put it in his Nevada summit keynote speech, YA literature “not only saves lives” but can provide “a map

to navigate a world fraught with problems.”

No one would argue that American life in the early 21st century is flawless. But isn’t it possible for educators and their close allies in the social-justice set to look out across the vastness of contemporary life and see something other than darkness and depravity?

It is difficult to understand why educators would so determinedly insist on immersing students in an unsavory worldview, portraying life in terms of its anomalies and unorthodoxies, as if there’s something wrong with you if there’s nothing wrong with you. Of course teachers want all children from all life circumstances to feel accepted, to belong—but belong to what, exactly? Classroom discussions that celebrate this or that fictive martyr, tragic figure, antihero or other outlier are bound to create more outliers: Consciously or not, adolescents will seek membership in the group that appears to be getting all the attention. And if indeed it is psychologically debilitating for the young people depicted in today’s YA literature to inhabit a world of virulent racism and interminable bullying

and sexual abuse, then why make the vast majority of students, who don’t live amid such conditions, feel as if they do?

The question takes on added relevance amid the significant uptick in rates of depression and suicide among teens. One has to wonder whether the dystopia effectively advertised in so much of our mass media plays some role in modern hopelessness. Are high rates of depression and suicide an organic outgrowth of life’s legitimate trials—or are they a crisis manufactured, at least in part, by painting life as so much more trying than it is?

“I feel privileged to have been a part of this historic event,” said longtime educator Alice Hays at the conclusion of the recent YA summit. “Every person at the summit was there because they care about young adults and their growth.”

If that’s true, perhaps they should consider recommending books that make the world sound like a more hospitable place to be.

*Mr. Salerno is an author and journalism professor who lives in Las Vegas.*

## You Can Run, but You Can’t Hide From Iran Sanctions

By Richard Goldberg  
And Behnam Ben Taleblu

As the U.S. begins to reimpose tough sanctions on Iran, defenders of the 2015 nuclear deal are peddling myths. They say Russia, China and India will evade sanctions. They claim oil prices will skyrocket. And they predict Europe will establish a “sanctions free” payment channel to Iran. None of these warnings should slow President Trump’s campaign to impose maximum pressure on the Islamic Republic.

Since the U.S. withdrew from the Joint Comprehensive Plan of Action in May, major companies like Siemens, Total and Maersk have announced their intention to stop doing business with Iran. But not only European firms must avoid the risk

of sanctions. Chinese banks are highly exposed to the U.S. financial system. With China’s economy cooling, and the country’s banks potentially overextended on credit, state planners in Beijing can ill afford additional risk.

As the U.S. considers financial sanctions on Russia for its use of a nerve agent on British soil, Prime Minister Dmitry Medvedev recently declared that sanctions targeting his country’s banks would be considered a “declaration of economic war.” Why then would Russia seek to trigger mandatory U.S. sanctions on Russian banks by conducting transactions with Iran? The State Bank of India, meanwhile, has announced it will stop processing payments for Iranian oil beginning in November.

If JCPOA supporters are pegging

their hopes on these countries conspiring to violate U.S. sanctions, they’re going to be sorely disappointed. Their only hope is to persuade Mr. Trump not to impose the two most effective sanctions in November: one attacking Iran’s largest source of revenue—oil—and the other attacking Iran’s connection to the Swift financial messaging service.

JCPOA defenders think they can force Mr. Trump to back down on oil sanctions by spreading fear of higher prices. But the sanctions coming back in November are the same sanctions Congress enacted in 2011. At the time, the Obama administration urged Congress to reject the legislation, also claiming it would drive up oil prices.

What happened? In 2011, the average Brent crude oil price was

\$111 per barrel. The following year, Brent’s average remained \$111 despite U.S. sanctions taking 700,000 barrels per day of Iranian crude off the market. Iranian oil exports fell another 42% in 2013 while the Brent average fell slightly, to \$108 per barrel, before falling below \$100 in 2014.

### The nuclear deal’s proponents say China, Russia and India won’t comply. They’ll have to.

Left alone to scare the markets, uninformed voices can produce brief upticks in oil prices. Accordingly, the Trump administration appears to be taking steps to calm the market’s fears. In May the president issued a determination required by the sanctions law that “there is a sufficient supply of petroleum and petroleum products from countries other than Iran” to allow for a “significant reduction” in Iranian oil exports.

In June, Saudi Arabia, which strongly supports Mr. Trump’s decision to reimpose sanctions on Tehran, pledged to increase oil production by as much as two million barrels a day to replace Iranian crude. Recent reporting shows Saudi Arabia and Iraq attempting to make up Iran’s market share. Last week the Trump administration announced a release of 11 million barrels from America’s strategic petroleum reserve.

If Mr. Trump stays the course, Iran’s only hope of withstanding the pressure rests in a German plan to keep the Central Bank of Iran

connected to Swift and dare the U.S. to impose sanctions on a European central bank for processing oil payments. But with the threat of financial sanctions looming over the banks represented on Swift’s board—including two American banks, Citi and JPMorgan—the German scheme looks doubtful. Last week Sen. Ted Cruz (R., Texas) and 15 of his colleagues urged Treasury Secretary Steven Mnuchin to enforce U.S. sanctions against these banks if Swift fails to disconnect Iran by the November deadline.

Facing the likelihood that Swift will comply, German Foreign Minister Heiko Maas urged Europe to establish an alternative to Swift that could act outside of American influence. But given the current strength of the U.S. dollar and the deterrent power of secondary sanctions, no legitimate actor will want to use a payment channel that cannot do business in dollars and subjects all participants to a total cutoff from the U.S. financial system. Instead, Mr. Maas’s Swift alternative would become a black market for rogue nations and illicit groups. Chancellor Angela Merkel, perhaps coming to terms with the futility of evading U.S. sanctions, threw cold water on the Maas proposal.

JCPOA defenders will continue to scorn renewed American efforts to pressure Tehran. But scorn cannot stop companies from fleeing Iran’s risky business environment. Nor should it impede President Trump’s resolve to reimpose and vigorously enforce the second, heavier batch of sanctions slated for November.

*Mr. Goldberg is a senior adviser at the Foundation for Defense of Democracies, where Mr. Taleblu is a research fellow.*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES &amp; COMPANY

Rupert Murdoch

Executive Chairman, News Corp

Matt Murray

Editor in Chief

Karen Miller Pensiero, Managing Editor

Jason Anders, Chief News Editor;

Thorold Barker, Europe; Elena Cherny, Coverage Planning; Andrew Dowell, Asia; Neal Lipschutz, Standards; Alex Martin, Writing;

Michael W. Miller, Features &amp; Weekend;

Shazna Nessa, Visuals; Rajiv Pant, Product &amp; Technology; Ann Podd, News Production;

Matthew Rose, Enterprise;

Michael Siconolfi, Investigations;

Nikki Waller, Live Journalism;

Stephen Wisniewski, Professional News;

Carla Zanoni, Audience &amp; Analytics

Gerard Baker, Editor at Large

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

DOW JONES

News Corp

EDITORIAL AND CORPORATE HEADQUARTERS:  
1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

## Notable & Quotable

Anna Giaritelli writing for the Washington Examiner, Aug. 28:

Cynthia Nixon’s campaign has accused New York Gov. Andrew Cuomo of being “sexist” by seeking debates in rooms with the temperature turned down.

Rebecca Katz, Nixon’s strategist, asked debate officiator CBS in an email to set the debate hall at Hofstra University on Long Island at 76 degrees because Cuomo is “notoriously sexist when it comes to room temperature, so we just want to make sure we’re all on the same page here.” . . .

Cuomo, 60, is known for holding previous debates in frigid temperatures. In anticipation for that, Katz made a high bid to see if the media company could not find a middle ground between the two politicians.

Mr. Goldberg is a senior adviser at the Foundation for Defense of Democracies, where Mr. Taleblu is a research fellow.

## WORLD NEWS

# Russia and China Plan Joint War Games

Move indicates tension both nations feel with the U.S.—and their growing cooperation

BY THOMAS GROVE

MOSCOW—Russia said it is preparing to conduct its largest military exercise in almost four decades and the first on such a scale to include Chinese troops, setting out details of the strategic war games that demonstrate the burgeoning cooperation between Moscow and Beijing as tensions with the U.S. rise.

Russia's invitation to 3,200 Chinese soldiers to take part in the maneuvers, named *Vostok*, or East, underscores the strides the two countries have made in recent years toward melding military capabilities.

"There is nothing on paper, but they are building a de facto military alliance," said Vasily Kashin, a China specialist at the Higher School of Economics, a Moscow-based university.

The exercises, involving 300,000 soldiers and 1,000 aircraft, will take place in Russia's eastern military district that borders China, Mongolia and North Korea. They will be the biggest in the region since the Soviet Union carried out strategic war games in 1981 in the west of the bloc, Russian Defense Minister Sergei Shoigu said.

Both Beijing and Moscow are eager to show the U.S. that tensions with Washington over trade and sanctions are prompting them to increase cooperation.



Around 300,000 Russian troops are expected to take part in an exercise near the border with China, Mongolia and North Korea.

fits into a pattern we have seen over some time: a more assertive Russia, significantly increasing its defense budget and its military presence," he said.

Because the exercises will take place east of Russia's Ural Mountains, which is beyond the jurisdiction of the Organization for Security and Cooperation in Europe, the regulating body for such exercises, Russia is under no obligation to invite observers from OSCE-member states.

"Allied military attachés in Moscow have been invited to a voluntary observation of the exercise—this offer is under consideration," Mr. White said.

During the Cold War era, Chinese and Soviet troops eyed each other with suspicion and in 1969 fought briefly on their shared border in a conflict that killed nearly 90 soldiers on both sides.

Since 2005, Russia and China have participated in smaller tactical military exercises, but the presence of Chinese troops at an exercise like *Vostok* puts China on a par with Moscow's firmest military allies.

Russian media has reported that Chinese troops and equipment have already started moving toward Russia's Tsugol military training grounds in the country's farthest eastern reaches, in preparation for the September operation.

Mr. Shoigu told Russian news agencies that the war games would "in some way repeat" military exercises carried out in 1981. "Perhaps in some ways [they] will be even larger," he added.

"For Russia, it's mostly about signaling to the U.S. that protracted tensions are pushing the Kremlin closer into the orbit of another geopolitical rival," said Alexander Gabuev, senior fellow at the Carnegie Moscow Center, a think tank. "And it also shows that trust between Russia and China is rising."

Moscow has worked to pivot East since the U.S. imposed sanctions on Russia in 2014 over the Kremlin's annexation of Crimea and violence in eastern Ukraine. New restrictions, put in place by Washington after U.S. intelligence agencies found Russia had interfered in the 2016 presidential election, have hastened Moscow's efforts to build inroads with the Chinese.

Beijing is at odds with Washington over a growing trade war; talks between the two sides last week ended without signs of progress.

Moscow's military drills have become a mainstay of Russian President Vladimir Putin's push to overhaul the armed forces. A similar strategic-level exercise was carried out last year between Russia and Belarus to prepare for a potential conflict on Russia's western border, provoking tensions with North Atlantic Treaty Organization members.

The exercises along Russia's eastern borders will take place Sept. 11-15 and "carried out in as close to combat conditions as possible," said Mr. Shoigu, the defense minister.

NATO's acting deputy spokesman Dylan White said Russia had notified the alliance of the exercises in May at a meeting of the NATO-Russia Council.

"*Vostok* demonstrates Russia's focus on exercising large-scale conflict," Mr. White said in a statement. "It

place Sept. 11-15 and "carried out in as close to combat conditions as possible," said Mr. Shoigu, the defense minister.

Meanwhile, higher wages are cutting into corporate profit margins, and as a result, large Korean companies are accelerating the pace of overseas production and offshore investment, said Trinh D. Nguyen, a senior economist at Naxis.

"Labor-intensive small and medium enterprises are not as flexible as larger firms and have to bear the brunt of high input costs, and they cope by reducing head count," Ms. Nguyen said.

Mr. Moon faces daunting challenges. South Korea is wrestling with one of the world's lowest birthrates and one of the world's most quickly aging populations.

Meanwhile, higher wages are cutting into corporate profit margins, and as a result, large Korean companies are accelerating the pace of overseas production and offshore investment, said Trinh D. Nguyen, a senior economist at Naxis.

"Labor-intensive small and medium enterprises are not as flexible as larger firms and have to bear the brunt of high input costs, and they cope by reducing head count," Ms. Nguyen said.

Mr. Moon faces daunting challenges. South Korea is wrestling with one of the world's lowest birthrates and one of the world's most quickly aging populations.

The country has also seen its competitive edge in sectors such as automobiles, electronics and shipbuilding shrink as China steps up.

Even so, South Korea's economy is forecast to expand by 2.9% this year, following 3.1% growth in 2017, according to the central bank.

The government plans to send the budget plan to Parliament on Friday for approval.

## U.S. Keeps Military Exercises On Table

BY GORDON LUBOLD AND NANCY A. YOUSSEF

WASHINGTON—Defense Secretary Jim Mattis said the U.S. doesn't plan to suspend any more military exercises with South Korea, as talks continue with the North, but added that no decision had yet been made on conducting another large maneuver next year.

The Pentagon called off a major military exercise with South Korea in a show of good faith following President Trump's meeting with North Korean leader Kim Jong Un in Singapore in June. That included an exercise known as Freedom Guardian, in which more than 50,000 U.S. troops participate, and two smaller exercises known as Korea-Marine exchange programs.

The U.S. and South Korea hold a number of exercises each year. Major exercises include tens of thousands of troops from both countries, while other ones are smaller and more focused on helping both sides to understand how the other operates militarily.

But U.S.-North Korean talks have stalled and Mr. Trump last week canceled a planned visit to North Korea by Secretary of State Mike Pompeo after concluding the visit wouldn't be fruitful.

"We took the step to suspend several of the largest exercises as a good-faith measure coming out of the Singapore summit," Mr. Mattis said Tuesday at a news conference at the Pentagon, his first since April, after an American airstrike operation in Syria. "We have no plans at this time to suspend any more exercises."

Mr. Mattis's pronouncement leaves open the door for the U.S. to conduct another larger military exercise with South Korea scheduled to take place in the spring, called Foal Eagle, and potentially reschedule Freedom Guardian, the exercise that would be occurring now but that was suspended.

Mr. Mattis clarified later that no decision had been made on other major exercises. "No decisions have been made about any future suspension on any future exercises," said his chief spokeswoman Dana White.

## South Korea to Spend More on Jobs, Welfare

BY KWANWOO JUN

SEOUL—South Korea's government proposed the country's biggest budget increase in a decade, with President Moon Jae-in pushing to follow through on a campaign promise to create more jobs for young people as his popularity stumbles.

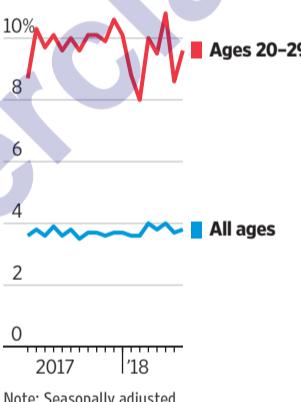
The budget proposal, released Tuesday by Seoul's Ministry of Economy and Finance, calls for a 9.7% increase in total government spending for 2019 to 470.5 trillion won (\$424 billion)—the biggest annual gain since 2009. That is up from a 7.1% increase in this year's budget, before additional stimulus measures were adopted in May.

The budget would expand social welfare, provide financing for private companies to hire young people and create more public-sector jobs with the postal service and police, the ministry said. It has allocated a record 24 trillion won exclusively for creating jobs, up 22% from this year.

The move comes as public discontent grows over a worsening jobs picture in Asia's fourth-largest economy. That has pushed down Mr. Moon's approval ratings to below 60%, after topping 80% as re-



President Moon is pushing to overhaul the \$1.5 trillion economy.



THE WALL STREET JOURNAL.

cently as a few months ago, thanks in large part to his politically popular engagement effort with North Korea. That is the lowest level since his election in May 2017.

Mr. Moon is pushing to overhaul the \$1.5 trillion South Korean economy, whose decades-old growth engine—relying on a handful of large conglomerates—is losing steam. The country's export-driven growth model is no longer creating as many jobs as before.

With an "income-led growth" economic policy, Mr. Moon has focused on raising employees' wages, improving household incomes and nurturing startups to boost consumption and increase employment, especially among youth.

Mr. Moon has pushed the minimum wage up sharply since taking charge in May 2017. An 11% increase is set to take effect next year, following a record 16% increase this year.

Those efforts have yet to gain traction. The latest em-

ployment data showed there were 5,000 more jobs created from a year earlier in July, sharply down from June's 106,000 increase.

Critics say Mr. Moon's steep minimum-wage increases may have backfired, forcing small businesses, including mom-and-pop stores hiring many young part-timers, to reduce employment in response to rising labor costs.

The youth unemployment rate among those ages 25 to 34 hit a 19-year high of 6.4%

## WORLD WATCH

### Macron Minister Quits, Exposing Rift

A key figure on the left of Emmanuel Macron's governing coalition quit as environment minister Tuesday, exposing a rare fracture in the alliance and undercutting the French president's efforts to calm leftist supporters restive over his pro-business agenda.

Nicolas Hulot, a hero of the left, environmental campaigner and former TV host, delivered a broadside to the Macron government by announcing his resignation during a live radio interview. Mr. Hulot said he hadn't yet spoken with the president about his resignation. "I don't want to lie to myself anymore," Mr. Hulot said. "So I'm deciding to leave the government."

Benjamin Griveaux, the government's spokesman, said Mr. Hulot's work had been "useful for the country," but disapproved of how he handled the resignation.

Mr. Hulot's departure is a sign of the tensions at play in the centrist political movement that underpins Mr. Macron's government.

Since his election, many of Mr.



MORNING SKY: The Pacaya volcano erupting early Tuesday outside Guatemala City. The volcano lies less than 30 miles from the Volcán del Fuego, which erupted in June, killing more than 100 people.

barked on the Galileo system to become less reliant on the Pentagon's Global Positioning System. GPS is used to provide accurate coordinates for things as diverse as cellphones and U.S. weapons. It also beams signals to allow precise time stamps that have become the backbone of global business transactions.

—Robert Wall

### JAPAN

### Pyongyang Releases Man Held for 'Crime'

A Japanese man released by North Korea after being accused of an unspecified crime arrived back in Japan, officials and reports said.

Tomoyuki Sugimoto, who was

arrested in August, had been in North Korean custody during a probe into the alleged crime.

The North's official Korean Central News Agency said the country decided to expel him for humanitarian reasons. Mr. Sugimoto was arrested in the port city of Nampo, according to earlier reports.

—Associated Press

## TECHNOLOGY: RETAIL FIRM NARVAR RAISES \$30 MILLION, B4

# BUSINESS & FINANCE

© 2018 Dow Jones &amp; Company. All Rights Reserved.

\*\*\*\*\*

THE WALL STREET JOURNAL.

Wednesday, August 29, 2018 | B1

S&amp;P 2897.52 ▲ 0.03%

S&amp;P FIN ▼ 0.10%

S&amp;P IT ▲ 0.21%

DJ TRANS ▼ 0.19%

WSJ \$IDX ▲ 0.10%

LIBOR 3M 2.315

NIKKEI (Midday) 22968.18 ▲ 0.68%

See more at [WSJMarkets.com](http://WSJMarkets.com)

## Chinese Dining Titan Spurns Bid

By JULIE STEINBERG

**Yum China Holdings** Inc. has rejected a private buyout offer from a consortium of investors that valued the restaurant operator at more than \$17 billion, according to a person familiar with the matter.

A group led by investment firm **Hillhouse Capital Group** in recent months offered to take Yum China private at \$46 a share, the person said, a 42% premium over where the stock traded before reports surfaced about the offer last month, but still below where shares traded earlier this year.

The all-cash offer, which wasn't made public, was

turned down by the company's board in recent weeks, the person added.

If a deal had been struck, it would have been the largest ever take-private in Asia and would have ranked among the largest globally, according to data provider Dealogic.

The consortium that made the buyout offer for Yum China also included private-equity firms **KKR & Co.** and **Baring Private Equity Asia**, as well as Chinese sovereign wealth fund **China Investment Corp.**, according to people familiar with the matter.

Yum China shares rose 3.9% to close at \$37.17 after The Wall Street Journal reported

the company had rejected the take-private offer.

The shares hit a closing high of \$48.18 in January this year before tumbling to \$32.30 in late July. They have remained in the mid-\$30 range in August after the company reported weak sales at some of its restaurants.

Yum China licenses the KFC, Pizza Hut and Taco Bell brands in China and operates nearly 8,200 restaurants across more than 1,200 Chinese cities. The company was spun off from Yum Brands Inc. in 2016 and describes itself as China's largest restaurant company, with as many as 460,000 employees.

Yum was the first major Western fast-food company to enter China when it opened a KFC near Tiananmen Square in 1987. For decades, China was the star of Yum's global portfolio, but it later grappled with supply-chain problems over the use of growth hormones and expired meat that tarnished its image among Chinese consumers. The business also suffered from an avian-flu outbreak. The troubles led the company to rethink its ownership of the China business and spurred an activist investor to push for a separation.

More recently, the China business has struggled with

waning demand for its pizza amid strong competition from rival delivery services. Yum China's same-store sales declined 1% in the second quarter versus the prior-year period. Same-store sales at KFC were flat, but Pizza Hut same-store sales declined 4%.

Hillhouse is known for making long-term bets on Chinese consumer and tech companies. The firm last year led a consortium in taking private **Belle International Holdings Ltd.**, a Chinese shoe retailer that had been listed on the Hong Kong stock exchange, in a roughly \$7 billion deal.

—Julie Jargon contributed to this article.

## Saudi Oil Giant Digs For Edge On Patents

By BENOIT FAUCON AND SUMMER SAID

DHAHRAN, Saudi Arabia—Saudi Arabia's state oil company is working to turn itself into an innovation powerhouse while its much-delayed plans to go public remain on hold.

The U.S. Patent and Trademark Office granted **Saudi Arabian Oil Co.**, better known as Aramco, 230 patents last year, four times as many as in 2013 when it racked up just 57. That placed Aramco third among oil-and-gas exploration and production companies last year, far behind Exxon Mobil Corp. but close to Chevron Corp.

Aramco's most recent patents have included fluids to break rocky oil formations using microparticles, a docking station for mobile robots deployed in oil fields and techniques to remove carbon from fuels.

Technologies "provide a competitive advantage...whether it's for one shareholder or several shareholders," said Aramco's chief technology officer, Ahmad Al-Khowaiter, in an interview at the company's Dhahran headquarters.

Mr. Al-Khowaiter is trying to encourage a free flow of ideas at a time when Aramco faces more public scrutiny than ever as the company has put on hold a public offering of shares. Aramco is also weighing the possibility of attracting a single strategic investor.

In the past five years, Aramco has doubled the number of scientists in its labs, to 1,300 out of a total workforce of about 65,000, and opened nine research centers in places like Detroit, Paris and Beijing. It has scooped up top scientists from oil-services companies Schlumberger Ltd. and Halliburton Co. and French car maker PSA Group.

"Technology has emerged as the single most important driver of competitiveness in the industry," said Sam Blattstein, co-founder of MENA Catalysts, a Dubai-based consulting firm.

Since its founding in 1933, Aramco has largely relied on its vast and easy-to-tap oil fields to generate abundant riches for the kingdom. Today, the company is pumping nearly as much as ever, but some of its prodigious fields are showing their age. Meanwhile, the company is under pressure to cut emissions from the hydrocarbons it produces

Please turn to page B7

## Luxury Icon and 007 Favorite Tunes Up for IPO



BETTMANN ARCHIVE/GETTY IMAGES

**Aston Martin**, the maker of the famed sports car favored by secret agent 007, was expected to announce as early as Wednesday plans for a stock-market listing later this year that would value the company at more than \$6 billion, according to people familiar with the matter.

The British sports-car brand intends to list about £1 billion (\$1.29 billion) of shares on the London Stock Exchange, the people said.

A listing of Aston Martin this year would be the first offering of a popular sports-car brand

since **Fiat Chrysler Automobiles** NV sold roughly 9% of Ferrari at an offering price of \$52 a share in October 2015. **Ferrari** NV's shares rose 1.4% to \$130.04 on the New York Stock Exchange on Tuesday.

One of the most colorful and iconic brands among sports-car aficionados, Aston Martin was known to a wider audience as the ride of choice in James Bond movies including the 1960s films "Goldfinger" and "On Her Majesty's Secret Service" and the latest Bond sequel, "Spectre."

In "Spectre," Bond hijacks a

modern Aston Martin DB10 model intended for another agent. The movie version of the silver racer, an updated version of the original DB5 that appeared in "Goldfinger," starring Sean Connery, is equipped with features any secret agent would desire—a rear-facing, twin-barreled gun and flamethrower, as well as the obligatory ejection seat with parachute. In true Bond fashion, 007 drives the car off the road straight into Italy's Tiber River at the end of a high-speed chase, where it sinks.

Existing shareholders at As-

ton Martin, mainly Italian and Kuwaiti investors, will be hoping that some of 007's mojo will rub off on the shares. The company is aiming to generate as much as £5 billion through the offering, the people familiar with the matter said, reflecting the top end of the offer's expected price range.

In May, the company posted a 3% increase in first-quarter earnings before interest, tax, depreciation and amortization to £43.7 million on sales revenue of £185.4 million.

—William Boston and Ben Dummett

## Many New Wonder Drinks Are All Wet

By ANNIE GASPARRO AND PATRICK McGROARTY

Money is pouring into developing beverages that claim to do much more than quench thirst. A lot of that funding ends up going down the drain.

Conglomerates and startups alike are placing bets on "enhanced" drinks that promise everything from better sleep to a more youthful complexion. While sales of such drinks are rising—up 11% in the past year to \$3 billion, according to market-research firm Spins—hundreds of new ones are launched each year, and the majority peter out within a couple of years. Finding success involves the right mix of funding, taste, health claims and luck.

"You have to figure out which trends will go mainstream, and that's the risk," said Brett Thomas, co-founder of CAVU Venture Partners, which has invested in Bai antioxidant drinks and Health-Ade kombucha. After **Dr Pepper Snapple Group** Inc. bought Bai in 2017 for \$1.7 billion, CAVU received three times the return on its investment in less than a year.

Bai's success is the exception. As few as 3% of new non-alcoholic beverage companies

manage to reach more than \$10 million in annual revenue, said Stu Strumwasser, managing director of Green Circle Capital Partners LLC.

Overall, venture capital firms have invested more than \$170 million in functional beverage companies so far this year, according to data provider PitchBook. That's up from \$111 million in all of 2017.

It can take several years to develop a recipe and find suppliers and a manufacturer to produce a new drink at scale. Inventors and investors also need a brand name and marketing pitch that will attract customers and appease regulators. And that is all before

catching the attention of a big retailer.

During that time, consumers' tastes can change quickly. Sales of beverages containing aloe vera and turmeric, which claim to ward off indigestion and inflammation, are already declining after several years of explosive growth. Many drink makers are able

to surmount these hurdles and secure funding.

**Farmhouse Culture**, maker of a fermented beet juice called Gut Punch that is flavored to taste like **Coca-Cola**, received a \$6.5 million investment in March from a group led by **General Mills** Inc.'s fund.

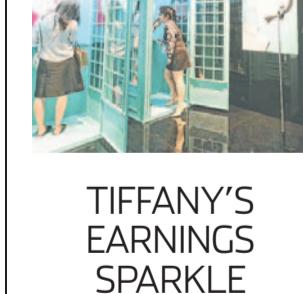
"There's a little bit of a gold rush," Mr. Strumwasser said. His firm helped raise \$2.3 million for "wellness water" maker **Karma Culture** LLC three years ago and last year represented Marley Beverage Co., a maker of ready-to-drink coffee and "relaxation drinks" named after singer Bob Marley, in its sale to **New Age Beverages** Corp. for shares worth \$19 million at the time.

Mr. Strumwasser knows the challenges of developing a successful drink. His own startup, Snow Beverages, was launched in 2005 with a natural mint-flavored soda and expanded to thousands of stores on the East Coast before closing in 2011.

"By the time we may have gotten it right our investors had fatigued," he said. He founded Green Circle in 2012.

"What separates the winners from the losers is funding," said Melanie Kahn,

## INSIDE



### TIFFANY'S EARNINGS SPARKLE

#### BUSINESS NEWS, B3



### HOTELS STRESS THE OLD SCHOOL TIES

#### PROPERTY REPORT, B6

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

<b>A</b>	<b>F</b>
Advanced Micro Devices.....B14	Facebook.....B4,B14
AJ Capital Partners....B6	Farmhouse Culture....B1
Alibaba Group.....B12	Ferrari.....B1
Alphabet.....B4,B14	Fiat Chrysler Automobiles.....B1
Amazon.com...B4,B7,B14	Ford Motor.....A6
Ant Financial Services Group.....B12	<b>G - H</b>
Apple.....B14	Gap.....B4
Aston Martin.....B1	General Mills.....B1
Authentic Brands Group.....B4	General Motors.....A6
<b>B</b>	Goldman Sachs Group.....B14
Barnes & Noble.....B2	Hain Celestial Group..B7
Battery Ventures.....B4	Hillhouse Capital Group.....B1
Berkshire Hathaway...B4	<b>I - J</b>
Best Buy.....B2,B13,B14	Intel.....B14
Big Lots.....B7	J.Crew Group.....B3
Blackstone Group.....B4,B6,B7	<b>K - L</b>
BMW.....A6	Karma Culture.....B1
Brookstone.....B4	Keurig Dr Pepper.....B1
BuzzFeed.....B4	KKR.....B1
<b>C</b>	Kraft Heinz.....B2
China Evergrande Group.....B14	LaSalle Hotel Properties.....B6
Chinese Estates (Holdings).....B14	Leonard Green & Partners.....B4
Coca-Cola.....B1	Levi Strauss.....B4
Costco Wholesale.....B4	<b>M - N</b>
<b>D - E</b>	Microsoft.....B14
Daimler.....A6	Moody's.....B12
DSW.....B7	Narvar.....B4
Equifax.....A2	NBCUniversal.....B14
<b>G - H</b>	New Age Beverages B12
Hanson, Bjorn.....B6	<b>S</b>
Al-Khowaiter, Ahmad.....B1	Sarti, Dino.....B2
Al Nahwi, Ammar.....B7	Harrington, Chris.....B14
<b>I - J</b>	Hennessey, Sean.....B6
Bajaj, Mohit.....B14	Hooper, Kristina.....B13
Bellisario, Michael.....B6	Hunt, Richard.....B12
Bernanke, Ben.....B14	<b>K - L</b>
Blankfein, Lloyd.....B14	I'Anson, Reid.....B13
Blitzer, David.....A2	Joly, Hubert.....B2
Bogliolo, Alessandro.....B3	<b>M - O</b>
Brainard, Lael.....B12	Kahn, Melanie.....B1
Brett, James.....B3	Kilduff, John.....B13
Buffett, Warren.....B14	Lathi, Dinesh.....B7
<b>C - E</b>	Liu, Tian.....A2
Chan, Hoi Wan.....B14	<b>P - R</b>
Combs, Todd.....B4	Mattis, Jim.....A18
Croft, Helima.....B13	Munro, Alastair.....B13
El-Erian, Mohamed.....B14	Otting, Joseph.....B12
Ewert, Doug.....B7	<b>T</b>
<b>G - H</b>	Pemberton, John.....B2
Gates, Bill.....B14	Ramirez, Edith.....B2
Gonzalez, Paulina.....B12	Rasgon, Stacy.....B14
Gundlach, Jeffrey.....B14	Rawlins, Roger.....B7
<b>S</b>	<b>V</b>
Sarti, Dino.....B2	Vakhshouri, Sara.....B13
Scanlon, Michael.....B13	<b>W - Z</b>
Sengupta, Caesar.....B4	Wasserman, Ivan.....B2
Sharma, Amit.....A2	Weprin, Ben.....B6
Sharma, Vijay Shekhar.....B4	Zhou, Hao.....B12
Sharp, Doug.....A10	
Simon, Irwin.....B7	
Smeloff, Ed.....A3	
Strumwasser, Stu.....B1	
<b>O - P</b>	
Optoro.....B4	
Pebblebrook Hotel Trust.....B6	
PG&E.....A3	
<b>S</b>	
Salesforce Ventures...B4	
Scale Venture Partners.....B4	
Sempra Energy.....A3	
SoftBank Group.....B12	
Sprint.....B3	
<b>T</b>	
Tailored Brands.....B7	
Tencent Holdings.....B12	
Thomson Reuters.....B4	
Tiffany.....B3	
T-Mobile US.....B3	
Twitter.....B14	
<b>U - V</b>	
UBS Group.....B12	
Verizon Communications.....A1	
Volkswagen.....A6	
<b>W</b>	
Woodbridge.....B4	
World Wrestling Entertainment.....B14	
<b>Y - Z</b>	
Yahoo.....A1	
Yum China Holdings...B1	
ZhongAn Online P&C Insurance.....B12	

## INDEX TO PEOPLE

<b>A</b>	<b>S</b>
Al-Khowaiter, Ahmad.....B1	Sarti, Dino.....B2
Al Nahwi, Ammar.....B7	Harrington, Chris.....B14
<b>B</b>	Scanlon, Michael.....B13
Bajaj, Mohit.....B14	Sengupta, Caesar.....B4
Bellisario, Michael.....B6	Sharma, Amit.....A2
Bernanke, Ben.....B14	Sharma, Vijay Shekhar.....B4
Blankfein, Lloyd.....B14	Sharp, Doug.....A10
Blitzer, David.....A2	Simon, Irwin.....B7
Bogliolo, Alessandro.....B3	Smeloff, Ed.....A3
Brainard, Lael.....B12	Strumwasser, Stu.....B1
Brett, James.....B3	<b>T</b>
Buffett, Warren.....B14	Talati Upadhye, Amin.....B2
<b>C - E</b>	Tall, Michael.....B6
Chan, Hoi Wan.....B14	Terrazas, Aaron.....A2
Combs, Todd.....B4	Thomas, Brett.....B1
Croft, Helima.....B13	Thorn, Bruce.....B7
El-Erian, Mohamed.....B14	<b>V</b>
Ewert, Doug.....B7	Vakhshouri, Sara.....B13
<b>G - H</b>	<b>W - Z</b>
Gates, Bill.....B14	Wasserman, Ivan.....B2
Gonzalez, Paulina.....B12	Weprin, Ben.....B6
Gundlach, Jeffrey.....B14	Zhou, Hao.....B12
<b>M - O</b>	
Mattis, Jim.....A18	
Munro, Alastair.....B13	
Otting, Joseph.....B12	
<b>P - R</b>	
Pemberton, John.....B2	
Ramirez, Edith.....B2	
Rasgon, Stacy.....B14	
Rawlins, Roger.....B7	

## Former CEO Sues Barnes & Noble

BY MARIA ARMENTAL

The former chief executive of **Barnes & Noble** Inc. is suing the bookseller, accusing the company's executive chairman of fabricating reasons to fire him about a month after a deal to sell the company fell apart.

In a complaint filed Tuesday in Manhattan federal court, Demos Parneros accuses Barnes & Noble of firing him "without warning or justification."

Mr. Parneros also said Barnes & Noble damaged his reputation by using language when it announced his firing that it "knew full well was false but would be read as reporting that Parneros had engaged in serious sexual misconduct."

Mr. Parneros's claim about

**The bookseller has reported lower sales over the past six fiscal years.**

Barnes & Noble being in talks about a potential sale hadn't previously been reported.

Barnes & Noble fired Mr. Parneros in July, citing unspecified company policy violations, and said he wouldn't receive any severance pay.

In announcing Mr. Mr. Parneros's firing, the company said a group of three executives would perform CEO duties until the post is filled. The company also said Executive Chairman Leonard Riggio would continue to play a leadership role. Mr. Parneros had served as CEO for about 16 months.

Barnes & Noble said in a

statement Tuesday that it fired Mr. Parneros after a "thorough investigation that revealed multiple examples of significant misconduct."

"The lawsuit is nothing but an attempt to extort money from the company by a CEO who was terminated for sexual harassment, bullying behavior and other violations of company policies," the statement said.

The company's statement didn't address Mr. Parneros's claim about possible sale discussions. A Barnes & Noble representative didn't return calls for comment.

Mr. Parneros said in the complaint that he had a lunch meeting scheduled with Mr. Riggio on July 2, a day before his firing was announced. At the meeting, the lawsuit said, Mr. Riggio "read from a document that Parneros was being fired for cause for violating the sexual harassment policy," citing comments allegedly made to an executive assistant and purported mistreatment of the company's finance chief, Allen Lindstrom.

Mr. Parneros, in his complaint, denied any wrongdoing.

Attempts to reach Mr. Riggio, Mr. Lindstrom and Mr. Parneros weren't immediately successful.

Barnes & Noble, which has struggled to turn a profit, has reported lower sales over the past six fiscal years, according to FactSet data.

As part of its turnaround plan, the company is working to open several smaller prototype stores, reduce costs and refocus its efforts on book sales.

Barnes & Noble's stock closed Tuesday down 3.6% at \$5.30, bringing the company's market value below \$400 million, according to FactSet.

## Health Beverages Struggle

*Continued from page B1*  
antioxidant-rich lemonade made with aronia berries. Kraft Heinz Co. added her company to its incubator program in May, giving her \$50,000 in funding and access to business consultants and Kraft Heinz executives.

Poppilu still isn't profitable. "It's a cash-intense industry," she said.

When there is success in a category, competition increases quickly. One of the fastest-growing new areas are fermented drinks like kombucha, a tea containing probiotics that advocates say help with digestion and gut health. Sales of fermented beverages jumped 37% in the past year.

The founder of GT's Kombucha, an entrepreneur named GT Dave, began selling his fermented tea more than 25 years ago, when many grocers didn't know what it was. Now there are more than 400 kombucha brands, pushing him to look for additional sales with a new type of tea made with plant adaptogens derived from medicinal mushrooms. Other companies are making artichoke, cactus, birch and maple waters that purport to offer benefits like clearing up skin and curing hangovers.

A key to success is how convincingly companies can phrase and support their healthfulness claims about burning calories, stimulating memory and aiding digestion. The founder of 120/Life, a blend of beetroot, magnesium, hibiscus and fruits, said he advertises that his juice helps "promote normal blood pressure," because the ingredients have proved to do so in clinical studies. He stops short of claiming that his drink can help lower high blood pressure.

Such distinctions are important in avoiding the scrutiny of federal regulators, said Ivan Wasserman, partner at law firm Amin Talati Upadhye. He said the U.S. Food and Drug Administration has sent warning letters to drink manufacturers simply for "liking" customer testimonials on social media that stretch too far.

"These are the semantic games you have to play," he said.

The Supreme Court in 2016 rejected the Wonderul Co.'s appeal of a Federal Trade Commission ruling that the California-based fruit-and-nut company had deceptively claimed its pomegranate juice

## BUSINESS & FINANCE



The company has been picking up electronics and appliances market share as rivals like Sears and RadioShack close stores.

## Spending Splurge Boosts Best Buy

By AISHA AL-MUSLIM

merce business and using its more than 1,000 U.S. stores to fulfill online orders and provide services.

On Tuesday, executives raised their profit and revenue targets for the full year but said operating profits would decline in the third quarter as the company ramps up investments in its supply chain and transportation to increase delivery speed.

"Similar to the past several years, we remain focused on managing the business for long-term success, rather than ensuring a straight-line quarterly margin performance," Best Buy Chief Executive Hubert Joly said during a conference call with investors.

Best Buy shares fell 5%

Tuesday. Shares are up 13% in the year to date.

Revenue grew by 4.9% to \$9.38 billion.

For the third quarter, the company expects revenue of \$9.4 billion to \$9.5 billion, in line with a consensus analyst estimate from Thomson Reuters of \$9.49 billion. The company guided adjusted earnings per share of 79 cents to 84 cents, compared with 92 cents estimated by analysts in a Thomson Reuters poll.

Earlier this year, Best Buy announced plans to close 250 smaller-format mobile-phone stores in the U.S. to focus on its bigger stores and support services.

Earlier this month, it agreed to acquire GreatCall Inc., the maker of senior-focused Jitterbug phones, for \$800 million.

The Minneapolis retailer said profit for the second quarter rose to \$244 million from \$209 million a year ago.

Revenue grew by 4.9% to \$9.38 billion.

For the third quarter, the company expects revenue of \$9.4 billion to \$9.5 billion, in line with a consensus analyst estimate from Thomson Reuters of \$9.49 billion. The company guided adjusted earnings per share of 79 cents to 84 cents, compared with 92 cents estimated by analysts in a Thomson Reuters poll.

Best Buy said it expects same-store sales to rise 3.5% to 4.5% for the full fiscal year, up from the original guidance of flat to 2% growth.

The retailer estimates adjusted earnings per share at \$4.95 to \$5.10 in fiscal 2019 compared with earlier guidance of \$4.80 to \$5 a share.



As the afternoon doldrums set in, I felt sluggish and my head was buzzing. Maybe another vitamin water would save me?

That's how quickly I was swayed by the promised benefits of a day spent testing the latest in beverage technology. I subsisted primarily on drinks that claimed they would wake me up, improve my focus and help me sleep at night. While some worked as promised—such as the caffeine-based drinks and the sleep elixir—it was tougher to discern in one day whether the others produced their intended effects, especially when their taste kept me from finishing some of them.

The journey began with a can of cold brew as I dashed for an 8 a.m. meeting. As the 300 milligrams of caffeine entered my system, I started to feel as if I had my morning under control.

I also had tossed a Kefir yogurt smoothie in my bag, but it seemed unappetizing so early in the morning. By 8:45 a.m. I was hungry enough to try it. I liked

the tart flavor, but it wasn't as filling as the Greek yogurt I often eat for breakfast.

I also was feeling the effects of the extra glass of wine I had the previous evening—for research! I wanted to test the restorative powers of coconut water. Vita Coco says its naturally occurring electrolytes make it "great for replenishing after a workout...or recovering after a night out."

I learned I hate coconut water. Perhaps it was foolish to believe peach and mango could mask a main ingredient that I generally dislike—even Vita Coco's chief executive has conceded that the product is an acquired taste. In any case, I didn't drink enough to know whether it would have counteracted the wine's effects.

I steered back to more familiar waters with a bottled butter-coffee drink sweetened with maple syrup and chai spices that promised to give me energy, curb my appetite, and increase productivity and cognitive function.

It was tasty, and loaded with sugar, though the company makes flavors with no added sugar. Many of the drinks I'd been chugging were full of sugar and other additives, leaving me paradoxically parched.

I chased it with a bottle of Essentia alkaline water, which purports to remove bitter-tasting acidic ions and promote better hydration.

For lunch I had a flavored Soylent, a meal-replacement drink. I had assumed Soylent would make a joyless meal and was pleasantly surprised by my first sip. It tasted less like raw pancake batter than I had expected. Still, halfway through the bottle I had enough as the taste became cloying.

Late in the day, I was hungry, drained and feeling metabolic whiplash from my beverage roller coaster

## BUSINESS NEWS

# J.Crew Breaks Out Of 4-Year Sales Slide

BY KHADEEJA SAFDAR

**J.Crew Group** Inc.'s flagship brand snapped a four-year slump, posting a slight gain in quarterly sales at its existing stores and websites.

Comparable sales, which include online sales, increased 1% at the J.Crew brand in the second quarter from a year earlier. Company-wide comparable sales rose 5%, boosted by the smaller brand Madewell, which jumped 28%.

Chief Executive James Brett called the results a "watershed moment," attributing them to the company's recent efforts to make the brand more accessible.

In an interview with The Wall Street Journal published Monday, Mr. Brett discussed his plans to expand J.Crew's assortment with more entry-level prices, a larger selection of styles as well as more size and fit options. He said the company will also sell clothes at more retailers.

The 49-year-old retail veteran, who previously led furniture chain West Elm, assumed the CEO position after longtime leader Mickey Drexler stepped aside last year. J.Crew Group had been battling a prolonged sales slump amid increasing competition from fast-fashion chains and other niche brands.

Earlier this year, Mr. Brett hired Adam Brotman, a long-time Starbucks executive, to create J.Crew's first rewards program.

Total revenue increased 3% to \$587.6 million for the quarter ended Aug. 4, with the J.Crew brand accounting for \$428.9 million of the total. The company reported a net loss of \$6.1 million, compared with a loss of \$18.5 million in the second quarter last year.

# Deal for Sprint Causes Few Waves

BY DREW FITZGERALD

**WASHINGTON**—If America's tech and telecom giants have an opinion about **T-Mobile US** Inc.'s plan to reshape the wireless industry by taking over **Sprint Corp.**, most are keeping it to themselves.

Few large companies have gone on record to back or oppose the roughly \$26 billion merger, which would combine the country's No. 3 and No. 4 carriers. Fewer still are using their lobbying prowess to fight the deal behind the scenes, people familiar with the matter said.

A lack of organized opposition favors the companies as they seek approval from the

Federal Communications Commission and U.S. Department of Justice to close the deal.

The FCC deadline for opponents to make petitions to deny the transaction passed Monday, and many groups waited until the last minute to file. Representatives of Sprint and T-Mobile have met with FCC and Justice Department lawyers several times to sell the deal and don't expect to be able to close it until next year, according to people familiar with the meetings.

Dish Network Corp., the satellite-TV provider that also controls swaths of spectrum that could be used for cellphone services, threw its weight against the deal. The

company said in a filing the move would drive up prices, citing analysis from its own economists and consultants.

"Sprint and T-Mobile's

*There has been little lobbying against a T-Mobile takeover of the wireless carrier.*

middle road. AT&T Inc. said in an FCC filing that it wouldn't opine on whether the agency should approve the deal, though it said the "rush to deploy the best 5G service the fastest will continue with or without the T-Mobile/Sprint merger."

In a joint statement, the merger partners said, "We are confident that the merger of Sprint and T-Mobile will create more competition and will be incredibly positive for consumers."

Major cable companies, some of which held deal talks with Sprint before it fell into T-Mobile's arms, have largely remained neutral. Comcast Corp. and Charter Communications Inc. both offer wireless service

that runs atop Verizon's network, yet neither has taken a position on the deal.

Altice USA went the furthest among cable operators by telling the FCC to reject the deal unless the companies offer safeguards to protect virtual network operators. Altice runs its own wireless service atop Sprint's infrastructure. The cable company said it was troubled by T-Mobile's "hostile statements" about such virtual networks.

Nationality is hardly a given in the wireless industry. Sprint sued in 2011 to stop AT&T from buying T-Mobile, a deal that ultimately fell apart amid opposition from the Obama administration.

# Tiffany's Sales Gain as Affluent Buyers Spend

BY KIMBERLY CHIN

**Tiffany & Co.** reported soaring profit and sales in its latest quarter, underscoring well-heeled shoppers' willingness to spend with luxury brands.

Global sales rose 12% from a year earlier to \$1.1 billion, as the luxury jeweler benefited from customers buying a larger volume of goods. Same-store sales in the second quarter climbed 8%, ahead of the 6.6% increase expected from analysts in a Consensus Metrix poll.

On a conference call with analysts Tiffany executives said the company saw growth in its jewelry collections, including in engagement jewelry and in its Paper Flowers line, launched in May. Tiffany has been working to revamp its product offerings and image under Chief Executive Alessandro Bogliolo, who joined the company in October.

The latest Tiffany report comes as retailers have seen consumers, increasingly confident about their economic prospects, spending more money on a range of items such as designer handbags and apparel.



The jeweler's strongest sales growth came from its Asia-Pacific region, particularly China.

Rising demand in the U.S. market, supported by wage growth and low unemployment, helped power the world's biggest luxury company, LVMH Moët Hennessy Louis Vuitton, to record sales

through the first six months of the year. Kering SA, parent of brands like Gucci, Yves Saint Laurent and Balenciaga, clocked a 45% increase in revenue from North America in the first half.

Holding a Bergdorf Goodman shopping bag on Fifth Avenue in New York, Lisette Ortiz, 30 years old, of Brooklyn, said she finds herself spending more at luxury retailers and boutiques online because she

earns more money than she did a year ago.

But while wages are rising, retailers are cognizant that inflation may take a bigger bite out of consumers' paychecks. Consumer prices rose 2.9% over the past year, a rate last exceeded in late 2011, according to August data.

"Sure, the pay goes up, but everything else goes up too," Ms. Ortiz said.

In the latest quarter, Tiffany's strongest sales growth came from its Asia-Pacific region, particularly China. Quarterly sales in the region rose 28% to \$301 million, largely driven by higher-paying locals in Greater China and other regional markets, as well as by foreign tourists.

Tiffany shares rose 1% to \$131.07 Tuesday as the company also raised its full-year profit outlook to between \$4.65 and \$4.80 a share, from \$4.50 to \$4.70.

Overall profit rose 26% to \$144.7 million, or \$1.17 a share, helped by a lower tax rate. Analysts polled by Thomson Reuters had expected a profit of \$1.01 a share on \$1.04 billion in revenue.

## WSJ PRO CYBERSECURITY EXECUTIVE FORUM

DECEMBER 11, 2018 | NYC | CONRAD HOTEL

Join WSJ Pro journalists and cybersecurity experts for an exclusive event on how executives can mitigate cyber risks.



### SPEAKERS INCLUDE

#### Paul Abbate

Associate Deputy Director, FBI

#### Julie Brill

Corporate Vice President and Deputy General Counsel, Microsoft; Former Commissioner, Federal Trade Commission (2010-16)

#### Sarah Guo

General Partner, Greylock

#### Suzette Kent

Federal CIO, Office of Management and Budget

#### Stephen E. Schmidt

VP and Chief Information Security Officer, Amazon

### PROUDLY SPONSORED BY



Tuesday, December 11, 2018  
Conrad Hotel, 102 North End Ave, New York, NY

Request an invitation: [cyber.wsj.com](http://cyber.wsj.com)

## BUSINESS &amp; TECHNOLOGY

WSJ.com/Tech

# India's Payments Race Heats Up

Google pushes its app in battle to win over smartphone users in huge potential market

By NEWLEY PURNELL

**NEW DELHI—Alphabet** Inc.'s Google is raising its mobile-payments game in India with new functions and services for consumers, as global players race to woo the South Asian nation's legions of smartphone users who are skipping credit cards for their transactions.

A day after Warren Buffett's **Berkshire Hathaway** Inc. said it had invested in the parent company of India's largest digital-payments firm, called Paytm, Google said it is joining with several local banks to offer consumer loans from within its payments app for users seeking cash to cover expenses such as school fees. It is also expanding its tie-ups to more online merchants as well as to India's ubiquitous mom-and-pop stores and other retailers.

Google's app, which launched in India in September 2017, is the search titan's first service in the country for transferring money electronically to individuals and businesses without the use of a credit or a debit card. It resembles a simple chat app and functions in several Indian languages.

"India's witnessing an amazing transformation," Caesar Sengupta, Google's vice president for its Next Billion Users initiative and payments, said Tuesday. Internet access is expanding and masses of people are getting hooked up to the web for the first time, he said.

Google's payments app has been downloaded more than 55 million times and has facilitated more than 750 million



SONU MEHTA/HINDUSTAN TIMES/GETTY IMAGES (TOP); SAMYUKTA LAKSHMI/BLOOMBERG NEWS  
Google executive Caesar Sengupta says India is 'witnessing an amazing transformation.'

## Upward Mobility

Indian consumers are increasingly using mobile-payment services.

### Transactions using India's Unified Payment Interface

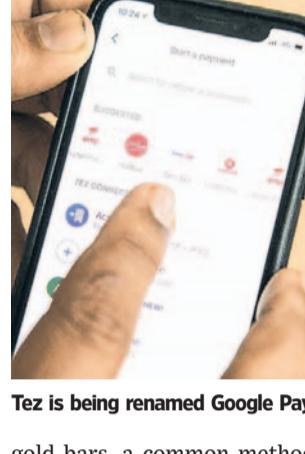


Source: National Payments Corporation of India

transactions valued at an annualized rate of \$30 billion, Mr. Sengupta said.

While the app was originally called Tez, which means "fast" in Hindi, Google says it is renaming it Google Pay with an eye on expanding into other countries. "The future of the internet is reflected right here

in India," said Mr. Sengupta. Berkshire Hathaway said Monday it had invested in Paytm parent company One97 Communications Ltd., which has more than 300 million users. The Paytm app lets consumers pay for everything from auto-rickshaw rides to utility bills to buy portions of



Tez is being renamed Google Pay.

gold bars, a common method of saving in India.

Users can also transfer money to each other.

The deal's value was 20 billion to 25 billion rupees (\$286 million to \$357 million), according to a person familiar with the matter. Berkshire portfolio manager Todd

Combs, a trusted Buffett lieutenant, is joining Paytm's board of directors, Paytm said Tuesday.

Mr. Combs didn't immediately respond to an email seeking comment about his board appointment.

"The payment ecosystem in India is growing so dynamically," Paytm founder and Chief Executive Vijay Shekhar Sharma said in an interview Tuesday. He said he traveled to the U.S. in February to meet Mr. Combs and discuss business and technology.

Todd is an incredibly experienced payments and financial-services industry person," Mr. Sharma said. "He will bring us a unique perspective from a global background."

Paytm and Google aren't alone in vying for India's consumers. **Facebook** Inc.'s WhatsApp, which has some 200 million users in India, is testing a mobile-payments feature and hopes to roll it out across the country. **Amazon.com** Inc., which is spending \$5 billion to expand its operations here, has a digital-payments feature called Amazon Pay.

Meanwhile, Indian policy makers have been considering ways to slow inroads by American technology behemoths, with the fate of the world's biggest still-open internet economy at stake.

"It is too early to say which app will win this space," said Neha Dharia, a Bangalore-based analyst with research firm Warp Speed Reads. "They are all clamoring for user numbers and transaction volume."

Key to victory, she said, is having a diverse portfolio of services and being able to negotiate the "fast-evolving regulatory landscape."

—Corinne Abrams

and Nicole Friedman contributed to this article.

# Gadget Retailer's Brand Draws Bid

By LILLIAN RIZZO

Specialty retailer **Brookstone** Inc. has got a \$35 million offer for its brand name from **Authentic Brands Group** Inc.

The retailer, which is known for selling massage chairs, travel gadgets and other novelties at malls and airports, sought chapter 11 protection in early August with plans to sell its brand and airport stores.

The offer from Authentic Brands, which would serve as an opening bid at a bankruptcy-run auction and is subject to court approval, is primarily for the brand assets.

Authentic Brands, backed by private-equity firm **Leonard Green & Partners**, is a frequent shopper for bankrupt assets. As recently as June the retailer made its latest acquisition through a bankruptcy-run auction for brands associated with **Nine West Holdings** Inc.

The licensing firm paid \$340 million for Nine West and Bandolino brands, despite having set a much lower baseline bid. Authentic Brands ended up going toe-to-toe with DSW Holdings Inc. during the auction.

Authentic Brands also owns the brands associated with Aéropostale Inc. and Frederick's of Hollywood as results of bankruptcy-sale processes.

The proposed bid for Brookstone also "includes an expressed interest" in finding a partner to keep the retail business, which includes the airport stores, open, according to a news release.

Meanwhile, Brookstone's 102 mall-based stores are being liquidated.

Brookstone expects to receive competing offers by Sept. 20, and, if needed, plans to hold an auction on Sept. 24.

The company will bring the sale procedures before Judge Brendan Shannon of the U.S. Bankruptcy Court in Wilmington, Del. on Wednesday. In addition, the company will seek court approval to use the rest of its \$30 million of bankruptcy financing.

This is Brookstone's second bankruptcy filing in about four years. The retailer emerged from its first bankruptcy filing in 2014 after shedding millions in bank debt and under new ownership.

Brookstone was founded as a catalog retailer in 1965, and was taken private in 2005 for \$440 million by investment firms, including J.W. Childs Associates LP, Osim International Ltd., and Temasek Holdings Pte.

# Thomson Reuters Buys Back Stock

By BOWDEYA TWEH

**Thomson Reuters** Corp. plans to launch a tender offer to buy back as much as \$9 billion of its shares.

The media company said Tuesday that the share purchase is connected with the expected sale of a majority stake in its financial-information and terminal business.

In January, Thomson Reuters agreed to sell a 55% stake for \$17 billion to a group led by **Blackstone Group** LP. The sale is expected to close Oct. 1.

The company is launching a modified Dutch auction to buy shares tendered between \$42 and \$47 each. The tender offer is expected to close Oct. 2, Thomson Reuters said. Shares rose 3.2% to \$44.66. The company has a market value of more than \$31 billion.

**Woodbridge** Co., Thomson Reuters's principal shareholder, is expected to maintain its proportionate equity ownership after the offer is completed.

Thomson Reuters is controlled by Canada's Thomson family. It competes with Bloomberg LP and Dow Jones & Co., owner of The Wall Street Journal, to sell data and analytical tools to traders of stocks and other securities.



CALLAGHAN OHARE/BLOOMBERG NEWS  
Narvar, which has raised \$64 million in total, says its technology supports 500 e-commerce platforms including that of Costco Wholesale.

# Retail Tech Firm Raises \$30 Million

By ERICA E. PHILLIPS

Technology provider **Narvar** has raised \$30 million in new funding to back expansion of a business that supports e-commerce platforms for such companies as **Costco Wholesale** Corp., **Gap** Inc. and **Levi Strauss & Co.**

The new funding round, led by venture-capital firm Accel with **Battery Ventures**, **Salesforce Ventures** and **Scale Venture Partners**, brings the total raised to \$64 million since the business launched in Silicon Valley in 2012. Narvar said the funding will support refining its technology, which helps retailers manage deliveries and returns for online orders, and an expansion into Asia and Europe.

The company says its technology supports 500 online platforms, helping retailers offer services similar to those at Amazon.com Inc.

Chief Executive Amit

Sharma said Narvar handles "all aspects of post-purchase customer engagement and messaging," and that demand for its technology has increased, particularly on the returns side, as digital commerce grows.

"As consumers shop more and more online, free returns is part and parcel of their expectations," Mr. Sharma said. "Both for consumer experience and operational efficiencies, this part of the business needs to be solved pretty quickly."

The growth of Narvar and other e-commerce tracking-and-returns technologies highlights how deliveries and reverse logistics have become more important to retailers' customer-service strategy. Surveys have found customers are more likely to shop again at an online retailer after an initial purchase if it is easy for them to track shipments and

return purchases.

According to a Forrester research report, U.S. internet retail is expected to reach almost \$540 billion this year and grow 11% annually over the next five years to account for one-fifth of all retail sales by 2023.

*Startups aiming to solve logistics problems have drawn millions of dollars.*

Dale Rogers, a logistics and supply chain professor at Arizona State University, said Narvar's software improves the online shopping experience while providing retailers with better information about their customers. For example, Narvar's software could catch

shoppers who return items frequently, highlighting potentially fraudulent behavior, Mr. Rogers said.

"It's clever," he said. "You can really track what your customers are doing."

Software startups aiming to solve common logistics problems have drawn millions of dollars of venture capital funding as e-commerce has ballooned. According to industry tracker PitchBook Data Inc., logistics startups drew \$404 million in new funding last year, more than twice the previous peak of \$185 million in 2015.

Several third-party software and logistics companies are targeting the costly returns process. **Optoro** Inc. recently raised \$75 million to expand its development and sales in services known as reverse logistics. Optoro estimates the annual U.S. market for customer returns is \$380 billion and growing.



# Midcap companies are the life of the party.

## They also know when to turn the music down.

MDY, the SPDR® S&P Midcap 400® ETF, invests in midcap powerhouses – still growth-hungry, but grown-up enough not to be a flash in the pan. And it has beaten 88% of the Morningstar U.S. Mid-Cap Blend Category over the last 3, 5 and 10 years. [spdrs.com/MDY](http://spdrs.com/MDY)

MDY is one of many first-to-market ETFs from State Street Global Advisors.

**MDY** | THE MIGHTY MIDCAP

Source: Morningstar as of 6/30/18. Based on funds in the Morningstar Mid-Cap Blend Category (oldest share class). Rankings are based on returns after taxes that are net of all fees, maximum federal tax rate (39.6%) and applicable sales loads. Rankings reflecting lower tax rates may have resulted in less favorable results for exchange traded funds due to their tax efficiency. Universe: 114 funds for 10 years, 136 funds for 5 years, and 152 funds for 3 years. MDY's 1 year peer group percentile is 25% (44 of 182 funds). Past performance is no guarantee of future results.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETF's net asset value. ETF shares may not readily trade in all market conditions. Brokerage commissions and ETF expenses will reduce returns.

Investments in mid-sized companies may involve greater risks than those in larger, better known companies, but may be less volatile than investments in smaller companies.

©2018 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

SPDR® S&P MidCap 400® ETF Trust, a unit investment trust, is listed on NYSE Arca, Inc.

SPDR®, S&P and S&P MidCap 400 are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P") and have been licensed for use by State Street Corporation.

No financial product offered by State Street or its affiliates is sponsored, endorsed, sold or promoted by S&P.

ALPS Distributors, Inc. (fund distributor); State Street Global Advisors Funds Distributors, LLC (marketing agent).

State Street Global Advisors and its affiliates have not taken into consideration the circumstances of any particular investor in producing this material and are not making an investment recommendation or acting in fiduciary capacity in connection with the provision of the information contained herein.

*Before investing, consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus, which contains this and other information, call 1.866.787.2257 or visit [www.spdrs.com](http://www.spdrs.com). Read it carefully.*

# THE PROPERTY REPORT

## Hotel Developers Head Back to School

Lodging properties are sprouting up in university markets throughout the U.S.

By MAYA SWEEDLER

When guests check into the Abernathy hotel in Clemson, S.C., they receive an orange poker chip.

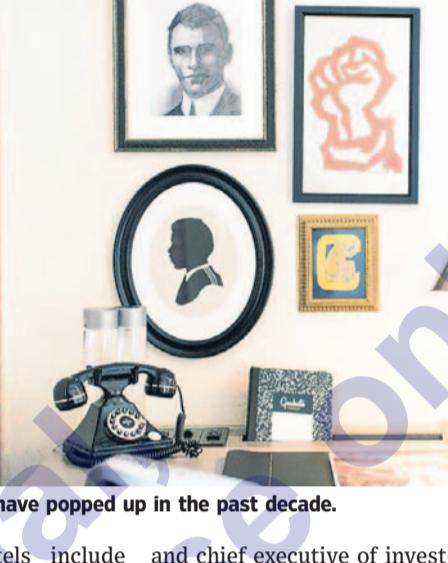
The chips aren't for gambling. Rather, they are room keys—and a reference to a Clemson University football tradition. Head coach Dabo Swinney hands similar chips to his players and asks them to throw the chips in a bucket before games, symbolizing their commitment to go "all in."

The chip-key is one of several Clemson-specific touches at the Abernathy and reflects one of the latest booms in the lodging industry: investing in hotels on or near college campuses. The trend has expanded to encompass a range of schools, from large state schools such as Clemson and the University of Michigan to smaller liberal-arts colleges such as Smith and Swarthmore.

In the past decade, developers around the country have added more than two dozen such hotels that maintain close ties to colleges and universities, market analysts say.

"It used to be universities sending out customer proposals, but that's almost disappeared as a phenomenon," said Bjorn Hanson, an adjunct professor at New York University's hospitality and tourism center. "Now it's real-estate developers and hotel brands seeking out universities."

Meanwhile, new hotel companies are emerging that are investing in properties near or on campuses. Competitors that have launched operations in the past decade include



**The Graduate Hotel in Berkeley, Calif.** More than two dozen hotels catering to schools have popped up in the past decade.

university markets work."

College hotels target prospective students and returning alumni as well as visiting professors, research-symposium attendees and leisure travelers, developers said.

This also helps smooth demand, which is often tied to the academic calendar, Mr. Hennessey said.

College hotels typically schedule conferences or offer wedding packages to alumni during the summer, when business is slower, and raise prices for big events such as football games or homecoming weekend.

Graduate Hotels is perhaps the fastest-growing college-hotel developer. Founded in 2014, the Chicago-based group has raised \$1.5 billion in two rounds of fundraising, according to the company. The brand runs 12 hotels around the country and says it will have eight more properties open by the summer of 2020. It aims to be in 100 markets in the next 10 years.

The college-hotel market appealed to Charlestowne Hotels because it isn't as vulnerable to fluctuations in the economy, said Michael Tall, president and chief operating officer of the Charleston, S.C., company. Charlestowne's portfolio includes eight college hotels; two of those—the Colgate Inn of Hamilton, N.Y., and the Sewanee Inn at the University of the South in Tennessee—are owned by the universities themselves. The Inn at Elon, scheduled to open at Elon University in North Carolina in fall 2019, will become the portfolio's third university-owned hotel. The Abernathy also is a Charlestowne hotel.

"There's always going to be visitation to the markets," Mr. Tall said. "You might as well even use [a stay at a hotel] as a sales pitch for the university."

## Blackstone's Bid for REIT at Tipping Point

By ESTHER FUNG

A months-long takeover battle that has captivated the hospitality industry could come to a head early next month when shareholders of LaSalle Hotel Properties decide whether to accept an all-cash offer from Blackstone Group LP.

**Pebblebrook Hotel Trust**, a Bethesda, Md.-based real-estate investment trust with 28 properties, also is trying to acquire LaSalle. Since March, Pebblebrook has made six separate bids for its rival lodging REIT. The most recent of \$4 billion raised the cash component to 30%. That bid represented an 8.1% premium to Blackstone's \$3.7 billion all-cash bid. Now, on Sept. 6, LaSalle shareholders will vote to approve Blackstone's offer—or reject it in hopes that the board will then accept Pebblebrook's unsolicited offer, which it has continued to spurn.

For months, LaSalle's board has insisted its rival's stock-and-cash deal is riskier than Blackstone's all-cash offer, but made a turnaround on Monday when it said that the latest Pebblebrook proposal may result in a "superior" deal to the proposed Blackstone transaction. However, it said it hasn't changed its recommendation in support of the Blackstone bid.

Pebblebrook already owns nearly 10% of LaSalle, and its chances may have improved last week when Glass Lewis recommended that LaSalle shareholders vote against Blackstone's offer. The proxy advisory firm said that Pebblebrook's offer has consistently exceeded Blackstone's offer by a margin that suggests the cash offer likely isn't the best available.

"This could be the nail in the coffin for the Blackstone vote," said Michael Bellisario, a senior research analyst at R.W. Baird.

The market may have already passed judgment on Blackstone's offer: LaSalle's shares have consistently traded above the all-cash bid of \$33.50, indicating that many shareholders prefer Pebblebrook's richer offer. On Tuesday, LaSalle's shares rose 2.5% to \$35.17.

Blackstone declined to comment.

## Competing Offers

Rival takeover bids have boosted the share price of hotel owner LaSalle.

### LaSalle Hotel Properties share price



## U.S. Investors Look Outside London

By PHILIP GEORGIADIS

Many American investors are souring on U.K. property, but those still interested are increasingly bypassing London for the British hinterlands.

Britain's exit from the European Union, slated for March 2019, has created more uncertainty around investments in the U.K. Persistently high prices for central London properties also have turned off many investors.

Total U.S. property investments in the U.K. this year through mid-August have been \$3.1 billion, according to Real Capital Analytics. That is a much slower pace than the \$16 billion in deals in 2015, the year before the Brexit vote.

While Asian investors have made headlines buying London's trophy buildings, including Korea's National Pension Service buying Goldman Sachs's new London headquarters, announced this month, U.S. acquisitions have spread across the country from industrial hubs in the backbone of central England to office blocks on the northeast coast of Scotland.

"U.S. investors are prepared to take on that additional risk that perhaps Asians are less inclined to do," said Charles Weeks, head of European real estate at Barings, a U.S. investment firm that manages \$52 billion in real-estate assets globally. Mr. Weeks said he has U.S. clients happy to invest across the property spectrum in the U.K.

Barings recently acquired a build-to-rent residential complex in Manchester. Barings also is looking at properties in nearby cities Liverpool and Leeds with a view of creating a 1,000-unit portfolio.

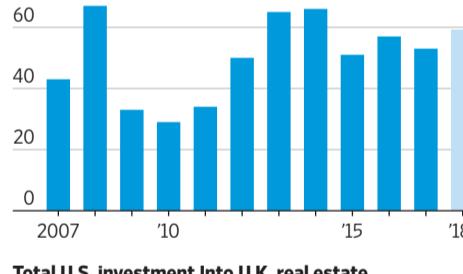
In other deals this year, private-equity firm LCN Capital Partners invested £113 million (\$145.7 million) in an office development in Scottish oil hub Aberdeen, while asset manager Invesco joined with a residential developer in Liverpool in an £86 million build-to-rent program.

"People are having to work harder, and look a little further to find opportunities to deploy capital," said Tom Leahy, a senior director at Real Capital Analytics.

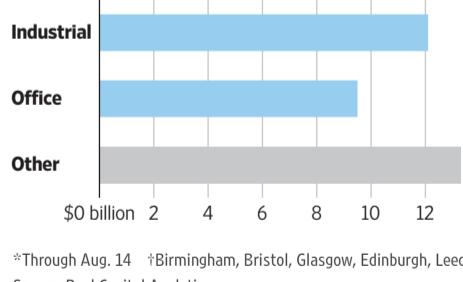
### Spreading the Net

Many U.S. investors are looking outside of London for commercial property deals in the U.K.

#### Percentage of U.S. Investment into U.K. real estate outside of London



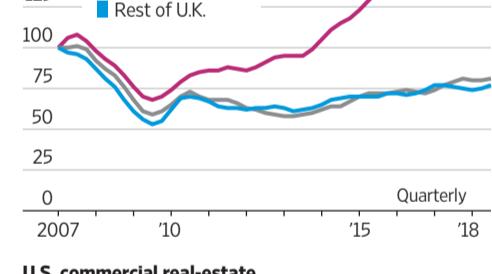
#### Total U.S. investment into U.K. real estate outside of London by sector since 2007\*



\*Through Aug. 14. †Birmingham, Bristol, Glasgow, Edinburgh, Leeds and Manchester

Source: Real Capital Analytics

#### Real Capital Analytics Commercial Property Price Indexes



#### U.S. commercial real-estate investment into the U.K.



THE WALL STREET JOURNAL.

One clear attraction is lower prices. The weak pound—which is trading around 15% lower against the U.S. dollar since the Brexit vote in summer 2016—makes it cheaper for dollar-based investors to buy in the U.K. And while prime commercial real estate in London currently trades 50% to 60% above previous peaks, regions outside of London have yet to return to their postcrisis levels.

U.S. investors have been among the biggest in the country for years. They have poured more than \$90 billion into the U.K. commercial-property market since 2007, according to Real Capital Analytics, which analyzes transactions over \$10 million.

More than half of that was invested outside the London market, and that share has risen in 2018. Nearly two-thirds of U.S. money invested in the U.K. property market has been spent outside of London so far this year, according to property firm Datscha, which includes transactions over £3 million.

"London itself isn't offering

people cheap discounted deals," said Rob Wilkinson, European chief executive of real-estate manager AEW. The firm manages €59 billion of assets globally and has invested in U.K. regional assets on behalf of U.S. investors.

Many U.S. property funds will take more risks in an ef-

pairs have been so badly hit by concerns over online competition some of the more entrepreneurial U.S. private-equity funds have begun to sniff a buying opportunity, according to Andrew Cruickshank, senior director, international investment at BNP Paribas Real Estate.

Senior housing, self-storage and the private rental sector are other niche areas that have seen increased interest as buyers look for structural rather than cyclical opportunities, according to RCA's Mr. Leahy.

"Despite everything that goes on that is Brexit-related, the reality is the U.K. still does provide a stable real-estate market. It does provide a good spread throughout regional markets," said Chris Brett, head of international capital markets at CBRE Group Inc.

AEW's Mr. Wilkinson said long-term investors are able to see past near-term uncertainty. "When investors are looking at the U.K. they are investing in 15-to-20-year income streams that are allowing them to see beyond Brexit," he said.

On the other side of the play, prices for U.K. retail

THE WALL STREET JOURNAL.

## BUSINESS WATCH

TAILORED BRANDS

**CEO Retires at Parent Of Men's Wearhouse**

**Tailored Brands** Inc. Chief Executive Doug Ewert plans to retire from the company Sept. 30, the company said Tuesday.

Mr. Ewert, who will also leave the men's clothing retailer's board of directors, joined the company in 1995 and has served as CEO since June 2011. He will serve as an adviser for Tailored Brands, the parent of Men's Wearhouse and Jos. A. Bank, from Oct. 1 through Dec. 31, according to a securities filing.

Tailored Brands named its nonexecutive chairman, Dinesh Lathi, as executive chairman effective immediately.

The board of Tailored Brands will launch a search to identify a new CEO, the company said Tuesday.

The Fremont, Calif., company also said Bruce Thorn, president and operating chief, will resign from his post Aug. 31. Mr. Thorn, 51 years old, will join **Big Lots** Inc. as chief executive at the end of September, the retailer based in Columbus, Ohio, said.

—Bowdeya Tweh

DSW

**Footwear Retailer Bolsters Forecast**

Shares of discount footwear and accessories retailer **DSW** Inc. rose 20% after the company blew past consensus forecasts on same-store sales growth in the latest quarter and upgraded its full-year outlook on sales and profit.

**DSW**, the Columbus, Ohio-based footwear and accessories chain, reported its strongest comparable-sales growth since 2011 as the company benefited from stronger in-store and online customer traffic.

The stock's single-day percentage gain was the largest since the company's initial public offering in 2005, according to FactSet data. Shares closed Tuesday at \$32.70 and have gained 72% over the past 12 months.

Chief Executive Roger Rawlings expects the company to reach a record \$3 billion in sales in the current fiscal year. He said the company skewed its inventory toward sandals, "athleisure" and kids footwear, which drove a large part of the company's sales increase.

The company also announced Tuesday it plans to exit from its full-price, mall-based Town Shoes banner in Canada, planning to close 38 locations largely by the end of the current fiscal year.

—Bowdeya Tweh

HAIN CELESTIAL

**Sales Drop Expected As Competition Rises**

**Hain Celestial Group** Inc., the maker of Blueprint juices and Terra vegetable chips, said sales for the quarter ending in September will likely decline slightly as competition intensifies in the U.S. for natural and organic products.

The company Irwin Simon founded 25 years ago started falling behind newer rivals a few years ago, ending a long run of rapid growth. Now, other big food companies that lost sales to startup organic- and natural-food makers are also competing to make more healthful products, sparking a wave of mergers and executive changes across the food industry.

Under pressure from Engaged Capital, an activist investor that bought into the company last year, Hain is trying to sell its U.S. meat business and is looking for a new chief executive to succeed Mr. Simon.

Mr. Simon said Tuesday that Hain needs to find sales growth again in the U.S. and improve profitability.

Hain said higher marketing spending on brands such as Earth's Best baby food and Terra snacks, as well as narrowing the range of sizes and flavors it makes, will boost its sales and earnings in 2019.

"We've invested \$17 million in our top brands and our capabilities to grow globally," Mr. Simon said.

—Annie Gasparro

## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization. **Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume. **Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

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.

Tuesday, August 28, 2018

		Net		Net				Net		Net		Net		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	Stock	Sym Close Chg	Stock	Sym Close Chg
A B C		AmericanAFC	AFG 111.37 -0.87	BcoSantChile	BSAC 31.22 -0.02	Coty	COTY 12.71 0.57	ItauUnibanco	ITUB 10.35 -0.16	NewmontMin	NEM 31.84 -0.41	Rockwell	ROK 177.49 0.50	Total	TOT 63.82 -1.18
ABB	ABB 23.72 -0.08	AmHomes4Rent	AMH 23.24 0.33	BcoSantMex	BSMX 7.97 -0.21	Credicorp	BAP 22.00 -1.46	Evergy	EVRY 56.90 0.40	NewsCorp	B NWS 13.75 -0.05	RockwellCollins	COL 136.38 -0.18	TotalSystem	TSS 6.62 -0.22
ADT	ADT 9.21 0.17	AmerTowerREIT	AMT 150.10 1.73	CVS Health	CVS 74.92 -0.04	CreditAcceptance	CACC 450.59 -0.51	EversourceEnr	ES 61.84 -0.37	NextEraEnergy	NE 170.56 -0.04	RogersComm	RCI 52.91 0.04	ToyotaMotor	TM 126.07 -0.40
AES	AES 13.91 -0.05	AmeriSourceBrgn	ABC 88.87 0.41	CabotOil	COG 23.98 ...	CreditSuisse	CS 15.17 ...	Exelon	EXC 43.40 -0.25	Expedia	EXPZ 131.56 -0.34	JPMorganChase	JPM 116.14 -0.57	TradeDesk	TTD 140.09 0.37
Aflac	AFL 46.78 -0.19	Ametek	AMET 77.33 0.28	CasinosEnt	CZR 10.40 0.03	CrownCastle	CC 113.57 1.94	ExpeditorsIntl	EXPD 73.31 -0.91	ExpressScripts	ESRX 88.09 0.28	JK	J	TransCanada	TRX 44.20 -0.24
AGNC Inv	AGNC 19.32 -0.03	AmericaWest	AWK 87.25 -0.80	CameronProperty	CPT 95.52 1.08	Ctrip.com	CTR 37.92 -0.43	Fidelity	FID 20.59 -0.26	Felexity	FELEX 189.65 1.25	Lejeune	JEF 24.08 0.20	TransDigm	TDG 359.03 -0.12
ANGI Invts	ANGI 21.92 -0.36	AnalogDevices	ADI 45.04 -0.08	CanDenProp	CPT 95.52 1.08	Frost	FROST 111.48 -0.55	FinTech	FIN 39.83 -0.67	FinTech	FIN 39.83 -0.67	JamesHARDIE	JHDI 15.41 -0.38	Travelers	TRV 132.28 0.39
Ansys	ANSS 184.10 3.83	AndraPetrol	APC 64.87 0.32	CamdenProperty	CPT 95.52 1.08	Gummims	CMI 144.77 0.74	ExxonMobil	XOM 30.28 -0.12	FirstData	FDF 125.78 1.71	JeffefferiesFin	JEF 24.08 0.20	Trimbale	TRMB 41.87 0.38
ASML	ASML 206.69 -1.91	Analogy	ANL 100.42 0.42	CampbellSoup	CPS 39.83 -0.37	Cummins	CMI 144.77 0.74	Gasoline	GOOS 58.70 0.01	CanNtliRwy	CAN 89.34 -0.36	JonesLang	JLL 154.30 -0.35	TripAdvisor	TRIP 53.15 -0.21
AT&T	T 32.67 -0.16	Andreaor	ANDV 155.55 0.17	CampbellSoup	CPS 39.83 -0.37	Dish	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	21stCenturyFox	FOXA 45.22 0.05
AbbottLabs	ABBT 66.79 -0.59	AndBeaverLog	ANBD 97.45 -0.32	Carterpillar	CAT 123.20 -0.17	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	CenturyLink	CNY 120.50 0.05
AbbVie	ABBV 97.26 -0.52	AndBeaverLog	ANBD 97.45 -0.32	Caterpillar	CAT 123.20 -0.17	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
Abiomed	ABMD 385.97 0.52	AndBeaverLog	ANBD 97.45 -0.32	Caterpillar	CAT 123.20 -0.17	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
Accenture	ACN 167.67 0.80	AndBeaverLog	ANBD 97.45 -0.32	Caterpillar	CAT 123.20 -0.17	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
ActivisionBlz	ATVI 74.00 -0.09	AndBeaverLog	ANBD 97.45 -0.32	Caterpillar	CAT 123.20 -0.17	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AccuityBrands	AVY 15189.1 -1.61	AndBeaverLog	ANBD 97.45 -0.32	Caterpillar	CAT 123.20 -0.17	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AdobeSystems	ADBE 263.04 0.64	AndBeaverLog	ANBD 97.45 -0.32	Caterpillar	CAT 123.20 -0.17	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AdvanceAuto	ADW 162.10 0.20	AndBeaverLog	ANBD 97.45 -0.32	Caterpillar	CAT 123.20 -0.17	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AdMicroDevices	ADM 25.05 -0.21	AndBeaverLog	ANBD 97.45 -0.32	Caterpillar	CAT 123.20 -0.17	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
Aegon	AEG 6.06 0.04	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AerCap	AER 57.20 0.14	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
Aetna	AET 198.88 0.96	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AffiliatedMtrs	AMG 144.95 -1.23	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AgileTechs	AGL 66.69 0.61	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AgricoEagle	AEM 35.99 -0.73	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AirProducts	APD 167.01 -0.29	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AirbusTechs	ATK 63.22 -0.15	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
Ailantech	ALN 42.19 -0.26	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AllianzTechs	ALN 42.19 -0.26	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AllianzTechs	ALN 42.19 -0.26	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AllianzTechs	ALN 42.19 -0.26	Apple	APPL 219.70 0.20	CDR Global	CDK 104.20 -0.05	Dish Network	DISH 36.33 0.58	Gasoline	GOOS 58.70 0.01	CapnRacyW	CAJ 32.09 0.12	King	JL 154.30 -0.35	Centr	CNTL 120.50 0.05
AllianzTechs	ALN 42.19 -0.26	Apple													

## NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Tuesday, August 28, 2018																					
Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	
<b>Highs</b>			B.RileyNts2023 RILYH 26.00 0.7	ColumbiaProperty CXP 23.87 2.3	KRNT 21.00 8.3	ProspectCapNt28 PBY 25.36 0.1	STAA 45.75 -0.4	ZScaler ZS 48.24 -0.6	IRCA Prop ICRP 27.00 -0.2	<b>Lows</b>			SurComms SUI 102.94 1.1	IIconixBrand ICON 0.35 ...	LibertyGlobal B LBTYB 26.95 -2.5				IconixBrand ICON 0.35 ...	LibertyGlobal B LBTYB 26.95 -2.5	
AXA Equitable EQH 22.95 0.2	BAND 45.82 0.1	Conduent CNDT 22.45 2.8	Garmin GRMN 66.49 1.0	LadenburgNts28 LANC 156.64 -0.8	Protabs PRLB 150.18 0.2	QADB 47.85 ...	SURModics SRDX 75.80 -0.2	BBVA BancoFr BFR 8.50 -6.7	LibertyGlobal B LBTYB 26.95 -2.5			Stearns Surgical STA 45.75 -0.4	AltraIndlMotio AIMEC 37.95 -0.7	LBrach L 27.03 -2.0				Stearns Surgical STA 45.75 -0.4	AltraIndlMotio AIMEC 37.95 -0.7		
AbbottLabs ABT 67.11 -0.1	BecktonDicksn BDX 257.99 0.5	Conn's CONN 39.75 5.4	GlobeIn IT 148.59 0.6	LancasterColony LSCC 8.31 6.2	QAD B QADA 61.80 -0.6	Qualcom QCOM 70.49 3.6	SynopsysFndt SNVpD 26.29 ...	Achagon AKAO 4.94 5.5	MaxarTech MAXR 30.76 -3.7			TandemDiabetes TNDM 42.43 -0.7	ArconicPd ARNCP 83.95 ...	MaxarTech MAXR 30.76 -3.7				MaxarTech MAXR 30.76 -3.7	ArconicPd ARNCP 83.95 ...		
AcceleronPharma XLRN 50.45 -0.1	BoottBarn BOOT 28.80 4.1	Copart CPRT 64.61 0.4	GlobeIn PGO 124.65 0.9	LigTechInt LiQT 1.30 6.8	Qagen QGEN 39.37 0.1	Qualcomm QCOM 70.49 3.6	TactileSystems TCDM 66.26 0.1	AvistaHlthcrWt APHAW 0.38 -8.0	MitexSystems MITK 6.85 -15.3			TargtaResources TRGP 56.42 -0.7	ArconicPd ARNCP 83.95 ...	NovaBayPharm NBY 3.17 -5.0				AvistaHlthcrWt APHAW 0.38 -8.0	ArconicPd ARNCP 83.95 ...		
AdvAdvisors Svcs ADSW 26.24 0.7	BoozAllen BAH 51.35 -0.5	CornerstoneOnDemand CSOD 62.57 0.3	GlobalPayments GPY 124.65 0.9	LivTechInt LiQT 1.30 6.8	Qagen QGEN 39.37 0.1	Qualcomm QCOM 70.49 3.6	TactileSystems TCDM 66.26 0.1	AvistaHlthcrWt APHAW 0.38 -8.0	NovaBayPharm NBY 3.17 -5.0			Stearns Surgical STA 45.75 -0.4	AltraIndlMotio AIMEC 37.95 -0.7	MaxarTech MAXR 30.76 -3.7				Stearns Surgical STA 45.75 -0.4	AltraIndlMotio AIMEC 37.95 -0.7		
Affgen CapSci AEB 25.44 0.4	Bottomline EPAY 65.45 0.6	CrestwoodEquity CEOP 40.55 -1.7	GlobalPayments GPY 124.65 0.9	LivTechInt LiQT 1.30 6.8	Qagen QGEN 39.37 0.1	Qualcomm QCOM 70.49 3.6	TactileSystems TCDM 66.26 0.1	AvistaHlthcrWt APHAW 0.38 -8.0	NovaBayPharm NBY 3.17 -5.0			TargtaResources TRGP 56.42 -0.7	ArconicPd ARNCP 83.95 ...	MaxarTech MAXR 30.76 -3.7				AvistaHlthcrWt APHAW 0.38 -8.0	ArconicPd ARNCP 83.95 ...		
Afimed AFMD 5.70 24.9	BrightHorizons BFAM 119.92 0.4	CyberOptics CYBE 21.65 0.4	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TelenyxTech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
AgreeRealty ADC 57.30 1.1	Books Auto BRKS 39.75 30.9	Cytosorbents CTSO 12.80 6.7	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
AlbanyIntl AIN 79.45 -1.0	CMSSneakerDeb78 CMSA 25.33 0.1	DSW DSW 34.02 2.0	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
AlignTech ALGN 39.19 0.1	CONSOL Coal CCR 19.00 2.2	Dodges DOD 39.31 -0.5	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
AllegroMrgt ALGR 0.45 ...	DoCoSign DOCSU 68.35 1.0	DynCorp DYN 14.50 0.4	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
AllisonTransm ATSL 50.00 -0.2	CadenceDesign CDNS 47.18 0.1	Exact Sci EXAS 76.16 4.1	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
Amazon.com AMZN 194.78 0.3	CanPacRwy CPW 209.07 -0.3	Ecolab ECL 150.95 -0.2	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
AmerExpress AXP 107.43 0.2	ChesapeakeEnergies CHKE 58.43 -0.3	CibaCarex EBS 11.66 0.6	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
Amhomes4Rent AMH 23.26 1.4	CareDx CAREDX 24.07 0.3	CareOne CARE 77.00 -0.2	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
AmericoRealty AMH 24.43 0.7	Carlisle CARLISLE 129.47 0.3	Centene CENTENE 14.46 0.3	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
ApolloGlpfDB APGP 25.44 0.2	Carvana CVNA 63.43 1.0	Celanease A CE 119.29 -0.3	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
Apple AAPL 220.54 0.8	ChesapeakeEnergies CHKE 58.43 -0.3	ChesapeakeEnergies CHKE 58.43 -0.3	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
Aptgroup ATR 105.19 -0.6	ChesapeakeEnergies CHKE 58.43 -0.3	ChesapeakeEnergies CHKE 58.43 -0.3	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
ArborRealty ABR 12.13 -0.2	ChesapeakeEnergies CHKE 58.43 -0.3	ChesapeakeEnergies CHKE 58.43 -0.3	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7	TeleNYX Tech TDY 238.14 0.7	OIC OICR 3.45 -2.5		GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3	MaxarTech MAXR 30.76 -3.7				GlobalPayments GPY 124.65 0.9	LogitechInt LOGI 49.81 -1.3			
AresCapital ARCC 17.49 0.1	ChesapeakeEnergies CHKE 58.43 -0.3	ChesapeakeEnergies CHKE 58.43 -0.3	Globant GLOB 65.00 3.6	LogitechInt LOGI 49.81 -1.3	RogersR RGR 94.45 1.8	Roku ROK 94.45 1.8	TelnyxTech TDY 238.14 0.7														

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**26064.02** ▲ 14.38, or 0.06%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.57 20.07  
 P/E estimate \* 16.63 18.38  
 Dividend yield 2.09 2.30  
 All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open  
 May June July Aug.

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2897.52** ▲ 0.78, or 0.03%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.06 23.53  
 P/E estimate \* 17.68 18.73  
 Dividend yield 1.83 2.01  
 All-time high 2897.52, 08/28/18



May June July Aug.

## Nasdaq Composite Index

**8030.04** ▲ 12.14, or 0.15%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.89 24.94  
 P/E estimate \* 21.28 21.19  
 Dividend yield 0.97 1.13  
 All-time high: 8030.04, 08/28/18



May June July Aug.

8075  
7900  
7725  
7550  
7375  
7200  
7025

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	MidCap 400	SmallCap 600
Industrial Average	26122.24	26037.85	<b>26064.02</b>	14.38	<span style="color:green">0.06</span>	26616.71	21753.31	<b>19.2</b>	5.4	<b>16.1</b>
Transportation Avg	11475.74	11380.91	<b>11390.58</b>	-22.19	<span style="color:red">-0.19</span>	11436.36	9237.18	<b>23.3</b>	7.3	<b>12.9</b>
Utility Average	728.49	723.81	<b>725.71</b>	-1.50	<span style="color:red">-0.21</span>	774.47	647.90	<b>-2.8</b>	0.3	<b>8.2</b>
Total Stock Market	30195.34	30076.00	<b>30130.22</b>	11.00	<span style="color:green">0.04</span>	30130.22	25268.17	<b>19.2</b>	8.9	<b>13.2</b>
Barron's 400	788.04	782.14	<b>784.60</b>	-1.21	<span style="color:red">-0.15</span>	785.81	634.50	<b>23.7</b>	10.4	<b>13.7</b>

## Nasdaq Stock Market

Nasdaq Composite	8046.31	8009.59	<b>8030.04</b>	12.14	<span style="color:green">0.15</span>	8030.04	6301.89	<b>27.4</b>	16.3	<b>18.5</b>
Nasdaq 100	7588.72	7556.71	<b>7570.25</b>	11.11	<span style="color:green">0.15</span>	7570.25	5862.14	<b>29.1</b>	18.4	<b>20.5</b>

## S&amp;P

S&P 500 Index	2903.77	2893.50	<b>2897.52</b>	0.78	<span style="color:green">0.03</span>	2897.52	2446.30	<b>18.4</b>	8.4	<b>13.4</b>
MidCap 400	2050.15	2036.42	<b>2043.94</b>	-0.12	<span style="color:red">-0.01</span>	2044.06	1706.68	<b>19.8</b>	7.5	<b>12.7</b>
SmallCap 600	1097.21	1088.93	<b>1092.64</b>	-0.32	<span style="color:red">-0.03</span>	1092.96	828.26	<b>31.9</b>	16.7	<b>17.4</b>

## Other Indexes

Russell 2000	1733.45	1722.36	<b>1728.42</b>	0.02	<span style="color:green">0.001</span>	1728.42	1383.68	<b>24.9</b>	12.6	<b>14.1</b>
NYSE Composite	13130.49	13075.14	<b>13084.80</b>	-17.23	<span style="color:red">-0.13</span>	13637.02	11791.88	<b>11.0</b>	2.2	<b>8.5</b>
Value Line	593.78	590.40	<b>591.76</b>	-0.17	<span style="color:red">-0.03</span>	591.93	509.50	<b>16.1</b>	5.2	<b>8.3</b>
NYSE Arca Biotech	5272.74	5238.33	<b>5268.56</b>	-4.38	<span style="color:red">-0.08</span>	5272.94	4045.25	<b>30.2</b>	24.8	<b>10.5</b>
NYSE Arca Pharma	582.22	580.33	<b>581.12</b>	-0.98	<span style="color:red">-0.17</span>	593.12	516.32	<b>11.2</b>	6.6	<b>1.0</b>
KBW Bank	111.72	111.03	<b>111.29</b>	-0.15	<span style="color:red">-0.13</span>	116.52	89.71	<b>19.7</b>	4.3	<b>15.2</b>
PHLX® Gold/Silver	69.58	67.04	<b>67.45</b>	-1.34	<span style="color:red">-1.95</span>	93.26	64.27	<b>-24.5</b>	-20.9	<b>11.4</b>
PHLX® Oil Service	147.93	145.23	<b>145.64</b>	-0.89	<span style="color:red">-0.61</span>	170.18	119.85	<b>20.2</b>	-2.6	<b>-6.9</b>
PHLX® Semiconductor	1408.27	1389.32	<b>1402.95</b>	5.49	<span style="color:green">0.39</span>	1449.90	1084.86	<b>29.3</b>	12.0	<b>31.7</b>
Cboe Volatility	12.50	11.87	<b>12.50</b>	0.34	<span style="color:green">2.80</span>	37.32	9.14	<b>6.8</b>	13.2	<b>-21.7</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Brasil DistrGrupo Pao ADR	CBD	5,818.1	20.26	...	unch.	20.26	20.26
SPDR S&P 500	SPY	5,406.5	290.12	0.20	<b>0.07</b>	290.17	289.76
First Data CIA	FDC	3,393.9	25.15	-0.13	<b>-0.51</b>	25.36	25.10
Williams Cos	WMB	2,699.5	30.49	0.41	<b>1.36</b>	30.50	30.01
Tilray	TLRY	2,312.0	58.72	7.22	<b>14.02</b>	59.88	49.12
Van Eck Vectors Gold Miner	GDX	2,301.7	18.90	-0.02	<b>-0.11</b>	18.93	18.88
Cronos Group	CRON	2,206.7	12.01	0.93	<b>8.39</b>	12.10	10.88
iShares MSCI EAFE ETF	EFA	2,111.5	68.29	0.13	<b>0.19</b>	68.29	68.14

## Percentage gainers...

Tilray	TLRY	2,312.0	58.72	7.22	<b>14.02</b>	59.88	49.12
Shoe Carnival	SCVL	145					

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hilo	Low	Settle	Chg	Open interest	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb								
Aug 2,7400	2,7425	2,7215	2,7340	0,0290	570			
Dec 2,7300	2,7265	2,7135	2,7585	0,0265	129,364			
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.								
Aug 120,70	121,70	120,30	120,70	-1,60	113			
Oct 121,20	121,50	120,00	121,00	-1,70	55,733			
Dec 121,70	122,70	120,50	121,40	-1,60	366,042			
<b>Feb'19</b> 122,30	122,50	121,20	122,00	-1,60	34,642			
June 123,80	123,60	123,00	123,10	-1,70	7,443			
Dec ...	...	...	124,60	-1,60	3,992			
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.								
Sept 945,10	949,80	932,60	939,40	-2,50	5,018			
Dec 939,20	945,30	927,60	935,40	-2,10	15,702			
<b>March'19</b> 934,00	937,50	929,20	928,00	-2,20	376			
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.								
Sept 805,00	805,00	796,80	794,30	-9,50	35			
Oct 803,70	810,00	787,80	795,30	-8,90	76,008			
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.								
Aug 14,980	15,070	14,735	14,889	-0,073	163,862			
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.								
Oct 69,00	69,20	68,21	68,53	-0,34	404,447			
Nov 68,64	68,85	67,91	68,22	-0,32	194,173			
Dec 68,33	68,55	67,64	67,93	-0,32	295,235			
<b>Jan'19</b> 68,10	68,27	67,41	67,69	-0,30	169,276			
June 66,60	66,75	66,06	66,28	-0,20	162,818			
Dec 64,74	64,93	64,34	64,50	-0,10	222,625			
<b>NY Harbor ULSLD (NYM)</b> -42,000 gal.; \$ per gal.								
Sept 2,2197	2,2235	2,2082	2,2114	-0,0035	34,207			
Oct 2,2260	2,2292	2,2133	2,2170	-0,0036	114,016			
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.								
Sept 2,0900	2,1014	2,0709	2,0787	-0,0109	37,631			
Oct 1,9878	1,9989	1,9680	1,9751	-0,0116	148,813			
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.								
Sept 2,876	2,883	2,845	2,852	-0,024	16,514			
Oct 2,869	2,873	2,833	2,845	-0,024	236,578			
Nov 2,900	2,901	2,862	2,873	-0,026	187,968			

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hilo	Low	Settle	Chg	Open interest	
Jan'19	3,078	3,082	3,043	3,054	-0,028	194,089		
March	2,942	2,944	2,905	2,917	-0,027	185,406		
April	2,650	2,654	2,620	2,632	-0,020	149,127		

## Agriculture Futures

<b>Corn (CBT)</b> -5,000 bu.; cents per bu.								
Sept 345,75	347,75	340,75	341,00	-5,75	140,045			
Dec 360,50	362,50	356,00	356,25	-5,25	94,744			
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.								
Sept 247,75	252,50	245,00	247,25	...	432			
Dec 256,00	258,25	251,00	252,00	-2,75	4,128			
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.								
Sept 833,25	836,50	820,25	820,50	-14,25	24,398			
Nov 847,00	850,50	833,00	833,25	-15,00	428,111			
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.								
Sept 306,30	306,70	300,60	300,70	-5,60	30,737			
Dec 310,60	311,20	304,50	304,70	-5,90	212,621			
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.								
Sept 28,37	28,57	28,12	28,18	-1,19	27,230			
Dec 28,78	28,95	28,50	28,58	-1,18	250,317			
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.								
Sept 105,00	107,50	103,60	105,50	105,50	8,50	1,422		
Nov 105,50	107,50	104,20	106,90	9,00	5,458			
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.								
Sept 500,25	504,25	494,75	498,25	-1,00	24,675			
Dec 523,00	529,00	518,50	523,25	.75	216,516			
<b>Wheat (KCO)</b> -5,000 bu.; cents per bu.								
Sept 501,25	508,00	498,25	499,25	-2,50	18,427			
Dec 529,50	537,25	526,75	527,75	-2,25	147,574			
<b>Wheat (MPLS)</b> -5,000 bu.; cents per bu.								
Sept 555,25	563,00	552,50	554,50	-2,25	8,514			
Dec 578,75	586,50	575,75	577,00	-1,75	32,601			
<b>Cattle-Feeder (CME)</b> -50,000 lbs.; cents per lb.								
Aug 150,000	150,000	149,150	149,350	-8,75	1,858			
Oct 150,50	150,75	147,00	149,425	-6,50	18,317			
<b>Cattle-Live (CME)</b> -40,000 lbs.; cents per lb.								
Aug 108,425	108,425	106,700	107,800	-400	1,970			
Oct 109,575	109,650	107,450	108,450	-850	122,401			
<b>Hogs-Lean (CME)</b> -40,000 lbs.; cents per lb.								
Oct 55,600	55,650	51,650	52,000	-2,75	104,121			

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hilo	Low	Settle	Chg	Open interest	
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.								
Sept 345,75	347,75	340,75	341,00</td					

## BANKING &amp; FINANCE

# UBS Disclosure Breached Confidentiality

**Banker revealed identity of investor that sold shares after Hong Kong IPO**

BY JULIE STEINBERG

A UBS Group AG banker working on a large Hong Kong initial public offering last year disclosed the identity of an investor that sold shares shortly after the listing, a breach of client confidentiality that triggered an internal investigation and the suspension of a senior employee, according to people familiar with the matter.

An individual at the bank sent a message to **ZhongAn Online P & C Insurance Co.**, a company whose backers include the founders of Chinese internet firms **Alibaba Group Holding Ltd.** and **Tencent Holdings Ltd.** The message revealed the identity of an investor who bought shares during ZhongAn's September 2017 IPO and quickly sold them for a profit, the people said.

The disclosure after the deal, which UBS sponsored with other banks, went against client-confidentiality rules typical at Wall Street firms, according to the people. Major banks and securities firms of-

ten stipulate that clients' identities, including investors', be kept confidential if not already public or required to be disclosed by law, meaning they shouldn't be shared with issuing companies or other clients.

The investigation within UBS involved several members of the bank's Asia equity capital-markets team, according to the people. Two individuals have since left the firm, including a senior banker who ran the team at the time of the incident.

The incident comes at a difficult time for the UBS business that handles stock offerings in Asia. The bank in March said Hong Kong's securities regulator had suspended it from sponsoring IPOs in the city for 18 months over an earlier matter, a decision it has appealed. Sponsor banks conduct due diligence on companies and allocate IPO shares.

ZhongAn, the company whose IPO was involved in the latest alleged incident, is a Shanghai-based online insurer whose co-founders include Chinese billionaires Jack Ma and Pony Ma and whose investors include **Ant Financial Services Group** and **SoftBank Group Corp.** The company's IPO, which raised \$1.75 billion, was Hong Kong's second larg-

est last year by funds raised.

After the insurer's shares started trading, an investment firm that was allocated shares in the IPO sold its stake, according to some of the people familiar with the matter.

Such selling isn't uncommon, especially when a company's shares climb soon after listing. ZhongAn shares rose 9.2% in their trading debut in late September and hit a closing high of HK\$93.65 about a week later, versus their HK\$59.70 IPO price.

UBS later discovered that a member of its equity capital-markets team in Asia sent a



**Jack Ma is an investor in Shanghai online insurer ZhongAn.**

message to ZhongAn informing the company of the sale and identifying the investment firm, according to some of the people. It couldn't be determined which individual sent the message disclosing the investor's identity.

After learning of the share sale, an individual at ZhongAn reached out to the investment firm regarding the transaction, the people said. It couldn't be learned what they discussed. The investor that sold shares wasn't one of the company's large shareholders, according to one of the people.

UBS's code of conduct says

## Pop and Drop

Shares of Chinese insurer ZhongAn Online have slumped since their Hong Kong initial public offering last September.



Note: HK\$1=\$0.13  
Source: FactSet

THE WALL STREET JOURNAL.

A veteran banker, Mr. Lee was also a member of UBS's regional investment banking committee and served as interim head of its China investment-banking business.

Efforts to reach Mr. Lee weren't successful. A UBS spokesman said he didn't know if Mr. Lee had a lawyer.

Representatives of ZhongAn declined to comment. Since ZhongAn went public last fall, the insurer's shares have declined and are now about 40% below their IPO price.

—Dana Mattioli  
and Stella Yifan Xie  
contributed to this article.

## Moody's Settles SEC Mortgage Rating Case

BY DAVE MICHAELS  
AND GUNJAN BANERJI

WASHINGTON—Moody's Investors Service Inc. agreed to pay \$16.25 million to settle claims involving incorrectly rated residential mortgage bonds and complex pools of bank loans, the Securities and Exchange Commission said Tuesday.

In one case, the SEC alleged Moody's used erroneous rating models that, when discovered, required the company to correct grades on hundreds of mortgage bonds collectively valued at over \$49 billion. In a few instances, Moody's changed ratings from top "Aaa" grade to "junk" after discovering the errors. The regulator said a second case against Moody's marked the first time it has punished a firm over ratings-symbol deficiencies.

The first fine, \$15 million, stemmed from Moody's failure to establish quality control and due-diligence checks that could have detected coding errors in its models, the SEC said. The commission said the models required programmers to code highly complex deal terms that projected the cash flows investors would receive from different slices of bonds.

Moody's Investors Service, a unit of **Moody's Corp.**, and one of the largest ratings firms in the world, agreed to pay the penalties without admitting or denying fault. The SEC said the violations and errors occurred between 2010 and 2016. Moody's said it is "pleased to have resolved these legacy matters" and is "committed to maintaining strong controls around models used in the rating process."

The SEC continues to scrutinize the work of credit raters after they took heat for inflaming the 2008 housing collapse. Policy makers and regulators faulted companies such as Moody's and Standard & Poor's for giving rosy ratings to residential-mortgage bonds that later soured, triggering

widespread losses.

Postcrisis rules required ratings firms to use the same grades across different securities. Moody's grades on intricate investments known as "combo notes" weren't in line with other assets that were given the same ratings, according to the SEC's order.

Last year, Moody's Corp. agreed to pay \$864 million to resolve investigations by the Justice Department and several states in connection with bond grades it issued before the 2008 housing collapse.

One of the SEC's settlement orders said a Moody's engineer expressed concern about the quality of models as early as 2009, writing that employees couldn't rely on a "library" of models "with any confidence." The company hired a consultant to write a report

*The SEC has scrutinized credit raters since the 2008 housing collapse.*



Factors that typically result in a weaker yuan remain. A Beijing lender displayed a notice in July on how to distinguish real bank notes.

## Yuan Rally Is Unlikely to Continue

BY SAUMYA VAISHAMPAYAN

By showing its displeasure at a recent slide in the yuan, China has helped the currency strengthen against the dollar. However, the rally is unlikely to go much further.

China guided the yuan 0.7% stronger against the dollar on

Tuesday, the biggest one-day boost for the Chinese currency since June 1. By early afternoon in Asia, a dollar bought 6.8176 yuan in the onshore market. Late in New York, it bought 6.8024 yuan.

The central bank determines a rate for the dollar against the yuan and allows the currency pair to trade in a range around that level each day. The so-called fix is based on the dollar's value against the yuan in the previous ses-

sion and overnight moves in a basket of currencies. Tuesday's move followed a surge in the yuan Monday.

The fix now also includes a so-called countercyclical factor, which effectively diminishes the role of market forces. The reintroduction of this factor and a requirement making it more expensive for investors to bet against the yuan, both announced this month, suggest China has become concerned about the pace of the yuan's decline.

Yet the drivers for a weaker currency remain, which is why some analysts don't expect the yuan to rally significantly from here. While the U.S. is likely to push ahead with interest-rate increases, many economists expect China to ease policy to cushion its slowing economy, and the countries remain embroiled in a trade spat that has already

resulted in tariffs on billions of dollars of goods.

The median forecast among analysts polled by Thomson Reuters is for the yuan to be slightly stronger at 6.7 to the dollar by the end of July next year, although several expect

**China's currency has strengthened 1.8% against the dollar since Aug. 15.**

it to fall below 7, with the most bearish forecasting a level of 7.3 yuan per dollar.

The yuan has strengthened 1.8% against the dollar since Aug. 15, according to Wind Info, though it remains down for the year.

Zhou Hao, an economist at

Commerzbank, said in a note that he doesn't expect the yuan to appreciate much more given the slowing economy, the U.S. trade spat and Beijing's deleveraging drive.

Investors should focus on the U.S.-China relationship rather than other developments, such as the deal struck with Mexico, according to UBS Wealth Management, since the Trump administration's concerns about China go beyond trade.

The latest round of trade talks between the world's two largest economies ended last week with no sign of progress.

Elsewhere in Asia, stocks rose on Tuesday. That had followed gains in U.S. markets after the U.S. reached a trade pact with Mexico. Indexes in open, trade-reliant economies such as Singapore and Taiwan notched some of the region's biggest gains, up 0.7% and 0.8%, respectively.

## Bank Regulator Moves to Modify Lending Rules for Poorer Areas

BY LALITA CLOZEL

WASHINGTON—A national banking regulator took the first step Tuesday toward rewriting rules for lending in lower-income neighborhoods, an effort that could allow institutions to redirect billions of dollars spent on loans and investments.

In a release seeking feedback from the public, the Office of the Comptroller of the Currency proposed new approaches to evaluating banks on their community-reinvestment activities. One controversial idea in the proposal would reduce the emphasis on loans and investments made

locally, and instead create a ratio to measure total low-income spending by bank size.

"There are thousands of communities across America in need of lending, investment and financial literacy," Comptroller Joseph Otting said in a call with reporters. Mr. Otting has made a priority of overhauling rules under the 1977 Community Reinvestment Act.

The OCC's paper drew a positive response from banks, which support making the rules more flexible. "Bringing CRA into the 21st century will ensure community investment dollars are put to work where they are most needed," Richard Hunt, the head of the Con-

sumer Bankers Association, said in a statement.

Consumer groups said they worried about the impact on communities. "We're concerned that this is a proposal from the OCC that is disguised as one based on community need, when really it serves the needs of banks first," said Paulina Gonzalez, the executive director of the California Reinvestment Coalition.

The OCC outlined several priorities, including expanding the types of loans and activities that banks can count toward their CRA performance; publishing those results periodically; and broadening the geographic scope of the rules

for each bank.

Mr. Otting said creating a quantitative system for evaluating banks and allowing institutions to lend beyond physical areas near their properties could result in a more objective measure of their activities and could help tackle "CRA deserts," low-income areas that have no bank headquarters or branches nearby.

The comptroller said he knew from experience how these changes could free up banks to spend more in areas not identified as a dedicated zone for CRA spending.

At OneWest Bank, the California institution where he once oversaw CRA programs,

Mr. Otting said, "if there were strong needs in those communities but I was restricted by L.A. County, generally I would not make those investments."

The OCC paper also suggested redefining the concept of "community," which regulators have interpreted as the neighborhoods surrounding bank locations.

Federal Reserve governor Lael Brainard, an Obama nominee who oversees the Fed division involved with CRA rules, said in May that rule changes should "recognize the importance of sustaining branches in communities where they are needed."

Mr. Otting said Tuesday

that "branches are a critical component of services that banks are providing to the community." But he said banks could be given "the flexibility of some percentage of their dollars going to what they call CRA deserts."

The Fed and Federal Deposit Insurance Corp.—two other national banking regulators—haven't signed on to the OCC's policy paper, a situation that could lead to a less robust overhaul if the three don't eventually coordinate.

Mr. Otting said the OCC discussed its plans with the other regulators. Moving alone doesn't "prohibit us from partnering" later, he added.

## MARKETS

# Treasurys Fall With Inflow of New Debt

BY SAM GOLDFARB

U.S. government-bond prices slipped Tuesday as investors contended with an influx of new Treasury debt.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.84%, compared with 2.84% Monday.

**CREDIT MARKETS** Yields, which rise when bond prices fall, were little changed for much of the overnight session, before turning higher near the start of U.S. trading.

The Treasury Department sold \$37 billion of five-year notes Tuesday, after selling \$36 billion of two-year notes Monday.

It will hold a \$31 billion auction of seven-year notes on Wednesday.

Prices are lower because of "pressure from supply, combined with nothing on the economic-data front" that would counteract that pressure, said Thomas Simons, head of fixed-income trading in New York at Jefferies LLC.

Tuesday's auction met with solid demand, with bids exceeding allocations by roughly 2.5 times, in line with the recent average, according to BMO Capital Markets.

The auction was the first sale of five-year notes since the Treasury said on Aug. 1 that it would increase the size of five-year note auctions by \$1 billion a month through October, as part of its larger campaign to fund a growing federal budget deficit.

Before August, the Treasury had only been increasing the size of shorter-term bond auctions at that pace, making its announcement something of a surprise to investors.

Overall, the Treasury plans to borrow \$329 billion from July through September—up \$56 billion from the agency's April estimate—in addition to \$440 billion in October through December.

The figures are 63% higher than what the Treasury borrowed during the same six-month period last year.

Treasury yields were also buoyed Tuesday by reports that the German government is considering providing emergency financial assistance to Turkey to prevent a collapse that could reverberate in Europe, analysts said.

Concerns about Turkey, and emerging markets generally, have helped boost demand for Treasurys in recent months, causing investors to embrace the safety of government debt while trimming their expectations for inflation, which is a main threat to the value of bonds.

Trade tensions have had a similar impact. But there has been progress on that front too, after the U.S. struck a deal with Mexico on Monday to rewrite portions of the North American Free Trade Agreement.

While Canada wasn't involved in the agreement, investors are still hopeful it could pave the way to other trade deals, including between the U.S. and China.

Despite rising in recent days, the 10-year yield remains in the middle of its narrow summer trading range.

Since the start of June, the yield has settled as high as 3.00%, on Aug. 1, and as low as 2.82%, on Aug. 23.

The yield on the 10-year is up for three consecutive trading days.

**AUCTION RESULTS**

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

**FOUR-WEEK BILLS** Applications \$180,044,255,200 Accepted bids \$65,000,463,200 "noncompetitively" \$98,327,600 "foreign noncompetitively" \$0 Auction price (rate) 99.849889 (1.930%)

Coupon equivalent 1.960% Bids at clearing yield accepted 18.31% Cusip number 912879QAO

The bills, dated Aug. 30, 2018, mature on Sept. 27, 2018.

**FIVE-YEAR NOTES** Applications \$94,865,090,100 Accepted bids \$39,407,828,300 "noncompetitively" \$54,008,400 "foreign noncompetitively" \$0 Auction price (rate) 99.930401 (2.765%) Interest rate 2.750% Bids at clearing yield accepted 43.94% Cusip number 9128284X5

The notes, dated Aug. 31, 2018, mature on Aug. 31, 2023.

# Stocks Get Lift From Trade Deal

BY JON SINDREU  
AND ALLISON PRANG

U.S. stocks rose after the U.S. and Mexico agreed on a deal to revise the North American Free Trade Agreement.

The Dow Jones Industrial Average gained 14.38 points, or less than 0.1%, to 26064.02.

The S&P 500 added 0.78 point, or less than 0.1%, to 2897.52 and the Nasdaq Composite rose 12.14 points, or 0.2%, to 8030.04, with both indexes closing at records. The Nasdaq's increase comes a day after the technology-heavy index closed above 8000 for the first time.

The threat of what many analysts call protectionist U.S. policies has damped global market sentiment through most of this year. The outcome of the Nafta deal is seen by some as a bellwether for President Trump's future dealings with China.

The prospect of Mr. Trump successfully negotiating new trade deals is likely to be taken by investors as a hopeful sign that a major trade war will be avoided, analysts said.

Kristina Hooper, chief global market strategist for Invesco, said the market "positively overreacted" to the news concerning U.S. and Mexico and that stocks were "really taking a breather" following Monday's increases.

Investors have shown they are worried about the trade scenario, she said. "Otherwise, we wouldn't see a positive reaction." With trade, the market wants to grab onto positives and "ignore the downside of the Trump administration's trade policy," she said.

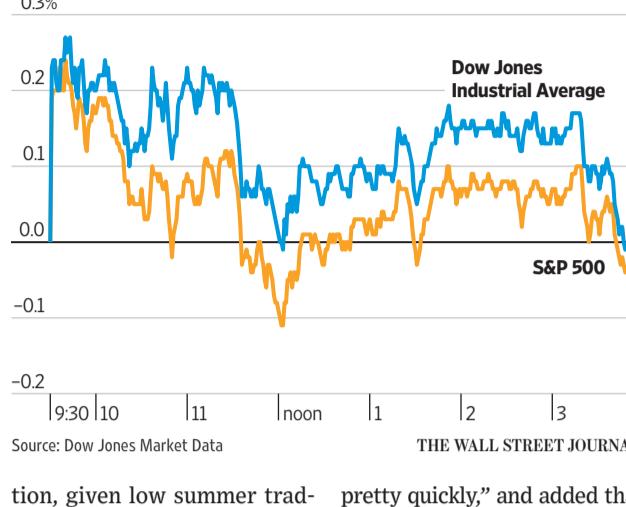
Some money managers remained unconvinced that trade frictions have eased substantially after Mr. Trump said Monday that Canada would be severed from the North American trade area if necessary.

Christian Lawrence, senior market strategist at Dutch lender Rabobank, told clients in a note that the "announcement does make a new Nafta agreement more likely," but it "also increases the risk that an agreement will not be reached with Canada and we eventually see a move to bilateral agreements."

It is hard to draw conclusions from recent market ac-

**Inching Up**

Major U.S. indexes eked out small gains Tuesday as signs of easing trade tensions fueled bets that more compromises will follow.



Source: Dow Jones Market Data

THE WALL STREET JOURNAL.

Because economic growth and earnings there are stronger, "the U.S. is best-in-class and there's no way to avoid U.S. assets," said Witold Bahrke, senior macro strategist at Nordea Asset Management. "And on top of that, you have these trade issues, which increase the divergence between the U.S. and the rest of the world."

Earnings for S&P 500 companies that have reported are up 25% for the second quarter, according to FactSet.

Shares of Best Buy fell \$4.09, or 5%, to \$77.57 Tuesday after the company reported second-quarter results that beat analysts' estimates. Best Buy raised its annual guidance for its top line and profit but said it expects a drop in operating profit in the third quarter.

In August, the U.S. became the top equity region for international fund managers for the first time in five years, according to a monthly survey by Bank of America Merrill Lynch.

The Stoxx Europe 600 fell less than 0.1%. Early Wednesday, Japan's Nikkei Stock Average was up 0.3% and Hong Kong's Hang Seng was down less than 0.1%.

# Iran Oil Exports Drop Faster Than Expected

BY BENOIT FAUCON

Iran oil shipments are declining at a faster-than-expected pace ahead of U.S. sanctions set to begin in November.

Iran expects crude exports to fall by one-third in September, according to people familiar with purchasing plans, potentially posing an unforeseen supply risk to markets.

Officials at the state-run National Iranian Oil Co. provisionally expect crude shipments to drop to about 1.5 million barrels a day next month, down from about 2.3 million barrels a day in June, people familiar with the country's ports loading program said.

Many experts had expected oil shipments to fall by about 1 million barrels by year-end. Now some of them say that fall may already have happened. Iran has yet to announce its exports for this month or its forecast for next month.

The developments reflect in part a reluctance of tanker companies to ship Iranian oil.

Oil companies have until Nov. 4 to adjust to a U.S. ban on buying Iranian oil following President Trump's decision in May to pull out of the nuclear agreement with Tehran. The European Union, China and other countries have vowed to resist the unilateral U.S. sanctions and are trying to find ways to keep buying crude from Iran. But they have struggled to find banks, shipping companies and insurers that are willing to risk running afoul of the U.S.

The managing director of Iran's state oil company, Ali Kardor, didn't return a request for comment. A spokeswoman for Iran's oil ministry said she had no information about coming Iran oil exports.

Countries such as India, Japan and European Union members complied with a previous round of U.S. sanctions on Iran in 2012. What has changed since that time is that the Trump administration, unlike the prior U.S. administration, isn't pushing for import reductions but a complete halt, said Sara Vakhshouri, president of Washington-based oil consultancy SVB Energy International.

Ms. Vakhshouri, a former National Iranian Oil Co. market analyst, said she expects Iran's crude exports to drop by half to 800,000 barrels a day in November compared with August. The country's shipments remained above 1 million barrels a day at the beginning of the last round of sanctions.

While oil prices rose following Mr. Trump's decision to bring back sanctions in May, some analysts say traders have yet to realize the scale of coming Iranian disruptions.

"I am not sure this drop is

really got priced in," said Helima Croft, chief commodities strategist at Canadian broker RBC. "Many markets participants still seem to believe that the decline will be smaller because President Trump would not dare risk overt tightening of the market" before the midterms U.S. elections.

So far, Iranian oil exports to Europe and India have halved in recent months and, in August, fell 25% in China, said Reid I'Anson, economic analyst

**Traders Take Profits After Pact**

a trade deal with Mexico that would revise the North American Free Trade Agreement but could potentially exclude Canada.

"While the details have not yet been released, energy trade is said to be a critical component of the deal, which could shake up the booming export business of U.S. refined products heading south of the border," said a report from analysts at fuel marketer TAC Energy.

The news helped boost oil prices along with the broader stock market. However, prices weakened later in the day.

"I think we're just running into some profit-taking here,"

and John Kilduff, founding partner at Again Capital, who added that traders will be watching crude inventory levels and production as refineries curtail crude consumption during maintenance.

The question of supply in the coming months also continued to weigh on markets, analysts said.

The Organization of the Petroleum Exporting Countries and its partner producers, including Russia, said Monday that compliance with a coordinated deal to cut oil output averaged 10% in July, down from 12% in June.

—Stephanie Yang,  
Christopher Alessi



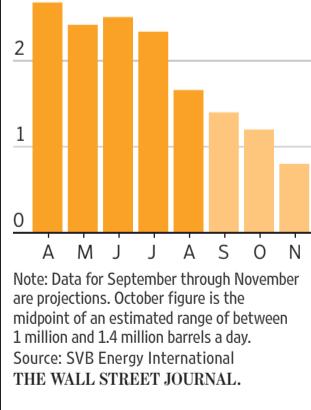
National Iranian Oil expects crude shipments to be about 1.5 million barrels a day next month from about 2.3 million barrels a day in June.

ALI MOHAMMAD/BLOOMBERG NEWS

**Sinking Shipments**

U.S. sanctions are seen taking a toll on Tehran's oil exports in the coming months.

3 million barrels a day



Note: Data for September through November are projections. October figure is the midpoint of an estimated range of between 1 million and 1.4 million barrels a day.

Source: SVB Energy International, THE WALL STREET JOURNAL.

really got priced in," said Helima Croft, chief commodities strategist at Canadian broker RBC. "Many markets participants still seem to believe that the decline will be smaller because President Trump would not dare risk overt tightening of the market" before the midterms U.S. elections.

So far, Iranian oil exports to Europe and India have halved in recent months and, in August, fell 25% in China, said Reid I'Anson, economic analyst

at Paris-based shipping-data tracker Kpler.

Turkey, which is embroiled in a separate dispute with the U.S., shows how even a U.S. adversary which disagrees with the Trump administration's policy on Iran is affected.

Just after Mr. Trump's May

annunciation, Iran's exports to Turkey fell from 227,000 barrels a day in June to 70,000 barrels a day in June,

with the loss offset by Iraqi

and Russian crude, according to Ankara's Energy Market Regulatory Body.

Shipping is emerging as Iran's main Achilles' heel. Starting Nov. 4, the Trump administration's sanctions will also ban insurance coverage for Iran oil tankers. Shippers from China, India, Greece or Spain that transported Iranian oil as recently as July have stopped dealing with Tehran, according to tracker FleetMon and some of the shippers.

# Copper Rises as Worries About Potential Disruptions Ease

BY DAVID HODARI  
AND AMRITH RAMKUMAR

A rebound in copper and other metals prices continued Tuesday as investors weighed

Monday's agreement between the U.S. and Mexico to revise the North American Free Trade Agreement.

The front-month copper contract for August delivery gained 1.1% to \$2.7340 a

pound on the Comex division of the New York Mercantile Exchange.

Prices have risen in seven of the past nine sessions, though they are still 17% below June's four-year high.

Worries that trade disruptions would weaken the global economy and lower demand have hurt the prices of a wide range of materials.

But analysts said Monday's news on the trade agreement could be a sign that the Trump administration is willing to

compromise with China, which consumes about half of the world's copper and is a prominent source of demand for other materials.

In that context, and in light of expectations for a U.S.-Mexico agreement, "we are of the opinion that [base metals price] dips should find buyers," said Alastair Munro, a broker at Marex Spectron, in a note to clients.

Still, analysts are waiting to see how the U.S. trade fight

with China unfolds, as the two sides have worked to resolve negotiations ahead of planned meetings in November.

Lukewarm economic data from China also have worried some traders anticipating a slowdown in demand for metals widely used in construction and manufacturing.

Among precious metals, front-month gold for August delivery edged down 0.1% to \$1,207.40 a troy ounce, following two sessions of gains.

Gold's price has bounced

back 2.7% since hitting the lowest level since January 2017 earlier this month, though it is still down 7.6% for the year so far.

A weaker dollar has lifted metals lately by making them cheaper for overseas buyers. On Tuesday, the WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, edged up less than 0.1% after erasing its early losses. Gold had inched lower throughout the session as the dollar climbed.

## MARKETS

# Semiconductors Get Their Mojo Back

By AMRITH RAMKUMAR

A scorching run by two of the best-performing stocks in recent years has buoyed the broader market, helping the technology-heavy Nasdaq Composite climb to records and cross 8000 for the first time on Monday.

**Advanced Micro Devices** Inc. surged 28% in the six sessions through Monday, while **Nvidia** Corp. jumped 13%, extending gains for this year. Both stocks edged lower on Tuesday, but their recent rally has helped lift the technology sector by showing strength outside such stalwarts as **Apple** Inc. and Google parent **Alphabet** Inc.

Earlier this year, semiconductor shares were caught in the crosshairs of escalating China-U.S. trade tensions. Trade between the world's two biggest economies is crucial to the chip-making business. The strife led to volatility in the sector after the PHLX Semiconductor Index hit a record in March.

But more recently, investors have been encouraged by the plans laid out by China and the U.S. to resolve their spat. The PHLX index has risen in six straight sessions through Tuesday.

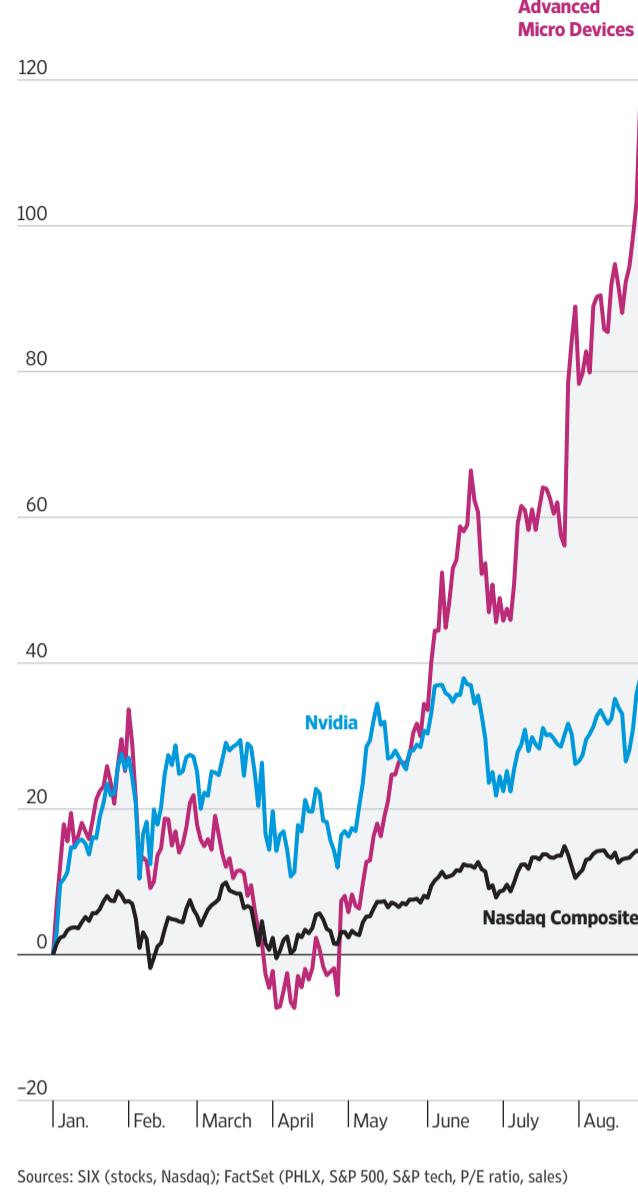
That is a sign of market strength, analysts say, because chip stocks often lead the broader market on the way up and the way down.

Investors' faith in these companies can indicate confidence in the economy since their products are used in several hot areas of growth: data centers, gaming and artificial intelligence.

"When things calm down a little bit, they tend to rebound a lot further," said Mohit Bajaj, director of ETF trading solutions at WallachBeth Capital.

AMD is the S&P 500's best-performing stock this year, with a gain of 144%. The company also has gotten a lift

**AMD** and **Nvidia** shares have surged recently as the tech-heavy Nasdaq Composite has climbed to fresh records.



Sources: SIX (stocks, Nasdaq); FactSet (PHLX, S&P 500, S&P tech, P/E ratio, sales)

from bullish projections for data-center revenue and expectations that it will take server market share from rivals such as **Intel** Corp. It reported last month that quarterly revenue rose more than 50% from a year earlier in the most recent period.

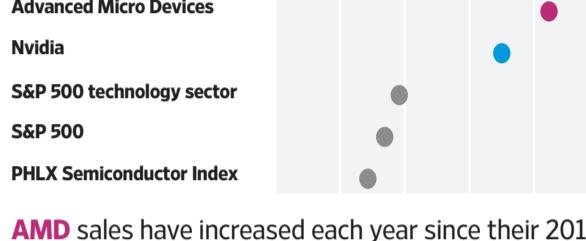
While weak revenue projections from cryptocurrency mining earlier this month caused Nvidia's shares to slide after its most recent quarterly results, the company's latest gaming chips have since boosted sentiment.

It still said overall quarterly

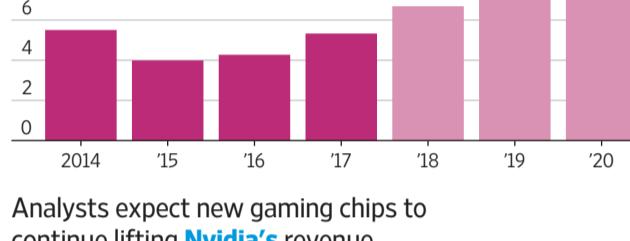
Semiconductor stocks have helped power the larger technology sector and broader market in recent years.



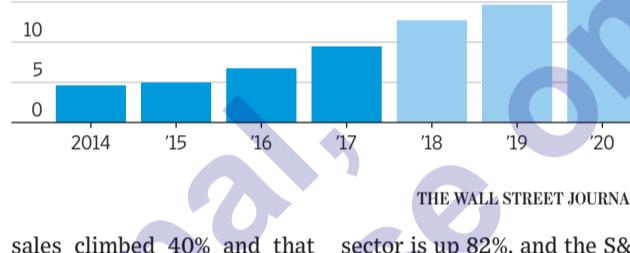
**AMD** and **Nvidia** trade at higher price/earnings ratios based on projected earnings versus other tech stocks.



**AMD** sales have increased each year since their 2015 drop, a trend Wall Street expects to continue.



Analysts expect new gaming chips to continue lifting **Nvidia's** revenue.



THE WALL STREET JOURNAL.

sales climbed 40% and that growth in gaming revenue topped 50%, and Wall Street analysts expect the rise to continue.

The PHLX Semiconductor Index has rocketed 111% higher since the start of 2016. Meanwhile, the S&P 500 technology

sector is up 82%, and the S&P 500 has climbed 42% in that span. While volatile stock swings can make it hard to determine exactly why AMD and Nvidia rise on a day-to-day basis, analysts say outsize moves can affect sentiment and the broader PHLX index.

"If they're ripping higher, it's going to push the index up," said Stacy Rasgon, an analyst at Bernstein Research.

A further rally in semiconductor stocks could buoy a tech sector that is facing uncertainty.

Some investors worry that gains are too concentrated in the largest technology and internet firms, and **Facebook** Inc. and Alphabet are due to leave the S&P 500's technology group next month for a newly created sector of so-called communication-services companies.

But some analysts are skeptical the recent climb will continue. Some think AMD's rapid rise in recent sessions was driven by a so-called short squeeze, which occurs when investors betting that a stock will fall have borrowed shares hoping to buy them back at a cheaper price to score profits. If the stock rises, however, those investors often respond by buying back stock they have previously sold to minimize losses.

More than 15% of AMD shares outstanding are shorted, and its rally this year has cost investors betting against the stock more than \$2 billion, according to S3 Partners, a financial technology and analytics firm.

AMD and Nvidia also look pricey to some investors. The stocks currently both trade at more than 35 times projected earnings for the next 12 months, compared with 17 times for the S&P 500 and 14 times for the PHLX Semiconductor Index.

Some investors also expect further complications to global trade negotiations ahead of November meetings between President Trump and Chinese counterpart Xi Jinping, which could spur more volatility.

"These stocks do whipsaw a little bit," Mr. Bajaj said. "It goes both ways."

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

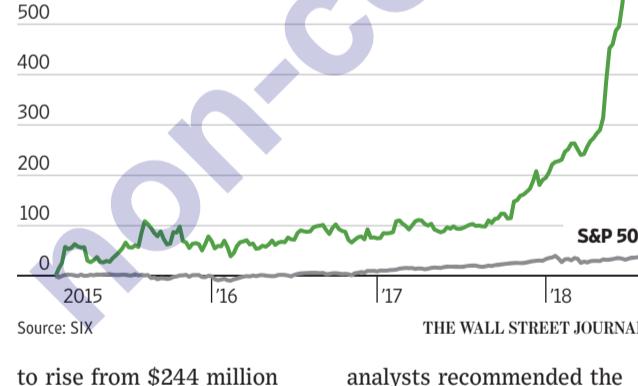
WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

# WWE Is No Longer on the Ropes

### Hulking

WWE's share price has soared in recent years.



to rise from \$244 million last year to \$548 million in 2020, according to WWE. That is especially impressive because ratings for the two televised shows, "SmackDown" and "Raw," have been dropping. Couple that with the massive rise in WWE's share price—162% just this year—and the stock might appear vulnerable. Only half of analysts polled by FactSet rate the stock a "buy." But then a smaller proportion of

analysts recommended the stock before it began its epic run.

Meanwhile, falling TV viewership is an even worse issue for other professional sports. Other venues such as pay-per-view are growing. WWE has the most-viewed sports globally on YouTube. It also scored a coup by signing a multiyear deal for live wrestling events in Saudi Arabia, which, while not broken out in WWE's fi-

nancial statements, appears to have brought in \$40 million or more in revenue this year.

Even without the cash flow from the new TV deal, analysts see WWE earning 81 cents a share in 2018—more than it has in 17 years. A bigger share of revenue falls to the bottom line at WWE than at most professional sports leagues because the cost of paying star wrestlers is relatively low and stable. "It's an astronomical difference," says Chris Harrington, host of the Wrestlenomics Radio podcast, of talent costs.

While WWE shares look frothy, they may not have fully factored in the cash flow from the big five-year deal. At around 27 times projected 2020 earnings of \$3.08 a share, the stock is about 25% cheaper than they have been historically on projected earnings two years in the future.

Investors in this stock may need to suspend disbelief.

—Spencer Jakab

### OVERHEARD

Celebrities have a lot of followers on **Twitter**, including those whose fame stems from their financial acumen. Those followed closely include economist **Mohamed El-Erian**, bond king **Jeffrey Gundlach**, former Fed boss **Ben Bernanke** and soon-to-be-retired **Goldman Sachs** boss **Lloyd Blankfein**.

But check for the check mark, and also spelling. A fake **Warren Buffett** account with one "t" has seen a surge in followers while spouting folksy wisdom such as: "Pick your highest priority in life and commit to spending an extra 30 minutes a day working on it. You might be amazed."

You also might be amazed to hear that the Oracle of Omaha has an actual Twitter account.

Don't hold your breath waiting for stock or life tips, though—his latest tweet was in 2016, a reply to the **Microsoft** founder **Bill Gates**: "25 years of learning and fun and more to come. Friendships are what count."

### More Pain for Evergrande Short Sellers

Short sellers are again circling **China Evergrande**, the country's largest property developer by market value. They got burned last year. Do they stand a better chance this time?

Evergrande is one of most shorted names in Hong Kong. The short interest equates to about one-quarter of its free float—the highest level since 2016. Evergrande's two largest shareholders own 87% of the company's shares.

Some of the shorts might be hedging investments in \$2.3 billion worth of convertible bonds Evergrande issued in February. But many also are likely taking a view that the heavily indebted stock has farther to fall after its 460% rise last year.

Evergrande had a strong first half but more recently, contracted sales in June and July fell by 14%.

Short sellers face a problem: The amount of Evergrande shares in public hands has kept shrinking.

The company bought back another 1.2% of its own shares last month, pushing the ownership of its major shareholder and chairman to 78%, the maximum allowed. The company's second-largest shareholder, Chan Hoi Wan and her company **Chinese Estates**, have raised their combined stake to 9%. Regulators consider Ms. Chan to be independent, so she and her company could keep raising their stakes.

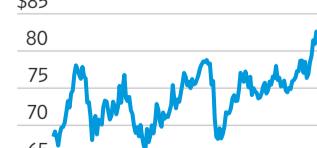
Evergrande's small float and the existence of an apparently willing buyer have helped keep the short sellers at bay so far—the stock is up 35% in this month alone. To win this fight, the Evergrande naysayers may have to suffer a lot more pain.

—Jacky Wong

# Good Times Shouldn't Mask Amazon's Threat to Retailers

### Sharp Swing

Best Buy's share price fell Tuesday despite a strong earnings report.



shares, which were up 6% over the previous two weeks, fell sharply. It also gives the lie to the idea retailers have figured out how to stop **Amazon.com** from further enc-

roaching on their markets.

If anything, it looks as if Amazon is taking a bigger piece of America's retail pie. The Commerce Department produces two overlapping data series that help capture how Amazon is doing: One is nonstore retailers, a category that includes catalog retailing, vending machines and propane dealers, but that is dominated by Amazon. Nonstore retailers' share of retail sales, excluding gasoline station and auto dealers, rose to 18.8% in the second quarter from 18% a year earlier. Another is e-commerce sales, which includes all retailers' online sales. E-commerce sales

share rose to 14.3% from 13% over the period. Amazon reported that its online sales rose 12% in the second quarter from a year earlier.

The best one can say is that some retailers are developing hybrid e-commerce and offline strategies that are promising. That includes Best Buy, which as part of the turnaround the company began in 2012 cut prices to prevent "showrooming" (customers viewing products in its stores and then buying them at lower prices online), put an increased emphasis on customer service and began using its stores as shipping and pickup points for customers' online orders.

But the best thing retailers have going for them now is a good economy. Continued job-market strength and the higher take-home pay many Americans are receiving as a result of this year's tax cuts are lifting sales.

Consumer spending grew at its fastest pace in the second quarter in nearly four years.

At some point, perhaps as early as next year when tax-cut effects begin to fade, consumer spending is going to slow again. That is when investors will know which stores have built durable strategies for dealing with a changed retail landscape and which ones will suffer again.

—Justin Lahart