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THE WALL STREET JOURNAL.

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What's News

Business & Finance

The biggest U.S. companies are reporting some of the strongest earnings growth since the recession, boosted by lower tax rates and a robust U.S. economy that is fueling wide demand. A1

◆ Goldman plans to name Jim Esposito as global co-head of its trading arm, ending months of uncertainty in the bank's largest division. B1

◆ Dozens of trading groups are manipulating the price of cryptocurrencies on some of the largest online exchanges, according to a Wall Street Journal analysis. B1

◆ More firms are scouring job candidates' online personas for racist and other red-flag comments, raising legal and privacy concerns. B1

◆ Berkshire Hathaway said second-quarter net earnings surged, lifted by insurance underwriting and an accounting-rule change. B2

◆ Huawei shipped more than 95 million smartphones in the first half, up 30% from the same period in 2017. B4

◆ Four of the 21 largest semiconductor and hardware firms in the S&P 500 switched CEOs this year, a Journal analysis found. B5

World-Wide

◆ Venezuelan authorities said they arrested six suspects tied to an alleged plan to assassinate President Maduro on Saturday using a pair of drones armed with explosives. A7

◆ Top U.S. administration officials are devising new penalties to hit back more forcefully at state-sponsored hackers of critical infrastructure. A1

◆ Iranians are hoarding gold against a collapsing local currency as the U.S. is poised to impose economic sanctions on Tehran. A1

◆ Public-sector unions are facing steep falls in revenue and trying to prevent the loss of members in the wake of a recent Supreme Court ruling. A3

◆ Several senators are pressuring the White House to detail how it is dealing with a Beijing lending program that has left many countries potentially in need of bailouts. A4

◆ Pompeo faced criticism from China and skepticism from Southeast Asian powers over U.S. trade policies. A7

◆ A quake struck the popular Indonesian tourist island of Lombok, killing at least 89 people. A18

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Indonesian Quake Strikes Region Still Reeling



LETHAL SHOCK: The death toll reached 89 Monday and was expected to climb higher after a quake that displaced thousands on and around the popular Indonesian tourist island of Lombok. The quake on Sunday followed a tremor last week that left 20 dead. A18

U.S. Steps Up Grid Defense

To fight cyberattacks on critical utilities, officials push for stronger penalties

By REBECCA SMITH

Top administration officials are devising new penalties to hit back more forcefully at state-sponsored hackers of critical infrastructure to deter attacks such as the successful penetration of U.S. utilities by

Russian agents last year.

The push for explicit action is coming from top federal agencies to fight worsening threats to the country's electricity system and other critical industries, particularly menacing actions from Russia, China, Iran and North Korea.

Hackers working for the Russian government claimed "hundreds of victims" last year in a campaign against the energy sector that ultimately put them inside the control rooms of U.S. electric utilities where

they could have caused blackouts, officials with the Department of Homeland Security said in briefing last month.

The events have forced "an evolution in the U.S. government's thinking about how to deter malicious cyberactors," said Robert L. Strayer, the State Department's deputy assistant secretary in charge of cybersecurity matters, in an interview.

Spearheading the effort are the departments of State, Treasury and Defense, among other major agencies, accord-

ing to government officials.

The threat to the U.S. electric grids is so serious that in June a group of presidential advisers said the country needs to prepare for a "catastrophic power outage" possibly caused by a cyberattack. The National Infrastructure Advisory Council, mostly current or former chief executives of companies engaged in critical industries, said resources need to be stockpiled in community enclaves to prevent mass migration.

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Tech Costs Force Honda To Let Go of Engineering Legacy

Car maker buys outsiders' systems for self-driving and electric vehicles

By SEAN MCCLAIN

TOKYO—A semiautonomous Honda SUV was traveling down a test track at 20 miles an hour in March last year when a child-size test dummy moved into the middle of the road. Oblivious, the Honda mowed it down.

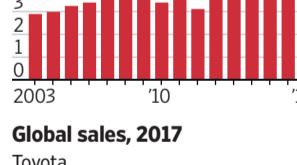
It was part of a brutal day of Japanese government testing for Honda Motor Co., whose vehicle was equipped with a camera and sensors that were supposed to detect obstacles and apply brakes to avoid a collision. The SUV scored 0.2 out of a possible 25 points in the pedestrian portion of the test, the worst among tested vehicles.

With its long heritage of technical prowess, Honda was determined to do better—and it did. But Honda engineering didn't get it there. The car maker turned to an off-the-shelf sensing kit from Robert

Big Competition

Honda's car business has grown rapidly, but it is still relatively small among major car makers.

Honda global sales



Global sales, 2017
Toyota 10.4M units
GM 9.6
Ford 6.6
Nissan 5.8
Honda 5.2

Note: Honda, Toyota and Nissan sales are for fiscal year ending March 31
Source: the companies

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Bosch GmbH, the companies said. With the Bosch technology, the new Honda Civic took the same test in November and scored 24.4 out of 25.

Honda's decision to go shopping points to a radical culture change at one of Japan's proudest companies, where founder Soichiro Honda in the 1960s said, "We refuse to depend on anyone else."

The struggle at the entrepreneurial success story cuts deep into Japan's sense of itself as a global leader in technology.

Honda once used staff technicians to design new technologies ranging from engines to the shape of the suspension arms. Today, Honda believes rapid shifts in technology mean it can no longer afford to keep pace working solely on its own.

That is raising hackles among some within the company who complain about

Please turn to page A10

New Wrinkle: It's Time for Your Face to Work Out

* * *

Facial fitness routines tout smooth, sculpted look; 'puffer fish'

By SUZANNE KAPNER

"It's like your face is doing crunches."

Forget CrossFit or SoulCycle. It's time to hit the FaceGym.

Saks Fifth Avenue recently added a FaceGym to the redesigned cosmetics floor in its flagship New York City store. Sessions start at \$70 for 30 min-

utes in which a therapist manipulates 40 facial muscles. "It's boot camp for your face," says FaceGym founder Inge Theron.

Facial exercise is a fitness fad that has generated controversy since Jack LaLanne promised a generation ago

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Profits Soar as Economy Advances

By THOMAS GRYTA

America's biggest companies are reporting some of the strongest earnings growth since the recession, boosted by lowered tax rates and a robust U.S. economy that is fueling demand across industries.

Profits at S&P 500 companies jumped an estimated 23.5% in the three months through June, according to data from Thomson Reuters, more than 2½ times revenue growth in the same period.

The profit gains, which stretched across all S&P sectors, from energy to health care, have helped sustain a stock-market rally that sent major indexes to near records and made Apple Inc. the first U.S. company worth \$1 trillion.

"We are encouraged by the Please turn to page A2

On the Rise

Earnings at S&P 500 companies, change from a year earlier



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ing it didn't address Iran's military posture in Syria, Lebanon and other Middle Eastern countries.

The new sanctions limit dealings in Iran's currency and with its automotive industry. They also threaten U.S. penalties for banks that finance the precious-metals trade with Iran and against anyone who sells precious metals to the Iranian government.

Worried about a shaky economy and enticed by government sales of gold coins, Iranians have converted savings into gold recently even as prices skyrocketed. Demand for gold bars and coins in Iran tripled year-over-year in the second quarter to about 15 metric tons, according to a World Gold Council report on Thursday. Iran's central bank has

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Iranians Buy Gold To Hedge Sanctions

Iranians are hoarding gold as a safeguard against a collapsing local currency and soaring cost of living as the U.S. is poised to impose economic sanctions on Iran, pushing the metal's price to records in Tehran.

By Asa Fitch in Dubai and Aresu Eqbali in Tehran

On Tuesday just after midnight U.S. Eastern time, the Trump administration is set to bring back a first wave of restrictions that had been waived under the Iran nuclear deal, an Obama-era agreement that gave Iran sanctions relief in exchange for curbs on its nuclear program.

President Trump exited that multilateral deal in May, say-

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THE OUTLOOK | NICK TIMIRAO

Big Deficits Fuel Good Times, for Now



Trillion-dollar deficits are coming back to Washington, and this time they could be here to stay.

In 2009, deficits swelled after the economy contracted sharply. Unemployment soared, revenues plunged and the government boosted spending to cushion the shock. Deficits reached nearly \$1.5 trillion, or 10% of gross domestic product.

They didn't fall below \$1 trillion until 2013, when growth improved and policy makers approved tax increases and spending curbs.

What's different about the current situation: The economy is humming. Output expanded at a 3.1% annual rate during the first half of the year. Federal spending is outpacing revenues, however, because Congress and President Trump approved measures to cut taxes last year and boost outlays earlier this year.

Deficits are helping to boost growth by pumping money into the economy, but they could come with long-run costs. Buyers of government debt could demand higher yields to soak up the supply of bonds issued, constraining growth in the future. Moreover, big deficits during good times could leave future policy makers less willing to support the

economy during the next downturn.

The Treasury Department estimates it will issue \$769 billion in debt this quarter and next, a 63% increase over the same six-month period last year. The White House projects deficits will run above \$1 trillion, or around 5% of GDP, for the year that begins in October, up from \$666 billion, or 3.4% of GDP, for the year ended Sept. 30, 2017.

"Gigantic deficits are not good, and we're going to run, as a share of GDP, 4%, 5%," said Lawrence Kudlow, director of the White House National Economic Council, at a conference hosted by CNBC last month. "That's not bad. I've seen worse."

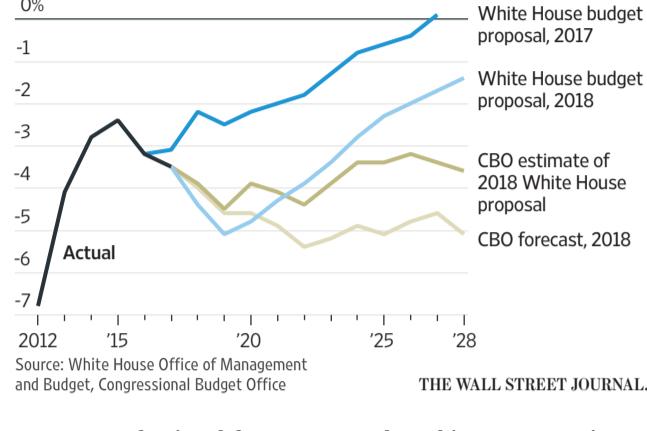
In the postwar period, the U.S. has run deficits of at least 5% of GDP only after the two recessions in which unemployment reached 10%, in 1983 and 2009.

The Trump administration's budget submitted to Congress earlier this year would bring deficits under \$1 trillion by 2022. It relies on two assumptions. The first is that the economy expands at a 3% rate not just for one year or two, but for the next decade. "Yes, we will lose some revenues in the very short run," Mr. Kudlow said last month. "We'll get it back and more."

Policy Paths

The Congressional Budget Office projects larger deficits than the Trump administration's most recent budget proposal. The White House proposal assumes significantly stronger economic growth and less federal spending.

U.S. budget surplus/deficit as a percentage of GDP



Source: White House Office of Management and Budget, Congressional Budget Office

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Most professional forecasters, including at the Federal Reserve and the Congressional Budget Office, believe the economy will return to a growth rate a little below 2% after the initial boost from the tax cuts and spending increases fade after next year. That is in part because the population is growing slowly and productivity growth is soft.

Fiscal stimulus "is going to hit the economy in a big way this year and next year, and then in 2020, Wile E. Coyote is going to go off the cliff," former Fed Chairman Ben Bernanke said at a conference in June.

Lawmakers in both parties have shown little appetite for such curbs.

The White House projections also don't account for hard-to-predict but inevitable recessions, which would send deficits higher.

The Trump administration's projection of declining deficits also count on large cuts in spending, mostly after President Trump's current term ends. The White House has proposed reducing federal funding of non-defense programs, which include research, education and housing, to their lowest levels as a share of the economy since World War II.

Lawmakers in both parties have shown little appetite for such curbs.

"In the last three years, Congress has passed bills that raised the discretionary spending caps, completely undermined the spending caps, reversed Medicare cost controls and reduced revenues without cutting spending," said Paul Winfree, who served last year as a budget adviser to President Trump and is now at the Heritage Foundation, a conservative think tank.

If either the optimistic growth assumptions or the ambitious spending cuts don't materialize, trillion-dollar deficits could be here to stay.

Frustration over low growth could be leading today's policy makers to tolerate large deficits when the economy is expanding. But others worry a decade of low inflation and cheap debt, in short, may desensitize policy makers on both sides to the risks of running large deficits during good times.

"The idea that somehow there are no costs to that, that we're going to learn that the laws of math have been repealed...is very unlikely," former Treasury Secretary Timothy Geithner told reporters last month. He said the push to lower deficits earlier this decade was "mistimed," and complacency over larger deficits now is similarly ill-fated.

ECONOMIC CALENDAR

Tuesday: China releases its foreign-exchange-reserves data. Economists expect the country's forex reserves to edge down to about \$310 trillion at end July from \$311 trillion at the end of June.

The Bank of Japan unveils a summary of opinions for its July 30-31 meeting. The central bank's governor recently said he would let a key interest rate creep up a tenth of a percentage point but would otherwise stick to his ultra-easy monetary policy, defying a global trend toward tightening.

Wednesday: China releases its most recent trade data. Softer demand amid rising trade tensions probably weighed on the country's trade last month.

Thursday: The U.S. Labor Department releases producer-price-index figures for July. This gauge of business prices rose broadly in June, driven in part by a rise in transportation costs that underscores the sector's climbing labor expenses.

Friday: The Labor Department publishes July's consumer-price index. Prices rose 2.9% in June from a year earlier, the fastest pace since February 2012. Core inflation ticked up to 2.3% over the past 12 months, the highest rate since January 2017. The price index for personal-consumption expenditures, the Federal Reserve's preferred inflation measure, rose 0.1% in June from a month earlier and was up 2.2% from a year earlier, according to the Commerce Department.

Wave of Violence Hits Chicago



CRIME SCENE: Chicago police investigating a shooting on Sunday. Dozens of people were shot, some fatally, in the city over the past few days.

Profits Soar As Economy Accelerates

Continued from Page One
strength of the U.S. economy, including low unemployment and healthy housing demand," Whirlpool Corp. Chief Financial Officer James Peters said on an earnings call in late July.

Healthy consumer and business spending, coupled with rising commodity costs and concerns about potential tariffs, have spurred companies ranging from Kraft Heinz Co. to Winnebago Industries Inc. to try to push through price increases, which will help determine how the rest of the year shakes out.

"Companies are coming out unapologetically with pricing increases," said Jim Russell, portfolio manager at Bahl & Gaynor. "That is one of the more optimistic things we see for keeping [profit] margins high in 2018 and into 2019."

United Technologies Corp., a conglomerate that makes Pratt & Whitney jet engines and Otis elevators, said it would boost prices to offset rising costs. Kraft said it raised prices in the second quarter to counter higher costs internationally and trucking expenses in the U.S.

Savings from a cut in the U.S. corporate tax rate to 21% from 35% are driving a big piece of the profit gains, the direct impact of which will fade after four quarters under the new law. Any lasting tax-related benefits will depend on how companies use the savings.

But the underlying businesses are also performing well. Bank of America Merrill Lynch analysts calculated that overall earnings are 3% above Wall Street's expectations, while pretax earnings remain 2% ahead of expectations. The bank expects earnings per share in the S&P 500 companies to rise more than 20% this year, with nearly half of the gains coming from effects of the tax-law changes.

"There is no question that the first and second quarters are seeing benefits from the tax package," Bahl & Gaynor's Mr. Russell said. Many companies are using the windfalls to pay down debt, he said, but he believes the underlying earnings growth will continue as companies benefit from years of trimmed workforces, cost cuts, reorganizations and share buybacks. Mr. Russell said he expects profits to stay strong even if revenue slows.

The U.S. economy grew at its fastest annual rate in nearly four years this spring, with gross domestic product rising 4.1% in the second quarter on a seasonally and infla-

tion-adjusted basis. That was up from a revised rate of 2.2% in the first quarter.

Still, investors remain wary of rising interest rates, trade tension and increasing costs for labor and supplies.

About 80% of the companies in the S&P 500 index have reported second-quarter results so far. The energy industry led the way as producers and refiners ride a rebound in the price of crude oil. Energy

profits more than doubled in the quarter from a year ago. The financial and technology sectors also reported strong gains, with profits rising about 25% apiece.

Revenue for all S&P 500 companies rose 9.2% from a year ago, according to data from Thomson Reuters, which reflects actual results reported by 406 businesses plus estimates for the remaining members of the index.

United Rentals Inc. said about half of its 62% jump in per-share earnings came from lower taxes. But the equipment-hire company also saw strong growth driven by a high

number of rentals. "That still leaves a very robust increase over last year," Chief Financial Officer William Plummer said in a July conference call.

Yet many companies are seeing higher costs for raw materials and labor, something that can crunch profit margins if they can't raise prices.

Clothing maker Hanes Inc. said it was boosting prices to offset increasing costs.

"This is general inflation that comes with a strong economy and a pressure on input cost, and you see it coming across oil. You see it coming across packaging materials, and you see it coming across cotton," Hanes Chief Executive Gerald Evans said on the company's earnings call last week. "This is natural inflation, and so it will touch all products."

Raising prices is tricky because it can hurt demand, but the strong economy paired with growing revenue have emboldened companies to push through increases to customers.

However, some are more cautious. Procter & Gamble Co. will lift prices "when the degree of cost impact warrants it and competitive realities allow it," finance chief Jon Moeller said on a conference call. The company said it plans to raise prices on Pampers diapers and Charmin toilet paper by about 5% later this year. "We'll have to adjust as we go and as we learn," Mr. Moeller said.

The first name of Christodoulos Vassiliades, a Cypriot lawyer, was incorrectly given as Christos in an Exchange article Saturday about a Briton who worked for Russian financiers.

Urban Meyer experienced chest pains when he coached at University of Florida, but he wasn't diagnosed with a heart attack. A Sports article Friday about Mr. Meyer, Ohio State's football coach, incorrectly said he had a heart attack while at Florida.

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

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U.S. NEWS

Unions Take A Hit After Court Ruling

States are ordered to stop collecting millions of dollars in fees from public-sector workers

By KRIS MAHER

Public-sector unions are facing steep revenue declines and trying to prevent the loss of members in the wake of a recent Supreme Court ruling.

In New York, Pennsylvania and Illinois, state governments have stopped collecting millions of dollars in agency fees following a June high-court ruling banning the practice. Before the ruling, public workers in 22 states who didn't want to join a union were often required to pay agency fees, which cover collective bargaining costs and can equal as much as 90% of dues paid by members.

Pennsylvania stopped collecting agency fees from 24,000 state workers that totaled \$6.6 million last year, a state official said. The figure is expected to grow because it doesn't include workers at municipalities across the state. In New York, which has the

highest rate of public-sector union membership, the state stopped collecting agency fees in July from 31,000 state workers which totaled between \$9 million and \$10 million last year, a spokeswoman for the New York State Comptroller said. That tally is also expected to grow because it doesn't include local agency fees.

By one estimate, unions in New York state overall will lose \$112 million in agency fees from 200,000 state and local workers, based on what workers paid in 2016, according to the Empire Center, a conservative think tank in Albany.

These are the first signs of how the high court's decision is hitting union coffers. The ruling could erode the financial and political clout of public-sector unions, in part by prompting unions to divert funds once used for politics to the costs of running a union. For some unions, agency fees had made up 5% or more of revenue, and some have trimmed budgets and staff. Unions had tried to shore up members ahead of the court decision in June.



In its June decision, the Supreme Court ruled that requiring public-sector employees to pay union dues is unconstitutional.

Jessica Lapp, a 41-year-old fifth-grade teacher in Lancaster, Pa., has seen a bump in her pay as Pennsylvania stopped collecting about \$400 a year she paid to the Pennsylvania State Education Association.

Ms. Lapp, who describes herself as a conservative Republican, earns about \$60,000 a year and says she opposed the politics of the union and its parent, the National Education Association, which has consistently backed Democratic candidates. She declined

union membership but was required to pay an agency fee.

David Broderick, a spokesman for PSEA said 6,500 teachers had paid agency fees out of 181,000 teachers in the state covered by union contracts. "We recognize we're going to take a financial hit, but it is not a fatal blow by any means," he said.

In its ruling, the Supreme Court sided with Illinois child-support worker Mark Janus and said requiring public-sector employees to pay agency fees is unconstitutional, because bargaining contracts with state and local governments is inherently political.

Dan McGrath, a 41-year-old social studies teacher in a Philadelphia suburb, received an email a few hours after the Janus ruling from the conservative Mackinac Center in Michigan telling him how to stop paying dues.

"You can tell they're well-funded and well-coordinated," said Mr. McGrath, who is president of his local union. He said his goal is to retain all 294 members in his union, including many who signed cards earlier this year pledging their support.

Ruling Turns Focus To Members' Dues

Unions and conservative groups are wrangling over whether a Supreme Court ruling means workers can immediately resign from a union and stop paying dues.

Unions say the full union members still need to follow their membership agreements which often permit members to resign only during narrow time frames, they say.

Conservative groups point to the high court's finding that unions are obligated to show that workers want to be members and pay dues. Members shouldn't have to jump through hoops to stop paying dues, they say.

Mike Stone, a child-support worker in Olympia, Wash., has been trying to stop paying dues to the Washington Federation of State Employees since the court's decision in June. The union has denied his request, he says.

The catch is that he signed a union card in March and

didn't notice that he had agreed to pay dues for the next year.

"It was very small print, and unfortunately I missed that part," says Mr. Stone, 35 years old.

Mr. Stone said he wants to recover the more than \$600 taken out each year from his \$44,400 salary.

On Thursday, the Freedom Foundation, a conservative group in Olympia, filed a lawsuit on behalf of Mr. Stone and six other state workers.

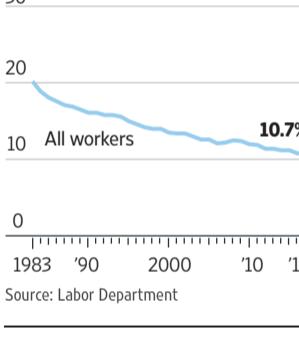
The lawsuit names Gov. Jay Inslee, other state officials, and the state union as defendants. It seeks class-action status.

The union declined to comment on Mr. Stone's case. A spokeswoman for the governor, who supported the union position in the Supreme Court case, said the state is complying with ruling and reviewing the lawsuit.

Sue Henricksen, president of the state union, said hundreds of workers have joined the union since the Janus ruling, more than have expressed interest in leaving it.

State of the Unions

Percentage of workers who belong to unions



Source: Labor Department

	American Federation of State, County and Municipal Employees	American Federation of Teachers	National Education Association
Total membership	1.3 million ■ = 100,000	1.6 million	3.0 million
Spending on organizing and representing members*	\$35 million	\$75.2 million	\$43.7 million
Spending on political activities*	\$26.5 million	\$40.0 million	\$53.3 million

*Data for 2017

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Retail and Manufacturing Lead U.S. Hiring Boom

By ERIC MORATH

Economists expected hiring to slow in 2018 because a tight labor market—consistent with a sub-4% unemployment rate—would make it difficult for businesses to find workers. The opposite has occurred, largely due to a resurgence in two categories that had been contracting, retail and manufacturing.

Through July, U.S. employers added an average of 215,000 jobs a month to payrolls. That is a marked acceleration from the 184,000 jobs added on average during the first seven months last year. And well above the 165,000 average monthly employment growth economists surveyed by The Wall Street Journal predicted for 2018 when asked in January.

One big reason is after shedding an average of 6,000 jobs a month during the first seven months of 2017, retailers added an average of 12,000 each month this year.

An increase in consumer spending, driven by rising in-

comes and strong confidence, is causing some retailers to expand.

Ace Hardware Corp., based in Oak Brook, Ill., has opened 87 new U.S. stores in the first half of 2018, which equates to roughly 1,300 new jobs. The company expects to open about 160 total new stores this year.

"There's no doubt that the low unemployment rate, rising household spending and lower taxes are benefiting sales," Chief Executive John Venhuizen said last week. The chain has focused on customer service and having locations near to customers' homes.

The strategy is paying off. Ace expects sales to increase about 6% this year.

The retail turnaround could be evidence that much of industry's retrenching in response to online shopping occurred last year, said Martha Gimbel, economist at job-search site Indeed.com.

"Every job at a brick-and-mortar retailer wasn't going to disappear," she said.

Manufacturers have mostly been shedding jobs since the

late 1970s, but employment in the sector has increased since the recession ended in 2009, and growth accelerated over the past year. The pace of factory hiring more than doubled this year compared with the

first seven months of 2017.

The manufacturing sector is benefiting from a growing global economy that demands U.S.-made goods and increased domestic oil production, which supports demand for metals

and heavy equipment. The tax law, enacted late last year, was written to incentivize businesses to invest in capital equipment, and early signs indicate that is happening.

International Wheel & Tire,

a maker of assembly and testing machines, is aiming to double its 40-person staff in the next three years. It has added six employees so far this year.

"It's an exciting time to be here in Detroit," said Chief Executive Netresh Rege. The company, based in the suburb of Farmington Hills, Mich., is benefiting from auto makers' desire to invest in automation and become more efficient.

The company's challenge is finding workers, especially robotics engineers and programmers. International Wheel & Tire has raised starting salaries, started co-op programs with local colleges and moved into posher digs.

Mr. Rege said the office vibe, with new light-filled offices, a meditation room and superhero posters, is more Silicon Valley than Rust Belt.

Mr. Rege said he is worried about trade disputes and whether that will allow him to find new customers overseas, especially in the Chinese market. But so far trade tensions don't appear to be affecting manufacturing employment.



The manufacturing sector is benefiting, in part, from a global economy that wants U.S. goods.

SCOTT EISEN/BLOOMBERG NEWS

Finding 911 Dispatchers Is Tall Order in Tight Job Market

By SARAH KROUSE

Cities across the U.S. are struggling to find 911 dispatchers as a historically tight labor market makes it harder to fill a job that was already a tough sell.

Dispatchers are a linchpin of the nation's emergency-response infrastructure. Their responses to 911 calls directly affect how quickly police, firefighters and other first responders are sent to help and whether they go to the right place.

They are also hard to hire, since the job can require workers to make snap judgments on life-or-death situations, often based on incomplete information, for about what they could make working as a manager at a retail store.

With the U.S. jobless rate currently at 3.9%, just above the 18-year low of 3.8% it reached in May, a daunting situation for emergency call centers has turned urgent.

"For a lot of them, the requirement is, 'We need a warm body,'" said Christy Williams, director of 911 for the North Central Texas Council of Governments. The problem is exacerbated because many 911 centers are small and lack the resources to pay up for workers or training.

The Cowlitz County 911 Center in Washington state is trying to hire six new dispatchers, said its director, Deanna Wells. Meanwhile, the center's 16 current dispatchers are working more than 200 hours of overtime a month.

"There are a lot more op-

tions for people" because of the low unemployment rate, Ms. Wells said. For workers choosing between a job with fixed hours and weekends off that doesn't deal with trauma, "you know what they're gonna pick," she said.

Officials charged with staffing centers in several regions of the U.S. say they have struggled to hire 911 telephone operators as the unemployment rate has ticked down.

Emergency call-center jobs can be emotionally taxing. Callers are often in distress and sometimes still in the throes of a traumatic event. They can cry, yell at or grow frustrated with 911 center employees trying to gather information to help them dispatch first responders.

A 911 center operator may

hear gunshots, callers being wounded or killed while they are on the phone, or be the first person to speak with someone who has found a deceased loved one. Some centers offer counseling with local religious leaders or trained therapists, but not all have those services.

Operators are "getting negative information all the time. The aura is kind of negative," said Andrew Dziegielewski, emergency communications director for the Portland Regional Communications Center in Maine.

Portland regional 911 call-center employees, for example, have talked callers through three child births in the past three years. The area has a population of about 100,000 and receives more

than 60,000 calls to 911 yearly.

There are more than 95,000 emergency call takers in the U.S., according to the most recent Labor Department data.

The mean hourly wage for those roles was \$20.20 as of May 2017, the most recent period available. By comparison, workers in other types of call centers made about \$18 an hour, including nonphone operators.

Emergency call-center telephone operators work nights, weekends and holidays in addition to weekdays, typically in shifts that can range from four to 12 hours. They play detective, trying to suss out where callers are located, the severity of a situation and the danger first responders may face. Worker turnover is high, 911 call-center managers say.

In centers that are short

staffed, dispatchers may have to listen to multiple radios for police, fire and private ambulances simultaneously while maintaining a neutral tone of voice and clearly typing out notes for first responders.

Large emergency call centers tend to be better funded and can afford to hire experienced dispatchers and offer raises to woo them. At smaller centers, "many are paying minimum wage, so they're competing with fast food and the mall," said Ms. Williams of the Texas agency.

There aren't a lot of obvious candidate pools. One option is the families of first responders, 911 center directors say.

Another is students. Some roles can be filled by high school graduates interested in becoming first responders.

U.S. NEWS

Senators Target China's Global Lending

Lawmakers ask how administration will deal with program that has left countries in debt

BY SIOBHAN HUGHES
AND JOSH ZUMBRUN

WASHINGTON—Several U.S. senators are pressing the Trump administration to detail what it is doing to deal with Beijing's financing of international infrastructure projects that have left many countries indebted to China and potentially in need of bailouts.

In a letter to Treasury Secretary Steven Mnuchin and Secretary of State Mike Pompeo, the senators asked officials how they will push

the International Monetary Fund to address problems arising from China's global investment plan, the "Belt and Road Initiative."

About 70 countries are hosting projects funded under China's plan, with many of them in deep debt distress. Sri Lanka has already asked for an IMF bailout, and Pakistan is expected to request one this fall after indebtedness stemming in part from a \$62 billion project to upgrade Pakistan's infrastructure, including projects like a \$2 billion air-conditioned subway system.

"In light of the IMF's potential bailout of Pakistan in the coming months, we respectfully request a response to the following questions," wrote 16 senators, including David Per-

due of Georgia and China hawks like fellow Republicans John Cornyn of Texas and Marco Rubio of Florida. Among the senators' questions: "As the largest contributor to the IMF, how can the United States use its influence to ensure that bailout terms prevent the continuation of ongoing BRI projects, or the start of new BRI projects?"

A Treasury spokesman confirmed receiving the letter. IMF spokeswoman Randa El-nagar said that "the IMF always performs a rigorous debt sustainability assessment before deciding to lend to a country."

China's "Belt and Road Initiative," which is intended to fund infrastructure projects like superhighways, railroads,

harbors and airports, has been a growing source of concern in Washington. Congress fears that China is using the projects in a bid to project global dominance.

"As financially strapped countries negotiate with China to free themselves of mounting debt, Beijing has extracted onerous concessions, including equity in strategically important assets," the senators wrote. "Further, Beijing has repeatedly used economic pressure to affect foreign policy decisions."

In March, the Center for Global Development, an internationally focused think tank in Washington, estimated the program had left eight countries financially vulnerable.

The center's report high-

lighted Djibouti, Kyrgyzstan, Laos, the Maldives, Mongolia, Montenegro, Pakistan and Tajikistan as countries of concern.

The worries have become

most acute in Pakistan. The

election last month handed

power to a new prime minister, former cricket star Imran Khan, who is facing a growing

fiscal and balance-of-payments crisis that may lead

the country to seek a bailout.

Pakistan has received more

than a dozen past bailouts

from the IMF.

Mr. Pompeo has already raised the concern that a new IMF bailout of Pakistan would in effect repay Chinese bondholders or China itself.

Mr. Mnuchin has also raised the issue and sought to enlist the IMF to do more

about the program.

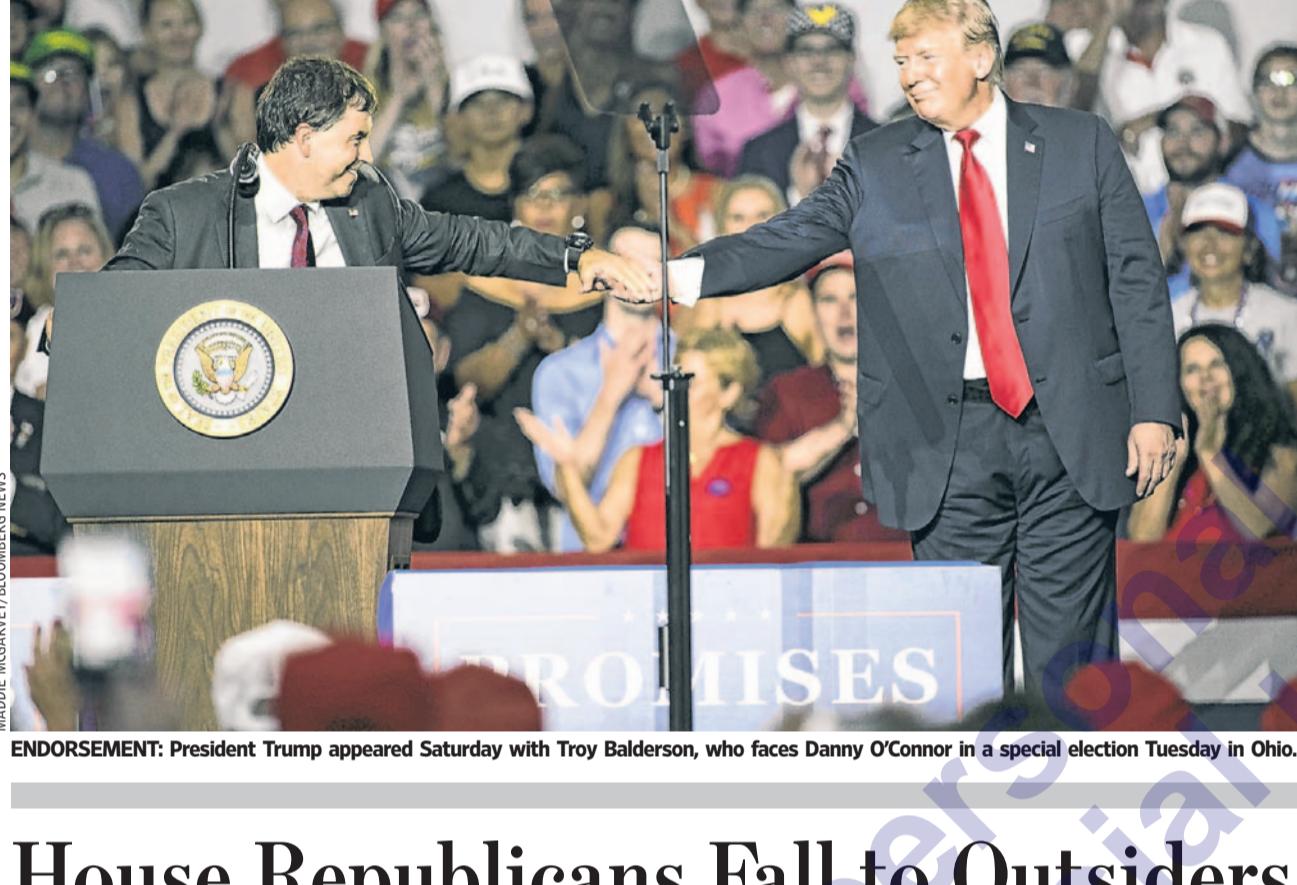
In April, Mr. Mnuchin called for the IMF to do more to increase the transparency and improve the governance of China's infrastructure lending.

The IMF is controlled by its 189-member countries and Mr. Mnuchin, as Treasury secretary of the world's largest economy, also serves as the IMF's most powerful governor.

The IMF has taken a mixed view on "Belt and Road" spending, on the one hand welcoming the infusion of investment in countries that have significant infrastructure needs, while at the same time urging China to improve the governance of transparency of the program.

Chinese authorities have told the IMF that they believe these concerns are overstated.

Ohio Candidate for Congress Gets Helping Hand From the President



ENDORSEMENT: President Trump appeared Saturday with Troy Balderson, who faces Danny O'Connor in a special election Tuesday in Ohio.

Trump Calls Son's Russia Meeting Legal

BY REID J. EPSTEIN

WASHINGTON—President Trump acknowledged Sunday that a meeting his son held with a Russian government lawyer in June 2016 was an attempt "to get information on" Democrat Hillary Clinton but defended the encounter as "totally legal."

Mr. Trump and his eldest son, Donald Trump Jr., have repeatedly denied that the president had advance knowledge of the Trump Tower meeting with Natalia Veselnitskaya, a Russian lawyer with links to the Kremlin.

But the meeting has become a prominent focus in special counsel Robert Mueller's investigation into whether Trump associates colluded with Russia in 2016 and whether the president and his aides sought to obstruct justice by initially asserting that the meeting focused only on adoptions.

Mr. Trump has denied collusion or obstruction, and Moscow has denied election interference.

It isn't clear when the president first learned of the meeting, which took place shortly after Mr. Trump became the presumptive 2016 Republican presidential nominee. In the Sunday morning tweet, Mr. Trump wrote that meetings like this were "done all the time in politics" while reiterating: "I did not know about it!"

The Wall Street Journal and others reported last month that Michael Cohen, who at the time served as Mr. Trump's lawyer, was willing to tell Mr. Mueller that the younger Mr. Trump informed his father of the meeting with the Russians before it took place, according to people familiar with the matter.

Rudy Giuliani, the elder Mr. Trump's lawyer, accused Mr. Cohen of attempting to negotiate a plea deal by offering testimony to Mr. Mueller.

Mr. Cohen is under investigation for bank fraud and possible campaign-finance violations by federal prosecutors in New York City, and federal investigators are probing his efforts to quash negative publicity for Mr. Trump during the 2016 campaign.

Mr. Cohen has denied wrongdoing and hasn't been charged with any crimes.

Mr. Trump's Sunday tweet followed reports in the Washington Post and on CNN that the president is concerned that his eldest son may be in legal jeopardy.

Mr. Trump told Reuters in a 2017 interview "many people would have held that meeting." On Sunday, he wrote on Twitter that it was a "complete fabrication" that he was concerned his son might be in legal trouble.

Jay Sekulow, one of the president's attorneys, said in a Sunday interview on ABC that he "has no knowledge of [Donald Trump Jr.] being a target of any investigation."

The meeting is a focus in the inquiry over whether there was Russian collusion.

The initial statement about the meeting came in July 2017 from Donald Trump Jr. and was crafted with the help of his father. That statement claimed the participants "primarily discussed a program about the adoption of Russian children."

The younger Mr. Trump later released emails showing that he accepted the offer for the meeting after he was promised information about Mrs. Clinton that he had been told was gathered as part of a Russian effort to boost his father's candidacy.

Mr. Sekulow last year denied the president participated in the writing of the initial statement from his son's meeting.

Mr. Cohen is under investigation for bank fraud and possible campaign-finance violations by federal prosecutors in New York City, and federal investigators are probing his efforts to quash negative publicity for Mr. Trump during the 2016 campaign.

House Republicans Fall to Outsiders

BY REID J. EPSTEIN
AND KRISTINA PETERSON

WASHINGTON—When Tennessee Rep. Diane Black placed third in her state's GOP race for governor last week, she became the fifth House Republican defeated in a statewide primary this year.

Just two House Republicans, Kristi Noem of South Dakota and Jim Renacci of Ohio, have won competitive primaries for statewide office in 2018. Four other House Republicans won statewide primaries with minimal or no competition.

All four House Democrats seeking promotions to governor or Senate have won their primaries, though four more are on the ballot for statewide office in August.

Republican voters' resistance to elevating elected officials marks the latest chapter in the party's swing toward antiestablishment politics, which President Trump rode to defeat a field of 16 in the 2016 GOP presidential primary.

"As a party we have a fascination with 'throw the bums out' that the Democrats don't

have," said former Rep. Jack Kingston, who lost a 2014 GOP Senate primary in Georgia to David Perdue, then a businessman whose outsider status was central to his campaign. At Mr. Perdue's primary night victory party, supporters

siders. A trio of House GOP lawmakers saw premature ends or interruptions of their political service in May.

Mike Braun, a logistics company CEO, defeated Reps. Luke Messer and Todd Rokita in Indiana's GOP Senate primary. In Idaho, Rep. Raul Labrador lost the GOP governor's primary to Brad Little, the state's lieutenant governor. And West Virginia Rep. Evan Jenkins lost his state GOP Senate nod to Patrick Morrisey, the state's attorney general.

Mr. Kingston, who now works at a Washington, D.C., law firm and is a CNN political analyst, said Republican primary voters are inured from years of candidates making promises they have yet to deliver.

In Tennessee, Mrs. Black was the early front-runner in the state's six-way GOP primary for governor. Her campaign ads featured a montage of praise from President Trump and Vice President Mike Pence touting her work as chairwoman of the House Budget Committee.

Mr. Pence, who had served in the House with Mrs. Black,

endorsed her but Mr. Trump refrained from picking a favorite in the crowded primary.

"Sometimes God has a different plan for us," Mrs. Black said in her concession speech Thursday night.

Bill Lee, who won the Tennessee GOP nomination for governor, is the chairman and former CEO of a construction company started by his grandfather. Mr. Lee's TV ads called himself "the only conservative outsider" in the race and said he is "the only nonpolitician running for governor."

In the closing weeks of the Tennessee campaign, Mrs. Black faced withering attacks from Randy Boyd, a millionaire businessman. Mr. Boyd called Mrs. Black, who won four terms in Congress, "D.C. Diane" in TV ad attacks. Mr. Boyd placed second.

The most important element in winning a 2018 Republican primary is Mr. Trump's endorsement. Florida Rep. Ron DeSantis has taken a wide lead in polls in his state's Aug. 28 Republican primary for governor after the president announced his support.

Judge in Manafort Case Sets a Brisk Pace for Prosecutors

BY DEL QUENTIN WILBER
AND ARUNA VISWANATHA

Assistant U.S. Attorney Uzo Asonye was delivering his opening statement in the trial of Paul Manafort, accusing him of using "secret income" to finance an opulent lifestyle.

"He bought himself more than a half-million dollars in fancy clothes, a half-million dollars in rugs. He drove high-end vehicles," the prosecutor told jurors.

A visibly annoyed U.S. District Judge T.S. Ellis interjected. "Mr. Asonye, you might focus on elements of the offense," the judge said. "It isn't a crime to have a lot of money and be profligate in your spending."

The interjection set a tone that Judge Ellis has kept throughout the first week of Mr. Manafort's trial on tax-and-bank-fraud charges. He has consistently reined in prosecutors for special counsel Robert Mueller as they introduced evi-

dence and forced them to focus on core allegations.

The results have been reflected in the trial schedule: Prosecutors by day two told the judge that they now expect to wrap up their case this week—five days ahead of schedule.

It remains to be seen whether Judge Ellis will be equally tough on the defense. Also to be determined is whether his strict approach will hurt the prosecution—by curtailing the team's time to make its case—or help it, by making it harder for the defense to appeal a conviction, if one is forthcoming, on the argument that prosecutors introduced too much prejudicial information that tainted the trial.

Mr. Mueller's office is prosecuting Mr. Manafort as part of its investigation of Russian interference in the 2016 election and possible coordination with Trump campaign officials, although most of the allegations predate the campaign and



Assistant U.S. Attorney Uzo Asonye presents his opening argument at the trial of Paul Manafort, seated right row second from right. Mr. Manafort was President Trump's campaign chairman.

DANA VERKOUTEREN/ASSOCIATED PRESS

BEN LABROT
FOUNDER & CEO, FLOATING DOCTORS
LOS ANGELES, CA

2000

Graduates from med school in Ireland

2004

While on vacation in Tanzania, spends an entire day treating the residents of a remote Maasai village

2008

Found Floating Doctors. Regularly travels to Haiti, Honduras and Panama to treat patients in remote coastal areas. Lives without income for 4 years

2010

Breaks free from mooring, and crashes boat onto an island reef. Narrowly escapes with vessel intact

2015

Purchases an annuity

2030

Target retirement date



**PROTECT YOUR INCOME.
RETIRE YOUR RISK.**

While crashing into reefs, navigating hurricanes, and steering clear of pirates are probably not part of your day to day, you may have lived or worked with some amount of risk. But the important thing is to not retire with it.

Retiring with enough money saved isn't always as easy as it sounds. But adding an annuity to your portfolio can provide a protected income stream for the rest of your life and the peace of mind that your money won't stop working when you do.

Find out if an annuity is right to protect and grow your income at RetireYourRisk.org.

Alliance for
Lifetime
Income

U.S. NEWS

SEC Whistleblower Payouts Slow

Agency proposes ways to speed up decisions that take more than two years

BY DAVE MICHAELS

WASHINGTON—Wall Street's top regulator now takes more than two years to hand rewards to tipsters who report wrongdoing, a process that lasts longer than the average time it takes to investigate and close an enforcement case.

The Securities and Exchange Commission has become a magnet for tips—both good and bad—after publicizing its mega-bounties, including an \$82 million award given in March to three tipsters who told regulators about a complex scheme at Bank of America Corp. involving misused customer cash and securities.

The commission acknowledges the process can be improved, and partly blames requests from unworthy applicants trying to finagle windfalls from the program, which pays whistleblowers who provide tips deemed critical to an investigation.

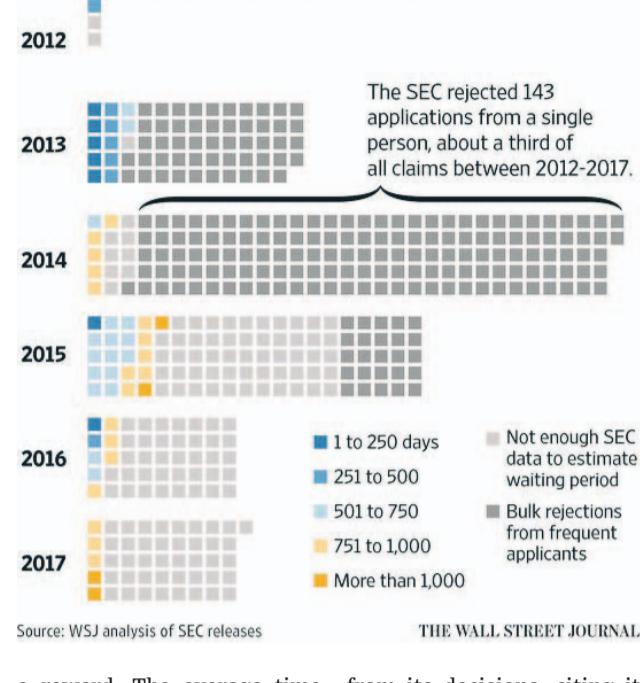
The cash-for-tips program, now in its seventh year, has awarded more than \$266 million to 55 tipsters, the SEC said.

In 2012 and 2013, the early years of the program, the SEC took about a year to decide if a whistleblower's tip merited

Blowing the Whistle

The time it took for the SEC to make a decision on whistleblower claims averaged more than two years from 2014-2017, with some decisions taking more than 1,000 days, according to a sampling of claims.

Claims process time by decision year



Source: WSJ analysis of SEC releases

a reward. The average time rose to over two years in the period from 2014 through 2017, when it exceeded four years, according to a sample of whistleblower award decisions analyzed by The Wall Street Journal.

The Journal based its analysis on a sample of whistleblower awards because it isn't always possible to identify the case related to a reward. The SEC withholds many details

from its decisions, citing its desire to completely shield the whistleblower's identity.

Over the life of the program, people who got awards waited on average about 210 days for a decision, while a rejected application got word within 730 days, according to the Journal's analysis.

The process, even for legitimate tipsters, can take much longer, according to attorneys who deal with it.

Stephen Kohn, an attorney whose whistleblower clients have included former UBS Group AG banker Bradley Birkenfeld, said he has one client who was told by the SEC that an award is forthcoming. But it has been over four years since the client sought the reward, Mr. Kohn said.

"I believe they have a massive backlog," Mr. Kohn said. "The SEC has operated a professional program, but their decision-making process hasn't taken into consideration the devastating impact on the whistleblowers of these long delays."

Deciding who gets paid is a demanding process that involves vetting each request to determine how important the person's tip was, according to current and former officials. When multiple whistleblowers are involved, decisions are more challenging because the SEC has to measure each tipster's value to the case.

Applicants receive an initial decision, but can prolong the process by challenging the ruling and asking for another review of their claim.

"No application is cookie cutter for us to process," Jane Norberg, head of the SEC office that oversees whistleblower rewards, said in an interview. "The volume of claims received is a reflection of the program's success."

Critics of the SEC's process blame the way it publicizes cases that are eligible for rewards. After the commission settles cases where the total

fines exceed \$1 million—a minimum condition for getting a reward—it advertises those on a website. Anyone who sees that disclosure can request a reward, which can range from 10% to 30% of the total fines.

Frisvolous reward seekers can "significantly delay" the SEC's ability to pay real whistleblowers, the SEC wrote in a proposal issued in June that seeks changes to the program.

The regulator is now moving to hand rewards sooner to tipsters who report wrongdoing, after red tape and a flood of undeserving claims have delayed whistleblower payments.

The plan, now out for public comment, would let the SEC more quickly reject less deserving applicants so regulators can focus on paying real whistleblowers, officials said. The SEC receives about 110 whistleblower reward applications a year that meet all of its documentation and processing rules, according to agency records.

The SEC has barred two people from the program who together sought rewards tied to hundreds of enforcement actions. Their claims of having helped government investigations were "patently false," the agency wrote in its decisions.

Some whistleblowers and their attorneys, who insist their claims are credible, say they have lost faith in the system because it can take so long to get an answer.

Battle Between Cuomo, NRA Heats Up

BY CORINNE RAMEY

A feud between New York's governor and the National Rifle Association escalated over the weekend, with Andrew Cuomo accusing the group of political bullying and the gun organization saying it could suffer financially if the state's actions remained unchecked.

"They are political bullies," Mr. Cuomo, a Democrat, said Saturday of the NRA, a nonprofit that advocates for gun rights, at an event in New York City.

Mr. Cuomo and the NRA have been at odds for months over actions of the Department of Financial Services, a state regulator that in May said a liability insurance program for members, called NRA Carry Guard, violates state law, a claim the gun group denies. The insurance covers legal costs incurred after self-defense shootings.

Later that month, the NRA sued Mr. Cuomo, the department and its superintendent, Maria Vullo. The suit, filed in U.S. District Court in the Northern District of New York, accused the state of a "political blacklisting campaign" to stop insurers and banks from doing business with the NRA.

The NRA said it had lost tens of millions of dollars due to the actions of New York state.

New York state on Friday filed court papers asking a judge to toss the lawsuit.

On Sunday, the campaign of Mr. Cuomo, who is running for a third term, released an advertisement calling on other states to outlaw the NRA insurance program.

A lawyer representing the NRA said Sunday that the group was "suffering setbacks" in regards to the availability of insurance and banking services.

"The actions of defendants, if left unchecked, will further harm the NRA, chill the commercial activities of institutions regulated by [the Department of Financial Services] and penalize law-abiding New York insurance consumers," the lawyer, William A. Brewer III, said in a statement.

Houston To Vote On Flood Protection

BY DAN FROSCH

HOUSTON—A year to the day since Hurricane Harvey slammed into Texas, Houston area residents are set to vote on whether to overhaul the region's beleaguered flood-protection system, an election that local officials have cast as critical to the area's future.

On the ballot in Harris County is a \$2.5 billion bond backed by property taxes that could more than quadruple the annual funding available to help shield Houston and the surrounding cities from flooding. The proposal, set for a special election on Aug. 25, is the largest bond measure ever offered in Texas' most populous county. If approved, proceeds from the bond would help fund a range of projects aimed at bolstering the area's aging network of bayous, which serve as a drainage system for the flood-prone county.

"It is the most important local vote in my lifetime," said Judge Ed Emmett, the county's chief executive and one of the architects of the measure. "If Harvey came next week, we'd be in a world of hurt."

According to county estimates, the bond would increase the total property tax by no more than 1.4% for most homeowners in Harris County.

The measure has largely generated bipartisan support.

Utilities Get Cyber Defense

Continued from Page One
of desperate people.

Privately owned utility companies acknowledge they need more help from the federal government, including the military. The utilities say they don't have the resources on their own to protect the country's three big electric grids—one in the east, one in the west and one in Texas—against foreign governments.

"There must be accountability for bad actors," said Tom Fanning, chief executive of Atlanta-based Southern Co., one of the nation's biggest utility companies. "I can't hit back. I can't fight back. I want to know the Department of Defense is going to be there and hold people accountable."

Measures under consideration would be designed to hurt opponents but not civilians—which would mean not hitting opponents' utilities, according to current and former government officials. Likely tools would be more frequent use of indictments against named hackers, and seeking Red Notices from Interpol, or requests that other nations locate and arrest suspects, which would make it hard for the culprits to travel outside their home countries. Asset seizures and sanctions are two additional tools likely to be used more.

The officials pushing tougher penalties don't know whether Mr. Trump will embrace the recommendations. White House officials say he is taking the matter seriously.

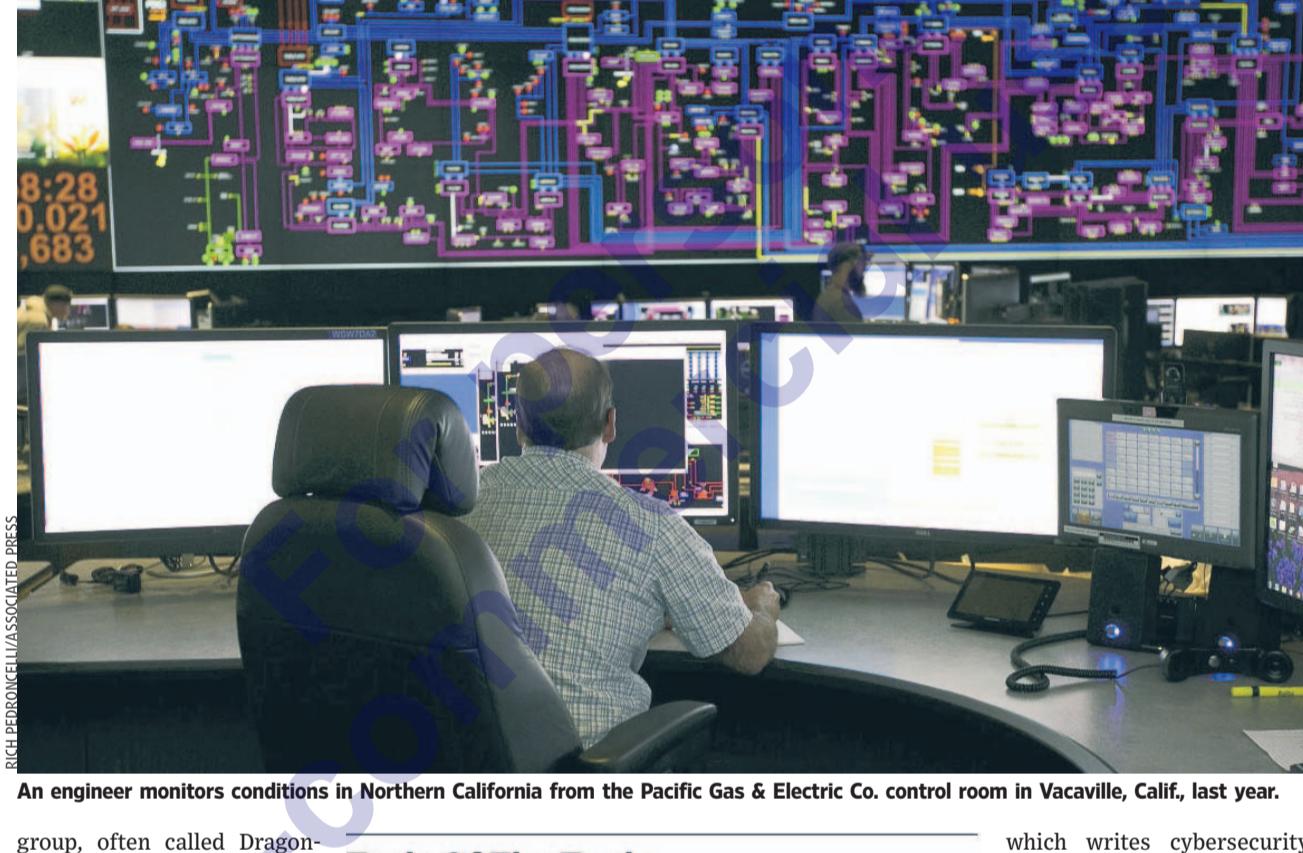
The president has sent contradictory messages on his position concerning Russia's repeated attempts to infiltrate U.S. institutions and to throw confusion into the electoral process, at times promising to be tough and at other times saying the U.S. and Russia should work as partners.

On Thursday, senior intelligence officials said Russian attempts to interfere in the 2018 midterm elections were deep, real and ongoing, and said efforts were being made to combat the threat.

Special counsel Robert Mueller charged a dozen Russian intelligence officers in July with hacking the computers of Democratic organizations in an effort to sway voters in the 2016 presidential election. Russia denies interfering.

The debate comes as attacks against U.S. utilities have become brazen.

In March, Homeland Security and the FBI pinned responsibility on a Russian



An engineer monitors conditions in Northern California from the Pacific Gas & Electric Co. control room in Vacaville, Calif., last year.

Tools Of The Trade

In cyberattacks against U.S. power utilities last year, officials say Russian hackers stole employee credentials to gain access to corporate systems.



Spear-Phishing

Hackers sent emails with malicious links or attachments that helped steal the user's credentials.



Watering-Hole Attacks

Hackers planted malicious code on trusted websites, such as trade publications, that they hoped their targets would visit. The code recorded visitors' sensitive information.



Remote Access

With the stolen credentials, the hackers used virtual private networks, Outlook Web Access and remote desktop programs to stay hidden and maintain persistent access to internal networks.

Source: Department of Homeland Security

THE WALL STREET JOURNAL.

the stuff of science fiction. Authors fantasized about lost communication except for battery-powered ham radios; a swift deterioration in the quality of drinking water; runs on grocery stores that sparked violence; and clogged highways as millions tried to flee.

Officials are now discussing how to avert such dire conditions if a grid goes down. "We should be thinking about how we sustain society after a huge power outage," said Terry Boston, former chief executive of the nation's largest grid-running organization, PJM Interconnection, and a member of the president's infrastructure council.

Many Americans misunderstand the threat, she said. It's not a few hackers from Russia that they face, Ms. Krotofil, a Ukrainian-born German expert in utility-control systems who has investigated breaches.

Ukraine got a small taste of what can happen. Cyberhackers working for Russia crippled three Ukrainian utilities

on Dec. 23, 2015, plunging hundreds of thousands of civilians into the darkness on a chilly winter's eve.

A year later, Russian hackers knocked out a major transmission substation, causing another smaller blackout in the capital city of Kiev.

So far, U.S. strategies against hackers haven't been potent enough to ensure that a Ukraine scenario doesn't happen here, experts say.

Some people say it is safe to assume that the U.S. also has retaliated behind the scenes.

Homeland Security "decides what gets revealed, but I wouldn't fool myself into assuming you see the entire picture," said Jim Robb, chief executive of the North American Electric Reliability Corp.,

which writes cybersecurity standards for utilities.

Until recently, the U.S. has been reluctant to say much publicly about successful cyberattacks of its infrastructures, fearing that it might make them even more vulnerable. Talking about attacks is "effectively creating a bull's-eye" on yourself, said Scott Aaronson, vice president of security and preparedness for Edison Electric Institute, a trade group.

That view is changing, as utilities believe more must be done.

"I'd love to see a bright line drawn," with clear consequences for those who cross it, said Duane Highley, chief executive of the Electric Cooperatives of Arkansas, which represents nearly a score of distribution utilities.

Keith Alexander, a retired four-star general and former director of the National Security Agency and U.S. Cyber Command, has been urging more action.

In April, Mr. Alexander told the House Armed Services Committee that it is ridiculous to expect companies to defend themselves against state-sponsored hacking teams. No one expects Walmart to buy missiles to defend itself against Russian bombers, he said, and yet "when it comes to cyberspace, we expect exactly that."

One idea some have discussed is to have U.S. soldiers work alongside utilities, co-hunting adversaries, said Michael Assante, director of industrial and infrastructure security at SANS Institute, a cybersecurity research and training organization.

—Rob Barry contributed to this article.

WORLD NEWS

Venezuela Attack Raises Crackdown Fears

Authorities say they arrested six suspects tied to alleged plot to assassinate Maduro

By KEJAL VYAS

Venezuelan authorities said Sunday they arrested six suspects tied to an alleged plan to assassinate President Nicolás Maduro using a pair of drones armed with explosives, showing the leader's fragile hold on power amid a crippling economic crisis.

Critics warned that Mr. Maduro could use the purported plot, which injured seven soldiers and interrupted him as he addressed a military parade Saturday in downtown Caracas, as a pretext to intensify a crackdown on dissidents.

Food shortages and inflation estimated to reach 1,000,000% this year have produced frequent civil unrest and rising discontent within the ruling Socialist Party and the military, along with the region's worst refugee crisis.

Mr. Maduro and his aides, who routinely blame Venezuela's troubles on a U.S.-led conspiracy, quickly accused political rivals in neighboring Colombia and in Miami of orchestrating Saturday's attack.

"It was an attempt to kill me, they tried to assassinate me," Mr. Maduro said on national television three hours after the incident, as his aides applauded him. "You've failed again," he said, referring to his opponents. "There will not be forgiveness. We will chase you and we will capture you wherever you are."

Officials from the U.S. and Colombia, a top Washington ally in Latin America, both denied any role in the alleged plot.



Defense Minister Vladimir Padrino López warned Sunday that any attack on Venezuela would be 'met with a forceful response.'

Venezuela in 2014.

The chaos at the scene in Caracas was captured on television and witnessed by residents who lived near Bolívar Avenue, a major thoroughfare where the ceremony was being held.

Mr. Maduro, standing beside his wife, Cilia Flores, looked up at the sky momentarily as he was promising that "the hour of the economic recuperation" had arrived. His speech ended abruptly, and the broadcast then panned to the face of a young soldier before focusing on the street in front of a makeshift stage where Mr. Maduro had been standing.

Soldiers, who had been standing at attention, could be seen scrambling. On Sunday, much of Bolívar Avenue was clear of pedestrians and car traffic after investigators had closed off the area.

"I was scared for my family," said Filomena Nunez, a 60-year-old homemaker who heard the blast as she was inside her nearby apartment.

Some analysts suggested that Saturday's incident could have been staged by the government to detain foes and tighten Mr. Maduro's grip on the military. But Harold A. Trinkunas, deputy director of Stanford University's Center for International Security and Cooperation, said the images of soldiers running and people onstage being startled were "both dramatic and unfavorable to Maduro."

"If you wanted an excuse for repression, I think the government would have chosen something that would not make Maduro appear as vulnerable," he said.

*José de Córdoba
in Mexico City and
Maolis Castro in Caracas
contributed to this article.*

"If the government of Venezuela has hard information that they want to present to us that would show a potential violation of U.S. criminal law, we will take a serious look at it," John Bolton, national security adviser to the White House, said during an interview with Fox News Sunday.

Venezuela has a long history of coup attempts, and some observers cast doubt on the government's version, calling it a smokescreen to distract from the country's problems.

"The regime is weak, with new gimmicks regularly rolled out to address the hyperinflation and food and medicine

shortage," said Jason Marczak, who tracks Venezuela at the Atlantic Council research group in Washington. "But the only real goal is to cling to power."

Leaders in the political opposition, meanwhile, warned that Mr. Maduro could use the alleged plot to threaten adversaries. In addition to locking up opposition politicians for street protests, Venezuela's government has also arrested dozens of military officials in a purge over the past year for allegedly plotting coups. Last year, a rogue group of Venezuelan police and military personnel hijacked a police helicopter and lobbed grenades

over Caracas in protest of Mr. Maduro. The government said at least seven dissidents from that group were killed in a shootout with security forces in January.

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IN DEPTH

Faces Get A Fitness Routine

Continued from Page One
that puckered cheeks and scrunched brows would help people look younger. Now, these contortions are multiplying and moving mainstream—so is the mockery.

After her workout, in which Ms. Samuels's face was kneaded and molded with jade stones and a long-handled device called a golden roller, the 27-year-old freelance producer, who tries to come monthly to Saks for the treatments, deemed herself satisfied. "I'm an instant gratification person," she said. "You can feel the results during the workout."

Rubbish, says Jeffrey Spiegel, a plastic surgeon and professor at Boston University School of Medicine. He says facial exercises can actually increase wrinkles by overworking muscles.

"It's like eating junk food and sitting on the couch to lose weight," Dr. Spiegel says.

"It's the exact opposite of what works." Botox is an effective wrinkle eraser because it relaxes facial muscles, he says. "Every time you tighten the muscles in your face, you are making your wrinkles worse."

Face-fitness devotees include Meghan Markle, the newest member of the British royal family. "I swear it works, as silly as you may feel," the former "Suits" actress said in 2014 while sharing beauty tips with Birchbox, an online seller of beauty products. "On the days I do it, my cheekbones and jawline are waaaay more sculpted."

A Buckingham Palace spokesman couldn't confirm whether the Duchess of Sussex still practices the routine.

For do-it-yourselfers, YouTube is full of instructional videos demonstrating exercises such as the "puffer fish," which is supposed to erase laugh lines.

A startup offers a \$40 silicone mouthpiece called the Jawzrsize that people are supposed to chew on for 10 minutes a day to sculpt 57 face and neck muscles. Stephen Knezevich says his jaw is more muscular since he started four months ago chomping on the Jawzrsize ball at night before he brushes his teeth. The 19-year-old student at Arkansas

Tech University has one piece of advice: "Don't do this in public, because you get a lot of strange looks from people."

In a small study published earlier this year, researchers at Northwestern University had dermatologists rate the before and after appearance of participants; middle-aged women were deemed to have shaved three years off their appearance after 20 weeks with a 30-minute facial exercise routine. (That is more time than most Americans spend in the regular gym.)

Participants in the Northwestern study learned 32 exercises created by Happy Face Yoga founder Gary Sikorski. One called the "cheek lifter" entails opening the mouth to form an "O," folding the upper lip over the front teeth and pushing the cheek muscles up and down by smiling and relaxing. Participants were instructed to perform 10 of these "push-ups" daily at first, and then every other day.

Mr. Sikorski says most people burst out laughing at the beginning of one of his seminars, because the poses look ridiculous. "But once you've done a couple of cheek lifters, you realize this really works," says the 60-year-old former waiter,



Rena Samuels with trainer Erin Esparza at FaceGym in New York.

SUZANNE KAPNER/THE WALL STREET JOURNAL

who says he got his facial toning certification in 2006. He warns that not all facial exercises are created equal. "Yoga instructors are just dreaming up exercises," Mr. Sikorski says. "There are a lot of fakes and phonies out there selling stuff that just doesn't work."

As the phenomenon has gained popularity—FaceGym is opening its fourth location in September in Manchester, England—so have the naysayers who doubt the science or just think the facial twists, pouts and squints are downright silly.

Fitness instructor Austin Dunham, who had demonstrated the exercises in several

YouTube videos that attracted millions of viewers, has sworn off the practice. "It just gathered too much hate," Mr. Dunham said in a July 1 video to his fan base. "People are so narrow-minded, it's not even worth it." His old facial exercise videos are still up but he has stopped making new ones.

Mr. Dunham says he is sticking with more traditional routines that include non-face exercises, such as planks and pull-ups. "All my other videos are more normal," he says.

Ms. Theron, the FaceGym founder, says people associate old-fashioned face exercises with hippies, adding that her

protocol is different. "We don't do facial exercises," says the 42-year-old former journalist. "We do personal muscle training."

One problem with facial exercise—much like regular exercise—is sticking with it.

Rae Jenae, 26, says she tried exercising her face to sculpt her "chubby, hamster cheeks," but then gave up. The bookkeeper used to stick her tongue out toward the ceiling while sitting in front of her computer at work until her boss looked at her like she was crazy. "It's hard to stay consistent with things like that," the Miami resident says.

There is always plastic surgery or Botox injections, but for those looking for less invasive treatments Dr. Spiegel suggests learning to be less emotive. "You can be gently surprised without raising your eyebrows and corrugating your forehead," he says.

Many of the new facial gadgets and techniques, he says, remind him of the vibrating machine his parents had when he was a child. "You strapped yourself in, it shook you and you were supposed to lose weight," Dr. Spiegel says. "That didn't work, but they sold a lot of those machines."

Honda Shifts Tech Strategy

Continued from Page One
"PowerPoint engineering"—where engineers assemble slides showing how they will patch together others' technology rather than build it themselves.

"Honda is changing things that Honda should not change," said Hideaki Tsuru, who worked in Honda's R&D arm for 20 years until retiring in 2016. He said making unique products is "Honda's soul."

Car makers around the world are under stress from the huge investments needed to develop new technologies used in electric vehicles and autonomous driving. To trim costs, most are leaning on megaproviders such as Bosch, Continental AG and Denso Corp., as well as smaller companies with cutting-edge technology such as Intel Corp. subsidiary Mobileye.

"We want to work with those that possess the best technology, regardless of whether they are Japanese suppliers or American ones or European ones," said Honda's chief executive, Takahiro Hachigo, in an interview.

Electric engine

Honda has announced deals with Chinese search giant Baidu Inc. to develop mapping technology for autonomous vehicles, and with Chinese startup SenseTime Co. to build camera software for self-driving vehicles. The company has a deal with SoftBank Corp. for artificial intelligence that SoftBank says will be able to read a driver's emotions, so that in the future cars can perform tasks such as suggesting music based on your mood.

Honda, which prides itself above all on its engines, is farming out the development of an electric motor. Hitachi Ltd.'s auto-parts division has the majority stake in a joint venture with Honda that will make electric motors for Honda cars by March 2021. By 2030, two-thirds of its cars will be partially or fully electric, Mr. Hachigo said. In June, Honda also said it would buy electric-car batteries from General Motors Co.

For Honda, whose official name translates as Honda Technical Research Industry, the shift to outsourcing is forcing it to rethink its identity as a creator of unique auto technologies. Some of its most famous products include a navigation system that pre-dated civilian use of GPS, and the CVCC engine, which used less fuel and cut emissions. At the time of the engine's unveiling in 1972, Honda's then-head of engine research, Shizuo Yagi, trumpeted: "We at Honda did everything on our own."

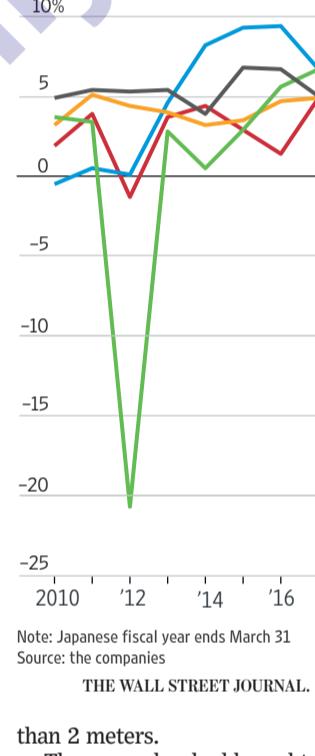
For many Japanese, Honda reflected the originality and self-confidence that turned the country into an industrial powerhouse after World War II. Today, Japanese manufacturers' lead in quality over upstarts in South Korea and China is narrowing, and Japan's car industry has fallen behind Silicon Valley and Europe on the software development needed to build com-



Honda is buying key technology from outside developers. Above, the Urban EV concept car, an electric vehicle. Below, the 1973 Civic.

Thinner Profits

Honda's car business isn't as profitable as its main competitors.



THE WALL STREET JOURNAL.



than 2 meters.
The car maker had hoped to persuade Bosch to build something unique for it but eventually decided to buy an off-the-shelf system after the German company, which deals with practically every major auto maker, said it was impractical, the person said.

Spokespeople at both companies confirmed that Honda uses Bosch equipment for Honda Sensing but declined to discuss the decision-making process. Honda Sensing, which is meant to assist the driver on tasks such as maintaining a constant distance behind another vehicle or in sudden braking to avoid an accident, is now standard on many models.

The company's next challenge is to develop cars with fuller self-driving abilities. Honda has said it plans to sell a vehicle that can drive autonomously on highways by 2020.

Its peers have more ambitious schedules: Nissan has said its vehicles will be able to drive themselves on city streets by 2020, while GM has said it aims to run a large-scale fleet of driverless cars in cities by 2019.

Honda said it wants to combine in-house research with the fruits of tie-ups such as the one with SenseTime, the Chinese company that builds software to identify people and objects seen through a car's cameras.

In a demonstration for journalists last summer, Honda's self-driving prototype rolled through a stop sign without halting. A Honda spokesman said the vehicle was an early prototype and that its performance is now much improved as a result of collaboration with SenseTime.

Honda's eventual self-driving system will likely have only a fraction of its software written by Honda engineers, said Yuji Yasui, chief engineer for autonomous vehicles.

"Car makers focus on developing some things, suppliers on others," he said. "We haven't changed. What changed is that it is inefficient for Honda to do everything ourselves."

—Chieko Tsuneoka contributed to this article.

innovation, a cost-cutting strategy that lowered quality and led to a backlash from fans and hurt sales, former Honda executives said.

The global financial crisis in 2008 and floods in Thailand in 2011, which disrupted the supply of parts, hammered Honda's

finances in the markets.

Mr. Ito sought to rein in the independence of Honda's powerful research and development arm in an effort to trim spending on projects with no obvious commercial benefit—a past project had researchers studying the cockroach nervous system, according to former engineers and executives.

The group still operates with its own parallel management structure, but research projects need the approval of headquarters, one of the former executives said.

The rush for size combined with efforts to cut costs caused disarray. Honda's ninth-generation Civic, which went on sale in 2011, was panned for its poor-quality materials. Critics pointed to poor handling and a cheap interior, which were uncharacteristic of past Hondas.

The Fit, which shared many components with the Civic, had to be recalled five times in the year following its introduction in 2013.

By the end of his term, Mr. Ito was already reversing course, dropping his sales target and allowing engineers more leeway in designing the 10th generation Civic, which got favorable reviews.

Mr. Hachigo, a Honda lifer who had helped build the China business, took over in 2015.

Echoing his predecessor's own self-criticism, Mr. Hachigo said that idea was impractical because of the vast dif-

ferences in the markets.

the company spread itself too thin chasing growth.

The new tone was clear in the announcement last year on the deal with Hitachi for electric motors. "Rather than one company doing everything, it is important to gather the best parts and assemble them into one vehicle," Mr. Hachigo said.

Potential tariffs or revisions to the North American Free Trade Agreement could complicate Honda's business. The car maker assembles about three-quarters of the vehicles it sells in the U.S. at American factories. But it has expanded in Mexico, where its latest plant, in Celaya, can produce 200,000 cars and SUVs, over half of which are exported to the U.S.

Self-driving plans

Honda's changed strategy emerged in the back-and-forth over Honda Sensing, its semi-autonomous driving system. Earlier versions of the system were co-developed by Honda and a subsidiary, called Honda Elysys, which was sold in 2013. One person who worked on it said that by 2014 Honda was talking to Bosch about supplying a new system because the Elysys system couldn't reliably distinguish pedestrians from other objects—Honda warned on its Japanese website the camera might not properly identify objects smaller than 1 meter or taller

GREATER NEW YORK

Paratransit Program Proves Too Popular

E-hail service will cost MTA \$60 million for its first year; users say it gives them flexibility

BY PAUL BERGER

The Metropolitan Transportation Authority has become a victim of its own success—and that is turning into a multimillion-dollar problem.

The transit authority launched a pilot program in October to provide the city's paratransit customers with rides in yellow or green taxis as part of its Access-A-Ride service. Customers in the pilot program use an e-hail app, Curb or Arro, to request a ride that costs passengers \$2.75.

Since last fall, the e-hail program has expanded from 200 to 1,200 people, less than 1% of the service's roughly 150,000 customers. Yet because of its popularity, the program will have cost the MTA \$60 million by the time it completes its first year.

The authority's entire paratransit budget in 2017 was \$475 million.

"We're proud of the e-hail result," said MTA President Pat Foye. "We're focused on making sure we can do it in a financially sustainable way."

Paratransit customers have spent years complaining of poor service that turns routine trips to work, doctor's offices, friends and family into an ordeal.

Customers must book trips one day in advance and they must be at the curb within five minutes of the vehicle's scheduled arrival time. They say that vehicles are often late—at least 17% of vehicles arrive 15 minutes after their scheduled pickup time, according to authority data.

The vehicles also routinely take circuitous routes picking up and dropping off other customers, leaving riders without bathroom breaks or food for long periods.

Under the e-hail program, users can book a car at a moment's notice that takes them directly to their destination. They say it gives them independence and flexibility.

"So many times after a trip I had to take aspirin because my back was hurting or my head was hurting or I was hungry," Vernita Worrell, a 58-year-old from Manhattan who uses a motorized wheelchair, said of the old service.

Four years ago, Ms. Worrell missed her father's funeral because the Access-A-Ride van zigzagged its way from her apartment on the Upper West Side to New York Penn Station, where she needed to catch a train to Long Island.

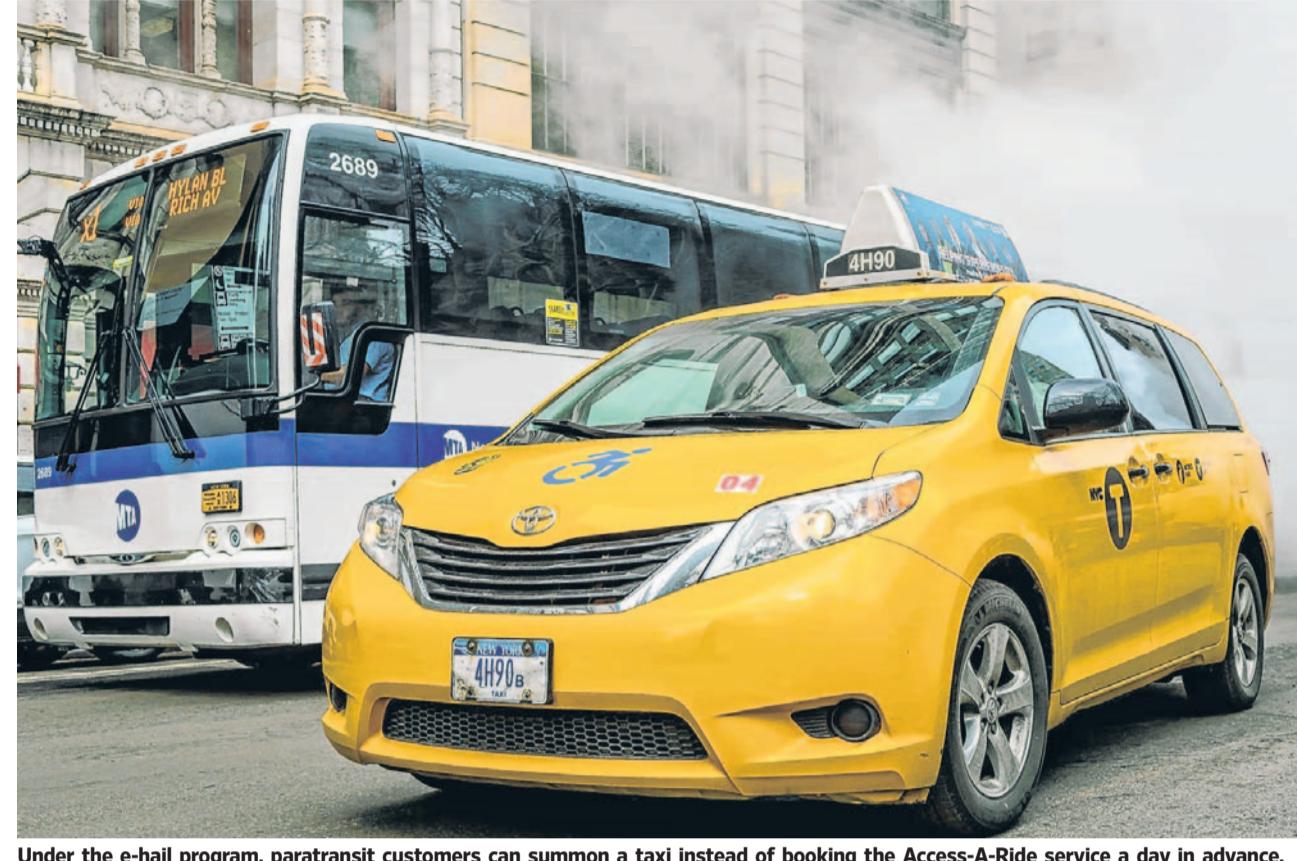
She gave herself two hours for the journey, which ended up taking 2½ hours. The same trip on the subway or in a car takes about half an hour.

Ms. Worrell was among a handful of riders enrolled in the e-hail program who appeared at an MTA board meeting in July to beg the authority to extend the pilot beyond October.

MTA board member Veronica Vanterpool, who heads the authority's paratransit task force, said the pilot will be extended. But the agency is still figuring out how to rein in costs.

MTA officials say they are examining how other agencies provide similar programs.

The MTA has had to go back to its board twice asking for more money, quadrupling the cost of the authority's contract with VeriFone Transportation Systems, which



Under the e-hail program, paratransit customers can summon a taxi instead of booking the Access-A-Ride service a day in advance.

runs Curb, from just under \$12 million last October to \$59 million today. In April, the board authorized a \$2.5 million contract with Arro Inc.

The MTA, which runs the city's subway and buses, nine bridges and tunnels and two commuter railroads, is struggling financially. Officials estimate the authority can reduce its contracts with paratransit service providers by about \$40 million annually over the next few years as more riders transition to e-hail.

But Mr. Foye said it is unclear if the authority can reduce expenses enough to cover the cost of e-hail usage. "We don't have an answer to that question," he said.

Rapid Success

Number of trips provided to registered Access-A-Ride clients by month



Source: MTA
THE WALL STREET JOURNAL.

App Has Customers Taking More Trips, And It's Adding Up

Putting people in taxis is cheaper than using Access-A-Ride vehicles, according to Metropolitan Transportation Authority officials.

A single trip under the e-hail program costs the authority \$35.91. The same Access-A-Ride trip costs the MTA \$68.71.

The problem for the MTA is that customers love the service so much, they are taking more trips.

When the MTA launched the pilot, it expected to pro-

vide 2,500 daily trips. Instead, they are providing 6,000 daily trips, with demand growing by more than 5% a month.

In May, e-hail customers took 173,000 rides, or 28% of the 609,000 trips that month. The surge in usage increased paratransit ridership by 16% compared with May 2017.

Joseph Rappaport, executive director of the Brooklyn Center for Independence of the Disabled, said that if the program expands average trip numbers might decline.

"It's unclear whether the pilot test user is really comparable to the average user," Mr. Rappaport said.

NJ Transit Riders Face More Woes

BY PAUL BERGER

Last-minute cancellations and overcrowded trains are plaguing NJ Transit commuters as the railroad struggles to cope with a summer of equipment and staff shortages.

The railroad canceled an average of 20 trains a day during the first three days of last week. On Friday morning, the rail operator canceled 16 trains.

Thousands of commuters are being forced onto other services where passengers must stand in cars and vestibules for longer-than-usual journeys as trains make additional stops. Some evening services at New York Penn Station are so overcrowded that not everyone can board.

Dozens of people have taken to the "Delayed on New Jersey Transit Support

Group," on Facebook, to share their frustration and to ask the cause of the delays. "WTH is actually going on?" wrote one user, KenSyl Rowan, on Tuesday.

Stephen Burkert, general chairman of SMART-TD Local 60, a union representing some NJ Transit workers, said in an interview: "I do not remember a time in NJ Transit history where so many trains have been annulled."

A spokeswoman for NJ Transit said the installation and testing of a train safety system was partly to blame for the staffing shortages. That is despite the rail agency cutting back its schedule in June because of staffing requirements for the testing.

The spokeswoman, Nancy Snyder, said disruptions were also caused by a "higher-than-usual number of crew absences."

NJ Transit is struggling to recover after years of budget cutbacks under Republican former New Jersey Gov. Chris Christie. It is also rushing to meet a December 2018 federal deadline for the installation of the safety system known as positive train control.

A spokeswoman said "higher-than-usual" crew absences also led to disruptions.

ally mandated deadline for the installation of the safety system known as positive train control.

Gov. Phil Murphy, a Democrat, took office in January, vowing to turn the agency around. But he warned that it would take years.

The agency is short of locomotives and railcars. Many

conductors and engineers have left the agency for better paying jobs at other railroads in the region.

Mr. Burkert said that NJ Transit is so short-staffed that conductors and engineers must work rest days so that the railroad can provide normal service. During the summer, workers often choose to take the day off to be with their families, Mr. Burkert said, leading to service cuts.

NJ Transit says it is accelerating the hiring and training of staff. Ms. Snyder said nine new engineers will join the work roster in the coming weeks.

"It's going to take some time to undo nearly a decade of underinvesting," Ms. Snyder said. "But we're wholly committed to NJ Transit's success and already starting to see movement in the right direction."



Some trains are so overcrowded that not everyone can board.

Scores on Elite High School Test Predict Success, Study Says

BY LESLIE BRODY

A new puzzle piece has emerged in the fractious debate over how to fairly admit students to some of New York City's most sought-after public high schools.

The city Department of Education on Friday released a 2013 report by a consulting firm it hired to analyze whether the entrance exam for Stuyvesant and seven other specialized high schools was a valid predictor of academic achievement.

Its conclusion: Yes, particularly in math and science, based on accepted students' high school grades, state Regents results and Advanced Placement exams.

Mayor Bill de Blasio's administration wants to scrap the admissions test in favor of a mix of applicants' course grades and state test scores, saying that would find talented students who don't test well, and diversify schools with few black and Latino students. Supporters of the test

of math, reading and writing say it is the most objective, fair method for determining merit.

The Specialized High School Admissions Test was revised for fall 2017, to add more grammar and align questions more closely to the middle-school curriculum. It is unclear exactly how much the 2013 analysis would relate to the current exam, which retained many core features. Backers of the admissions test hailed the report as evidence that a single test can select top achievers.

The report by Metis Associates looked at all eighth-graders who took the Specialized High School Admissions Test every year from fall of 2005 through fall of 2009. The firm followed those who scored high enough to get into the exam schools and those who missed the cutoff, comparing how well each group did through two years of high school, no matter what public school they ended up attending.

The mayor wants to admit

The study found those accepted to the exam schools had a mean grade point average of 3.1 after two years, compared with 2.4 for those who weren't accepted.

Accepted students also got higher mean scores on state Regents exams, ranging from 83 to 93 out of 100 points, depending on the subject. Students who weren't accepted had mean scores ranging from 69 to 79. Accepted students also fared better on two Advanced Placement exams that enough students took to analyze.

"It's not at all surprising that a kid who did well on the test turns out to be good high school student," said Toya Holness, a spokeswoman for the city Department of Education. "What the validity study misses is the kid who didn't do as well on the test, or didn't take it, but still stands an excellent chance of being successful in these high schools if they had the opportunity."

Officials at Metis Associates

couldn't be reached Friday, and had referred previous requests for comment to the department.

The study was originally commissioned in response to a civil rights complaint about the admissions method. Reporters requested the study, but the department declined to release it until Friday, saying it had required legal review.

Supporters of the test said the mayor unfairly had suppressed a study that backed their argument. David Lee, education chair of the Chinese American Citizens Alliance of Greater New York, said in a release: "It's an outrageous scandal that Mayor de Blasio hid from the public for more than four years a study proving the validity of the SHSAT, while he led a political campaign to eliminate" it.

Shael Polakow-Suransky, who was the department's chief academic officer in 2013 and now is president of Bank Street College of Education, said the entrance exam was

relatively cheap and "you get what you pay for."

The test differentiates students on a narrow band of math and reading, he said.

"It is sufficient to do what it is designed to do, but I don't think it should be held up as indicative of the full capacities you might want from a search for the most talented kids in the city," Mr. Polakow-Suransky said.

The revised admissions test in 2013 eliminated the unpopular "scrambled paragraphs" that asked students to put a group of sentences in the right order, and the logistical reasoning questions, akin to word puzzles. Critics thought those challenges didn't reflect what students learned in school and were especially susceptible to gaming through test prep.

Scott Overland, a spokesman for the test vendor, said by email that "Pearson works diligently with our state and district partners to create fair, valid and reliable assessments aligned to their needs."



3.1

Mean GPA after two years for students accepted to exam schools

eighth-graders performing in the top 7% of each middle school in the city. The department says this year those students had an average state test score of 3.9, almost the same as the 4.1 average of students offered specialized high school seats, on a scale of 1 to 4.5.

Officials at Metis Associates

GREATER NEW YORK

New 'Band' Leader Finds Role Familiar

Sasson Gabay, Tony Shalhoub's successor in the Broadway show, starred in film version

the role of Tewfiq, the difficult and demanding conductor who leads an Egyptian police orchestra that accidentally finds itself in a small Israeli town.

It happens to be the same role he played in the 2007 movie, also called "The Band's Visit," that inspired the musical.

"He's the ur-Tewfiq," said David Cromer, the show's director.

Indeed, the casting choice was done with the idea that Mr. Gabay's performance in the film has always shaped and shaded the show. Or, as Mr. Cromer added, "We've all watched the movie a million times."

The Iraqi-born Mr. Gabay, who immigrated to Israel with his family as a child, has appeared in several film and television roles over the last four decades. But his work has been largely confined to Israel, where he is also active with a theater company in Tel Aviv.

There is a twist, however: Mr. Gabay, 70 years old, can actually claim a closer tie to "The Band's Visit" than almost anyone connected to the show. On Broadway, he is playing



Israeli actor Sasson Gabay has taken over the role of conductor Tewfiq in the 'The Band's Visit.'

since Mr. Shalhoub earned a Tony for his performance, one of 10 the show won, including the all-important nod for best musical.

So far, "The Band's Visit" has grossed close to \$41 million since it opened last October, according to figures provided by the Broadway League, an industry trade group. It has been running at full capacity since the Tony Awards.

It won't be hard for audiences who return to see Mr. Gabay as Tewfiq to note a difference in the interpretation. Mr. Shalhoub played the character as a man with a certain misguided confidence, as if he isn't willing to admit, at least publicly, that his best years are likely behind him.

By contrast, said Mr. Cromer, Mr. Gabay projects a "really profound and very deep sadness" throughout the show.

"It's apples and oranges" compared with Mr. Shalhoub, he said.

Food and Fun at the New Jersey State Fair



CONCENTRATION: Kayla Rayne Charles, 4 years old, tried her hand at removing kernels from the corncob Sunday at the Sussex County Farm and Horse Show in Augusta, N.J. The show, also known as the New Jersey State Fair, runs through Aug. 12.

GREATER NEW YORK WATCH

NEW YORK CITY**Baby's Body Found Near Brooklyn Bridge**

Authorities are investigating the death of a baby boy who was found floating in the water near the Brooklyn Bridge in Manhattan.

Police say a pedestrian spotted the approximately 8-month-old child near the shoreline at about 4 p.m. Sunday and alerted police. Police say an officer brought the unconscious child onto the walkway where officers attempted CPR. The child was taken to a hospital where he was pronounced dead.

Police say no parent or guardian was at the scene and the child showed no signs of trauma. The medical examiner will determine the cause of death.

—Associated Press

LONG ISLAND**Man, 71, Is Charged In Co-Worker's Death**

A man facing murder charges in connection with the shooting death of his co-worker at a gas station in Glen Head brought a gun to work after the two men had gotten into an argument the day before, Nassau County authorities said on Sunday.

Lawrence Grammer, 71 years old, of Glen Cove was arraigned on charges of murder and criminal use of a firearm in the death of Bashir Ward, 45, of Valley Stream on Saturday. Authorities accuse Mr. Grammer of shooting Mr. Ward in the head.

Mr. Grammer pleaded not guilty and was ordered held without bail. Attorney information wasn't immediately available.

—Associated Press

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Photo By: Peggy Sirota

LIFE & ARTS

FASHION

A Milestone For the Fashion Industry

ASOS' deal with 29-year-old LaQuan Smith boosts the profile of black designers

BY RAY A. SMITH

LAQUAN SMITH, whose body-hugging fashions have graced stars like Rihanna and Cardi B, is ready to dress millions of 20-somethings.

This week, ASOS, an online retailer catering to shoppers in their 20s, plans to announce a collaboration with Mr. Smith, a 29-year-old designer with a following among women of color. The ASOS Design x LaQuan Smith collection of women's, men's and unisex clothes and accessories, debuts on Asos's site in October.

The deal represents a milestone for blacks in the fashion industry, which has been criticized for failing to recognize more African-American designers, executives and image makers. Although black music, style and language have driven pop culture in recent years, very few African-Americans are in positions of power in the fashion industry.

Earlier this year, Louis Vuitton hired Virgil Abloh, the designer behind the streetwear-influenced Off-White label, as its men's artistic director. Blacks' visibility in the industry rose last year when Edward Enninful, of British Vogue, became the first black editor in chief of a major fashion magazine.

"I'm just really excited, because there are a lot of people out there, specifically young kids, who aspire to wear my clothes that can't necessarily afford it," said Mr. Smith, whose dresses can cost anywhere from several hundred dollars to the low four figures. Items in his collection with ASOS will sell for less than \$300 apiece.

Mr. Smith, who grew up in Queens, N.Y., has a luxurious night-life aesthetic that tilts more girls-hitting-the-club than ladies-who-lunch. Among his hallmarks are plunging necklines, skintight fabric and high-slit dresses and skirts.

The ASOS collaboration will include recreations of slinky LaQuan Smith dresses that Beyoncé and Kim Kardashian West wore, as well as a full larger-size range for curvier women.

Neither the designer nor the retailer specified figures for the deal, in which Mr. Smith will be paid a design fee and royalties.



The collaboration gives Mr. Smith, whose label has seven employees, access to Asos's marketing machine and world-wide reach. The retailer, which sells its private-label items alongside some designer brands, says it has 18 million active customers. For ASOS, the deal builds its presence in the U.S., where the London-based retailer isn't as well known as H&M and Zara.

The designer's ties to celebrities like Beyoncé, who recently wore one of his dresses on stage during her "On the Run II" tour, also sprinkles stardust on ASOS. "Obviously that resonates with our customer," said ASOS design director Vanessa Spence.

Only 1% of fashion designers sold at major U.S. department stores are black, according to Harlem's Fashion Row, a support-services organization for designers of color. Over the years, dozens of black designers started fashion labels in the U.S., but only a handful have achieved commercial success.

"Lack of access is a major challenge when trying to go through the traditional doors of fashion," said Brandice Daniel, founder and CEO of Harlem's Fashion Row. "Those doors are usually opened with a warm introduction, and the truth is that there are very few African-Americans in the position to make the introductions."

Mr. Smith has remained in



The deal with ASOS and LaQuan Smith, above, brings his slinky styles to the mass market. Despite the dominance of black pop culture, few African-Americans are in positions of power in fashion. Beyoncé, left, has worn his designs.

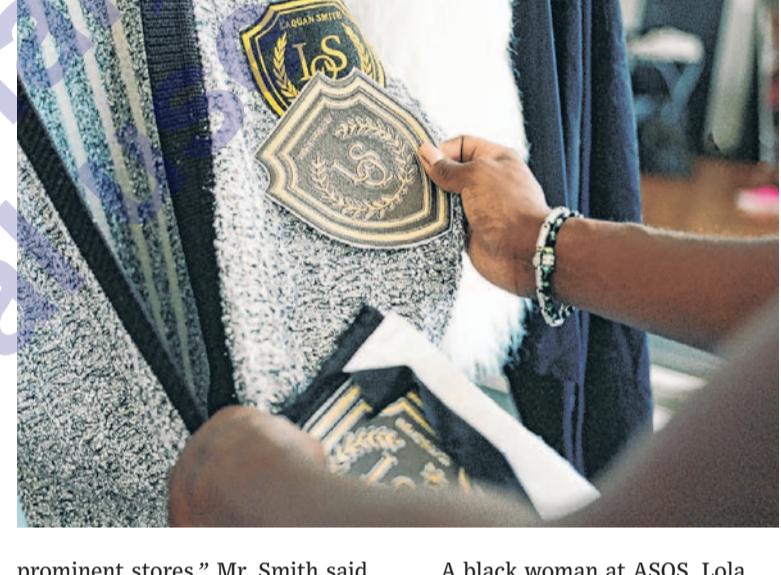
ANDREW D. WAGNER FOR THE WALL STREET JOURNAL (2); KEVIN MAZUR/GETTY IMAGES

Queens, although his design studio is in a hip area, not his childhood neighborhood. He says his grandmother taught him to sew and gave him his first sewing machine when he was around age 13. Rejected by both the Fashion Institute of Technology and the New School's Parsons School of Design, he began making clothes with no formal training. To show off his handiwork, he dressed female friends for parties. He also cold-called celebrities and stylists and in some cases delivered them clothes he had made.

In 2009, stylist Nicola Formichetti put his then-client Lady Gaga in a pair of Mr. Smith's leggings—and the singer was photographed in them. The following year, at age 21, he started to show his collections during New York Fashion Week. More celebrities took notice, including Jennifer Lopez and the Kardashian sisters.

Online sales have been encouraging, but opening his own store remains a dream. "As a black designer, that has been the most difficult thing, cracking into the retail space," he said. Despite high-profile fans and early champions like "Vogue" contributing editor André Leon Talley, major U.S. retailers haven't bitten.

"I would have thought by now I would have been sold in a few



prominent stores," Mr. Smith said. "They're coming to the shows. I'm not picked up, for whatever reason. There's a misunderstanding or uncertainty."

Mr. Smith dresses black celebrities and casts lots of black models in his fashion shows. But he never signaled that white women weren't welcome and resists being pigeonholed as "urban" or "street." Retailers abroad, including Selfridges in the United Kingdom and LuisaViaRoma in Italy, have been more receptive, he said.

A black woman at ASOS, Lola Okuyiga, played a key role in the collaboration. Ms. Okuyiga was a buyer for ASOS when she saw Mr. Smith's collection in Paris last year, he said, and expressed interest in working together.

While Mr. Smith said he wants respect "for being a designer, not just a black designer," he believes the industry has a long way to go on inclusion.

"If I can contribute to make some change," he said, "then I'm all for that."

BOOKS

GRAPHIC NOVELS GET NEW RESPECT

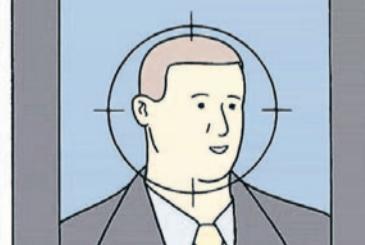
BY ELLEN GAMERMAN

"SABRINA," the first graphic novel to make the longlist for Britain's prestigious Man Booker prize, is everywhere in book conversations this summer—and almost nowhere on shelves.

"Everything in our warehouse is now gone," said Peggy Burns, publisher of Drawn & Quarterly, which released the graphic novel by Nick Drnaso in the U.S. and Canada in May. Following the July announcement that "Sabrina" was one of 13 titles in contention for the 2018 Man Booker, it sold out at many bookstores. It won't be back in stock until mid-August.

The recognition for "Sabrina," a chilling story of a murdered woman and a media campaign that denies her death—a work treated with reverence by members of the comics community—is one of several milestones graphic novels have reached in recent months.

"The Adventure Zone," a graphic novel based on a podcast that features a father and his grown sons playing Dungeons & Dragons, just debuted at the top of the New York Times paperback trade fiction bestseller list, a category driven by less expensive versions of hardcover books. Tillie Walden's "Spinning," a figure-skating coming-out story from a Mac-



'Sabrina,' praised for its powerful storytelling, sold out after the July announcement that it was in contention for Britain's Man Booker prize.

millian imprint, recently won the comics industry's Eisner award for reality-based work—what some industry veterans consider an accomplishment for a nonfiction work with a strong literary bent.

"There's more awareness for graphic novels than there ever has been before," said Gina Gagliano, publishing director of Random

House Graphic, a new graphic-novel imprint for children and teens founded this spring. She added that recent successes "really have the power to change the landscape for the adult literary graphic novel."

But the format isn't without challenges. In 2017, sales of adult graphic novels dropped to 11.3 mil-

lion copies from 11.9 million sold in 2016, according to NPD BookScan. Last year lacked a runaway hit graphic novel for adults, which can have an impact on overall annual sales, Ms. Gagliano said.

Eric Stephenson, publisher at Image Comics, said the graphic-novel market is rearranging itself. "There was a point not too long ago when the market for graphic novels was split between superheroes and more-literary work, but there's a great deal of space in between and we're seeing more and more material that occupies that middle ground," he said.

The demographics of the readers and writers are changing, said Karen Green, curator of comics and cartoons at Columbia University. "You've got more cartoonists coming up who are looking for things that are more challenging, I would say more literary," she said, adding that the audience for superhero comics now often skews much older.

Children's and young adult graphic novel sales continue to grow, climbing to 7.2 million in 2017 from 5.8 million copies sold the previous year, according to NPD BookScan. In the fall, publishers will release graphic adaptations of books regularly taught in schools: Anne Frank's diary and Harper Lee's "To Kill a Mockingbird."

Notable fall releases for older

readers include Carolyn Nowak's "Girl Town," a story collection featuring a wounded young woman who purchases a life-sized robot boyfriend in its cast of characters. "Drawn To Berlin" by Ali Fitzgerald is a nonfiction graphic novel that tells the stories of refugees in a German shelter.

In 2017, "My Favorite Thing Is Monsters," a noir story set in 1960s Chicago by debut graphic novelist Emil Ferris, won wide praise for its originality. Ms. Ferris, who was 55 years old when the book came out, was paralyzed at age 40 after contracting the West Nile virus but regained the use of her drawing hand.

"If you're a cartoonist, you're not ostracized from the club of real artists anymore," said Art Spiegelman, whose Holocaust narrative "Maus" in 1992 became the first graphic novel to win a Pulitzer prize. He called the Man Booker nominee "Sabrina" a "zeitgeist net" that captured a charged moment in America.

When "Sabrina" arrived at Drawn & Quarterly, editors at the Montreal publisher praised its spare writing, muted color palette and unrelenting sense of loss. It is the first full-length graphic novel by Mr. Drnaso, a 29-year-old cartoonist from Palos Hills, Ill., who discovered comics while a student at Columbia College Chicago.

LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

Surf's Up—On a Wisconsin Lake

How a Chicago executive got devoted to wakesurfing behind a boat as a low-impact way to keep feeling the rush on the water

MOST ADULTS give up youthful sports like skateboarding because their bodies can't bounce back from the inevitable falls. A particularly bad spill seven years ago convinced Marc Lifshin to retire his wakeboard.

But he wasn't ready to give up water sports. Mr. Lifshin, now 40, embraced wakesurfing. Unlike wakeboarding, where a rider is strapped onto a short board and pulled behind a boat at speeds of up to 20 mph, wakesurfing allows the boat and rider to go slowly enough to make wipeouts easier on the body.

Mr. Lifshin is a Chicago-based managing partner of Core Spaces, a real-estate company focused on housing for college students. He spent childhood summers on Geneva Lake in Wisconsin, where he now owns a second home. He bought a wakesurf-specific boat that has an inboard motor with the propeller tucked away from the surfer. Onboard mechanisms pump water into ballast tanks that weigh down the boat and augment the wake. This creates a small wave, like a surfer would ride in the ocean.

Mr. Lifshin likens wakesurfing to a "lazy man's ocean surfing," since you don't have to paddle or pop up on the board. A surfer starts in the water with his heels on the board and uses a tow rope to get up and onto the board. The surfer releases the rope once into the wave. "Not being attached to a rope and board takes away a lot of injury potential," he says. "The whip effect of the rope can leave you with a concussion, even with a helmet on."

He calls wakesurfing a rare opportunity to zone out and decompress. "It's like my reset button ahead of the workweek," he says.

The Workout

Mr. Lifshin wakesurfs from April to October. He tries to work from



Marc Lifshin, a real-estate executive, spends summer weekends wakesurfing on Geneva Lake in Wisconsin. His surf buddy, Jay DiPrizio, drives a boat, below, that creates a surfable wave for Mr. Lifshin to ride behind.

the lake on Fridays to give him a third day on the water each week. For the past three years, he and a friend have flown in professional wakesurfer Noah Flegel to teach them new tricks. "We started with perfecting the basics, like getting up and riding. But now we're working on carving, spins, and jumps," he says.

Mr. Lifshin says wakesurfing is a great cardio workout, but also hits muscles he doesn't work in the gym. "Riding the board requires a lot of muscle endurance, as well as balance and flexibility," he says. He believes yoga complements his surfing. He takes a 60-minute hot yoga class two days a week and warms up with yoga

stretches before he surfs. "I used to be the guy who could jump into any activity cold. But I think the stretching helps me avoid pulled muscles," he says.

Mr. Lifshin runs 5 to 7 miles outside a few days a week. He urges colleagues to use their lunch hour to work out. "Days of the long business lunch are gone," he says. He leads by example. Three days a week he does a 45-minute HIIT workout at the gym during his lunch hour. He works out at Strive Village in downtown Chicago, where he works two-on-one with a trainer to do drills using ladders, ropes and weights. He belongs to a men's soccer league, but admits he only makes 20% of games due to work travel.

Keep These Things In Mind if You Try Wakesurfing

The slow speed and low impact of wakesurfing makes the sport accessible to those hesitant to try more intense water sports, says Sean Cummings, a San Jose, Calif.-based professional wakesurfer sponsored by Victoria Wake.

"It's also more interactive," he says. "When you wakeboard, the tow rope is far behind the boat. With surfing, you're close enough to talk to people on the boat."



He calls the sport a full-body workout. It particularly works the core, quads, calves, ankles and the tiny muscles of the feet. He says it's important to have a Coast Guard-approved life jacket that allows you to float as you position your heels on the board, knees bent, toes facing up. You hold the tow rope between your legs and as the boat creates tension on the rope, the board will flip up to your feet, he says.

Once the board is flat under your feet, stand slowly and use the rope to bring the board into the wave. You'll know you can let go when the rope slackens. Your back foot acts like the brake and your front foot, the gas, he says. "A lot of people forget to use their arms," he says. "You want to keep them up to help distribute your weight." If you fall, cover your head to protect it from the board, he says.

The Gear & Cost

Mr. Lifshin surfs in Vuori board shorts (\$68). He wears a Hurley wetsuit in cooler months (\$210). His Ronix life jacket cost \$150. He owns a Hyperlite Hi-Fi wakesurf board (\$700) and a Ronix Koal Thruster Technora wakesurf board (\$700). Wakesurf-specific boats sell for \$50,000 to \$180,000. Mr. Lifshin and a friend pay Mr. Flegel \$1,000 for private lessons, plus his airfare.

The Playlist

Mr. Lifshin loves surfing to music. "We're on the water as early as 5:30 a.m., so we at least wait until 7 a.m. to start the tunes," he says. Favorite artists include Kygo, Beastie Boys and the Gaslight Anthem.

DARREN HAUCK FOR THE WALL STREET JOURNAL



FILM REVIEW | By Joe Morgenstern

'NICO, 1988': HEROIN AND HEROINE

'AM I UGLY?' the heroine of "Nico, 1988" asks a man who has come into her life. "Yeah, really," he replies. "Good," she says. "I wasn't happy when I was beautiful." A couple of decades earlier she was gorgeous, and famous—a Warhol superstar, a model and a singer with the Velvet Underground. Now, pushing 50 when the story begins in 1986, she's a smoking, boozing, shooting-up ruin. Yet the star of Susanna Nicchiarelli's freely fictionalized biopic, Trine Dyrholm, finds fierce beauty in the woman Nico has become. I've never seen a performance quite like it—unsparingly harsh, but also graceful, droll and tender, a portrait of soul-weariness laced with a yearning for salvation.

In other hands this might have been one more junkie saga, focused on a down-and-out musician during one last dreary tour, flogging an album that no one wants to buy. Happily it is not, though happiness isn't part of the picture when we meet Nico—who was born in Germany in 1938 as Christa Päffgen—at the start of her tour in Manchester, England. The city, she says dryly, reminds her of bombed-out Berlin after World War II. (The film makes no mention of Nico's notorious racist and anti-Semitic

outbursts.) She injects heroin matter-of-factly in front of her earnest handlers. Her singing voice is shot, its lower register totally blown out, and the songs she croaks are colored by the gloom that made her a weird force in her heyday. Yet she's a commanding presence on stage, whether or not she's awful, and there's a point in the tour, a far cry from awfulness, when her gloom blossoms forth into glorious rage and Nico is suddenly, and transcendently, powerful.

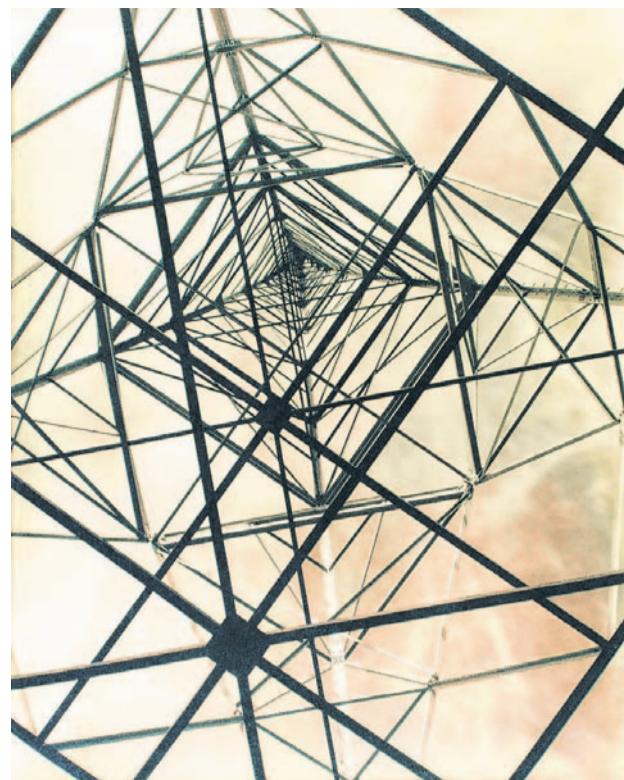
"Nico, 1988" has a lot to say about transcending self-destructive urges, even when the destruction seems almost complete. Poetry lurks beneath the surface of Ms. Dyrholm's unforgettable interpretation, and behind the grittiness of Ms. Nicchiarelli's production, one of whose salient strengths is Crystal Fournier's cinematography. Nico travels with a tape recorder, pointing the microphone at such odd sonic sources as a boarding-house water heater. She's always searching for a certain sound, she explains: "The wind carried it. It was the sound of Berlin being bombed. It was the sound of defeat." This is a tough film and a fine one. If you listen carefully, some of it sounds like hope.



Trine Dyrholm, center, in the title role of this biopic that finds startling ferocity in the singer toward the end of her life

MAGNOLIA PICTURES

LIFE & ARTS



Maya Rochat's 'A Rock Is a River' (2018), left, and Margaret Bourke-White's 'NBC Transmission Tower' (c. 1934), above

ART REVIEW

Camera and Canvas, Together

Tate Modern's new exhibition presents over 300 photographs, along with paintings and sculptures for comparison, to explore the medium's avant-garde ambitions

BY PETER PLAGENS

London

PHOTOGRAPHY was invented to be representational. In 1844 William Fox Talbot, one of the very first photographers, called the medium "the pencil of nature." He meant that light—bouncing off objects in the outside world, then coming through a lens and falling on a photosensitive surface capable of preserving the resultant image—could make a more accurate and detailed "drawing" than any traditional draftsman could fashion by hand. Paul Delaroche, a realist French painter of the time, supposedly said upon seeing his first photograph, "From today, painting is dead."

Not so fast. Shortly after photography was born, painting started on a revitalization path taking it gradually toward abstraction: Manet to Monet to Cézanne to Cubism and Kandinsky. Meanwhile, several photographers, whether to keep up with painting, or just to fool around with something new, began taking their own medium into abstraction. The stated purpose of Tate Modern's new exhibition "The Shape of Light" is to "explore photography in relation to the development of abstraction," from the experiments of a hundred years ago to the "digital innovations of the 21st century." To do this,

the exhibition hangs more than 300 photographs on its walls "side-by-side with iconic paintings and sculptures" by the likes of Braque, Mondrian, Brancusi, Miró, Pollock and Bridget Riley. ("Side-by-side" is a bit of a stretch, since there are fewer than 20 nonphotographic works of art in the show.)

So how does a photograph get to be abstract? Up until our day, when much of the darkroom has disappeared into the computer, there were four basic approaches. The first was to get so close to the subject that its image became well-nigh unrecognizable, as in Paul Strand's

Photography struggles to compete with other forms when it comes to abstraction

1916 "Abstraction," a picture of parts of bowls. The second involved getting as far away from the subject—preferably overhead—as the photographer could, as in "From the Radio Tower, Berlin" (1928) by László Moholy-Nagy. Then there's the odd-angle view, as with Margaret Bourke-White's "NBC Transmission Tower" (c. 1934), where the photographer looks straight up through a

skeletal structure normally seen from the outside.

Finally comes eliminating the camera itself. This involved making "photograms" by placing objects directly onto sheets of film and shining a light down on the assemblage (Man Ray called his "Rayographs"), or going hog-wild with chemicals in the darkroom. As for manipulating pixels on a computer, there is "A Rock Is a River" (2018) by Maya Rochat. It's the final work in the exhibition—one exits through it—combining what might be called interstellar-gasmic wallpaper with framed rectangles of much the same mounted on it, all garnished by patterns of flickering light coming from an overhead projector.

With Ms. Rochat's photodelirium, "The Shape of Light" goes right off the rails. Not that it was ever firmly on track to begin with. Most of the photographs in the show are black and white and—especially compared to even the modest-sized paintings present—small. In such quantity and company, the photographs are tedious viewing. At Tate Modern on a crowded summer day, I saw person after person step close to peer at one of the little gray things for half a second, then retreat, puzzled at what was supposed to be so visually arresting about that, before trudging on to the next one. For museums, the inconvenient

truth is that pioneering photographic abstraction is much better as lap material—finely printed on thick coated stock in a book—than as stand-and-view gallery fare in hundreds of examples.

When it's abstract, or close to it, photography is a poor stand-in for painting. Its surface—utterly flat, usually with a dull semigloss

finish—is too bland to be interesting. Tethered to the camera, abstract photography seems tepid and tame even compared with, say, equally flat silkscreen prints by abstract painters. Unfortunately for the photographs, the paintings in "The Shape of Light" blow them out of the water. Vaudevillians were always advised never to work with children or animals; photographers who work in abstraction should take the same advice about paintings.

Some photographs have been unfairly dragged into the service of the exhibition's theme of photography pursuing abstraction. Ed Ruscha's aerial views of Southern California parking lots, with their painted herringbones designating individual slots, are social criticism (in this case, of automobile-caused land waste), and not, as the curators would have it, a kind of abstraction. Ruscha took the same quietly hilarious tack with gas stations, swimming

pools, garish stucco apartment houses, and bogus real-estate "opportunities" way out in the desert. His is deadpan, tongue-in-cheek, and affectionate social criticism from an Oklahoman who came to L.A. to study art and fell in love with the place.

"The Shape of Light" would have made a great book because its subtitle, "100 Years of Photography and Abstract Art," is a story that needs to be told. But the show's catalog, while graphically concise and rhetorically sophisticated, is not the grand tome the topic requires. Perhaps any equivalent survey on the walls of a museum as vast as Tate Modern would fail, as "The Shape of Light," alas, does.

The Shape of Light: 100 Years of Photography and Abstract Art

Tate Modern, through Oct. 14

Mr. Plagens is an artist and writer in New York.



THE GREATEST LEROY NEIMAN



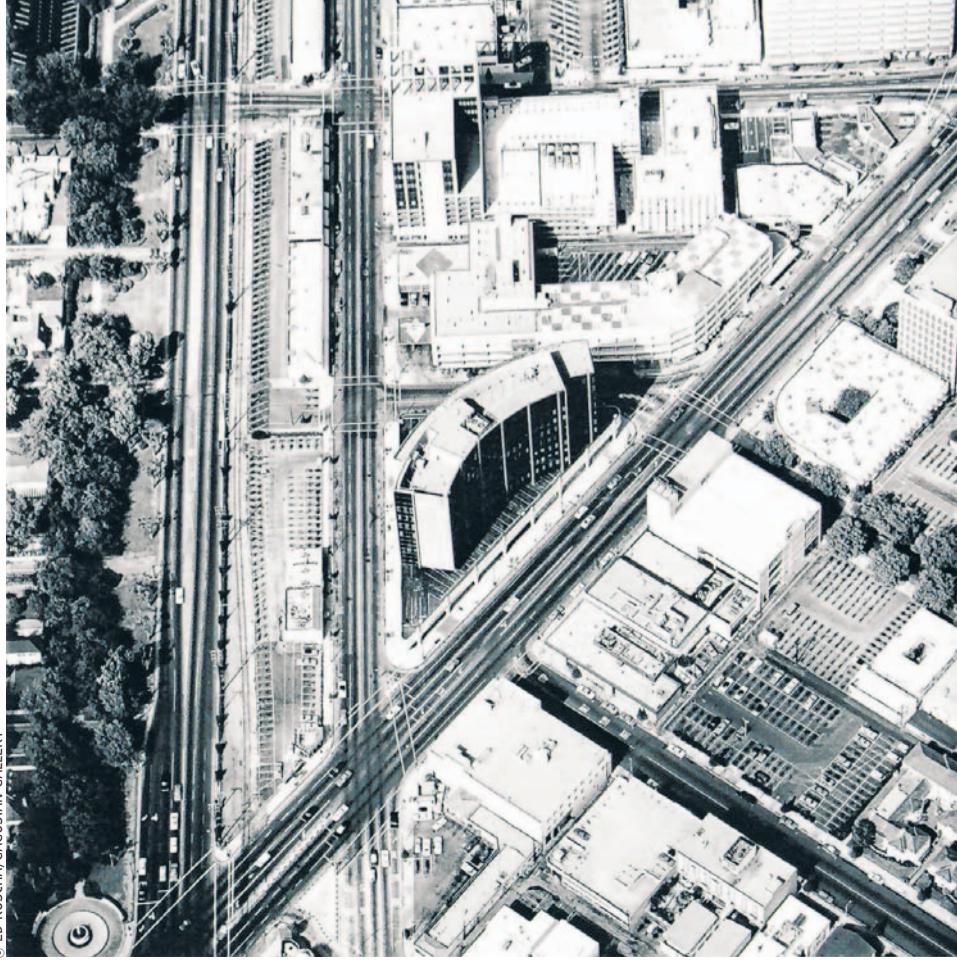
Legendary fight. Leading American painter. Unique opportunity. LeRoy Neiman, one of America's most popular and well-known artists, captures one of the greatest sporting events in history - the Rumble in the Jungle. Unusual for Neiman and utterly fascinating, the work displays a dramatic yet cohesive montage, composed with multiple "scenes"

from the critical eighth round. From the detail of Ali's right jab, to Foreman's sweat spinning in the air as he reels from the punch, the work captures both passion and power. Signed and dated 1974 (upper left). Canvas: 37" h x 49" w; Frame: 44³/₁₆" h x 56¹/₄" w. #30-8015

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Edward Ruscha's 'Intersections of Wilshire and Santa Monica Blvds.' (1967, printed 2013)

SPORTS

SOCCER

Women's Soccer Aims to Raise the Bar

Despite growing pains, the National Women's Soccer League has seen growth in salaries and interest

BY RACHEL BACHMAN

The best American women's soccer players lead a shocking double life.

On the U.S. national team they play before tens of thousands of fans, and millions more watching on TV—the 2015 Women's World Cup final was the highest-rated soccer game in U.S. history. But in professional-league play, many of those same athletes compete on high school fields and launder their own dirty gear.

The nine-team National Women's Soccer League is trying to change that. In the middle of its sixth season, the NWSL has lasted twice as long as either of its two predecessors. Salaries are inching up, fan support is growing and, most noteworthy, more owners are investing in facilities and operations.

"It's a high-caliber, professional soccer product," said Merritt Paulson, owner of the NWSL's Portland Thorns. "It's not a niche product. It's not charity work where you're making an altruistic gesture for gender equity. It's something that there's a real market for."

There are growing pains. The New Jersey franchise, whose main owner is New Jersey Gov. Phil Murphy, has been blasted recently for subjecting athletes to substandard conditions. Attendance across the league is growing, but is still closer to minor-league baseball than any major league. Player salaries are trending up, too, but some might be mistaken for a fast-food worker's paycheck.

Portland is the NWSL's flagship, its attendance of more than 16,000 a game bolstered by a growing, soccer-loving area. The Thorns enjoy equal billing at their stadium with the Portland Timbers, the 2015 Major League Soccer champions, and had similarly bedazzled rings made when they won the NWSL title last season.

The Thorns are turning a profit, Paulson said, and a few other NWSL teams are close to breaking even, league officials say.

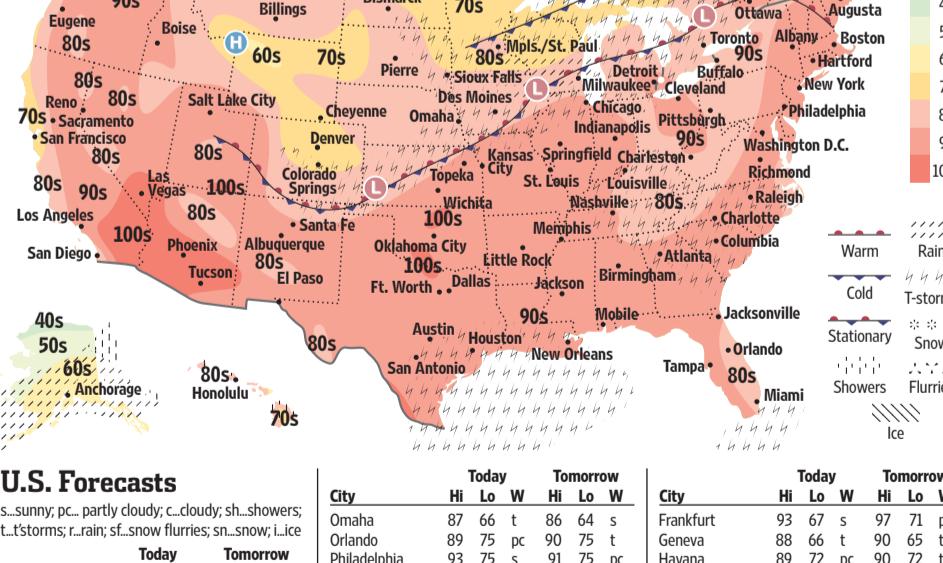
The league's newest owner is Dell Loy Hansen, a real-estate developer who took control of the folded Kansas City team late last year. He rechristened it Utah Royals FC and relocated it to Rio Tinto Stadium in suburban Salt Lake City, where his Real Salt Lake team plays.

Hansen has become an unabashed evangelist for women's soccer, hiring former Arsenal women's coach Laura Harvey and spending \$1.2 million to build the Royals a locker room.

"The women don't fall down on the ground and roll around like Neymar," said Hansen, who has seven daughters. "Men whine."

Weather

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	86	63	s	90	69	pc
Athens	89	75	pc	93	75	s
Baghdad	114	84	s	109	83	s
Bangkok	90	80	sh	91	79	t
Beijing	89	79	c	88	77	s
Berlin	83	64	s	93	73	s
Brussels	91	64	s	93	69	pc
Buenos Aires	63	48	p	64	49	pc
Dubai	105	92	s	105	92	pc
Dublin	70	53	c	64	49	pc
Edinburgh	68	52	c	65	49	c



The defending NWSL champion Portland Thorns, below, boast an attendance of more than 16,000 fans a game, above, bolstered by a soccer-loving area.

Women just take the bump and get up and go."

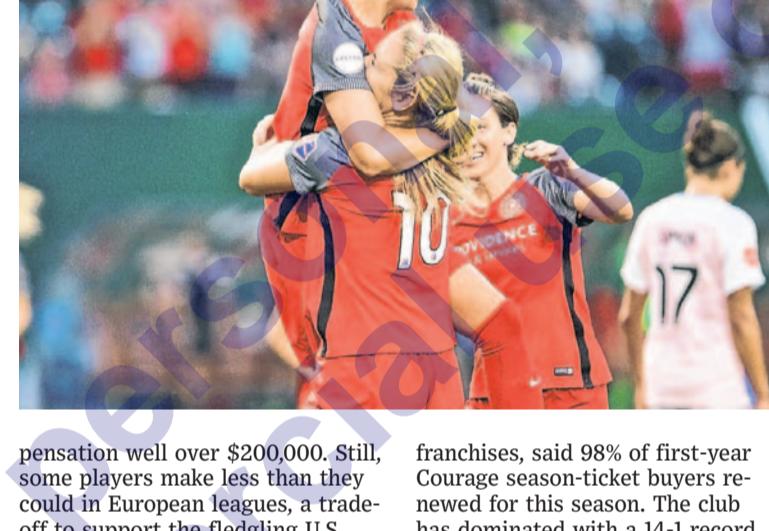
Despite having little time to promote before the season, the Royals draw more than 9,000 fans a game, helping lift the NWSL average to an all-time high of 5,792 through the season's first half.

Veteran defender Ali Krieger of the NWSL's Orlando Pride praised team owners for treating the Pride the same as the city's MLS club. "Whatever the guys get, we get," she said, including prepared meals at the training center and a traveling massage therapist.

"I think as the new owners have come in, they've increased our level of stability and long-term viability," said Amanda Duffy, NWSL managing director of operations. The Chicago-based league is a few blocks from U.S. Soccer headquarters, and the federation provides central staff and organization for the NWSL—a key difference from previous women's leagues, which were more independent.

Most NWSL players make \$15,750 to \$44,000—parity by pro-athlete standards but improving. The minimum salary more than doubled after the league in 2017 signed a three-year media-rights deal with A+E, which broadcasts a Saturday game of the week on the Lifetime channel.

The U.S. Soccer Federation funds at least 22 players per season who also are on the national team, boosting their annual com-



pensation well over \$200,000. Still, some players make less than they could in European leagues, a trade-off to support the fledgling U.S. league that boasts stars like Alex Morgan and Megan Rapinoe, plus top international players like Australia's Sam Kerr and Brazil's Marta.

Most thriving NWSL teams share facilities and some staff with a men's pro franchise, helping keep costs down. The North Carolina Courage, which relocated from western New York in 2017, plays in the same suburban-Raleigh stadium as men's franchise North Carolina FC of the second-tier United Soccer League.

Steve Malik, who owns both

franchises, said 98% of first-year Courage season-ticket buyers renewed for this season. The club has dominated with a 14-1 record with four draws at the midseason break.

"I have a strong belief that this league is going to be the equivalent to the English Premier League in terms of the women's game," Malik said. "I'm certainly willing to make investments to help us get to that point. But certainly, we have a ways to go."

Indeed, Sky Blue FC, which plays home games at the Rutgers University soccer stadium in Piscataway, N.J., came under fire recently for poor conditions. Players told two soccer websites about shoddy

housing, facilities without showers and unresponsive management.

One report said that Sky Blue player Carli Lloyd, who scored a hat trick in the U.S.'s 2015 World Cup final win over Japan, took post-practice ice baths in a trash can. Lloyd declined to comment about the NWSL.

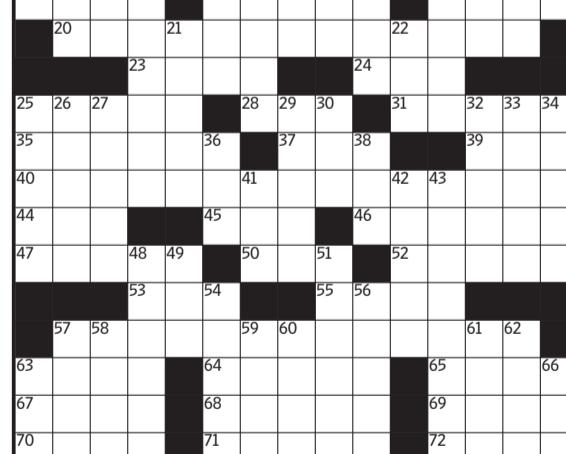
Sky Blue's main owner, New Jersey Gov. Murphy, called the conditions "not acceptable." A statement from Sky Blue CFO Mary Smoot said management is "committed to providing our players with the full support and resources they need to succeed both on and off the field."

Rapinoe, the U.S. national team star who plays for the NWSL's Seattle Reign FC, said there are "still a few franchises that probably, frankly, have to get lopped off, and a few other ones have to come in. I think that's kind of the point we're at. There's quite a few franchises that are very strong and have definite staying power, for sure."

Hansen of the Utah Royals sees in the NWSL an upward trajectory similar to what's happened in MLS. He said he paid a \$7 million franchise fee to launch Real Salt Lake in 2005; the most recent MLS franchise fees, for Cincinnati and Nashville, were \$150 million.

"Our women are setting the standard in the world, and the world is watching," Hansen said. "I think if we settle for anything less than that, we're under-thinking the moment that's been given to America."

The WSJ Daily Crossword | Edited by Mike Shenk



PUT 'ER THERE! By Andrea Carla Michaels

- Across**
- 1 "Sands of Iwo ___"
 - 5 Word before "naked" or "raving mad"
 - 10 Long, involved tale
 - 14 "Yeah, right!"
 - 15 Eagle's claw
 - 16 Jockey's tool
 - 17 Tapestry setting
 - 18 Follow as a result
 - 19 Give an audience to
 - 20 "Put 'er there!"
 - 23 Cash register drawer
 - 24 Not the sharpest knife in the drawer
 - 25 "Rob Roy" writer
 - 28 Spot for a ring or stud
 - 31 Fruit with a pit
 - 35 Fighting words
 - 37 Lobbying org.
 - 39 Aussie hopper
 - 40 "Put 'er there!"
 - 44 Gun lobbying org.
 - 45 Beach ball fill
 - 46 After-hours store sign
 - 47 Outrageously unconventional
 - 48 Gun lobby
 - 49 Gun lobby
 - 50 Mom, pop and school org.
 - 51 "Good heavens!"
 - 52 Puccini creation
 - 53 Lyricist Gershwin
 - 54 "Cuchi-cuchi" entertainer
 - 55 Trucker's rig
 - 56 "Put 'er there!"
 - 57 Bonkers
 - 58 Beige
 - 59 Traffic jam sound
 - 60 Dancer Pavlova
 - 61 Notion
 - 62 Printed words
 - 63 Spot for a napkin
 - 64 Wedding vow word
 - 65 Genesis garden
 - 66 Hot, in a way
 - 67 Plot measure
 - 68 "Been there, done that" feeling
 - 69 "Rock of Gibraltar"
 - 70 More than drizzle
 - 71 Go around the rink
 - 72 Fill completely
 - 73 "Rock of Gibraltar"
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- Down**
- 1 Teeth holder
 - 2 "Good heavens!"
 - 3 "This Is Us" actor Ventimiglia
 - 4 Trembling with excitement
 - 5 Iron alloy
 - 6 A comb may undo one
 - 7 In addition
 - 8 Crushing defeat
 - 9 Work on dough
 - 10 Devious plot
 - 11 For a rectangle, it's length times width
 - 12 Drawn-out cry from a soccer announcer
 - 13 Spring mo.
 - 21 Curriculum
 - 22 Brief swim
 - 25 Attack, wasp-style
 - 26 "Cuchi-cuchi" entertainer
 - 27 Ballpark instrument
 - 29 Into pieces
 - 30 Competed in a marathon
 - 32 Greeted the day
 - 33 Shrink fearfully
 - 34 Maker of Pilots and Accords
 - 36 Darjeeling, for one
 - 38 Atlanta-based public health inst.
 - 41 In the know
 - 42 NFL replay aid
 - 43 Dazed and confused state
 - 48 Instrument played with a plectrum
 - 49 Hosp. sections
 - 51 Invite on a date
 - 54 Fireplace waste
 - 56 Hauntingly strange
 - 57 Bonkers
 - 58 Beige
 - 59 Traffic jam sound
 - 60 Dancer Pavlova
 - 61 Notion
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► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

Previous Puzzle's Solution

FARM	ASPS	TOWN
ERIE</td		

OPINION

The Rocky Path to a New Nafta

AMERICAS
By Mary Anastasia O'Grady

U.S. Trade Representative Robert Lighthizer told a Senate appropriations subcommittee July 26 that he and his Mexican and Canadian counterparts are in the final stages of a renegotiation of the North American Free Trade Agreement. "I think we're close to the point where we're going to have that finished," Mr. Lighthizer said.

To paraphrase Bill Clinton, that depends on what the meaning of "finished" is. If Mr. Lighthizer is predicting that Nafta 2.0 will be ratified by Congress before the end of this year, odds are he's overly optimistic.

The "trade promotion authority" Congress gives the president requires him to notify Capitol Hill of his intention to sign a deal 90 days before doing so. Even if all three parties agree on a revised Nafta by the end of this month, the signing ceremony would be in late November. What is more, the full text isn't likely to be available for at least a month after notification is given. And it couldn't go to Congress for a vote until the International Trade Commission releases a report on its economic impact, which can take up to 105 days from the release of the full text.

At that point debate on the contents of the new agreement

would begin. You do the math: There simply aren't enough pages left on the calendar to ratify a new Nafta in this Congress.

It's baffling why the Trump administration is raising expectations that it will soon end Nafta uncertainty when it must know it can't deliver. One theory is that it is part of an effort to increase pressure on Canada and Mexico for an August deal in principle, allowing the administration to claim success ahead of November's midterm elections. But that will still be a long way from completing a revised Nafta.

Last week Mexican Economy Minister Ildefonso Guajardo was in Washington to continue negotiations. Press reports citing unnamed sources said that the two sides were getting closer to an agreement on how to modify auto-sector "rules of origin," which dictate how much of a vehicle must be made in North America to qualify as duty-free when it crosses continental borders.

In May, Team Trump proposed a new North American content requirement of 75%, up from the current 62.5%. It also wanted a new requirement that 70% of the steel and aluminum in Nafta vehicles be North American and new wage regulations that would require 40% of the value of North American cars and sport-utility vehicles—and 45% of Nafta trucks—be produced by workers making between \$16 and \$19 an hour.

Mexico countered with 70% North American content, a 30% regional steel requirement and 20% regional aluminum. Market-based labor rates are important for Mexican competitiveness, but Mexico showed flexibility by proposing \$16 an hour for 20% of the value of vehicles it makes. The U.S. rejected that offer. Now the two sides are trying to find middle ground.

The window of opportunity to ratify a revised agreement this year has closed.

Meanwhile, people familiar with the matter say that negotiations on many other chapters expected to be included in a new agreement (e.g., intellectual property) still aren't finished. Canada hasn't been part of talks in recent weeks, though Mr. Guajardo said last week that his negotiations are based on a trilateral agreement.

Mexican President Enrique Peña Nieto will turn the presidential sash over to President-elect Andrés Manuel López Obrador on Dec. 1. Word has it that Mr. Peña Nieto wants to sign the renegotiated deal before he leaves office. He and Mr. Trump are helped by the stated support of Mr. López Obrador—who is focused largely on avoiding anything that would spark a sell-off of the peso—for

completing the negotiations during this government.

With the 90-day window closing, Mr. Peña Nieto may be more amenable to U.S. demands. But Mexico isn't without leverage. Trump trade wars haven't been popular among Republicans in Congress and in the heartland. With the midterm elections looming, Mr. Art of the Deal needs to show that he can close, which means the U.S. also has to show flexibility.

Mexico and Canada reject the U.S. proposition of a five-year sunset clause, and both are adamant about protecting key aspects of the existing agreement. That includes Chapter 19, which provides a mechanism for Nafta partners to challenge antidumping and countervailing duties. Most analysts expect Mexico and Canada to hold their ground on these issues for reasons of domestic politics and economics.

Yet Mexico and Canada don't have an easy path. If they bend too much to Mr. Lighthizer's demands, the deal could damage continental competitiveness. But it also has to be politically viable in the U.S. If Democrats get control of the House in November, Mr. Peña Nieto and Canadian Prime Minister Justin Trudeau could wind up signing an agreement Democrats refuse to ratify. Remember when Nancy Pelosi put George W. Bush's U.S.-Colombia Free Trade Agreement in a drawer? How Mr. Trump would respond to that is anybody's guess.

Write to O'Grady@wsj.com.

BOOKSHELF | By Allan Massie

A Tory In His Prime

Lord Liverpool: A Political Life

By William Anthony Hay
(Boydell Press, 338 pages, \$80)

Robert Banks Jenkinson, second Earl of Liverpool, was prime minister of Great Britain from 1812 to 1827. These were momentous years, encompassing the wars against Napoleonic France, radical agitation, renewed demands for Catholic Emancipation and calls for parliamentary reform. Only two British prime ministers—Robert Walpole and William Pitt the Younger—have had a longer unbroken tenure. What's more, Liverpool was at the heart of government for almost 20 years before becoming prime minister. Yet he is little remembered. Disraeli dismissed him as "the Arch-Mediocrity who presided, rather than ruled, over this Cabinet of Mediocrities," and the slur stuck.

It is the first great merit of William Anthony Hay's "Lord Liverpool: A Political Life" that it demonstrates the absurdity of Disraeli's judgment and restores Liverpool to his proper place in British political history. The subtitle is apt: Though

Liverpool had a happy, if childless, marriage, he occupied himself with little but politics from his early 20s.

One might say he was born into such a life. His father, Charles Jenkinson, had been a political man of business and parliamentary manager, sufficiently valuable to be raised to the peerage as a reward for his service. George III would look favorably upon his son. We should remember that, in the late 18th and early 19th centuries, the government was the king's in fact as well as in theory. If a prime minister required the support of a majority of the House of Commons, he equally owed his appointment to the king and could not long survive without his favor. Liverpool recognized this arrangement and rarely tried to force an unwelcome policy on the king.

There were great issues at stake throughout Liverpool's career, but, of necessity, much of Mr. Hay's narrative is concerned with the formation and reconstruction of governments. At the time, political parties were loosely held together by friendship and shared sympathies rather than by ideology or even a clear program. Governments often crumbled and had to be reassembled between elections. Mr. Hay, a professor of history at Mississippi State University, guides the reader engagingly through the political maze.

Still, it was war with France that dominated Britain's politics for more than 20 years. At the age of 19, the future prime minister was in Paris in the first weeks of the Revolution, a spectator at the storming of the Bastille. His prudent father thought that the revolutionaries, as Mr. Hay puts it, "would find it easier to destroy an old government than to form a new one." The experience of witnessing mobs in violent action, and seeing how fragile social order might be, would lead Liverpool to support Pitt's repressive measures in the 1790s, a response to the French-inspired radicalism stirring in Britain. Liverpool would act with the same harsh certainty as prime minister in the years of popular discontent after Waterloo.

At the age of 19, Britain's future prime minister witnessed the storming of the Bastille. He never forgot the fragility of social order.

As foreign secretary, Liverpool played a leading role in framing the Treaty of Amiens (1802), which aimed to end the hostilities between Britain and the French Republic. It is clear from his letters that he regarded this agreement with Bonaparte, who was the Republic's first consul, as a truce rather than a settlement. Normally mild in manner, Liverpool was a hawk in his dealings with France. In general, Mr. Hay subscribes to Liverpool's view that Napoleon's ambition was insatiable. One might argue that Britain—by organizing coalitions against France while imposing a naval blockade and assuming the right to search and detain ships from neutral nations—was also a great disturber of the peace. In any case, Liverpool called for harsh treaty terms with France at the end of the Napoleonic Wars. He lost the argument in 1814, but the Treaty of Paris in 1815 was closer to the rigor he had called for.

Liverpool's government was conservative, more attentive to maintaining order than addressing grievances. Romantic liberals like Byron and Shelley regarded it with disgust, though their particular ire was directed at ministers like Lord Castlereagh, the foreign secretary. Liverpool himself was a humane man; nevertheless, he opposed the abolition of the slave trade, warning "that sudden change might bring a greater evil," as Mr. Hay writes. Besides, abolition would injure British property.

Liverpool set his face against Catholic Emancipation. As a young man he had opposed any such measure in deference to George III's belief that emancipation would violate the coronation oath, in which the sovereign pledges himself to the "reformed religion established by law." By 1825, Liverpool was saying that "Catholics were not entitled to equal rights in Protestant country," adding that they enjoyed "more civil and political liberty than the Protestants residing in any Catholic state in Europe."

Likewise he resisted demands for sweeping parliamentary reform while being willing to approve modest adjustments. By balancing "monarchical, aristocratic, and democratic elements," Mr. Hay notes, the British constitution had "secured ordered liberty while avoiding the extremes of absolutism or radical democracy." But it was necessary to correct failings or abuses—ideally by removing the grounds on which others might demand more drastic change. A true conservative, Liverpool recognized that, as Tancredi says in Lampedusa's novel "The Leopard," there were times when "things have got to change if we want them to remain the same."

If Liverpool became almost the forgotten prime minister, despite his achievements and the length of tenure, one major reason is the Reform Act of 1832 and the concurrent growth in importance of manufacturing and commercial interests. Prime ministers would soon owe their position to the electorate and the House of Commons rather than the crown. By heading what Mr. Hay calls "the last great eighteenth-century administration in structure," while grudgingly recognizing the changing temper of the post-Napoleonic world, Liverpool prepared the way for developments that, in a few years, saw him relegated to the lumber room of history.

Mr. Massie is the author of "The Royal Stuarts: A History of the Family That Shaped Britain."

The Organic Industry Is Lying to You

By Henry I. Miller

In the mold of "Mad Men's" Don Draper, clever ad execs know a thing or two about manipulating consumer ignorance, confusion and even fear to sell a product.

Nowhere is this truer than modern food advertising, where dubious health claims and questionable scientific assertions abound. The Food and Drug Administration is supposed to police such deceptive practices, as it sometimes does with ridiculous zeal: Witness the FDA's warning letter sent to a Massachusetts bakery for including "love" in its ingredient list.

But when it comes to the \$47-billion-a-year organic industry, the FDA gives a complete pass to blatantly false and deceptive advertising claims. Consider the Whole Foods website, which explicitly claims that organic foods are grown "without toxic or persistent pesticides." In fact, organic farmers rely on synthetic and natural pesticides to grow their crops, just as conventional farmers do, and organic products can contain numerous synthetic as well as natural chemicals. As observed by UC Berkeley biochemist Bruce Ames and his colleagues in 1990, "99.99% (by weight) of the pesticides in the American diet are

chemicals that plants produce to defend themselves."

Pesticides are by definition toxic, and many organic pesticides pose significant environmental and human health risks. One is copper sulfate, a widely used broad-spectrum organic pesticide that persists in soil and is the most common residue found

Normally a strict regulator, the FDA gives advertisers a complete pass.

in organic food. The European Union determined that copper sulfate may cause cancer and intended to ban it, but backed off because organic farmers don't have any viable alternative.

In addition to blatant untruths, food marketers are masters at subtly misleading consumers. A favored technique is the "absence claim"—asserting a meaningless distinction between products in order to make them seem superior. Generally, the FDA comes down hard on such behavior. They would never allow an orange-juice producer to label its product "fat free," for example. To claim an absence of a certain ingredient,

there has to be a "standard of presence" in that product to begin with, and there is no fat in orange juice.

But Tropicana gets away with labeling its orange juice "Non-GMO Project Verified," and Hunt's labels its canned crushed tomatoes "non-GMO," even though there are no GMO (genetically modified organism) oranges or tomatoes on the market. In fact, absence claims about GMOs are never enforced: I was unable to find a single FDA warning letter or other enforcement action against deceptive "non-GMO" labeling.

The "Non-GMO Project" butterfly label emblazons more than 55,000 organic and nonorganic products on supermarket shelves today—many of which have no GMO counterpart or couldn't possibly contain GMOs. The clear purpose of these labels, as one peer-reviewed academic study found, is to "stigmatize food produced with conventional processes even when there is no scientific evidence that they cause harm, or even that it is compositionally any different." The labels and anti-genetic-engineering propaganda are effective. Another recent study found nearly half of consumers avoid GMO-labeled foods.

The FDA's inaction is all the more surprising inasmuch as it has published explicit guidance on this issue: "Another example of a statement in food labeling that may be false or misleading could be the statement 'None of the ingredients in this food is genetically engineered' on a food where some of the ingredients are incapable of being produced through genetic engineering (e.g., salt.)"

The FDA guidance goes even further. GMO absence claims can also be "false and misleading" if they imply that a certain food "is safer, more nutritious, or otherwise has different attributes than other comparable foods because the food was not genetically engineered." But this is exactly what Non-GMO Project butterfly labels are all about. Its website describes certain foods as being at "high risk" of "GMO contamination."

Giving the organic industry and others a pass to engage in such active deception undermines consumers' choice, erodes trust in the market, and rigs the game. Consumers need aggressive FDA action to curb these abuses and level the playing field.

Dr. Miller, a physician and molecular biologist, is a fellow at Stanford University's Hoover Institution. He was founding director of the FDA's Office of Biotechnology.

Pro Wrestlers Are Natural Republicans

By Michael Taube

Glen Jacobs, the WWE pro wrestler known as "Kane," was just elected mayor of Knox County, Tenn. A Republican with libertarian leanings, he received 66% of the vote, easily defeating Democrat Linda Haney.

For anyone who follows pro wrestling (disclosure: that includes me), the result isn't surprising. Mr. Jacobs is educated, intelligent and well-spoken. He's supported libertarian ideas for years, spoken at the Ludwig von Mises Institute and the Free State Project's New Hampshire Liberty Forum, and endorsed Ron Paul for president in 2008. In a Republican-leaning state like Tennessee, he was an entirely plausible political candidate.

Interestingly, media organizations are focusing more on Mr. Jacobs's status as the second WWE wrestler to hold elected office. The first was Jesse Ventura, who shocked the political world when he was elected governor of Minnesota in 1998.

More interesting is the long-standing connection between

pro wrestling and the GOP. Although Mr. Ventura ran as the nominee of Ross Perot's Reform Party (and later joined the Independence Party of Minnesota), and there are wrestlers/managers who generally favor the Democrats (Mick Foley, Jim Cornette, Dave Bautista), the majority of people associated with WWE either are or have been Republicans.

It's one of the most free-market-oriented industries anywhere.

The best-known is Donald Trump, inducted in 2013 into the WWE Hall of Fame. Linda McMahon, wife of WWE chief executive Vince McMahon, ran twice as a Republican Senate candidate in Connecticut, losing in 2010 to Richard Blumenthal and 2012 to Chris Murphy. Last year President Trump appointed her head of the Small Business Administration.

There's also former world champion Ric Flair, a longtime Republican donor who campaigned for Mike Huckabee's

Roger Stone as a possible GOP candidate in this year's Florida Senate race.

Should we be shocked that pro wrestling embraces the GOP? No. It's one of the most free-market-oriented industries in the world. Profit-generating pro-wrestling organizations like the WWE, the NWA, Impact Wrestling and Ring of Honor aren't unionized and have no plans to be. Pro-wrestlers work as independent freelance contractors, although they can be signed to multiyear deals. Many of them seem to support less government intrusion, private-sector initiatives, more individual rights and freedoms, and strong free-speech protections.

So Mayor-elect Jacobs's views and values fit rather well in both Republican Party politics and the WWE. Perhaps more pro-wrestlers will enter the political ring.

Mr. Taube, a Troy Media syndicated columnist and political commentator, was a speechwriter for former Canadian Prime Minister Stephen Harper.

OPINION

REVIEW & OUTLOOK

Harvard's Education in Discrimination

The Trump Administration in July withdrew Obama-era guidance that gave colleges a wink and a nod to racially discriminate. This means that colleges like Harvard that use racial preferences in admissions will receive more legal scrutiny, and the examination should be instructive.

Between 2011 and 2016, the Obama Education Department issued seven notices advising colleges how they may legally promote racial diversity. The 1964 Civil Rights Act prohibits racial discrimination by institutions receiving federal funds. But the Supreme Court has held that colleges may consider race in admissions as long it isn't the "decisive" factor. Quotas and point systems are forbidden.

The Obama department advised colleges to consider race as part of what it called an "individualized, holistic review of all applicants." Colleges also were urged to consider race-neutral alternatives, but that they need not be adopted if they are "unworkable." In other words, it's the thought that counts. Many colleges took the guidance as cover to discriminate.

Harvard's practices will be the first to be examined under this new spotlight. Students for Fair Admissions has sued the school for discriminating against Asian-American applicants and unconstitutionally favoring other minority groups. The case hasn't gone to trial, but the plaintiff group's legal filings based on discovery and depositions are revealing the secrets of Harvard's use of race.

Consider Harvard's "holistic" admissions review. Applicants are rated on a scale of one to six on academics, extracurricular activities, athletics and highly subjective "personal" criteria. Admissions officers also assign applicants an overall score.

According to Students for Fair Admissions, Asian-Americans boasted higher extracurricular and academic ratings than all other racial groups. They also received higher scores from alumni interviewers. But they were rated disproportionately lower on personal criteria. Only about one in five Asian-Americans in the top 10% of academic performers received a "2" personal rating. Yet blacks and Hispanics with much lower grades and SAT scores received high personal ratings.

Asian-Americans also disproportionately received lower composite scores. Blacks in the top 10% of academic performers were three times more likely than Asian-Americans to receive a "2" overall rating ("1" is the best). A sample of applicant summary sheets disproportionately refer to Asian-Americans as "busy and bright" and "standard strong"—labels that liberals might call micro-aggressions.

Following complaints of discrimination, Har-

A lawsuit is revealing the secrets of race in admissions.

vard's Office of Institutional Research (OIR) in 2013 produced three internal reports showing its admissions process was biased against Asian-Americans. Harvard disclosed the reports during discovery in the lawsuit. One report found that purely "demographic" factors reduced the share of admitted Asian-Americans by 30% while increasing the proportion of admitted Latinos by about 140% and blacks by 370%.

OIR shared its studies with Harvard administrators who did not ask the researchers questions, suggest further investigation or publish the findings. Were administrators unperturbed or merely uninterested?

By contrast, Harvard published a prescriptive report in 2015 to improve diversity on campus that suggested, among other things, changing objects in a classroom "from those that are conventionally associated with the dominant group to objects that minoritized subjects can better relate to." Minoritized?

The university also formed what appears to have been a Potemkin committee in 2017 to investigate "race neutral" alternatives. Its conclusion: Race-neutral alternatives were not "workable." The committee said Harvard "could not significantly increase its financial aid budget" to attract more minority applicants "without detracting from other commitments." If Harvard's \$37 billion endowment is insufficient, maybe it should stop wasting money on perfunctory studies.

Harvard denies that it discriminates and in a legal filing 10 days ago called the statistical analysis by Students for Fair Admissions "deeply flawed." Harvard said that "the work done by OIR employees was not intended to address whether Asian-American applicants were experiencing discrimination and did not answer that question." The school has so far resisted producing student essays and teacher recommendations that may shed more light.

The Supreme Court said in *Village of Arlington Heights* (1976) that an "invidious discriminatory purpose" may be gleaned from facially neutral policies—i.e., policies that don't discriminate explicitly—based on "the degree of disproportionate racial effect, if any, of the policy" and "the justification, or lack thereof" for the effect, among other things. And under the Court's *Fisher* decision (2013), colleges must demonstrate that their use of racial preferences is narrowly tailored to achieving the benefits of a diverse student body. On the evidence so far, Harvard has not done so.

Fisher is a constitutional muddle and a future Supreme Court should overturn it, but in the meantime it's the law. Harvard and other schools are now on notice that they may not discriminate on the sly.

Venezuela's Drone Attack

Venezuelan President Nicolás Maduro has many enemies, not least millions of Venezuelans who have endured the

Maduro blames all and sundry for an alleged assassination attempt.

criticized human-rights abuses in Venezuela, he has tried to get along with the Cuban-backed Maduro government, and he signed a peace agreement with the Cuban-backed FARC terrorists in Colombia. Mr. Santos issued an "emphatic denial" to the Maduro charges.

Mr. Maduro also blamed plotters living in Florida he didn't identify, which has the added benefit of dragging in the United States. But if this was an assassination attempt, the plotters are likely to be Venezuelans. With the help of Cuban intelligence, Mr. Maduro has hijacked elections and consolidated power. His price controls and property confiscation have led to food shortages, raging inflation and a human exodus.

The National Guard has remained loyal, but there have been reports of some military dissent. Whether the drone event was real or phony, the misery of Venezuelans seems destined to continue.

A Government Press Corps

The state of New Jersey may be broke, but its political class has found another worthy cause for tapped-out taxpayers to support: a government press corps.

New Jersey decides to subsidize journalists for local coverage.

Yes, in the name of "community" reporting, the titans of Trenton want to subsidize the press.

Officially the effort is called the Civic Information Consortium, and last month the Democratic legislature passed and Governor Phil Murphy approved \$5 million in funding. The consortium consists of five state universities—Rutgers University, Rowan University, the College of New Jersey, Montclair State University and the New Jersey Institute of Technology. Yes, Rutgers, which quivers at having conservative speakers, will be a free-press arbiter.

The consortium will use the money for grants supposedly to improve news coverage in communities deemed undeserved. The consortium will in turn be overseen by a 13-member board: two appointed by the Governor, two by the legislature, one by each university, and the other four drawn from community groups, media outlets and the technology industry.

The consortium is the brainchild of the Free Press Action Fund, a left-leaning organization whose other causes include pushing government regulation of the internet and fighting

media mergers such as the one between Sinclair Broadcast Group and Tribune Media. The Free Press didn't get anywhere near the \$100 million

it had proposed for the consortium in April 2017. But Free Press spokesman Mike Rispoli applauds New Jersey for doing what no other state has done and urges others to follow Trenton's lead. Don't be surprised if Democrats propose federal subsidies for local news if they win back the House in November.

The lack of local reporting is a growing problem as regional and local newspapers go out of business or lay off reporters. Some local web startups have tried to fill the gap, but it's not easy to find advertisers or get consumers to pay. Nonprofits might help, and in some places bloggers have done a commendable job. Other business models might emerge as technology and media change.

One certainty is that creating a government press corps isn't the answer. State capitals are notoriously corrupt, Trenton in particular, but it's doubtful that journalists whose grants ultimately depend on politicians will write hard-hitting stories embarrassing those politicians. Phil Murphy's community press corps is likely to devolve into a cheerleading corps for Phil Murphy's agenda.

LETTERS TO THE EDITOR

Steerage Passengers Fly Straight and Narrow

I am a 61-year-old grandma, daughter, sister and wife and read with disgust "Airline CEOs Try the Cheap Seats" (Life & Arts, July 25). I must fly frequently because my business is to spend time with beloved grandchildren, give aid to my aging and dying parents, and to hold the hand of a dear brother until he lost his battle with cancer. These past few years, I have dreaded these "business" trips.

I am 5'9" tall and weigh 150 pounds, yet I frequently share sweaty arms and thighs with my fellow passengers. I cannot cross or fully extend my legs. I don't eat or drink, for the purpose of not waking up my seatmates to visit the restroom. I must exercise all the self-control and constraint I can to remain calm. I cannot express how badly I "desire a different product," as American Airlines Chief Executive Doug Parker put it, but I fly on my own dime and don't have the means to pay for more space.

Something has to be done to stop the insatiable desire of more profits at the expense of us average people who cannot afford to fly comfortably. I know of no other reputable business that treats its customers as poorly as the airlines do.

ANN DICKSON
Bountiful, Utah

The pictures say it all with the executives sitting in an empty plane. Those guys might as well have been sitting at their desks in their offices. Next time, you should try fully loading the plane with today's typically frustrated travelers of all shapes and sizes carrying on board all kinds of oversize bags. Then they can sit together in that plane on the tarmac for an hour or two while no one is allowed to use the facilities. After all that, they can describe how comfortable their seats are to all of us.

MIKE SPIEGEL
Maryland Heights, Mo.

ALFRED SHEFFIELD
Tampa, Fla.

In defense of the airline CEOs, however unpopular tight seating may be, the big three legacy carriers are simply competing and responding to market demands. Ultra-low-cost carriers have been growing by leaps and bounds despite low customer ratings. Take a look at a seating chart—the unavailable, sold-out seats are always in the back. Premium seats are the last to fill up. Air travel is at or near the least-expensive point in history. In many cases, you can fly for less than you can drive. As with most things in life, you get what you pay for.

STEVE LAZZARI
Caledonia, Wis.

The front-page photo of Delta CEO Ed Bastian sitting in a middle seat inspired me to make a photo montage. I made two copies of your photo, cut out Mr. Bastian's new heads and pasted them on either side of Mr. Bastian in the original photo. The left Mr. Bastian and right Mr. Bastian are squeezing the middle Mr. Bastian. He will have to reduce his size for all three Mr. Bastians to sit comfortably.

ANN LAU
Torrance, Calif.

Peter Navarro Misses a Few Trade Principles

If White House trade adviser Peter Navarro (Letters, July 27) believes that the tariffs' impact will amount to a "rounding error," then why pursue them at all? What will their net job creation effect be in the U.S., after all is said and done and the impact of retaliations is taken into account?

Protective tariffs might work when a nation starts to industrialize, but they may be disastrous for an already industrialized country that is subject to rules embedded in a global trading system that can impose countermeasures.

Mr. Navarro and President Trump may also be looking at the wrong set of data for their trade policies. The performance of American corporations abroad might be a better indicator than trade balances.

Sales (and profit) of American corporations in China, especially in technology activities, have risen faster in recent times than those of either Chinese or European companies. Also, the market share of American corporations in China is almost double that of Chinese companies in the U.S. Chinese companies' presence in Silicon Valley seems insignificant, while the overall market share of foreign corporations in the Valley (Chinese included) amounts to less than one-fifth of the total.

Retaliation abroad in the form of barriers to American corporate investment and market reach could become very painful, with substantially negative effects for the American people and for stock markets.

EM. PROF. LUIS SUAREZ-VILLA
University of California, Irvine
Irvine, Calif.

protective jobs, thus restricting economic expansion.

Subsidizing or protecting low-efficiency jobs is self-defeating when the economy accelerates. In a booming economy, availability of low-cost imports enriches everyone. Then you don't need to negotiate tough deals; free trade benefits everyone. That is the fundamental economic principle Mr. Navarro is ignoring. Trade restrictions (or duties) deny us access to less-costly goods, hence our dollars are worth less.

President Trump's tough trade posture (China excepted because other issues are at stake) is eating into the superb economic gains achieved by the Trump administration through lowering tax rates and relieving the stifling regulatory constraints.

JOHN S. THOMAS
Bradenton, Fla.

A considerable share of Chinese exports to the U.S. is conducted as part of the global supply chains of American multinationals. The actual domestic Chinese value added in the statistically recorded trade surplus is only about \$251 billion. America has a \$40 billion trade surplus in services. U.S. multinationals (Ford, Nike, Apple, Starbucks, etc.) located in China annually sell a total of \$220 billion of their products manufactured there to domestic consumers. Finally, America has a trade surplus of about \$30 billion with Hong Kong, much of which is re-exported to mainland China.

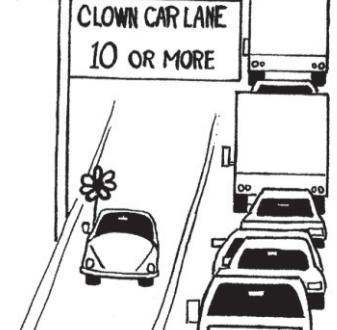
When these factors are considered in the aggregate, the U.S.-China overall economic relationship appears not only much more balanced than generally believed, but even the possibility of a slight surplus arises for America. This shows how misguided and narrow-minded Washington's deficit-obsessed, confrontational trade strategy is with China. The president should ignore Mr. Navarro's advice and switch to a more enlightened and less-belligerent agenda before triggering an all-out, losing trade war. Look at the big picture and don't fight the wrong war.

ISTVAN DOBOZI
Gaithersburg, Md.

Mr. Dobozi is a former lead economist of the World Bank.

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

A Response To Online Shadow Banning

By Adam Candeub

Have you been shadow banned? That's the term for Twitter's limiting the reach of disfavored accounts. The company can, for instance, remove your name from its autopopulated drop-down search box, making it harder to find you.

Twitter is alleged to have shadow-banned Republican National Committee Chairman Ronna McDaniel, Donald Trump Jr. spokesman Andrew Surabian, and GOP Reps. Mark Meadows (N.C.), Jim Jordan (Ohio), Devin Nunes (Calif.) and Matt Gaetz (Fla.).

'Common carriage' law points to a solution for the censorship problem.

President Trump took to Twitter on July 26 to denounce shadow banning, vowing to "look into this discriminatory and illegal practice at once!" Mr. Trump is on solid ground, supported by centuries of common-law precedent. To this day, mail service, telephones and airlines operate under "common carriage" law and must serve all customers regardless of their political, religious or social views.

These protections have a long history. Precedents from the 17th century outlawed discrimination by docks, ferries and bailiffs. Common-law courts extended the idea, as technology developed, to railroads and telegraphs, and then eventually to telephones and air travel. Administrative agencies later codified the protections into regulation.

Should the old principle of non-discrimination apply to social-media platforms? The question pits free speech against private property and makes odd friends and adversaries. On one side, social media's conservative victims have allied with old-school free-speech diehards to argue that open platforms are vital for democratic society. On the other side, conservative defenders of Twitter's freedom to make its own rules stand alongside liberals and leftists who support censorship to block the spread of views they consider toxic.

Rep. Gaetz announced on July 27 that he filed a complaint against Twitter with the Federal Election Commission. He claims that, by shadow banning him, Twitter "gives his political rivals an unfair advantage" that constitutes an in-kind campaign contribution.

In a recent lawsuit my co-counsels and I filed on behalf of Jared Taylor—a self-described "race realist" and "white advocate" whom others consider a white separatist—Twitter claimed the power as a network owner to remove any user for any reason. But on June 14 California Superior Court Judge Harold Kahn rejected Twitter's claim. The suit, which alleges Twitter failed in its promises to give users a free and open platform, will now proceed.

The entire gamut of 19th-century common-carriage protections cannot be applied unchanged to the internet's complex offerings. Yet for centuries courts have adapted anti-discrimination protections for new technologies, and they could do so again for social media.

From classical Athens onward, democracies have required an agora, a central public forum open to everyone on equal terms. Today, the dominant social-media platforms have become America's agora. As President Trump suggested, it may be time to treat them like it, updating long-standing legal principles for 21st-century democracy.

Mr. Candeub is a professor of law at Michigan State University and lead counsel in Jared Taylor's suit against Twitter.

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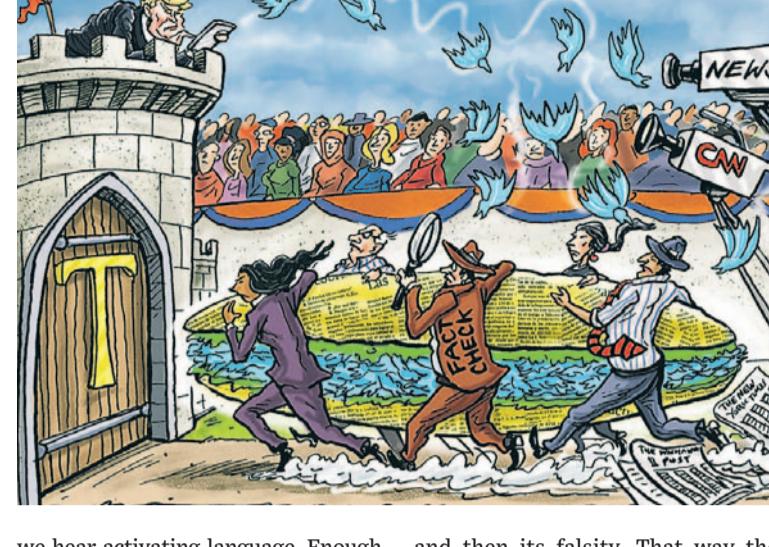
'Truth Sandwich'? Baloney!

By Crispin Sartwell

Many in the media—particularly the high-profile outlets that President Trump frequently attacks, such as CNN, the Washington Post and the New York Times—seem to be concerned that they are inadvertently helping him, even as they fact-check his tweets relentlessly on the front page or at the top of the hour and back that up with opinion journalism, equally relentless, calling him a liar.

The crisis of self-reflection is precipitated by the circumstance that, no matter how loudly they scream, the president's poll numbers are strikingly immobile. The current re-thinking of how to present the facts seems to be driven by Berkeley linguist George Lakoff, and is being cast in terms of concepts developed in communications theory in the 1980s. In particular, the ideas of "framing" and "messaging" have gained prominence within the media, now with the unfortunate yet unforgettable added image of the "truth sandwich," credited to CNN's media reporter, Brian Stelter.

Mr. Lakoff, author of "Women, Fire, and Dangerous Things" and "Don't Think of an Elephant," argues that fact-checking Mr. Trump is often counterproductive, in that it repeats the false claim, and people remember the false claim but not the evidence of its falsity. This is partly because, according to Mr. Lakoff, repetition changes our brain circuitry. "His lies reach millions of people through constant repetition in the press and social media. This poses an existential threat to democracy," Mr. Lakoff wrote in January. "Language works by activating basic structures called 'frame-circuits' used to understand experience. They get stronger when



we hear activating language. Enough repetition can make them permanent, changing how we view the world."

While interviewing Mr. Lakoff, Mr. Stelter suggested the "truth sandwich" approach to this difficulty.

George Lakoff says Trump is manipulating the voters. To fight back, he proposes to manipulate the voters.

Journalism professor Indira Lakshmanan gives the following application. Let's say Mr. Trump tweets that a wave of illegal-alien criminals are endangering all real Americans. Now, instead of writing an article reporting the tweet itself, followed by a fact-check, write an article that starts with the fact that illegal entry at the Mexican border is actually going down. Then report the tweet,

and then its falsity. That way the facts get introduced first and last, providing the frame, and everyone ends up focusing on the truth.

I want to point out a few drawbacks. First off, in Ms. Lakshmanan's example, she sets out to report on the president's tweet, but "reports" instead on some generalized facts that are available on Wikipedia. In other words, she pretends to cover a story other than the one she is in fact covering. Her objective is not to report what is happening, but to manipulate her audience into believing what she says, so they will share her outrage about Mr. Trump. And the metaphor is confusing. Bologna is in the middle of a bologna sandwich. By analogy, in this "truth sandwich," Mr. Trump's tweet would be the truth, not the baloney.

Though Mr. Lakoff and his media devotees no doubt think their manipulative strategies diabolically clever and undetectable, they are as obvious as can be. The approach endorsed by Mr. Stelter and Ms. Lakshmanan is

pointedly condescending to their own audiences.

Do they believe about themselves what they apparently believe about all people? If they themselves read an assertion and then a careful fact-check of that assertion showing it to be false, do they usually come out of that experience believing the assertion? In their own offices and newsrooms, they have seen Mr. Trump's tweets repeated as much as anyone has. Has this increased their tendency to accept his frame or believe what he says?

If, as Mr. Lakoff thinks, human beings automatically believe whatever we are told first and whatever we are told often, there really is no help possible for us anyway. Anyone can manipulate any of us by the most primitive methods. We are a species of suckers, and there's not going to be any way of keeping any of us from believing all sorts of random nonsense, never mind making policies rational.

The people watching CNN or reading the Times see and hear Mr. Trump's tweets as much as any Americans, and more or less universally oppose him. Mr. Lakoff's account is as obviously false as it is patronizing. Indeed, his defense of his own views constitutes the worst sort of pseudoscience, and I challenge him actually to get from his concept of "framing" to the "framing circuits" in the brain. The appeal to neurology here is precisely what we would expect from Mr. Lakoff's own account of human communication: an attempt to manipulate you into agreement. Maybe if he repeats "frame circuits" a few million more times, such circuits will actually appear.

Mr. Sartwell teaches philosophy at Dickinson College in Carlisle, Pa.

Commissions Are Mulvaney's Error of Omission

By Susan E. Dudley
And Sally Katzen

If you make a cheese pizza, you have to meet standards set by the Food and Drug Administration. Add pepperoni and the same pizza is subject to different standards set by the U.S. Department of Agriculture. Mick Mulvaney, director of the Office of Management and Budget, had some fun with such anomalies when he unveiled the Trump administration's plan to reorganize the government in June. His 132-page plan offers detailed proposals aimed at improving the "efficiency, effectiveness, and accountability of the executive branch."

We leave the merits of the plan and its particulars to others but write to express our disappointment that the proposal misses the opportunity to promote an important and overdue reform: bringing more accountability to the so-called independent regulatory commissions.

These are multiheaded, bipartisan agencies such as the Federal Communications Commission, the Securities and Exchange Commission, and the Consumer Product Safety Commission. Like cabinet departments and agencies with a single administrator, IRCS issue regulations that have broad societal impacts. But because of their "independent" status, their rules aren't based on the same rigorous analysis or subject to the same review as those promulgated by executive-branched agencies.

The Supreme Court has sanctioned their independence, starting with *Humphrey's Executor v. U.S.* (1935), which upheld Congress's power to restrict the president from removing the heads of the agencies other than "for good cause"—a limitation that some have said is the defining characteristic of an independent regulatory commission.

This raises the question of where these agencies fit in a constitutional scheme that confers powers only to the legislative, executive and judicial branches. In 1937 President Franklin D. Roosevelt's Brownlow Committee warned of the dangers of a "headless fourth branch" of government and argued that "no administrative reorganization worthy of the name can leave hanging in the air more than a dozen powerful, irresponsible agencies free to determine policy and administer law."

A decade later, President Harry S. Truman's Commission on Organization of the Executive Branch of the Government, led by former President Herbert Hoover, recommended strengthening the president's oversight and control over these IRCS, finding that "the line of responsibility [from independent agencies to the president] still exists in constitutional theory, but it has been worn away by administrative practices, by political pressures, and by detailed statutory provisions."

None of these recommendations led to the reorganization of the IRCS, but there remains broad interest in

a more modest step toward bringing greater discipline and accountability to at least one sphere of their operations: developing significant regulations.

Democratic and Republican presidents alike have for almost four decades set requirements for analysis and centralized review to hold executive agency regulations accountable. Although the legal underpinnings for rule-making make no distinction between IRCS and executive branch agencies, the former

His reorganization plan doesn't go far enough in reconsidering the 'headless fourth branch.'

haven't been subject to these requirements. This is so even though the IRCS' regulations are similar, and they sometimes overlap or conflict with regulations of executive-branched agencies. For example, while the Food and Drug Administration regulates the safety of your medicine, the independent Consumer Product Safety Commission regulates the safety of the medicine bottle.

Because requirements for analysis and review haven't been applied to IRCS, they are not as careful in demonstrating that their regulations are in the public interest, and they don't

respond as much as their executive counterparts to those they affect. According to government data, none of the 18 major rules issued by independent agencies in fiscal year 2016 included monetized estimates of benefits and costs. The absence of such information makes the process not only less informative for the decision makers but also less transparent for the public.

This is an issue that has been with us for a long time. There are various ways of structuring the rule-making process that would preserve the IRCS' policy independence, including for example requiring the economic analysis and interagency coordination that exists for executive branch agencies before the commissioners vote on a rule. This wouldn't aid their decision making without infringing on their independence, and it would provide critical information to the public and the courts.

As Mr. Mulvaney works with Congress on his reorganization plan to "prioritize and refine proposals to best serve the American people," he should make the most of this opportunity to address the gap in accountability with respect to the rule-making function of IRCS.

Ms. Dudley served as administrator of the Office of Information and Regulatory Affairs in the George W. Bush administration. Ms. Katzen served as OIRA administrator in the Clinton administration.

The Stealth Pension Mortgage on Your House

By Rob Arnott
And Lisa Meulbroek

Most cities, counties and states have committed taxpayers to significant future unfunded spending. This mostly takes the form of pension and postretirement health-care obligations for public employees, a burden that averages \$75,000 per household but exceeds \$100,000 per household in some states. Many

states protect public pensions in their constitutions, meaning they cannot be renegotiated. Future pension obligations simply must be paid, either through higher taxes or cuts to public services.

Is there a way out for taxpayers in states that are deep in the red? Milton Friedman famously observed that the only thing more mobile than the wealthy is their capital. Some residents may hope that they can avoid the pension crash by decamping to a more fiscally sound state.

But this escape may be illusory. State taxes are collected on four economic activities: consumption (sales tax), labor and investment (income tax) and real-estate ownership (property tax). The affluent can escape sales and income taxes by moving to a new state—but real estate stays behind. Property values must ultimately support the obligations that politicians have promised, even if those obligations aren't properly funded, because real estate is the only source of state and local revenue that can't pick up and move elsewhere. Whether or not unfunded obligations are paid with property taxes, it's the property that backs the obligations in the end.

When property owners choose to sell and become tax refugees, they pass along the burden to the next

owner. And buyers of properties in troubled states will demand lower prices if they expect property taxes to increase.

It doesn't matter if we own or rent; landlords pass higher taxes on to tenants. Nor does it matter if properties are mortgaged to the hilt or owned outright. In time, unfunded pension obligations will be

Real estate is the ultimate collateral for unfunded state public employee retirement obligations.

reflected in real-estate prices, if they aren't already. A state's unfunded liabilities are effectively a stealth mortgage on private property. Think you can pass your property on to your heirs? Only net of the unfunded pension obligations.

We calculated the ratio of unfunded pension obligations relative to property values in each state. We used 3% bond-market yields as our discount rate to measure unfunded obligations, because while other assets ostensibly earn a risk premium above the bond yield, these assets can also underperform.

Unfunded pension obligations range from a low of \$30,000 per

household of four in Tennessee to a high of \$180,000 per household in Alaska. They amount to less than 11% of the average home values in Florida, Tennessee and Utah and more than 50% in Alaska, Mississippi and Ohio.

There are a few surprises. California, Hawaii and New York have large unfunded obligations, but because property in these states is so expensive, the average household burden is less than 15% of the average home price. Meanwhile, West Virginia and Iowa have relatively low pension debts—but the average household obligation is more than 30% of the average home price because property is far less expensive in these states.

On average nationwide, unfunded state and local pension burdens represent 20% of real-estate values. This ratio can rival or exceed an owner's home equity, depending on the size of his mortgage. If real-estate prices adjust to reflect unfunded pension obligations, many homeowners' equity could be at risk. As we've seen in Detroit, the public pension stealth mortgage can ultimately devastate the housing market.

Mr. Arnott is founding chairman of Research Affiliates LLC. Ms. Meulbroek is a professor of finance at Claremont McKenna College.

DOW JONES
News Corp

WORLD NEWS

South Sudan Leaders Try Again for Peace

New power-sharing agreement looks similar to one that imploded in 2016

BY MATINA STEVIS-GRIDNEFF AND NICHOLAS BARIYO

South Sudan's leaders signed a peace and power-sharing agreement on Sunday, the latest attempt to stop a devastating civil war and humanitarian disaster in the world's youngest nation.

President Salva Kiir and exiled former Vice President Riek Machar signed the agreement in Khartoum, the capital of neighboring Sudan, in the presence of East African leaders, and as hundreds of South Sudanese gathered outside the hall where the signing ceremony was being held. The new deal offers warring factions in the oil-rich nation yet another chance to heal the country, if they can stick to it.

The agreement, which reinstates the embattled Mr. Machar, is the second attempt to end the conflict that erupted in 2013 and the third arrangement that will see the two men, each leading a different ethnic group, share power since the state's inception in 2011.

But the fact that the new accord looks a lot like the one that failed in 2016, leading to the bloodiest part of the civil war in South Sudan, is making observers worry it won't work.

"The critical question is how to avoid a repeat of the 2016 implosion of the last accord. At its core, this is the same peace deal. The last peace deal proved a disaster," said Alan Boswell, an independent expert.

Regional powers, who have long meddled in South Sudan's



South Sudan's ex-vice president, Riek Machar, center, signed the deal with President Salva Kiir, right, in Khartoum, Sudan, on Sunday.

160%, have dramatically eroded the value of the local currency.

In a crackdown against dissenting voices, journalists have been imprisoned or killed, and foreign media are often banned from visiting South Sudan, which is also the deadliest place on earth to be a humanitarian worker, according to the U.N.

Last week, a vocal critic of both South Sudan leaders, Harvard-educated activist and economist Peter Bier Ajak, was arrested in the capital Juba and has been held incommunicado in the national intelligence headquarters since, according to his family and international community representatives in Juba, including the U.S. Embassy.

"We are asking for his release and for more information about really what the case has been about," the U.S. ambassador to South Sudan, Thomas Hushek, said Thursday.

The country's independence was backed and funded by the U.S. and its fledgling life has been propped up with more than \$10 billion in U.S. aid since then—nearly \$1 billion last year alone.

The fresh attempt at peace comes as the Trump administration considers changing a longstanding U.S. policy in support of the leadership in South Sudan, and conducts a review of its aid programs to the country.

In a visit in late 2017, the U.S. ambassador to the U.N., Nikki Haley, warned President Kiir that U.S. support would end if the war didn't. The U.S. led a U.N. arms embargo in July, and China and Russia, which normally block such initiatives, abstained.

—Courtney McBride contributed to this article.

affairs, are deeply involved in this new attempt at peace taking place under the auspices of East Africa's political body, the Intergovernmental Authority on Development, or IGAD. Sudan and Uganda in particular have previously participated on opposite sides of the conflict, with Khartoum arming Mr. Machar's forces while Kampala provided military backing to Mr. Kiir's government.

"During past peace attempts, it was mainly between Machar and Kiir," said Brian Adebola, deputy director of policy at rights group Enough Project. "This time round, there are many parties—including regional foes Uganda and Sudan—

and this effectively cuts them off from meddling," he added.

In 2011, when South Sudan gained independence after a long war with Sudan, Messrs. Kiir and Machar shared power as president and vice president. That arrangement fell apart, and in late 2013 the country collapsed into conflict roughly along ethnic lines, between Mr. Kiir's group, the dominant Dinkas, and Mr. Machar's smaller Nuer group.

Mr. Machar took to the bush and became a rebel leader.

An agreement between the two, intended to ease ethnic tensions through shared state institutions, took effect in April 2016, and Mr. Machar re-

joined the government as vice president. The accord collapsed three months later, and Mr. Machar fled to South Africa, where he has been living in exile since.

In the past two years, the landscape of the civil war devastating South Sudan has become more complex, with opposition groups splintering and the population suffering even more.

One-third of South Sudan's roughly 12 million people have been displaced, including nearly 2.5 million fleeing to neighboring nations, according to the United Nations. Another two million need the international community to feed them

as they face severe food shortages; parts of the country were declared in famine for several months last year.

Government troops have been blamed for much of the devastation. A U.N. panel of investigators said in March that dozens of senior army officials have likely committed crimes against humanity, including mass rapes and civilian murders.

The economy has been destroyed by the conflict, contracting 11% last year, according to the International Monetary Fund. Oil production has stalled to a near-halt, and bouts of hyperinflation, measured in March at more than

Saudis Expel Canada Ambassador

BY SUMER SAID

Saudi Arabia said it has expelled Canada's ambassador in the kingdom and recalled its own envoy from the North American country after the government in Ottawa expressed concern over recent arrests of civil-society and women's rights activists in the kingdom.

Saudi Arabia's foreign ministry early Monday said the kingdom was also freezing all new business and investment transactions with Canada while retaining its right to take further action.

"The Ministry also affirmed that the Canadian position is an explicit and transparent interference in the internal affairs of the Kingdom of Saudi Arabia," the ministry said.

Saudi Arabia said it consid-

ers the Canadian ambassador in Saudi Arabia as persona non grata and gave him a 24-hour notice to leave the kingdom.

A spokeswoman for Canadian Foreign Minister Chrystia Freeland said late Sunday that Ottawa was "seriously concerned" about the developments and was seeking clarity from Saudi officials. The spokeswoman said Canada "will always stand up for the protection of human rights, very much including women's rights, and freedom of expression around the world," adding dialogue on such matters is "critical to international diplomacy."

Last week, authorities in Saudi Arabia detained two women's rights activists, broadening a campaign of arrests that has drawn international criticism.

Those rounded up include Samar Badawi, who is known for having challenged the kingdom's male guardianship rules and is the sister of one of Saudi Arabia's most prominent detainees, liberal blogger Raif Badawi. Ms. Badawi is one of at least 18 civil-rights activists arrested since May, four of whom have been temporarily released, activists say. None is known to have been formally charged.

The Saudi move on Monday came after the Canadian embassy in Riyadh said Canada was "gravely concerned" over a new wave of arrests of human-rights campaigners in the kingdom, including Ms. Badawi.

"We urge the Saudi authorities to immediately release them and all other peaceful #humanrights activists," the embassy tweeted on Friday.

The Saudi foreign ministry said the arrests had been carried out under Saudi law.

Under Crown Prince Mohammed bin Salman, the government has worked to open up a religiously conservative society while at the same time jailing critics. But the arrests, critics say, send the message that the monarchy alone will decide the pace of change.

Saudi Arabia's intention to freeze trade with Canada isn't expected to cause major economic disruption.

Canada's trade with Saudi Arabia is relatively small, with exports to the kingdom topping just over 1 billion Canadian dollars (roughly \$770 million) in 2017, according to the country's data-gathering agency.

—Paul Vieira contributed to this article.



A quake victim waited for treatment outside a hospital in Mataram on Lombok Island on Monday.

Earthquake Kills Dozens in Indonesia

BY I MADE SENTANA

said a magnitude 5.4 after shock was felt Monday morning.

Indonesia's main tourist island, Bali, to the west of Lombok, suffered minor damage, and the small Gili islands north of Lombok were also struck, authorities said.

Airports in Lombok and Bali briefly suspended operations, but flights resumed after au-

A tsunami warning sent thousands of people fleeing, but it was later withdrawn.

Annoyed Canadians Bypass U.S., Buy at Home

BY KIM MACKRAEL

OTTAWA—Ticked-off Canadians, irked by U.S. metals tariffs and President Trump's harsh words for their prime minister, are boycotting American products and buying Canadian.

"Usually we don't pay that much attention to it," said Garland Coulson, an entrepreneur from Spruce Grove, Alberta. "You tend to buy the products that taste good or you buy the products that are low in price where taste isn't an issue."

But the 58-year-old, who called tariffs from Canada's close trading partner a "slap in the face," said he has in recent weeks put more Canadian products into his shopping cart.

Calgary resident Tracy Martell, meanwhile, replaced her Betty Crocker brownie mix with a homemade recipe and hasn't visited the U.S. since shortly after President Trump's inauguration. Beth Mouratidis, who lives in Barrie, Ontario, is trying out Strub's pickles as a replacement for her longtime favorite, Bick's.

The push to buy more Canadian products—and to boy-



A Canadian boycott of U.S. goods strengthened after the U.S. levied tariffs on steel and aluminum.

cott American ones—gained strength after the U.S. levied 25% tariffs on Canadian steel and 10% on aluminum starting June 1 and President Trump called Canadian Prime Minister Justin Trudeau "very dishonest & weak" on Twitter following a Group of Seven meeting the following week.

Canada in turn imposed retaliatory tariffs on some U.S. products, including ketchup, orange juice and yogurt.

"People sort of feel that we're getting a raw deal from the U.S. and we have to stick up for ourselves," said Tom Legere, marketing manager for Ontario-based Kawartha Dairy

Ltd., which has seen more interest in its ice cream recently. "And this is their way at the supermarket of trying to do so."

But Canadians' efforts to buy more local products often run into a conundrum. What's really Canadian?

The country is the U.S.'s top export market, taking a little more than 18% of all U.S. goods that are sold abroad. Sylvain Charlebois, a professor in food distribution and policy at Dalhousie University in Nova Scotia, estimates roughly 40% to 60% of food on Canada's grocery shelves is from the U.S.

Closely linked production chains make it tough to determine how

much of any given item was produced domestically.

It is difficult to say whether the nascent boycott efforts are having an impact. Goods exports to Canada were up nearly 4% in June from the same month last year, according to the U.S. Census Bureau. However, they were down 1.2% when compared with the previous month on a seasonally adjusted basis.

One sector where the boycott efforts doesn't seem to be working is travel. Overall cross-border car trips by Canadians were up 12.7% in June from the same month last year, according to Statistics Canada.



Source: U.S. Geological Survey

THE WALL STREET JOURNAL.

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Last Week: S&P 2840.35 ▲ 0.76% S&P FIN ▼ 0.09% S&P IT ▲ 1.17% DJ TRANS ▲ 1.28% WSJ\$IDX ▲ 0.50% LIBOR 3M 2.343 NIKKEI 22525.18 ▼ 0.83%

See more at WSJMarkets.com

Goldman Sachs to Name Trading Co-Chief

Jim Esposito will be one of two people running the securities unit being revamped

By LIZ HOFFMAN

Goldman Sachs Group Inc. is appointing a new global co-head of its trading arm, ending months of leadership uncertainty in its largest and

most challenged division. The firm plans to name Jim Esposito to run the securities division alongside current executive Ashok Varadhan, according to people familiar with the matter.

Mr. Varadhan has been a co-head of the unit since 2014, but his status has been unclear since his two co-heads resigned in June and weren't replaced.

Since then, six executives including Messrs. Varadhan

and Esposito have essentially been running the business, an unwieldy setup for a division in the midst of a revamp. Some traders have taken to calling them the "hexa-heads" or "Gang of Six" in private, and employees have complained that scheduling meetings and getting approval for trades, hires and other matters has been a hassle.

That hasn't helped day-to-day operations inside what is

already a trouble spot for Goldman. Its traders ruled Wall Street before the crisis but have struggled in recent years to navigate calm markets, tough regulation and shifting investor preferences since.

Revenue in the division was \$12 billion last year, down from a peak of \$33 billion in 2009.

David Solomon, who will take over for Lloyd Blankfein as chief executive on Oct. 1, is moving quickly to tackle the

bigest question mark looming over his tenure. He has little recent experience with Goldman's trading business, having spent most of his career in investment banking and, during his time as Mr. Blankfein's No. 2, working with its asset-management arm.

Even a decade after the crisis, Goldman's securities division remains key to its overall profitability and a minefield of risk. The firm's most experienced trading hands, including Harvey Schwartz, Pablo Salame and Isabelle Eale, left this year. Mr. Blankfein, a former metals trader, will soon follow, and Goldman's leadership is expected to tilt toward the investment-banking side of the house.

It isn't clear what the promotions mean for the other four executives who had shared day-to-day oversight of the division.

Crypto 'Pump and Dumps' Distort Trading

By PAUL VIGNA
AND SHANE SHIFFLETT

Dozens of trading groups are manipulating the price of cryptocurrencies on some of the largest online exchanges, generating at least \$825 million in trading activity over the past six months—and hundreds of millions in losses for those caught on the wrong side, according to a Wall Street Journal analysis.

In a review of trading data and online communications among traders between January and the end of July, the Journal identified 175 "pump and dump" schemes involving 121 different digital coins, which show a sudden rise in price and an equally sudden fall minutes later.

A pump and dump is one of the oldest types of market fraud: Traders talk up the price of an asset before dumping it for a profit and leaving fooled investors with shrunken shares. The Securities and Exchange Commission regularly brings civil cases alleging pump and dumps using publicly traded stocks. Manipulations of cryptocurrencies are no different, but regulators have yet to bring a case in the more opaque market for them. The SEC declined to comment.

"Cryptocurrency exchanges are unregulated markets, so the kind of market manipulation banned on, say, the New

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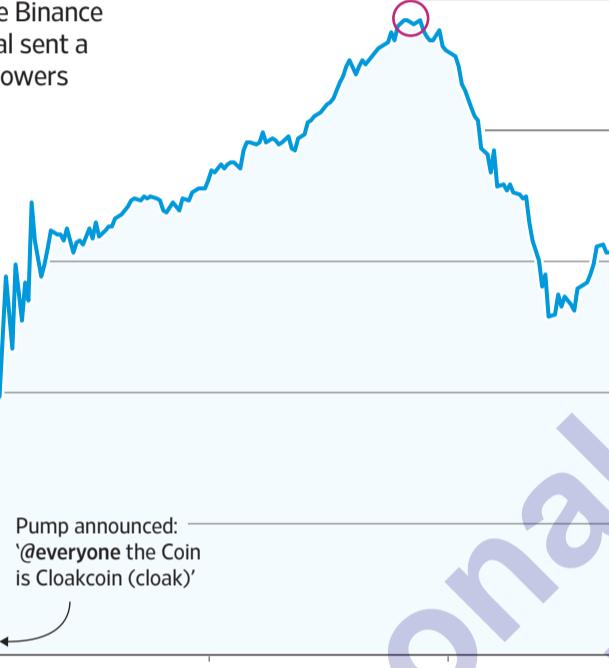
The price of cloakcoin skyrocketed on the cryptocurrency exchange Binance shortly after Big Pump Signal sent a message on Telegram to followers telling them to buy.

Cloakcoin's July 1 price performance*

Moderator announcements

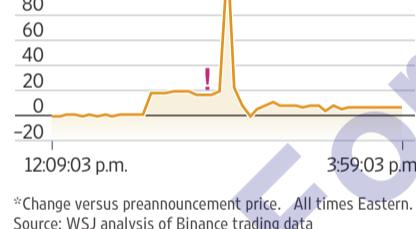
'@here 1 minute, next message is the call'

2:59 p.m.

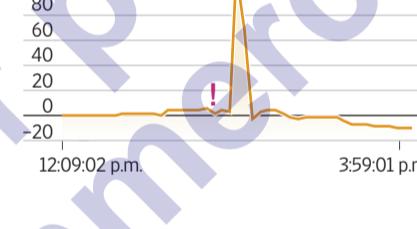


Big Pump Signal's most successful efforts increased the price of three inexpensive coins by more than 70% each compared with preannouncement trading.

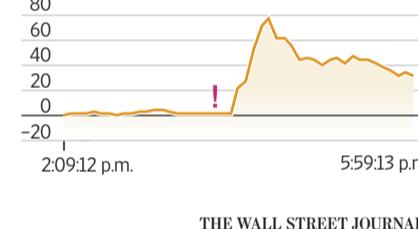
Stealth (March 16)



Pesetacoin (Feb. 21)



Agrello (March 11)



*Change versus preannouncement price. All times Eastern.

Source: WSJ analysis of Binance trading data

Hiring Hazard: Social Media

By RACHEL FEINTZIG
AND VANESSA FUHRMANS

More companies are scouring job candidates' online personas for red-flag comments. That hasn't kept social-media trails from morphing into hiring minefields.

The New York Times has become the latest employer to grapple with a public furor after announcing last week it hired journalist Sarah Jeong as a technology writer for its editorial board. Soon after, tweets she had posted between 2013 and 2015 disparaging white people resurfaced. A social-media outcry ensued.

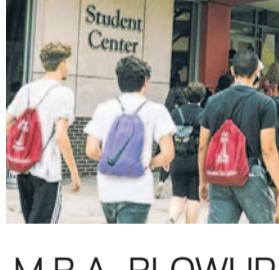
Defending its hire, the Times said in a statement it knew about Ms. Jeong's tweets before hiring her and that "she understands that this type of rhetoric is not acceptable at The Times." On Twitter, Ms. Jeong said she regretted the posts, which she said had been aimed at online harassers, not a general audience.

Last month, **Walt Disney** Co. cut ties with "Guardians of the Galaxy" director James Gunn after years-old, inflammatory tweets of his were resurfaced. Mr. Gunn said that the comments were "wildly insensitive" and "don't reflect the person I am today." In recent weeks, three Major League Baseball players apologized for unearthed racist and antigay tweets written during their high-school days.

With job recruits' social-media histories readily available, more employers are trying to head off controversies. In a 2017 survey of over 2,300 hiring managers and human-resources executives by jobs website CareerBuilder, 70% said they screened candidates' social-media histories—up from 60% in 2016. One-third said they had found discriminatory comments that caused them not to hire someone.

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PERSONAL TECHNOLOGY | By David Pierce

Little Surface Go Lacks Power

Every morning on the train into work, I see the same scene played over and over. People board and reach into their bags for their laptops. Then they do a dance I call the Laptop Limbo, contorting as they search for ways to comfortably work in their tiny seats.

Those moments are practically ads for Microsoft's new Surface Go, the small-

est, lightest and least expensive two-in-one PC yet to come out of Redmond, Wash. The Go matches Apple's iPad Pro nearly identically in size, from the 10-inch screen to the 1-pound body, but Microsoft built it to be a far more productive device with all the power of real Windows.

In many ways, it's a clever mix of tablet and laptop. But it just isn't powerful enough.

The Go starts at \$399, but you'll definitely want the Type Cover keyboard acces-

sory and the Surface Pen stylus, so you're really looking at \$629. (The model I tested—with more storage and memory—costs \$549, or \$779 with the accessories.) Most laptops in that price range tend to be large and heavy, and often look like they were made from leftover plastic. Good screens and fast chips are easy to come by, but rare is the cheap laptop you would want to carry around or show off

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Old Posts A Hazard To Hiring

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Yet social-media screening remains one of the murkiest aspects of the hiring process, according to experts in employment law and human resources. Both too little and too much scouring present legal and reputational pitfalls, they say. And though many employers have firm policies on whether to test for drug use or conduct criminal-record checks, fewer have consistent guidelines on how they vet and assess prospective employees' online histories.

"It's really all across the board," said Jason Hanold, whose executive-search firm Hanold Associates specializes in recruiting human-resources executives. "And it's often determined by the proclivities of the individual" in charge.

Whereas the Times said it had discussed Ms. Jeong's social-media history with her during the hiring process, the newspaper said it hadn't been aware of some old, inflammatory tweets posted by journalist and essayist Quinn Norton before hiring her to its editorial board in February. They included the use of racial slurs and referred to her friendship with a neo-Nazi. Hours after a social-media storm erupted over her hiring announcement, the Times and Ms. Norton said she would no longer join the company. After the episode with Ms. Norton, the Times

stepped up its efforts to review the social-media histories of its hires, a person familiar with the matter said.

In an emailed response to The Wall Street Journal on Sunday, Ms. Norton said that in stripping the tweets of their context, online critics had wrongly cast what had been intended as antiracist remarks as the opposite.

Companies hiring talent abroad run the risk of violating digital privacy laws, such as the European Union's new General Data Protection Regulation, said Laurie Ruettmann, a human-resources consultant. And she said that hiring managers poring over applicants' Facebook pages and tweets could easily learn other details—such as a prospect's religion, disability or pregnancy—that could bias hiring decisions and that, by law, can't be taken into account.

She recommends that individuals who have posted offensive content online not bring up the issue with a potential employer. Sharing more positive content on sites that are likely to get traction on search engines can help, she said. "Start contributing in a way that's healthy."

Minnesota-based employment lawyer Kate Bischoff recommends job seekers delete offensive comments in the hopes they don't come up.

Some companies are turning to software companies such as **Fama Technologies** Inc., which uses an algorithm to sift through applicants' or employees' public social-media posts. So far this year, Fama says, it has screened over 10 million pieces of online content for corporate clients.

Christian Petersen/GETTY IMAGES

Disney cut ties with director James Gunn over his old tweets.

BUSINESS & FINANCE

Berkshire Says Earnings Surged

By NICOLE FRIEDMAN

Warren Buffett's **Berkshire Hathaway** Inc. said second-quarter net income surged, boosted by insurance underwriting and a change to accounting rules.

Berkshire's earnings are especially volatile due to an accounting rule that went into effect this year requiring companies to include unrealized investment gains or losses in their net income. Berkshire holds large stock investments, and their quarterly changes in value can have a big effect on Berkshire's net income.

Berkshire reported earnings of \$12 billion, or \$7,301 per class A share equivalent, compared with \$4.26 billion, or \$2,592 a share, in the year-

earlier period.

Operating earnings, which exclude some investment results, rose to \$6.9 billion from \$4.12 billion in the year prior. Mr. Buffett has said operating earnings are more reflective of Berkshire's performance.

The conglomerate runs a large insurance operation in addition to railroad, utilities, industrial manufacturers and retailers. Its holdings include recognizable names such as Dairy Queen, Duracell, Fruit of the Loom, Geico and See's Candies.

Berkshire's insurance business sits at the core of its money-making machine. Insurance brings in billions of dollars of "float," upfront premiums customers pay and that Berkshire invests for its own gain.

Berkshire's biggest stockholding is **Apple** Inc., which this week became the first U.S.-listed company to surpass \$1 trillion in stock-market value.

\$12B

Second-quarter net income for Warren Buffett's conglomerate.

Book value rose to \$217,677 a Class A equivalent share as of June 30, a 2.8% increase for the first half of the year. Last year, Berkshire reported a 6.2% increase in book value for the comparable six-month pe-

riod.

Class A shares closed Friday at \$304,671.

The 87-year-old Mr. Buffett, whose shrewd investments have earned him the nickname "the Oracle of Omaha," still has plenty of cash on hand for future acquisitions. Berkshire held \$11 billion in cash at the end of the second quarter, up from \$108.6 billion at the end of the first quarter.

Berkshire changed its buy-back policy in July. Previously the company could repurchase shares if the stock price was below 120% of book value. Under the new policy, Berkshire can buy back shares if Mr. Buffett and his business partner Charlie Munger believe that the stock price is below Berkshire's intrinsic value.

China Moves Beyond Copycat Drugs

By PREETIKA RANA

NANJING, China—At a cancer conference in Chicago in June last year, a little-known Chinese startup stunned researchers with early results showing its experimental gene therapy was abating an aggressive form of blood cancer in patients back home.

Six months later, the startup, Nanjing Legend Biotechnology Co., received \$350 million from **Johnson & Johnson** for the global rights to co-develop and market the experimental treatment. In May, the U.S. Food and Drug Administration approved its testing on Americans, making it the first Chinese-developed gene therapy to receive such a sign-off. The companies plan to kick off a U.S. trial later this month.

The collaboration between J&J and Legend shows how aggressively China is seeking to transform itself from a maker of cheap copycat medicines into a producer of complex drugs—aided by looser regulations and government policies to fast-track innovation.

Peter Lebowitz, who heads cancer research at J&J's drug arm, Janssen Pharmaceuticals, said he was skeptical when he heard of Legend's Chicago presentation. "It might not be real," he recalled thinking.

A senior Janssen scientist who attended the presentation persuaded Frank Fan, Legend's chief scientific officer, to show case results to Dr. Lebowitz. Dr. Fan visited J&J's Spring House, Pa., facility days later.

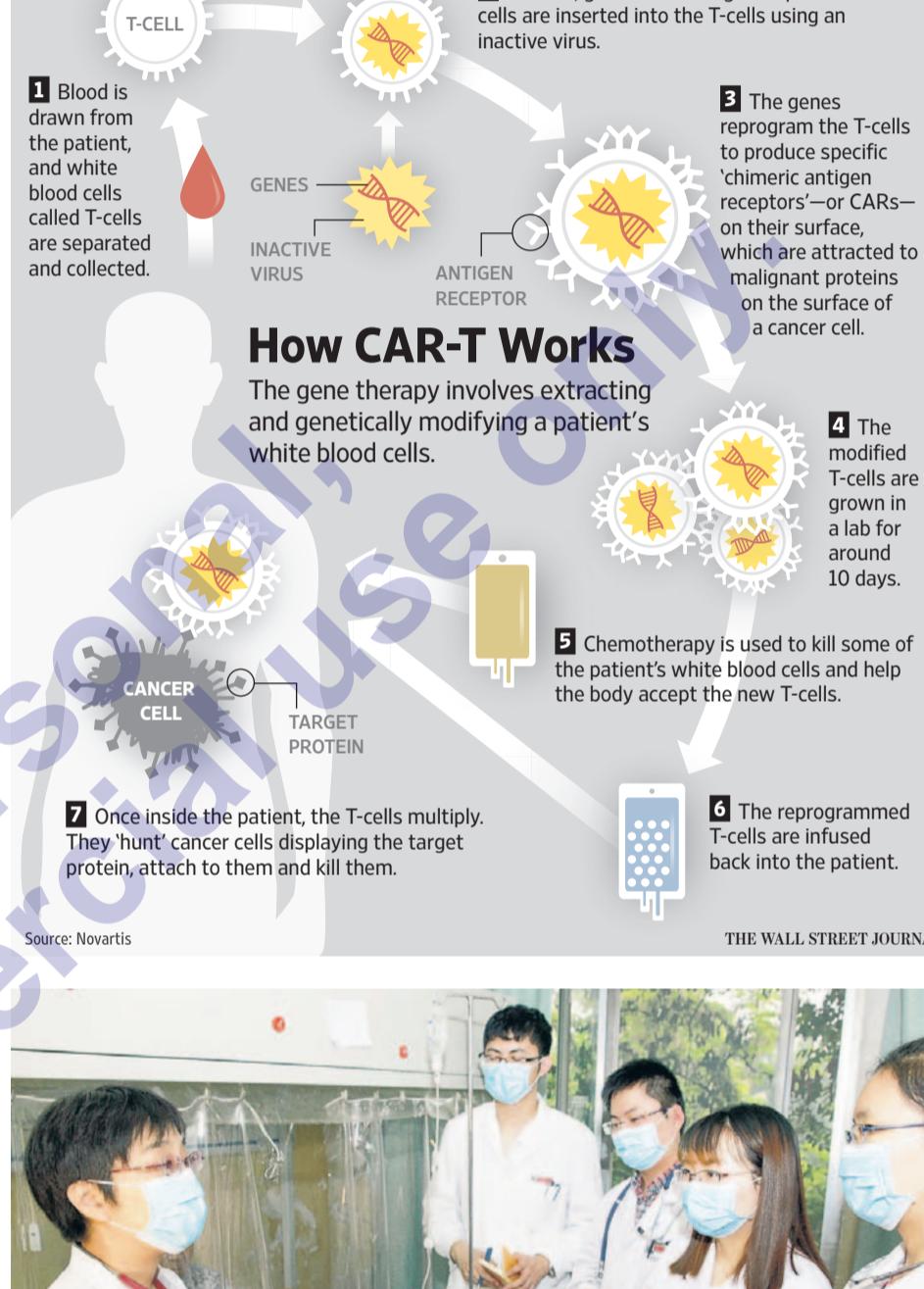
Janssen executives flew to Nanjing the following month. The 20-plus-member team outnumbered Legend's 19 employees at the time, Dr. Fan said. They spent two days poring over Legend's science and results, interviewing participating doctors and patients.

"Overall, it all checked out," Dr. Lebowitz said. We "became pretty convinced that this data was remarkable."

For J&J, the deal is a way into a lucrative field of gene therapy known as CAR-T, for chimeric antigen receptor T-cells.

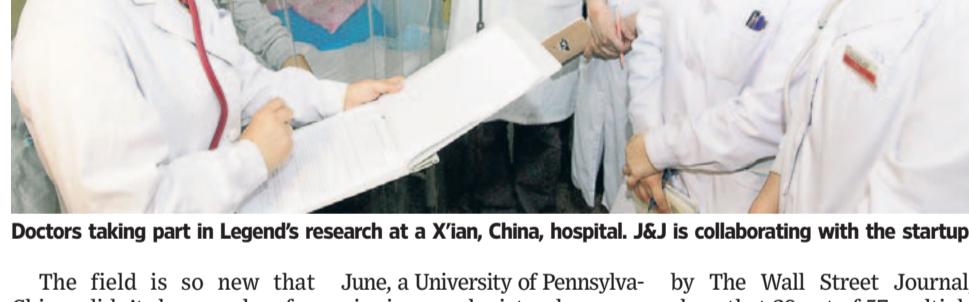
CAR-T therapy involves extracting patients' disease-fighting white blood cells, genetically modifying them in the lab to more vigorously attack the disease, then re-injecting them into their bodies. U.S. scientists paved the way for the first such treatments—by **Novartis** AG and **Gilead Sciences** Inc.—to be approved last year. Those therapies treat aggressive forms of lymphoma and leukemia.

But it is in China that the most tests on patients are happening, according to a U.S. National Library of Medicine database. Chinese scientists have forged ahead in part because Beijing has made scientific innovation a national priority and singled out genetics-based therapies like CAR-T.



Source: Novartis

THE WALL STREET JOURNAL



Doctors taking part in Legend's research at a Xian, China, hospital. J&J is collaborating with the startup.

The field is so new that China didn't have rules for such experiments until a few months ago.

Legend needed permission only from local hospitals to start testing its experimental therapy on patients in 2015. In the U.S., FDA permission is needed before any experimental treatment can be tested on humans. While China's FDA recently introduced similar rules, companies continue to run experiments through hospitals, which have the authority to sign off on doctors' research on patients, alarming Western scientists who fear a botched test may set back the field.

"Clearly it gives them a competitive advance," said Carl

June, a University of Pennsylvania immunologist whose research led to the development of Novartis's CAR-T treatment, Kymriah. He noted, however, that "early-stage testing can be done with very little oversight."

Novartis is sponsoring a CAR-T trial at Penn that, like Legend, targets multiple myeloma patients on whom traditional therapies have failed.

Cambridge, Mass.-based **BlueBird Bio** Inc. and partner **Celgene** Corp. also are testing a multiple myeloma CAR-T candidate. The companies are ahead in testing their candidate in the U.S., meaning they could apply for regulatory approval there before Legend.

Legend's results haven't been peer reviewed. Data reviewed

by The Wall Street Journal, show that 39 out of 57 multiple myeloma patients treated through September had no detectable trace of cancer in their bone marrow a median 7.6 months after receiving the therapy.

At a follow-up measurement in February, it had taken a median 15 months before some patients' cancers progressed in that group, although most patients stayed in remission, the company said. Six other patients died because of what the company said were their diseases progressing.

Legend is a unit of **GenScript Biotech** Corp., a firm that designs artificial genes for drug companies.

—Xiao Xiao

contributed to this article.

FCC Deadline Adds Pressure to Telecom Deals

By DREW FITZGERALD

A looming Federal Communications Commission deadline could spur telecom companies to hurry up deal talks before restrictions on their discussions tie their hands.

The FCC said in a public notice that it would stop accepting applications on Sept. 18 for two planned wireless-airwave auctions later in the year.

Rules bar applicants from

talking with each other from

that date until the second auction ends and its winners make their down payments.

The standard rule is designed to prevent companies from coordinating bids.

The deadline could also prevent telecom companies from holding broader talks about acquisitions, partnerships and other deals unrelated to the auction. The commission said its ban applies only to talk of auction bidding, though companies have tread carefully going into past auc-

tions to avoid breaking the rules.

The first auction will start

Nov. 14

and must end before

the second auction can begin.

Cellphone companies have

shown intense interest in both auctions of millimeter-wave spectrum, which is expected to provide broadband-quality service over airwaves once considered useless for wireless service.

Verizon Communications

Inc. last year spent about \$3.1

billion on to buy spectrum

holder Straight Path after winning a bidding war with AT&T Inc.

AT&T later bought spectrum holder FiberTower but had to return some spectrum licenses to the FCC.

<p

BUSINESS NEWS

Atlantic Routes Give Lift To Airlines

By ROBERT WALL

Airlines buffeted by higher fuel costs and labor pressures are getting a lift from trans-Atlantic flights.

Strong economic growth in the U.S. and rebounding economies in Europe are helping fill planes. Airlines have been rapidly adding seats to satisfy this boom in demand.

British Airways parent International Consolidated Airlines Group SA, known as IAG, posted a second-quarter rise in profit Friday. Sales on its trans-Atlantic routes helped offset costs from higher fuel prices and air-traffic control disruptions that have hit Europe hard in 2018.

"The trans-Atlantic performance is very good," IAG Chief Executive Willie Walsh said Friday. Demand was strong in all cabin classes and bookings remain solid this quarter, he added.

Delta Air Lines Inc. President Glen Hauenstein said in July, "this is a very, very strong environment for the trans-Atlantic [route]."

Business-class bookings were robust, Delta said, as it reported 11% unit revenue increases for trans-Atlantic flights in the second quarter.

IAG rival **Deutsche Lufthansa** AG and **Air France-KLM** also said this week that earnings were bolstered by demand for travel across the Atlantic, helping their share prices recover some of the losses suffered in 2018.

IAG, whose Iberia, **Aer Lingus** and Level brands fly between Europe and America, said seats-for-sale gained 10% in the second quarter. About half of that capacity was on new routes. The financial performance of all the new routes was ahead of expectations, Mr. Walsh said.



Mariani's largest export market was China, but 'the orders just stopped for us,' the CEO says.

Cranberry Industry Bit by Tariffs

By JULIE WERNAU
AND CHELSEY DULANEY

Cars and steel may be grabbing all the headlines as trade tensions mount, but countries that really want to needle the U.S. are springing retaliatory tariffs on the cranberry.

A quintessentially American export, cranberries are nearly all grown in the U.S. and Canada. It is a trade duopoly, and most of the cranberry bogs in the U.S. happen to be in House Speaker Paul Ryan's home state of Wisconsin.

"If cranberries get too expensive, they start using raisins or prunes or something that's cheaper that's grown somewhere else," said Linda Prehn, a Wisconsin grower and president of the Cranberry Growers Cooperative. "If we all get replaced with raisins, we're sunk."

The European Union, Canada, China and Mexico have launched retaliatory tariffs on the bitter berry, a species native to North America that has suffered from overproduction in recent years. That is threatening to reduce demand for

cranberries, hurting farmers who grow them and leading companies abroad to substitute other juices and berries rather than raise prices for consumers.

The average price for cranberries has fallen below \$30 a barrel—\$5 below the cost of production—and growers say they expect prices to slide further as sales abroad dry up.

Cranberries are a round, red berry grown in bogs from Wisconsin to Massachusetts. They are used in making juice and dried fruit, and touted for everything from their low-calorie count to their effect on bladder health. Cranberry sauce is a staple of Thanksgiving tables.

That makes them a target for tariffs, which cranberry growers fear will drag down sales. They are already preparing to dump as much as one-quarter of this year's harvest, hoping to cut a persistent glut and boost prices. Many also worry trade tensions will deal a permanent setback to the industry's nascent efforts to sell more cranberries to consumers abroad. About one-third of U.S. production is exported, and

trade groups estimate tariffs would amount to \$50 million each year in an industry that last year sold a total of about \$270 million in cranberries.

"This is coming at a bad time for the industry," said Brian Wick, executive director of the Cape Cod Cranberry Growers' Association. "These were the markets we were looking at for major growth."

The European Union imposed a 25% retaliatory tariff on U.S. cranberry-juice concentrate imports, beginning June 22, and sweetened dried cranberries are on a second list of proposed tariffs.

That is an additional blow for producers, who have been hit by falling prices recently due to increased crop yields that have led to oversupply.

Some analysts cite the popularity of sweetened dried cranberries—such as Ocean Spray's Craisins brand—as another driver of the glut. The Craisins' rise in the early 2000s encouraged many growers to plant more and swap for a higher-yielding hybrid version.

At the same time, increased

cranberry production from Canada has exacerbated the glut, while waning consumer interest in juice hurt demand.

U.S. cranberry handlers disposed of 15% of last year's crop to shore up prices, according to a federal marketing order registered with the Agriculture Department, and have proposed disposing of 25% of the crop due for harvest this fall.

Ms. Prehn's Cranberry Growers Cooperative of about 25 producers recently emerged from bankruptcy. "I would say most Wisconsin cranberry growers supported Trump," she said. "They'd hate to see their businesses tank because of these tariffs."

Last month, China imposed a retaliatory tariff of 25% on U.S. dried cranberry imports, on top of an existing 15% tariff.

Mark Mariani, chief executive of **Mariani Premium Dried Fruit**, which employs about 400 workers in Wisconsin, said his largest export market was China, and he is watching his warehouses fill with excess supply. "The orders just stopped for us," he said.

Politics Picks On A Tiny Red Berry

Cranberry-industry veterans say it is no coincidence that countries around the world are targeting the same tiny, regional industry as tensions rise between President Trump and U.S. trading partners.

They say that House Speaker Paul Ryan, who is from major cranberry producer Wisconsin and who has publicly pushed back against the Trump administration's use of tariffs, is in a position to influence trade policy—even though the Republican congressman will be leaving office after this year.

"These decisions are all made for political reasons," said Terry Humfeld, executive director of the Cranberry Institute, an industry organization.

Mr. Ryan's office didn't respond to a request for comment.

Samsung in Trade Crosswind

By TIMOTHY W. MARTIN

washing machines sold in the U.S., although a fraction of the company's overall business, have already been subjected to tariffs of as much as 50%. It could also face other levies—or demand declines—for its semiconductors.

At its annual shareholder meeting in March, Samsung Electronics Chairman Kwon Oh-hyun said the company expects "uncertainties such as trade protectionism and geopolitical risks to persist throughout the year."

The overall impact of any

new U.S. tariffs on Samsung is hard to gauge because of its global supply chain. Its smartphones are mostly made in Vietnam and India. Its TVs are manufactured all around the world, allowing it to move production to a country not caught in the trade dispute if necessary, analysts say.

The global trade battle could trigger a \$4 billion drop in yearly South Korean exports of semiconductors to China, according to Mun Byung-ki of the Korea International Trade Association. Samsung would be among the Korean companies most affected if products made in China for the U.S. market using its chips face tariffs. China accounted for about one-sixth of Samsung's annual 2017 revenue of 239.58 trillion won (\$213.3 billion).

Such concerns about a slowdown in the semiconductor industry have clouded Samsung's profit outlook, said HI Investment & Securities, a Seoul-based brokerage, which lowered the company's stock-price target last month. The dimmer prospects were "inevitable given the concerns over the recent U.S.-China trade war," HI Investment said.

Samsung's relationship with China is evolving because Beijing is trying to reduce the country's dependence on foreign chips and promote home-grown alternatives for displays, memory chips and other parts.

In June, Chinese regulators began investigating memory-chip makers like Samsung.

Some analysts have said regulators could be looking into potential price-gouging involving memory chips. The Chinese government didn't respond to a request for comment.

Although Samsung has remained outwardly neutral, it has been busy lobbying and strategizing in both countries, according to analysts, hoping to protect its turf even as the rising trade tensions and protectionist policies create potential business opportunities.

The U.S. accounted for more than one-quarter of Samsung's 2017 revenue.

—Yun-hwan Chae and Xiao Xiao contributed to this article.



A Samsung washing-machine facility in Newberry, S.C. The company is a big investor in the U.S.



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Chinese Tech Giant Closes In on Apple

Huawei shipped more phones globally than the U.S. company in the second quarter

BY DAN STRUMPF

HONG KONG—Smartphone sales are falling globally, but a Chinese tech giant whose devices most Americans can't even buy is doing a booming business, while nipping at the heels of Apple Inc.

Huawei Technologies Co., the world's largest maker of telecommunications equip-

ment, shipped more than 95 million smartphones in the first half of the year, an increase of more than 30% compared with the same period last year, the company said Friday. Huawei's sales have risen sharply in markets such as Western Europe, the Middle East and India, according to International Data Corp.

In the second quarter, Huawei shipped more phones globally than Apple, making it the world's second-largest vendor of smartphones after Korea's Samsung Electronics Co., according to IDC. The period before the launch each

fall of the newest iPhone is traditionally Apple's weakest.

Huawei sells few phones in the U.S. The company has been effectively banned from selling telecom gear there ever since a 2012 congressional report alleged its gear posed a national security threat. Since then, network operators, the gatekeepers of the U.S. cellular phone market, haven't partnered with Huawei to sell its phones.

Huawei has denied it is a threat and says it is owned by its employees. The company was close to a deal to sell smartphones in the U.S. in partnership with AT&T Inc. earlier this

year, but AT&T walked away from the deal at the last minute.

Huawei, based in the southern Chinese tech hub of Shenzhen, has made inroads elsewhere: It is the No. 3 smartphone vendor in Europe, and is No. 1 in its home market of China. Its flagship phone, the P20, has a model featuring a triple-lens camera.

"They've been consistently putting in the marketing to improve their branding," said Melissa Chau, an analyst at IDC.

Huawei's sales have climbed despite facing a shrinking global smartphone market. Shipments for the industry

overall fell 2.6% in the first half of the year, according to IDC.

Despite pulling ahead of Apple, most of Huawei's gains came at the expense of Samsung and other smaller vendors whose phones run on the Android operating system, Ms. Chau said.

Last Tuesday, Huawei said its unaudited revenue rose 15% to 325.7 billion yuan (\$47.6 billion) during the first half of the year. Apple reported revenue during that time of \$114.4 billion, according to S&P Global Market Intelligence—a difference partly due to Apple's fatter margins. Huawei phones fetch a lower price,

with an average price of \$269 compared with \$848 for Apple, according to IDC.

Huawei's success has put it in the crosshairs of U.S. policy makers. The Federal Communications Commission is proposing to block Huawei from using federal funds to sell its telecom gear to one of its last remaining markets in the U.S.: small rural carriers. Separately, the Justice Department is investigating whether Huawei violated U.S. sanctions on Iran, while the Department of Defense has pulled phones made by Huawei and its Chinese rival ZTE Corp. from U.S. military bases.

Surface Go Too Short On Power

Continued from page B1
to your colleagues.

In that sense, there's nothing in the Windows world quite like the Surface Go. The Go's curb appeal far exceeds its asking price: It has clean lines and attractive details. It takes up less space in my bag than an issue of this newspaper.

In trying to be a perfect hand-held tablet and a powerhouse laptop, though, the Go risks getting neither right. It's great that the Surface Go fits in the pocket of my cargo shorts, but its 10-inch screen is simply too small for some things. Windows and its most powerful apps were clearly not designed for this size, either—toolbars and too-large icons take up much of that precious screen space.

Small computers mean small keyboards, too. Microsoft fit impressively large and spacious keys onto the Go's Type Cover accessory, but it's far from a full-size set of letters. Even after days of practice, I can't type

as quickly or accurately as on other machines. Still, there's no better tablet keyboard attachment than this fabrucky, magnetic contraption. Oh, and if you're listening, Apple? Having a touchpad and a touch screen is pretty fantastic.

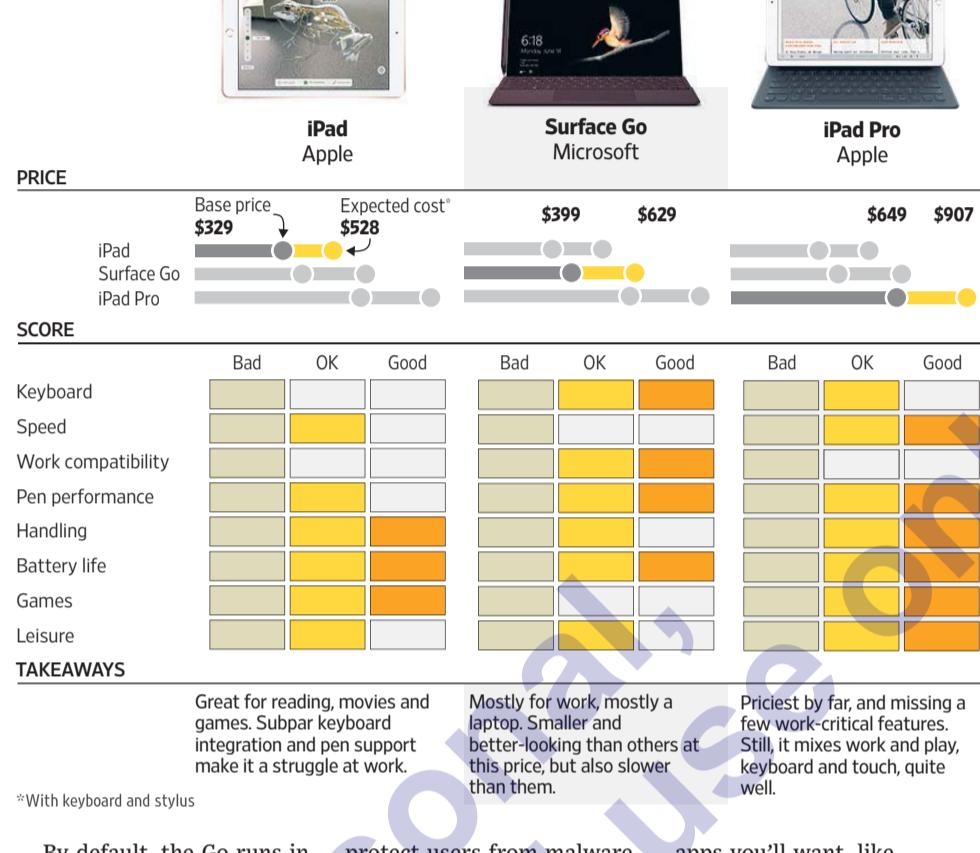
The Go is a handy computer computer. I dock it to large monitors, keyboards and mice when I'm at home or the office, and use it on its own on the go. It's an excellent idea for a travel computer, at a palatable price.

However, the Surface Go turned out to be intolerably slow. In my benchmarks, the Go scored anywhere from a quarter to half the speed of a decent Windows PC. That translates to webpages taking a few extra seconds to load, huge multitasking slowdowns and gaps between click and response long enough to make you angrily click again. Even Microsoft's \$799 Surface Pro runs like a supercomputer next to this thing.

That said, the Go never crashed or froze in my testing, and the weaker processor does mean the battery lasts easily a full day, if you aren't working it too hard. My battery tests showed it outlasted even \$1,000 Windows laptops (but not the Surface Pro).

Microsoft in the Middle

The Surface Go is positioned to take on not one but two of Apple's tablets.



By default, the Go runs in "S Mode," a version of Windows that only allows you to install apps from the Windows Store. It's meant to

protect users from malware and problematic apps that can slow down computers, but it also keeps you from downloading many of the

apps you'll want, like Google's Chrome browser or Amazon's Kindle reader. I could only suffer S Mode for about an hour—luckily it's

easy to turn off.

There are some things you simply can't do on an iPad or Chromebook, but the Go can do almost anything. If your computer needs involve mostly email, web browsing, Netflix and Word documents, the Go will be fine—especially if you're upgrading from a years-old laptop. (You'll have to subscribe to Office to use it.) Since it runs Windows, the Go is ready for those rare occasions you need to edit PowerPoint or open an old Lotus Notes file. It also has a USB-C port, so you can plug in hard drives or external devices. Just be ready for this computer to test your patience.

This isn't the best tablet you can buy for the price—the iPad has more, better apps, and an interface designed both for touch and for this screen size. Nor is it the best laptop you can buy, because nearly any \$500-and-up laptop will be faster. Microsoft aimed for a tiny target in the middle, hoping that a good tablet and a good laptop would combine into a device greater than the sum of its parts. If you're looking for a travel computer or a second PC for the home, the Go will do. It's hard to recommend it as your only computer, though.

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BUSINESS NEWS

Hardware Chiefs: Big Pay, Brief Stays

BY PATRICK THOMAS

It has been a volatile year at the top of the semiconductor and hardware business.

Four of the 21 largest such firms in the S&P 500 sector switched CEOs this year, and some of them were among the highest paid in the industry, according to The Wall Street Journal's analysis of pay data from MyLogIQ LLC.

Intel Corp. CEO Brian Krzanich resigned in June for violating company policy by having a relationship with a co-worker. Mr. Krzanich was the second-highest paid of the group at \$21.5 million.

Texas Instruments Inc. changed CEOs in July when Brian Crutcher resigned for violating the company's code of conduct related to personal behavior. Richard Templeton, who had stepped down as chief in January after 14 years in the role, reassumed his previous duties and made about \$16.5 million in 2017.

Meg Whitman ranked as the third-highest-paid CEO in the sector, with \$17.1 million.

Xerox Corp.'s Jeffrey Jacobson, who was forced to resign as CEO earlier this year amid pressure from activist investors, was paid \$9.5 million in his first and only full year as head of the company. His ouster came after Xerox backed out of a merger deal with **Fujifilm Holdings Corp.**

Meg Whitman, who left **Hewlett Packard Enterprise Co.** last November and moved to Los Angeles for a job running a mobile video startup called NewTV, was the third-highest-paid CEO in the sector at \$17.1 million. From 2011 to 2015, Ms. Whitman was CEO of Hewlett-Packard Co., overseeing the separation of the company into Hewlett Packard Enterprise and HP Inc.

Turnover aside, most companies in the chips and hardware group performed well, with a median shareholder return of 31.8%, well above the overall S&P 500's shareholder return of 19%. Total shareholder return reflects share-price appreciation and dividends.

Only two companies of the 21 in the sector posted negative shareholder returns for 2017. **Qualcomm Inc.** was one of them, with a shareholder return of minus-21.4%; the other was **Advanced Micro Devices Inc.** at minus-9.3%. Qualcomm CEO Steven Mollenkopf made \$11.6 million for the year. AMD's CEO, Lisa Su, made \$10.9 million.

Hock Tan, CEO of semiconductor company **Broadcom Inc.**, was the highest-paid boss in the sector and in the entire S&P 500 with over \$103 million in compensation, quadrupling what he made the prior year.

China's Cleanup Transforms Iron

China's efforts to curb the smog polluting its cities and clean up its steel industry are remaking the global iron-ore market, driving billion-dollar investments by mining companies and shifting the fortunes of previously unloved pits.

The world's leading steel-producing country is moth-

By Alexandra Wexler
in Kathu, South Africa
and Rhiannon Hoyle in
Sydney, Australia

balling more than 100 old, inefficient furnaces that helped build its economic boom, seeking to reduce overcapacity and improve air quality. They are being replaced by larger plants that require less coal for smelting, but are best fed with a higher-grade iron ore that makes up just a fraction of the \$100 billion annual trade in the mineral.

This sudden shift in demand from China has fragmented the iron-ore market, with prices climbing for certain kinds of ore with higher iron content. Existing miners such as **Anglo American PLC** subsidiary Kumba Iron Ore Ltd., which produces high-grade ore, are reaping the benefits of China's changing tastes.

"We used to think of iron ore as iron ore. Now there are definitely three different markets: benchmark 62%, 58% low-grade material and higher-grade lump ore," said Ian Woodley, an analyst for Old Mutual Equities in Cape Town. "You have to be much more aware of what those premiums and discounts are."

The benchmark price for iron ore—which refers to 62% iron-content fines, or small particles less than about six millimeters in size—has climbed more than 50% since the start of 2016, to about \$67 a metric ton. Low grade fines, which typically have about 58% iron content, meanwhile, are piling up at ports, fetching just \$38 a ton.

Demand for lump—a premium type of ore that can be fed directly into a blast furnace, unlike fines that first need processing—has been



Kumba operates in South Africa's arid north, and its iron ore comes primarily from a 65-year-old super pit called Sishen.

particularly strong. Buyers are now willing to pay almost \$20 a ton on top of the benchmark price for lump products. That premium was just \$4 at the start of 2016.

Kumba, the Anglo American subsidiary, mines in South Africa's arid north. Its ore comes primarily from a 65-year-old super pit called Sishen and has an average iron content of 64.5%, 2.5 percentage points over the benchmark. Lump ore makes up about two-thirds of its sales, compared with a quarter or less for its larger rivals.

Last year, Kumba's net profit, which in 2015 had taken a 96% dive to just 469 million South African rand (\$35.8 million), soared to 12.34 billion rand, thanks to higher iron-ore prices and demand for the type of ore it produces, as well as a big drive to cut costs when prices were low.

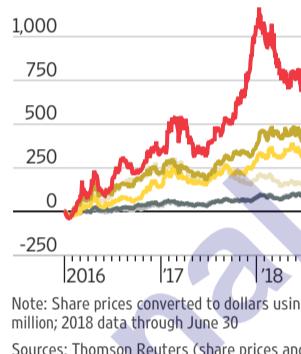
Kumba, which handed out dividends at its own discretion amid a recovery from the market downturn, has approved a new payout policy under which the company will aim to pay shareholders 50% to 75% of headline earnings. It said

High Grade or Bust

Kumba has become an unlikely winner from China's rising appetite for good quality iron ore.

Change in share prices since 2015

■ Kumba ■ Anglo American ■ Vale
■ Fortescue ■ BHP ■ Rio Tinto

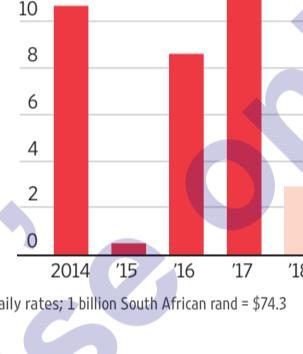


Note: Share prices converted to dollars using daily rates; 1 billion South African rand = \$74.3 million; 2018 data through June 30

Sources: Thomson Reuters (share prices and exchange rates); the company (Kumba's profits)

Kumba's profit

14 billion South African rand



THE WALL STREET JOURNAL.

that reflected its ability to generate cash now, even though profit for the first half of 2018 fell 36%, mainly because of train derailments and a stronger rand.

"It has been a pretty difficult period, but the turnaround has been quite significant," Themba Mkhwanazi, Kumba's chief executive, said in an interview.

The step change in China, which buys about 60% of Kumba's ore, almost didn't come soon enough.

In 2015, a 42% drop in average iron-ore prices to \$56 a

ton—prices were above \$190 a ton as recently as 2011—meant the company was in dire straits. Anglo put Kumba up for sale in early 2016, but couldn't find a buyer to take it off its hands. Thousands of miners at Sishen, which has grown to be nearly 9 miles long and about 900 feet deep, were laid off.

Then, as the new clean-air regulations and capacity cuts took hold in China, Kumba's fortunes rapidly reversed. Last year, it was the best-performing company on the Johannesburg Stock Exchange, with its shares more than doubling in price.

The triumph may be short-lived.

In June, **BHP Billiton Ltd.**, the world's largest miner by market value and third-largest exporter of the mineral, said it would build a new mine in Australia that would lift the average grade of its iron ore by a percentage point to 62%.

Fortescue Metals Group Ltd., the world's No. 4 shipper of ore, two weeks earlier signed off on a \$1.3 billion mine in Western Australia, also designed to upgrade its exports, which are low in iron content.



In 'Christopher Robin,' Ewan McGregor is reunited with old friends.

Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND	CUMULATIVE	% CHANGE
1. Mission: Impossible - Fallout	Paramount	\$35	\$124.5	-43
2. Christopher Robin	Disney	\$25	\$25	--
3. The Spy Who Dumped Me	Lions Gate	\$12.4	\$12.4	--
4. Mamma Mia! Here We Go Again	Universal	\$9.1	\$91.3	-40
5. The Equalizer 2	Sony	\$8.8	\$79.9	-37

*Friday, Saturday and Sunday Source: comScore

'Mission: Impossible' Wins Out Over Winnie-the-Pooh at Box Office

Associated Press

Tom Cruise sped past Winnie-the-Pooh at the box office to lead all films for the second straight week with an estimated \$35 million in ticket sales for "Mission: Impossible—Fallout."

The success of Paramount Pictures' sixth "Mission: Impossible" installment, along with muted enthusiasm for Walt Disney Co.'s "Christopher Robin," made for a seldom-seen result: a Disney movie debuting in second place.

In a year where the studio has already notched three \$1 billion films worldwide ("Black Panther," "Avengers: Infinity War" and, as of this week, "Incredibles 2"), the more modest Winnie-the-Pooh live-action revival opened with

a relatively ho-hum \$25 million. As a reminder that "Christopher Robin" was a minor release for Disney, "Black Panther" on Sunday became the third film to ever cross \$700 million domestically, a feat previously accomplished by "Avatar" and "Star Wars: The Force Awakens."

Made for an estimated \$75 million, Marc Forster's "Christopher Robin" stars Ewan McGregor as a grown-up Christopher Robin reunited with the characters of the Hundred Acre Wood: Pooh, Tigger, Piglet and the rest. While reviews were mixed, audiences gave it an "A" CinemaScore.

Cathleen Taff, head of distribution for Disney, said there is room for non-tentpole releases in the Disney slate.

"It's one of our smaller films

and it's really focused on character and emotion," said Ms. Taff. "We're happy with where it's at and we think it's got some runway being one of the only family options going forward."

She confirmed that "Christopher Robin" has been denied a release in China, locking the movie out from the world's second-largest film market.

While China provides no reason for the films it doesn't select for its theaters, government censors have recently been blocking images of Winnie-the-Pooh after bloggers began using him to parody Chinese President Xi Jinping.

The success of "Mission: Impossible"—which has made \$124.5 million thus far along with \$205 million internationally—is helping solidify a comeback summer for Hollywood.

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BUSINESS NEWS

Temple's M.B.A. Misreporting Draws Ire

University alumni, professors seek more details on falsification of data used in rankings

BY KELSEY GEE
AND JANAKI CHADHA

Temple University alumni and staff are voicing frustration with how administrators have handled a brewing M.B.A.-rankings scandal that has prompted federal and state investigations into whether employees used deceptive marketing practices to recruit students.

Some former students say they fear the controversy will leave a stain on their résumés after the university disclosed last week that as part of U.S. News & World Report's annual rankings process, employees at its Fox School of Business submitted falsified test-score and

student-loan-debt information for several degree programs, including its flagship two-year M.B.A. and its executive M.B.A. A university-commissioned probe previously determined Fox staff sent false student data and outcome information about its online M.B.A. program over the past four years.

Several professors said students deserved more explanation about how the Fox program data was inflated. Temple's online M.B.A. program—which costs roughly \$60,000—had been rated the nation's best by U.S. News since 2014 before it disclosed the misreporting to the magazine earlier this year.

Other faculty have publicly defended the school, saying the data discrepancies shouldn't take away from the overall quality of Fox's programs.

"A university's primary obligation is to its students," said Temple economist Doug



Temple University's online M.B.A. program had been rated the nation's best by U.S. News since 2014.

Webber, who in July wrote on Twitter that Fox students deserved a refund for programs that were inaccurately marketed as top-ranked.

Temple fired Moshe Porat,

dean of the Fox school for 22 years, last month over the scandal and appointed an interim leader of the business school. The new Fox dean, Ron Anderson, "is committed to

taking the actions that will restore its reputation," Ray Betzner, a Temple spokesman said. "He will also ensure the school's focus remains on the delivery of high-quality pro-

grams and student services."

Charles Dhanaraj, a professor of strategy at Fox, said the trickle of disclosures about information submitted for the rankings had cast doubt over the accuracy of other data concerning Fox degree programs. "Students are wondering, 'What more have I been cheated out of?'" he said. He added that the university should also scrutinize other staff and the processes that made the misreporting possible. "How did this go undetected for four years?" he said.

Tom Clare, a defamation lawyer for Mr. Porat, said the former dean was "saddened and frustrated by the way Temple has handled this."

Temple President Richard Englert last week said the university continues to review Fox rankings-data submissions and to update the U.S. Education Department and Pennsylvania Attorney General's Office.

Crypto 'Pumps' Lift Prices

Continued from page B1

York Stock Exchange can essentially be carried out with impunity," said Ben Yates, a cryptocurrency lawyer at London-based RPC.

The boiler rooms of yore have an online analog in the "pump group," a chatroom where coin traders gather. The biggest of the dozens the Journal analyzed is Big Pump Signal, with more than 74,000 followers on the messaging app Telegram. After launching its chatroom on Telegram in late December after reaching capacity on another messaging app, Discord, the group promoted 26 pumps that saw \$222 million in trades

Many more such groups exist, potentially adding millions or tens of millions more in activity, the Journal found, but operate in private chat rooms, accessible only by invitation, generally overseen by an anonymous moderator.

These schemes became more pervasive following the recent explosion in initial coin offerings—the securities-like digital tokens sold by startups to fundraise for projects.

Similar practices were outlawed in the 1930s when traders bought and sold stock among themselves to inflate the price before unloading it on the public. Nonetheless, pump and dump proliferated during the dot-com boom.

The exact number of pump groups involved in crypto price manipulation couldn't be determined, but the Journal found 63 actively pushing different pump schemes. The groups have names that don't hide their purpose, such as Orion Pump, MEGA Pump and A+ Signals.

Many of the groups charge monthly fees ranging from \$50

to \$250 or require members to evangelize the service for access to information. One operation, Cosmic Trading, advertises training and publishes other groups' pump signals.

In a message, the group's administrator on Discord said Cosmic Trading "is a publishing company" that is "strongly against pump and dump."

It isn't known how much the pumpers profit, as exchanges don't publish investor histories. But the operators have an advantage in selecting the coin, buying at the bottom and selling it at whatever peak they decide.

For the traders, "it's a gambling thing, and they're addicted to it," said Dave Jevans, CEO of cryptocurrency analytics firm CipherTrace. All of them buy in the frenzy with the intention of selling before the dump, sort of like a game

Market manipulation in digital coins 'can essentially be carried out with impunity.'

of crypto chicken: the longer they wait for prices to peak the more money they can make, but the risk of losing everything is heightened.

It "incentivizes the poor followers to keep buying until the [target] price is reached, which it often never does," said Taylor Caudle, who said he "instantly lost \$5,000 in about 30 seconds" in a January operation at Big Pump.

In less than a minute after placing a buy order on a coin called DigixDAO, the price dropped steeply and never recovered, said the 27-year-old Mr. Caudle, of San Diego.

"Needless to say I felt extremely angry, and voiced my findings" on Discord, he said in an email, "which were of course met with nothing but 'Too slow bro,' and 'Lol sucks 2 b u' comments."

Inside One Pump: 'Ride the Waves!'

After a group pushed one coin in early July, the price jumped 50% before plummeting

Big Pump Signal's strategy is straightforward, like others pumping coins: announce a date, time and exchange; at the set time, announce, or "signal," the coin being pumped; let the traders create a buying frenzy; then quickly sell. It can all happen in minutes, and successful traders publicly gloat about their profits.

One day in early July, Big Pump Signal commanded followers to start buying an obscure coin created for untraceable transactions called cloakcoin—at 3 p.m. EDT on an exchange called Binance. "Everyone be sure to ride the waves!" urged the anonymous moderator of the group's Telegram channel.

The buying mania was immediate: the price of cloakcoin jumped 50% to \$5.77 on the exchange before plummeting almost a dollar after two minutes. In total, 6,700 trades worth \$1.7 million were executed—versus virtually no trading the hour before.

Like the other active

groups, the Big Pump Signal operation is a mystery: the moderator is anonymous; the ownership of an associated website is cloaked; and attempts at contacting the moderator were unsuccessful.

Cloakcoin was a middle-of-the-pack pump for Big Pump Signal. The coin was traded on only eight exchanges and was ranked 225 among other cryptos on CoinMarketCap in early July, which tracks market activity across 1,600 coins.

In the July pump, the richest trades happened within the first minute, the Journal found. The biggest trade was for \$11,000, moments after the moderator's order sent the price skyrocketing, according to the Journal's analysis.

"Obviously, we were surprised," said Harry Sidropoulos, cloakcoin's marketing manager. "We cannot say why it happened, but it's definitely not from our side."

At the same time, the traders were very pleased with the cloakcoin pump. "What a great pump," a user called Althanasia wrote on Discord.

One user named Sexy-Homer claimed he made \$1,400 on the cloakcoin pump, noting he didn't go "big" on this one. "I'm keen for the next one I will be going to go big," he wrote.

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€200,000 reward

On behalf of a client who is filing a lawsuit in a German court, we are bringing claims for compensation against Deutsche Bank on the grounds that it collaborated with other banks to manipulate the price of silver in 2012 and 2013 by means of price fixing. During this time, the plaintiff was invested in the silver market. The price manipulation is alleged to have caused the significant losses of the plaintiff. We are searching for evidence (witnesses and documents) to support this allegation.

Due to the alleged manipulation of the price of silver, Deutsche Bank agreed to pay a settlement of \$38,000,000 in the case 14-MD-02573-VEC. In re: London Silver Fixing, Ltd., Antitrust Litigation, United States District Court for the Southern District of New York. On behalf of our client, a reward of €200,000 will be paid to anyone who provides the crucial evidence that leads to the full, legally effective winning of the lawsuit.

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PUBLIC NOTICES

NOTICE OF DISPOSITION OF COLLATERAL

UMB Bank, National Association ("Collateral Agent"), as collateral agent for Pines River Fixed Income Master Fund Ltd. and Pine River Fixed Income Master Fund II Ltd. ("Lenders") hereby gives notice that Amicus Finance IV LLC, as assignee of the joint claimants of the subject debt, has assumed control of default under various agreements, including (a) a Secured Revolving Credit Agreement, dated as of August 5, 2013 (as amended, the "Credit Agreement"), executed by Debtor, Lenders, and other parties thereto, and (b) a Security Agreement dated August 5, 2013 executed by Debtor, Lenders, and other parties thereto (the "Security Agreement"). Collectively, the Credit Agreement and the Security Agreement, including amendments and modifications, along with certain related documentation and agreements, are referred to as the "Loan Documents" hereinafter.

NOTICE IS HEREBY GIVEN that Collateral Agent will, in accordance with its rights under the Loan Documents and in accordance with Section 9-610 of the Uniform Commercial Code, hold one or more public sales, in bulk or in parcels, of a portion of the personal property of Debtor in which Collateral Agent has a security interest, as described in the Loan Documents (the "Collateral"). The Collateral that will be sold in connection with this Notice is referred to as the "Subject Collateral."

The Subject Collateral consists of the loan from Amur Finance IV LLC to Amur Equipment Finance, Inc. as evidenced by, among other things: (a) a Secured Revolving Credit Agreement dated as of March 31, 2014, executed by Axis Capital, Inc., as Borrower, and Amur Finance IV LLC, as Lender; (b) a Guaranty dated as of March 31, 2014, executed by Axis Capital, Inc., as Guarantor; and (c) a Borrowing Notice re April 2015 Supplemental \$10 million Advance ("the Loan"). The Loan is in the principal amount of approximately \$50,000,000, accrues interest at a rate tied to LIBOR (as more fully described in the above-referenced documents), and matures on July 25, 2019.

Some or all of the Subject Collateral will be sold on or after 10:00 a.m. on August 29, 2018, at the New York City offices of Shepard Mullin Richter & Hampton LLP, located at 30 Rockefeller Plaza, New York City, New York 10020.

ALL RIGHTS OF COLLATERAL AGENT AND LENDERS ARE EXPRESSLY RESERVED, INCLUDING ALL RIGHTS WITH RESPECT TO COLLATERAL IN WHICH COLLATERAL AGENT HAS A SECURITY INTEREST BUT WHICH IS NOT SUBJECT TO THIS NOTICE.

Persons interested in attending the sale and bidding for the Subject Collateral may obtain additional information by contacting Collateral Agent at UMB Bank, National Association, 120 South 6th Street, Suite 1400, Minneapolis, MN 55402, Attention: Mr. Gavin Wilkinson, gavin.wilkinson@umb.com, (612) 337-7001.

PUBLIC NOTICES

NOTICE OF INTENDED DIVIDEND PURSUANT TO RULE 14.29 OF THE INSOLVENCY (ENGLAND AND WALES) RULES 2016

LEHMAN BROTHERS (PTG) LIMITED — IN ADMINISTRATION

REGISTERED NO. 04108157

REGISTERED OFFICE: 7 MORE LONDON RIVERSIDE, LONDON SE1 2RT, UNITED KINGDOM

IN THE HIGH COURT OF JUSTICE, CHANCERY DIVISION, COMPANIES COURT

NO. 1589 of 2010

Notice is hereby given, pursuant to Rule 14.29 of the Insolvency (England and Wales) Rules 2016 that the Joint Liquidators intend to declare an eighth interim dividend to unsecured non preferential creditors within two months from the last date of proving, being 28 August 2018. Such creditors are required on or before that date to submit their proofs of debt to the Joint Liquidators, PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT, United Kingdom, marked for the attention of Diane Adebowale or by email to lehman.affiliates@uk.pwc.com.

Persons so proving are required, if so requested, to provide such further details or produce such documents or other evidence as may appear to the Joint Liquidators to be necessary.

The Joint Liquidators will not be obliged to deal with proofs lodged after the last date for proving but they may do so if they think fit.

Creditors who wish to have dividend payments made to another person or who have assigned their entitlement to someone else are asked to provide formal notice to the Joint Liquidators.

For further information, contact details, and proof of debt forms, please visit <http://www.pwc.co.uk/services/business-recovery/administrations/lehman/btgi-ltd-in-administration.html>. Alternatively, please call Diane Adebowale on +44 (0) 20 7212 3515.

Joint Administrators' details:

Derek Anthony Howell (IP no. 6604), Gillian Eleanor Bruce (IP no. 9120), Edward John Macnamara (IP no. 9694) and Russell Downs (IP no. 9372), all of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT, United Kingdom, Date of administration appointment: 1 November 2012

Dated: 6 August 2018

G E Bruce, Joint Administrator

PUBLIC NOTICES

NOTICE OF INTENDED DIVIDEND PURSUANT TO RULE 14.29 OF THE INSOLVENCY (ENGLAND AND WALES) RULES 2016

ELDON STREET HOLDINGS LIMITED — IN ADMINISTRATION

REGISTERED NO. 04108165

REGISTERED ADDRESS: 7 MORE LONDON RIVERSIDE, LONDON SE1 2RT, UNITED KINGDOM

IN THE HIGH COURT OF JUSTICE, CHANCERY DIVISION, COMPANIES COURT

NO. 1586 of 2008

Notice is hereby given, pursuant to Rule 14.29 of the Insolvency (England and Wales) Rules 2016 that the Joint Administrators intend to declare a ninth interim dividend to unsecured non preferential creditors within two months from the last date of proving, being 28 August 2018. Such creditors are required on or before that date to submit their proofs of debt to the Joint Administrators, PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT, United Kingdom, marked for the attention of Diane Adebowale or by email to lehman.affiliates@uk.pwc.com.

Persons so proving are required, if so requested, to provide such further details or produce such documents or other evidence as may appear to the Joint Administrators to be necessary.

The Joint Administrators will not be obliged to deal with proofs lodged after the last date for proving but they may do so if they think fit.

For further information, contact details, and proof of debt forms, please visit <http://www.pwc.co.uk/services/business-recovery/administrations/lehman/btgi-ltd-in-administration.html>. Alternatively, please call Diane Adebowale on +44 (0) 20 7212 3515.

Joint Administrators' details:

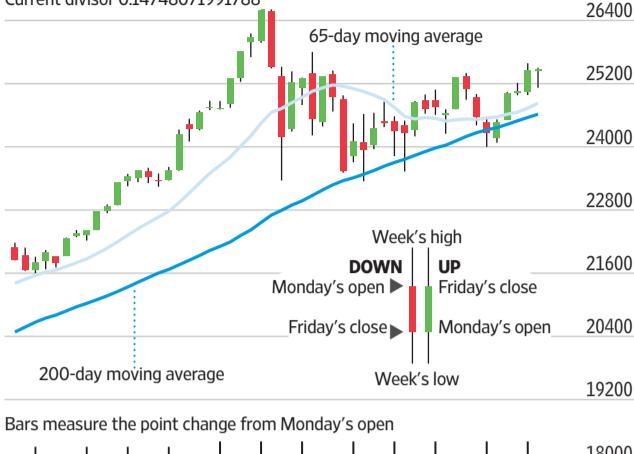
Derek Anthony Howell (IP no. 6604), Gillian Eleanor Bruce (IP no. 9120), Ian David Green (IP no. 9045), Russell Downs (IP no. 9372) and Edward John Macnamara (IP no. 9694) all of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT, United Kingdom, Date of administration appointment: 23 July 2012

Dated: 6 August

MARKETS DIGEST

Dow Jones Industrial Average

25462.58 ▲ 11.52, or 0.05% last week
High, low, open and close for each of the past 52 weeks



Current divisor 0.14748071991788
Last 23.05 20.01
Trailing P/E ratio 16.47 18.61
P/E estimate * 2.12 2.27
Dividend yield All-time high 26616.71, 01/26/18

Bars measure the point change from Monday's open

A S O N D J F M A M J A

18000 16000 14000 12000 10000 8000 6000 4000 2000 0

Primary market Composite

24 16 8 0

A S O N D J F M A M J A

24 16 8 0

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2840.35 ▲ 21.53, or 0.76% last week
High, low, open and close for each of the past 52 weeks



Last 23.74 23.90
Trailing P/E ratio 17.62 18.95
P/E estimate * 1.82 1.97
Dividend yield All-time high 2872.87, 01/26/18

Bars measure the point change from Monday's open

A S O N D J F M A M J A

2200 2000 1800 1600 1400 1200 1000 800 600 400 200 0

Financial Flashback

The Wall Street Journal, August 6, 2007

Cerberus Capital Management LP was set to name former Home Depot Inc. Chief Executive Officer Robert Nardelli to lead its newly acquired Chrysler unit.

New to the Market

IPO Scorecard on Page B8

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/primary exchange	Shares (mil.)	Pricing Range(\$)	Low/High	Bookrunner(s)
8/8	7/20	Amalgamated Bank Union-owned bank.	AMAL Nq	6.7	15.00/17.00	Barclays, JPM, Stifel	
8/8	7/13	Mesa Air Group Provides scheduled commuter flights and airfreight services	MESA Nq	10.7	14.00/16.00	Raymond James & Assoc, BofA ML	
8/8	7/9	Vaccinex Clinical-stage biotechnology company.	VCNX Nq	3.3	12.00/15.00	Oppenheimer, BTIG LLC	

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Offer Symbol	Offer price(\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
Aug. 6	Feb. 7/18	Cactus	WHD	19.00	502.6	76.2	180 days
	Feb. 7/18	Evolus	EOLS	12.00	60.6	67.8	180 days
	Feb. 7/18	Huami	HMI	11.00	126.5	-16.1	180 days
	Feb. 7/18	Victory Capital Holdings	VCTR	13.00	166.5	-24.8	180 days
Aug. 7	Feb. 8/18	Cardlytics	CDLX	13.00	75.7	44.2	180 days
	Feb. 8/18	Quintana Energy Services	QES	10.00	96.3	-30.0	180 days

Sources: Dealogic; WSJ Market Data Group

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Expected Issuer/Business	Symbol/Primary exchange	Amount (\$ mil.)	Friday's price(\$)	Bookrunner(s)
Aug. 6 Pacific City Financial	PCB Nq	50.1	n.a.	Stifel, Raymond James & Assoc, Sandler O'Neill & Partners

Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
Adams Pharmaceuticals	Aug. 2	\$35.0	\$150.0	Raymond James & Assoc
Healthcare	July 9/18			
Moelis & Co	Aug. 1	\$302.0	...	JPM, BofA ML
Finance	Nov. 24/17			
First Hawaiian	July 30	\$558.0	...	GS
Finance	May 8/18			

Public and Private Borrowing

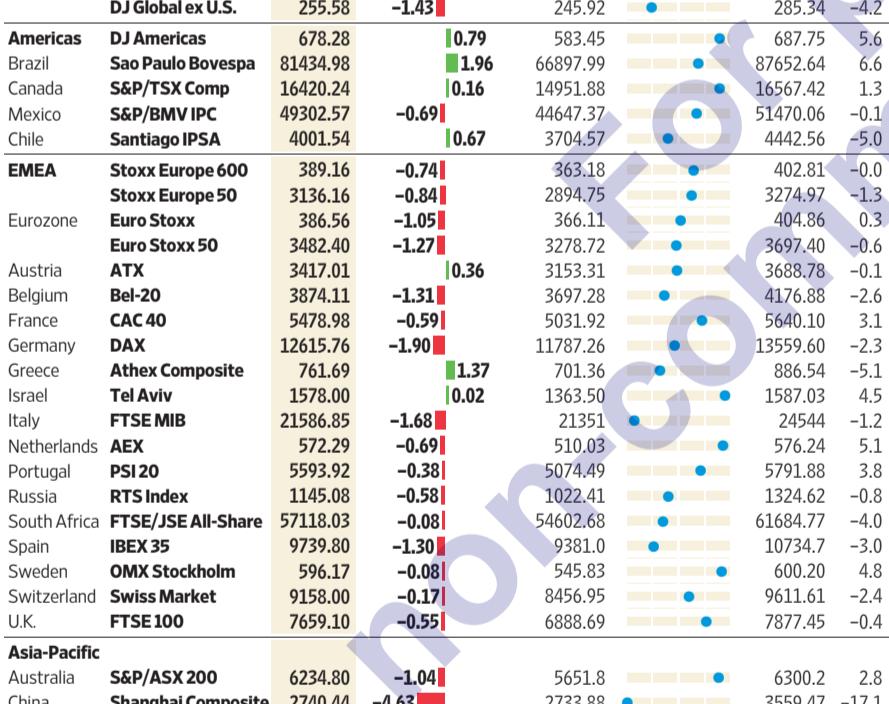
Treasurys

Monday, August 6	Tuesday, August 7
Auction of 13 week bill; announced on August 2; settles on August 9	Auction of 4 week bill; announced on August 6; settles on August 9
Auction of 26 week bill; announced on August 2; settles on August 9	Auction of 3 year note; announced on August 1; settles on August 15
Wednesday, August 8	Thursday, August 9
Auction of 10 year note; announced on August 1; settles on August 15	Auction of 30 year bond; announced on August 1; settles on August 15

Sources: SIX Financial Information; Dow Jones Market Data

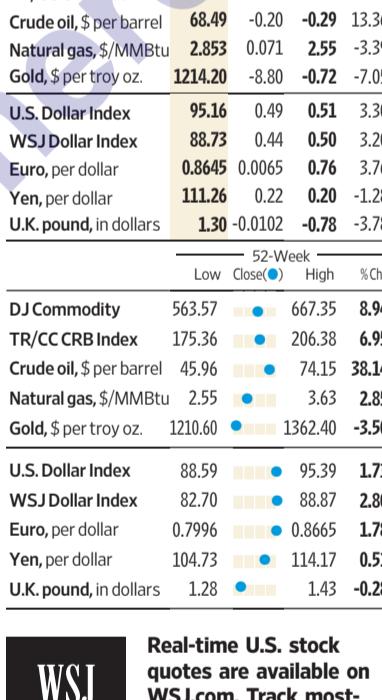
Sources: SIX Financial Information; Dow Jones Market Data

International Stock Indexes



Source: SIX Financial Information; Dow Jones Market Data

Commodities and Currencies



Sources: SIX Financial Information; Dow Jones Market Data

Sources: SIX Financial Information; Dow Jones Market Data

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A Week in the Life of the DJIA

A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA gained 11.52 points, or 0.05%, on the week. A \$1 change in the price of any DJIA stock = 6.78-point change in the average. To date, a \$1,000 investment on Dec. 31 in each current DJIA stock component would have returned \$31,570, or a gain of 5.23%, on the \$30,000 investment, including reinvested dividends.

The Week's Action				
Pct chg (%)	Stock price	Point chg	in average	Company
8.91	17.01	115.34	Apple	AAPL \$207.99
5.55	2.13	44.44	Pfizer	PFE 40.54
4.09	1.95	38.22	Intel	INTC 49.63
3.84	2.44	36.54	Merck	MRK 65.93
2.41	1.85	28.74	Nike	NKE 78.74
2.17	1.75	18.87	Procter & Gamble	PG 82.33
1.76	2.55	17.29	IBM	IBM 147.70
1.67	1.47	9.97	Wal-Mart	WMT 89.60
1.31	1.47	9.97	Walt Disney	DIS 114.09
0.91	1.06	7.19	JPMorgan Chase	JPM 117.09
0.89	0.41	2.78	Coca-Cola	KO 46.62
0.61	0.26	1.76	Cisco Systems	CSCO 42.83
0.50	1.27	8.61	UnitedHealth Group	UNH 257.22
0.50	0.26	1.76	Verizon	VZ 52.27
0.33	0.36	2.44	Microsoft	MSFT 108.04
0.30	0.40	2.71	Johnson & Johnson	JNJ 131.95
-0.06	-0.13	-0.88	3M	MMM 207.29
-0.48	-0.64	-4.34	United Technologies	UTX 133.89
-0.63	-0.89	-6.03	Visa	V 139.82
-0.76	-1.50	-10.17	Home Depot	HD 195.64
-0.79	-1.03	-6.98	Travelers	TRV 129.70
-0.81	-1.27	-8.61	McDonald's	MCD 156.21
-1.49	-3.55	-24.07	Goldman Sachs	GS 234.09
-1.52	-1.92	-13.02	Chevron	CVX 124.05
-2.07	-1.42	-9.63	Walgreens	WBA 67.22
-2.10	-1.72	-11.66	Exxon Mobil	XOM 80.20
-2.27	-1.55	-10.51	DowDuPont	DWDP 66.82
-2.84	-4.05	-27.46	Caterpillar	CAT 138.51
-2.95	-3.06	-20.75	American Express	AXP 100.79
-3.39	-12.21	-82.79	Boeing	BA 348.44

*Based on Composite price. DJIA is calculated on primary-market price.

Source: Dow Jones Market Data; FactSet

MONEY & INVESTING

Strong Profits Fuel Rally in Large Lenders

By MICHAEL WURSTHORN

Shares of Wall Street's biggest banks are booming again after a string of strong earnings reports and higher payouts to shareholders re-established their status as some of the stock market's most appealing investments.

An index of the 24 biggest banks in the U.S., known as the KBW Nasdaq Bank Index, is on pace to notch its first positive quarter this year. Its latest gains came after several lenders said steady economic growth around the world, a pickup in loan activity, rising interest rates and resurgent volatility in stock prices all helped to push profits and revenue sharply higher.

That is a sharp reversal from the second quarter, when the index fell 2.5% to suffer its worst three-month stretch since early 2016. This quarter, those big banks are again outperforming their smaller, regional counterparts, a sign their massive scale offers the potential for more lucrative returns, some analysts said.

The strong performance, along with a changing economic landscape, is pushing more investors toward financial stocks, especially the big banks. BlackRock's iShares unit said in a recent report that it favored financial stocks in the second half of the year, while brokerage LPL Financial Holdings Inc. is encouraging its investors to increase allocations to bank stocks so they can benefit from a rising interest-rate environment, lower taxes and attractive valuations.

Shares of JPMorgan Chase

& Co. have jumped 12% so far this quarter after the lender showed strength across several of its key businesses to report an 18% jump in profit.

Revenue exceeded analysts' expectations. **Bank of America Corp.** is up 12% after increasing its second-quarter profit by 33% from a year earlier, thanks to rising interest rates and a lower tax bill.

Goldman Sachs Group Inc., Morgan Stanley and Citi-group Inc. also are all trading higher after reporting profits and revenue that topped estimates from analysts.

Wells Fargo & Co., however, struggled under the weight of its regulatory issues and reported an 11% drop in second-quarter profit. Still, its shares are up 6.1% so far this quarter, cutting its decline for the year to 3%.

The big banks have also been deploying massive sums of capital back to shareholders. Using the savings from the corporate tax cut passed last year, banks have been increasing their dividends and buying back more stock, activities that tend to nudge share prices higher. Plus, the Federal Reserve cleared the way for most big banks to increase their dividends and share buybacks after passing the central bank's so-called stress tests.

The rising fortunes of the U.S.'s biggest banks are lifting their share-price performance past that of smaller lenders, which had been rising somewhat faster so far this year.

The KBW Nasdaq Regional Banking index of small banks is up 1.3% for the quarter. KBW's index of large lenders is up 6.2% since the end of June.

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end funds do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **NA** signifies that the information is not available or not applicable. **N.S.** signifies fund not in existence or not available. **Yld** stands for yield computed by dividing annual dividends paid during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, August 3, 2018

52 wk Fund (SYM) NAV Close/Disc Ret

General Equity Funds

Adams Divers Equity Fd **ADX** 18.67 16.00 -14.3 18.0Boulder Growth & Income **BIF** 12.92 10.86 -15.9 13.0Central Securities **CET** 24.07 28.38 -17.7 16.7CohSteer Opprtunity Fd **FOD** 13.77 13.31 -3.3 9.98Gabelli Equity Trust **GAB** 6.53 6.41 -1.8 12.3Genl American Investors **GAM** 42.94 35.78 -16.7 13.3HnckJohn TxAdv **GHD** 25.07 23.42 -6.6 0.1Liberty All-Star Equity **USA** 6.83 6.52 -4.5 26.0Source Capital **SOR** 45.75 40.41 -11.7 4.7Tri-Continental **TY** 30.93 27.41 -11.4 15.5

Specialized Equity Funds

Aberdeen Total Div Fd **ADD** 10.11 8.86 -12.4 7.7Calamos Conv Hlco Fd **CHY** 11.84 12.95 +9.4 19.7Calamos **CHI** 11.21 12.15 +8.4 16.7

World Equity Funds

Aberdeen Total Div Fd **ADD** 10.11 8.86 -12.4 7.7Calamos Gbl Dyn Inv **CHW** 8.81 9.10 +3.3 11.0China Fund **CHN** 22.03 20.19 -8.4 4.8EtnVncTxAdvGbl Div **ETG** 14.93 17.79 -3.8 9.9First Trust Dynamic E **FDEU** 17.53 16.11 -8.1 8.0Gabelli Gbl Multimed **GFT** 8.91 8.89 -0.9 3.8GDL Fund **GDL** 11.25 9.23 -18.0 -6.1India Fund **IFN** 28.95 25.51 -11.9 5.8Japan Sml Cap **JOF** 13.06 11.50 -11.9 7.7Korea Fund **KF** 40.76 36.55 -10.3 -1.0Mexico Fund **MFX** 19.16 16.51 -14.0 -4.5Morgan Stanley Asia-Pac **APP** 19.65 17.17 -14.7 -1.5MS China A Strd Fd **CAF** 25.08 20.87 -16.8 2.3MS Emerging Fund **MSF** 18.78 16.52 -12.0 -2.6MS India Invest **IFI** 28.81 27.39 -11.1 -5.0New Germany Fund **GF** 21.20 18.71 -11.7 14.5Swiss Fund **SWZ** 13.71 12.88 -6.1 3.6Templeton Dragon **TDZ** 23.75 20.52 -13.6 4.7Templeton Emerging **EMF** 17.02 14.87 -12.6 -0.9Virtus Total Return Fund **ZT** 11.37 10.68 -6.1 -5.1Wells Fargo Div Opp **EDD** 5.95 5.52 -7.2 -2.9

Prem12 Mo Fund (SYM) NAV Close/Disc Yld

U.S. Mortgage Bond Funds

BlackRock Income Trust **BKT** 6.30 5.76 -8.6 5.5Nuveen Mtg Opp Fnd **JLS** 24.33 23.70 -2.6 7.9

Investment Grade Bond Funds

Blackrock Core Bond Tr **BHK** 14.02 12.73 -9.2 6.1BirkR Credit Alloc Incm **HCM** 14.13 12.16 -13.9 6.6John Hancock Income Secs **HIS** 14.61 13.51 -7.5 5.6MFIS Inc Tr **MIN** 4.13 3.78 -8.5 9.7Western Asset Inf Opps **WII** 14.28 10.99 -11.9 3.9

Fund (SYM) NAV Close/Disc Ret

Loan Participation Funds

Apollo Sr Fltg Rate Fd **AFT** 17.70 16.03 -9.4 6.9Eaton Vance Inv Term Fd **DLS** 15.28 11.29 -10.3 7.3BlackRock Invn Strat Fd **RAE** 14.92 13.88 -7.0 5.3Eaton Vance Sr Invn Tr **EVF** 7.24 6.42 -11.3 5.7First Trust Sr FR Fd **FTR** 14.02 12.76 -9.0 5.9Ft Floating Rate 2022 Fd **FIV** 9.64 9.28 -3.8 5.3

High Yield Bond Funds

Highland FR Opps Fd **HFR** 15.21 NA NA NAEaton Vance Muni Bd Fd **VTA** 13.15 11.51 -12.5 6.7Invesco Invn Income T **TRV** 15.68 14.69 -6.3 5.6Eaton Vance Invn Opp Fd **EVT** 15.15 14.48 -7.2 6.0Eaton Vance Sr Invn Tr **EVF** 7.24 6.42 -11.3 5.7First Trust Sr FR Fd **FTR** 14.02 12.76 -9.0 5.9Ft Floating Rate 2022 Fd **FIV** 9.64 9.28 -3.8 5.3

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MARKETS

Heat Drives Wheat Prices

High temperatures in Europe and Asia cut harvest forecasts; U.S. farmers benefit

BY DAVID HODARI AND BENJAMIN PARKIN

Global wheat prices have soared to multiyear highs as a heat wave sweeping across Europe and Asia slashes forecasts for this year's harvest.

The price rise could potentially provide some relief to North American farmers, who have largely avoided such scorching weather, just as Chinese tariffs sap demand for other crops like soybeans.

Chicago wheat futures hit three-year highs Thursday, while a key European benchmark topped a four-year high. The price of Paris-traded milling wheat has leapt 33% so far this year. That is already translating into more expensive animal feed in some regions and could eventually mean more expensive bread.

Hot temperatures and drought stunt the growth of cereals. With this in mind, the U.S. Agriculture Department has forecast that global wheat stockpiles will fall for the first time since 2013.

So far, most agricultural analysts say this wheat-stunting summer is an aberration. But the prospect of global warming has led some observers to predict an eventual shake-up in parts of the world.

"Dry weather across the board has stifled yields," said Tracey Allen, agricultural commodities strategist at JPMorgan Chase & Co. "We've certainly seen dry conditions in Europe compounded by earlier issues with the Black Sea crop drawing down inventories quite quickly."

She added that the U.S. is well-placed to increase its export share of the global market in 2018 and 2019.

After years of oversupply, this year's heat is hitting wheat yields in growing areas such as Russia, Ukraine, France and Britain, while also affecting the crop in Australia, China and other parts of Asia.

It is unusual for Europe to experience such a scorching summer. The unseasonable heat "has been going at least a



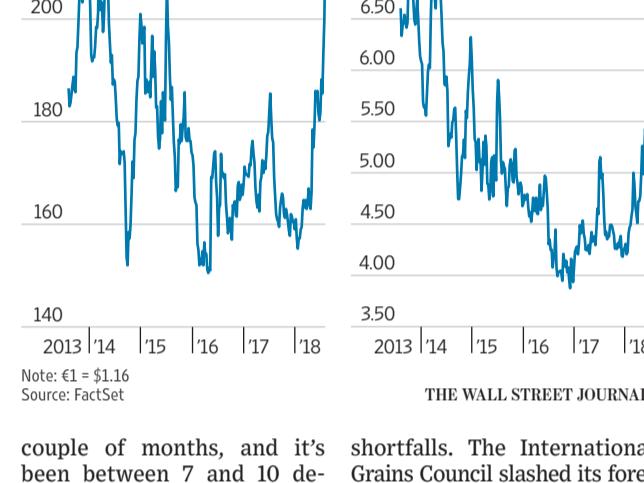
This year's heat is hitting wheat yields in growing areas such as Russia, Ukraine, France and Britain.

Sizzling

European wheat prices have soared, with Chicago futures following.

European

€220 a ton

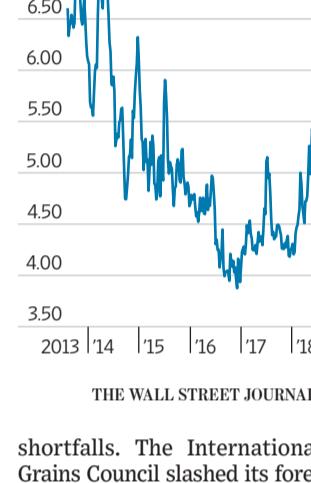


Note: €1 = \$1.16

Source: FactSet

Chicago

\$7.50 a bushel



THE WALL STREET JOURNAL.

couple of months, and it's been between 7 and 10 degrees [Fahrenheit] above normal over the last month," said Donald Keeney, senior agricultural meteorologist at weather consultancy Radiant Solutions.

In Southeast Asia, a wave of El Niño weather systems—characterized by hotter-than-normal waters in tropical Pacific Ocean regions and less precipitation in Southeast Asia and eastern Australia—has prompted warmer, drier weather in key growing regions in recent months.

Wheat is harvested between June and September in Europe, and data has suggested

shortfalls. The International Grains Council slashed its forecast for European Union wheat in 2018-2019 to just shy of 140 million metric tons, down from 148.3 million tons in March.

"There is no end to the dire EU drought," research firm AgResource Co. said in a recent note. "The bull story in world wheat is just unfolding."

Less wheat from other parts of the world is a boon for U.S. and Canadian exporters, who are expected to produce better crops this year. The ratio of global grain supply, both wheat and corn, relative to demand has never been lower, AgResource said.

In coming days, Ryan Wagner will start harvesting his wheat in Day County, S.D. "It's a good spot to be in if you have a good crop and there's a shortage in another part of the world," he said.

The jump in wheat prices comes at a difficult time for U.S. farmers, after China slapped tariffs on American grain and oil-seed imports. While the prices of other commodities such as soybeans have fallen, wheat traders have been largely unaffected as buyers look to them to make up shortfalls elsewhere.

It's the opposite for Western Europe's farmers, who had already suffered from low-cost competition from the Black Sea region. Grain levels have fallen so low in Germany that its farmers are unsure if they have enough feed for their livestock, according to the International Grains Council.

Western Europe's troubles follow on from dry weather in the Black Sea region, which incorporates parts of Russia, Ukraine and Romania.

Market participants believe that while European prices may have peaked, Chicago futures have further to climb.

"I don't think [U.S.] farmers recognize the extent of the opportunity they have, but it's going to be very big," said AgResource's Ben Buckner. "If everyone comes to the U.S. in November, it could be incredible, and that part hasn't yet been fully digested."

Asian Tech Giants' Outsize Influence Frustrates Investors

BY STEVEN RUSSOLILLO AND SAUMYA VAISHAMPAYAN

Three of Asia's big stock markets are each dominated by a single tech giant, a dynamic that fueled strong gains last year but is now becoming a source of frustration for some investors.

Tencent Holdings Ltd. in Hong Kong, Samsung Electronics Co. Ltd. in South Korea and Taiwan Semiconductor Manufacturing Co. in Taiwan boast market capitalizations far bigger than most local peers. The trio's collective valuation has fallen to about \$924 billion, from a peak of \$1.1 trillion in January, according to FactSet, as part of a sell-off that has dent technology stocks globally.

The outsize influence is felt by portfolio managers, especially those whose performance is judged against single-market indexes.

"Investors have been heavily weighted those big stocks," said Caroline Yu Maurer, Hong Kong-based head of Greater China equities at BNP Paribas Asset Management. She said the companies generating the biggest profits in an economy should naturally have the biggest market capitalizations, but added: "If they fail to deliver, people get concerned."

Those distortions are one reason many portfolio managers prefer to compare themselves to more diversified measures. MSCI says \$1.9 trillion is benchmarked against its emerging-market indexes, which often can be more diversified and include more than one country.

Yet even these gauges are increasingly dependent upon Asian tech names, including the U.S.-listed Chinese titans Alibaba Group Holding Ltd. and Baidu Inc. Indeed, those two along with Tencent, Samsung and TSMC account for 19% of the flagship MSCI Emerging Markets Index. The MSCI China Index is even more concentrated, with Baidu, Alibaba and Tencent alone forming one-third of the index.

In contrast, Facebook Inc., Apple Inc., Amazon.com Inc., Microsoft Corp. and Google

parent Alphabet Inc. make up about 15% of the S&P 500's weighting, even though the five together are worth considerably more in absolute terms than their Asian rivals and have become a bigger part of U.S. indexes in recent years.

Morgan Harting, a portfolio manager at AllianceBernstein, runs a fund in New York spanning stocks, bonds and currencies that counted Tencent, Samsung and TSMC among its biggest shareholdings at the end of June. He has trimmed his stakes over the year, and these stocks make up less of his portfolio than the positions in the MSCI Emerging Markets Index, as he instead looks for growth elsewhere.

In Hong Kong, Tencent's \$424 billion market cap is over 50% larger than the Hang Seng Index's next biggest stock, Industrial & Commercial Bank of China Ltd. Tencent has been one of the worst performers among global tech firms, losing a quarter of its value since hitting a high in January.

In South Korea, Samsung's nearly \$300 billion market cap is bigger than the combined value of the next 11 biggest companies in the Kospi Composite. Samsung's 10% drop this year has helped pull the Kospi down 7.3%, making it one of Asia's worst-performing indexes. And at \$208 billion, the Taiwanese chip giant TSMC is more than four times bigger than its nearest domestic peer.

Tough Stretch

Three of the largest stocks in Hong Kong, South Korea and Taiwan are down in the past six months.



Source: FactSet

THE WALL STREET JOURNAL.

China's Markets Draw In Bears

BY CELSEY DULANEY AND STEVEN RUSSOLILLO

Investors are piling into bets against China's stocks and currency, reviving what has been one of Wall Street's most popular—and painful—trades in recent years.

Asset managers including Invesco Ltd. have amassed positions that will pay off if the Chinese yuan continues to slide, while investment firms such as Muddy Waters Research and Blue Orca Capital LLC have announced new bets against Chinese stocks.

Rising interest in shorting, or betting against, Chinese markets comes amid an intensifying trade spat with the U.S. that investors fear will exacerbate the country's economic slowdown.

"If you get the next round of tariffs, it's going to deliver

a larger economic shock than what you witnessed in Asia in 2015 and 2016," said James Ong, a senior macro strategist at Invesco who is betting against the Chinese currency. "It might challenge their control of the currency to a greater degree."

On Friday, China said it would impose levies on \$60 billion of U.S. goods if Washington moves forward with plans to more than double its tariffs on Chinese imports.

Trade fears already have rocked Chinese markets in recent months. The yuan has tumbled around 5% against the U.S. dollar this year, while the Shanghai Composite Index is down 17%. Investors have made roughly \$7.1 billion betting against Chinese and Hong Kong companies, according to FactSet.

Ihor Dusaniwsky, head of predictive analytics at S3 Partners.

ners.

U.S. investors have long sought to profit by shorting Chinese markets. Carson Block, founder of San Francisco-based Muddy Waters, rose to fame in 2011 after he revealed fraudulent practices at Chinese forestry company Sino-Forest Corp. The company filed for bankruptcy the following year.

His latest target is TAL Education Group, an after-school tutoring firm in China he claims is "a real business with fake financials." Its U.S.-listed shares had risen over 50% this year through June 12 before he unveiled his bearish thesis on the company. Since then, the stock has dropped around 30%. A TAL spokesperson didn't immediately respond to a request for comment.

Soren Aandahl, who runs

Texas activist investment fund Blue Orca Capital LLC, last Tuesday unveiled his latest short bet: GDS Holdings Ltd., a provider of data-center infrastructure and services in China.

Mr. Aandahl criticized the company's "staggering debt burden" and raised concerns about the company's ability to repay dollar-denominated debts amid the yuan's slide. GDS's U.S.-listed shares tumbled 37% the day the report was published. The company said in a statement that Blue Orca's claims are "false" and "reflect a fundamental misunderstanding" of its business.

Other investors are betting on broader declines in China's markets. Short sellers have added roughly \$300 million in bets against the iShares China Large-Cap ETF this year, according to S3 Partners.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	YTD chg (%)	US\$ vs	Country/currency	Fri in US\$	YTD chg (%)	US\$ vs
Americas							
Argentina peso	.0366	27.2940	46.7	Czech Rep. koruna	.04516	22.144	4.1
Brazil real	.2697	3.7074	11.9	Denmark krone	.1552	6.4433	3.8
Canada dollar	.7699	1.2990	3.3	Euro area euro	1.1568	.8645	3.8
Chile peso	.001553	644.00	4.6	Hungary forint	.003613	276.76	6.9
Ecuador US dollar	1	1 unch		Iceland króna	.009344	107.02	3.4
Mexico peso	.0539	18.5605	-5.6	Norway krone	.1211	8.2562	0.6
Uruguay peso	.03279	30.5000	5.9	Poland złoty	.2714	3.6844	5.9
Venezuela b. fuerte	.00006172475.0001	11676384		Russia ruble	.01574	63.528	10.1
Asia-Pacific							
Australian dollar	.7397	1.3519	5.6	Sweden krona	.1122	8.9158	8.9
China yuan	.1464	6.8306	5.0	Switzerland franc	1.0054	.9946	2.1
Hong Kong dollar	.1274	7.8489	0.5	Turkey lira	.1968	5.0815	33.9
India rupee	.01460	68.515	7.3	Ukraine hryvnia	.0369	27.1090	-3.7
Indonesia rupiah	.0000690	14493	7.5	UK pound	1.3002	.3029	0.5
Japan yen	.008988	111.26	-1.3	Oman rial	2.5975	.3850	0.01
Kazakhstan tenge	.002863	349.32	5.0	Qatar rial	.2741	3.648	-0.01
Macau patata	.1237	8.0816	0.4	Saudi Arabia riyal	.2666	3.7505	...
Malaysia ringgit	.2449	4.0825	0.5				

MARKETS

Value Stocks Stage a Rebound

Shares of companies that the market tends to overlook could be coming back in favor as investor fears over trade tensions grow and the nine-year bull market ages.

Last month, the Russell index of 1,000 of the biggest so-called value stocks beat a similar index that tracks fast-growing companies for the first time since March and by the widest margin since September 2017, according to Bank of America Merrill Lynch. The Russell 1000 Value Index climbed 3.8% in July, compared with the Russell 1000 Growth Index's gain of 2.9%.

Investors typically flock to value companies in the later stages of an economic cycle, before a recession. The strategy of choosing overlooked companies has been championed by titans like Warren Buffett, but investors had soured on the strategy in recent years as value stocks trailed growth stocks throughout most of the market's long rally.

Industrial, financial and health-care companies led stock-market gains in July as interest rates rose and data showed the economy growing at the fastest pace in nearly four years. Firms in those sectors have significantly lower valuations than in the crowded technology sector and tend to pay higher dividends, making them attractive to investors looking to diversify away from tech-heavy portfolios.

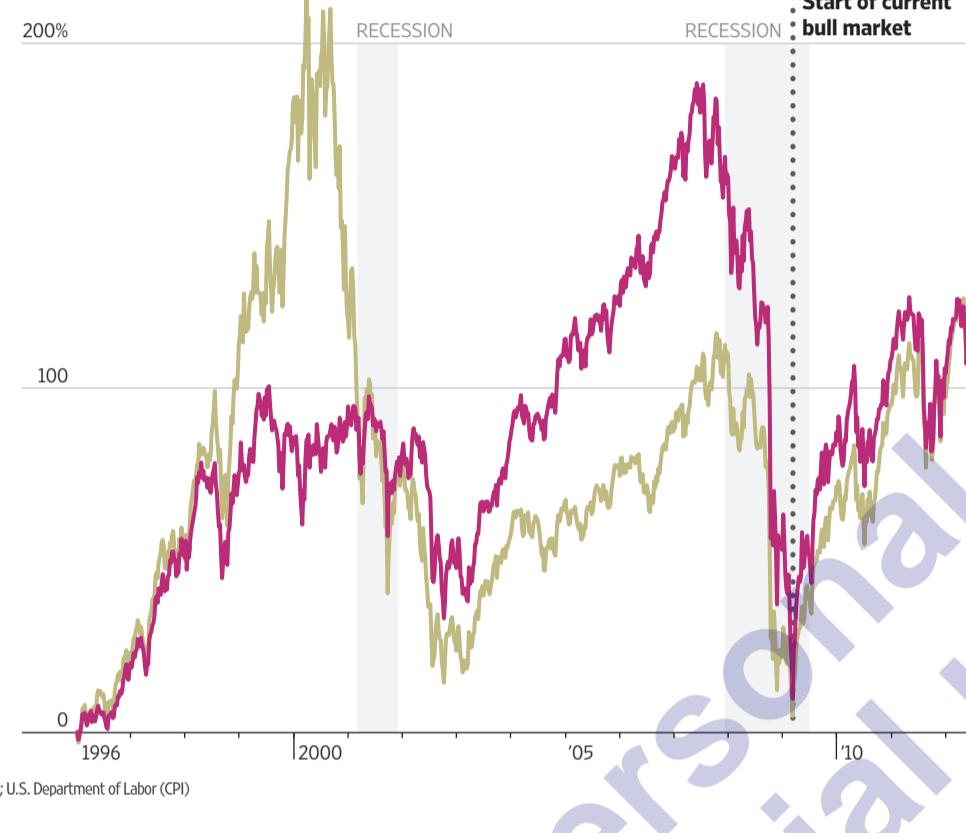
While large and midsized value stocks outpaced their growth counterparts, growth stocks still outperformed among smaller firms as investors looked for a haven from trade tensions. The S&P Small Cap 600 Growth Index rose 3.7% in July, compared with the S&P Small Cap 600 Value Index's 2.5% gain.

Sources: FactSet (indexes, sector performance, EPS); U.S. Department of Labor (CPI)

Russell 1000 Growth vs. Value, past 10 days...



...and since 1995



Technology stocks have powered much of the S&P 500's climb this year, but the consumer-discretionary sector has been gaining steam. A strengthening economy has encouraged consumers to open their wallets for discretionary purchases.

Year-to-date performance of the top five sectors in the S&P 500

Technology	15.4%
Consumer disc.	13.3%
Health care	8.6%
Energy	4.3%
Real estate	1.5%

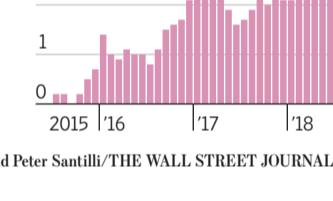
Upcoming earnings announcements could give value investors another boost as companies like Walt Disney and CVS report. So far, among the 80% of S&P 500 firms that have disclosed results for the latest quarter, earnings have grown by 24%.

Earnings-per-share estimates

Walt Disney	\$1.97
Tyson Foods	\$1.36
CVS Health	\$1.22
Michael Kors	\$0.92
21st Century Fox	\$0.52

A fresh reading on the consumer-price index is due Friday. If inflation continues to rise, more investors could move into value-oriented stocks. More of value stocks' anticipated earnings are near term, meaning they are less likely to get dinged in an inflationary environment.

U.S. Consumer Price Index, year-over-year change



By Danielle Chemtob and Peter Santilli/THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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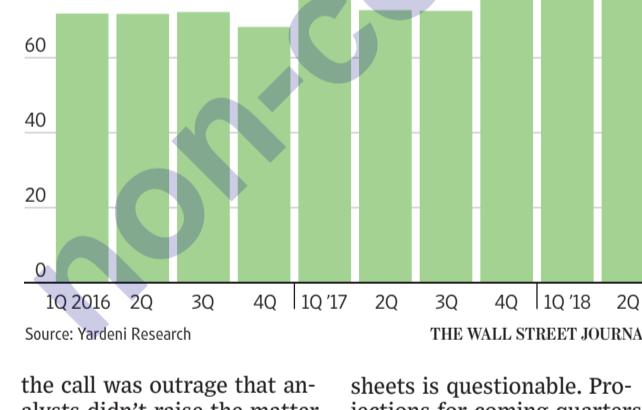
Why Analysts Skirt Tough Topics

OVERHEARD

Norwegian Air Shares Look Shaky

Great Quarter, Guys

Positive earnings surprise ratio for S&P 500



The call was outrage that analysts didn't raise the matter. But the company previously said it wouldn't address such questions. The furor shows a misunderstanding of what analysts actually do.

Yes, analysts do analyze a company. But as their questions on conference calls show, they are often more focused on updating their financial models than asking broader strategic questions.

The value of those spread-

sheets is questionable. Projections for coming quarters are often wildly off and the stock picks generated by those spreadsheets have been shown to have zero predictive value. CBS, for example, had 35 ratings before its recent tumble, all "buy" or "hold," according to FactSet.

And what about the grating way analysts greet management—the "great quarter guys" syndrome? Being chummy with executives

serves two purposes: First, those executives decide which broker will get the next banking mandate, so manners count. Second, being on a first-name basis shows the investors on the call who might have the inside scoop from management on what is really going on at the company.

The basic truth here is that analysts are a cost center for the brokers who employ them. While their hard work of dissecting a company's business is of use to fund managers, analysts are primarily marketing machines for other departments. Occasionally, it serves their image well to come out swinging against a company or to say something controversial. It is a great way to stand out from the crowd. But analysts have every incentive not to aggravate the companies they cover.

Questioning why they don't ask uncomfortable questions shows the investing public is clueless about what analysts actually do for a living.

—Spencer Jakab

Even with a market value of \$1 trillion, Apple Inc. looks rather cheap—in the right light, at least.

By most measures, Apple is the least expensive of its giant tech peers. Its closing price for last week of \$207.99 kept it over the \$1 trillion mark and represents about 15.8 times forward earnings. That drops to 13.8 if you exclude the company's \$129 billion net cash pile. By the same measure, Microsoft, Facebook and Google parent Alphabet Inc. trade in the low 20s while Amazon fetches a whopping 135 times.

But since it is predominantly a hardware company, Apple has never commanded the same kind of valuation as its software peers. So 15.8 times is actually in line with its historic high since 2011.

Apple was trading at just a little under 9 times forward earnings excluding net cash two years ago. It was still the world's most valuable company then—at nearly half its current value. Some bargains are only apparent in hindsight.

Norwegian looks troubled.

In the second quarter it flew a lot more planes than in the same quarter of 2017, but unit revenue, a measure that adjusts for distance flown, fell faster than unit costs, implying thinner margins. That was despite a heroic effort to bring down nonfuel costs. Rising oil prices are hurting it.

IAG's results Friday were more muted, with North Atlantic unit revenue down roughly 1%, but that follows a 10% increase in seats

flown. Perhaps Norwegian's expansion is having some impact. Self-defense could explain its Norwegian stake-building, which mystifies some analysts.

Yet IAG can wait until its new rival is more desperate. Higher fuel prices will continue to bite. Airlines' finances are at their tightest in the autumn, after they have paid for one summer season and before they get bookings for the next.

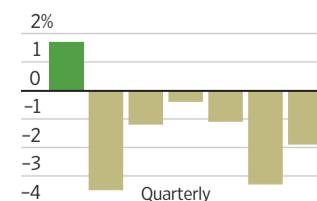
Norwegian shares have lost altitude in recent months but are still roughly 30% above their level before IAG announced its stake. That bid premium looks optimistic.

—Stephen Wilmot

Kraft Heinz Still Needs to Show It Can Post Sales Growth

About to Rebound?

Kraft Heinz U.S. organic net sales growth, year over year



further industry consolidation. Campbell rose 2.5%, and J.M. Smucker Co. rallied 3.5%.

The Brazilian private-equity executives who run Kraft

Heinz had started to develop a reputation as poor long-term stewards of the company's brands—proficient at cutting costs but less so at investing to expand sales. These perceptions had driven the stock down around 30% over the past year.

The good quarterly results could help alleviate those concerns, giving potential sellers less cause for hesitation as well.

Yet a close look at the results reveals some reasons to remain skeptical. Organic net sales, which strip out the effects of mergers and currency fluctuations, were down by 0.4% from a year earlier, the third straight quarter of de-

cline. In the U.S., organic sales fell for the sixth straight quarter, by 1.9%.

Kraft Heinz said it expects to start recording organic sales growth from the third quarter onward, aided by investments it is making in marketing, including in-store promotions for back-to-school staples such as Lunchables and Capri Sun.

But there is a difference between forecasting growth and delivering it. Products like Lunchables are in long-term decline as consumers shift to fresher and healthier options, and Kraft Heinz doesn't have a good record so far responding to that trend.

In addition, the company appeared to pare back its outlook for earnings before interest, taxes, depreciation and amortization in the second half, partly due to the marketing investments it is making.

On a conference call with analysts, Kraft Heinz executives said their merger-and-acquisition philosophy hasn't changed: They are still looking for big brands that travel well to new markets and with the potential for big cost synergies.

That would appear to open the door for a Campbell deal, but showing some real sales growth first would help seal it.

—Aaron Back

Kraft Heinz keeps promising that sales growth is just around the corner. Investors should wait to see it in the company's results before getting excited.

Shares of the food giant surged 8.6% after the company posted second-quarter earnings that exceeded expectations. The beat comes at an opportune time for Kraft Heinz, which could be considering an acquisition of Campbell Soup, a fellow food-industry icon that has fallen on hard times and is reviewing its options.

Other packaged-food companies rose in tandem Friday, reflecting investor hopes that it could be game-on for

INVESTING IN FUNDS & ETFS

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THE WALL STREET JOURNAL.

The Eight Best Predictors Of the Long-Term Market

Here are the stock indicators with enviable track records—and the cautionary tale that they tell

BY MARK HULBERT

THE STOCK MARKET'S return over the next decade is likely to be well below historical norms.

That is the unanimous conclusion of eight stock-market indicators with what I consider the most impressive track records over the past six decades. The only real difference between them is the extent of their bearishness. (See chart on page R2.)

Of course, it is impossible to say that there aren't other indicators with even better long-term records than these eight. But I'm not aware of any.

To illustrate the bearish story told by each of these indicators, consider the projected 10-year returns to which these indicators' current levels translate. The most bearish projection of any of them was that the S&P 500 would produce a 10-year total return of 3.9 percentage points annualized below inflation. The most bullish was 3.6 points above inflation.

Even the bullish end of that range is more than 3 annualized percentage points below the stock market's inflation-adjusted return over the past 200 years.

Mr. Hulbert is the founder of the Hulbert Financial Digest and a senior columnist for MarketWatch. He can be reached at reports@wsj.com.

The most accurate of the indicators I studied was created by the anonymous author of the blog Philosophical Economics. It is now as bearish as it was right before the 2008 financial crisis, projecting an inflation-adjusted S&P 500 total return of just 0.8 percentage point above inflation. Ten-year Treasurys can promise you that return with far less risk.

Bubble flashbacks

The only other time it was more bearish (during the period since 1951 for which data are available) was at the top of the internet-stock bubble.

The blog's indicator is based on the percentage of household financial assets—stocks, bonds and cash—that is allocated to stocks. This proportion tends to be highest at market tops and lowest at market bottoms.

According to data collected by Ned Davis Research from the Federal Reserve, this percentage currently looks to be at 56.3%, more than 10 percentage points higher than its historical average of 45.3%. At the top of the bull market in 2007, it stood at 56.8%.

Ned Davis, the eponymous founder of Ned Davis Research, calls the indicator's record "remarkable." I can confirm that its record is superior to seven other well-known valuation indicators analyzed by my firm, Hulbert Ratings.

To figure out how accurate an indicator has been, we calculated a statistic known as

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MY BOSS MAKES WHAT?! (EMPLOYEES WORK HARDER IF THEY KNOW)

BY MATTHEW KASSEL

IT TURNS OUT THAT bosses who are transparent about their salaries may end up fostering higher workplace morale than those who aren't.

A new study shows, among other things, that employees tend to underestimate their bosses' compensation, but that they work harder when they find out that their bosses make more than they had guessed. When employees discover that their peers make more than them, on the other hand, they tend to slack off.

The researchers found that employees who learned that their bosses' salaries were higher than they expected would spend more time in the office, send more emails and increase their sales numbers. In an interesting twist, the larger the salary misperception was, the more productive the employee was likely to become. Employees who discovered that their co-workers were better paid were less productive.

The increase in measurable productivity is relatively modest—according to the paper, employees who find that their boss's salary is 10% more than they had imagined will spend about five more minutes in the office a day.

What's surprising, though, is that employees are motivated rather than embittered by their bosses' higher



salaries, says Ricardo Perez-Truglia, an author of the study and an assistant professor of economics at UCLA's Anderson School of Management.

The reason, he says, is that the higher salary is aspirational—employees have an extra incentive to work hard so they can be promoted and perhaps one day make their bosses' pay. The study was recently published by the National Bureau of

Economic Research as a working paper. Dr. Perez-Truglia's co-author was Zoë Cullen, an assistant professor at Harvard Business School.

Unconventional approach

To conduct the study, Dr. Cullen embedded herself in a private commercial bank in Asia, which she declined to name. She surveyed a sample of 2,060 workers at the bank, a multibillion-dollar corporation, ac-

cording to the study.

The labor laws of the country in which the study took place, Dr. Cullen says, didn't allow foreigners to work with sensitive data at financial institutions without a full-time contract, so Dr. Cullen joined the bank as an employee, with the approval of her advisers at Harvard. She received a salary commensurate with her pay as an academic, she says. Dr. Perez-Truglia was hosted by the bank, meaning his travel was funded, but he wasn't employed.

According to Dr. Cullen, the bank allowed her and Dr. Perez-Truglia access because, in previous work, they had shown that transparency is profitable, as it strengthens the bargaining position of the employer.

Despite the unconventional circumstances, experts say the paper stands out because it was conducted in a real-world setting—a rare occurrence for a study that examines behaviors around salaries—and for its novel discovery of how employees regard their bosses' pay.

"This is a fascinating study," says Nick Bloom, a professor of economics at Stanford University. "There is plenty of evidence that finding out your colleague's pay is higher than you think can be dispiriting. But I've not seen results that knowing your manager's pay is generous motivates you to work harder."

In the past, Dr. Bloom says, com-

panies used to be transparent about salaries, which would be posted openly on notice boards or in shared directories. But over the last couple of decades, there has been a move against this. The reason, he explains, was that firms didn't want employees to be discouraged by seeing their colleagues' pay, nor did they want them to complain about any salary disparities. But this research, he says, calls that logic into question.

Let everyone know?

"If it's motivating to see your boss being paid huge amounts," he says, "then maybe we should be more transparent about pay. Certainly, it suggests it could be good to post pay for the senior people in a firm—both to be more transparent and also to motivate the junior employees."

Regarding future research, Dr. Perez-Truglia says that there is much more to be explored on this topic. In a separate experiment, he and Dr. Cullen have been studying how employees choose to search for information about salaries and how they decide to share information about their own salaries with their peers. A draft of that paper, he says, will be published online in the fall.

Mr. Kassel is a writer in New York. He can be reached at reports@wsj.com.

JOURNAL REPORT | INVESTING IN FUNDS & ETFS

ASK ENCORE | GLENN RUFFENACH

Retiring in a Small Town Isn't Always 'Mayberry'

It can be a nice change of pace. But those who have done it offer some cautionary tales.

I know that small towns are popular retirement destinations; my husband and I recently moved to one. But I think you should tell your readers about some of the challenges involved, especially when it comes to health care. We're learning some lessons after the fact.

This suggestion—from Linda Carlson, a writer in Washington state—gives us the chance to highlight several issues about moving in later life. Yes, many retirees are looking for a version of Mayberry, the fictional North Carolina town that actor Andy Griffith called home in his 1960s TV show. But even the best Mayberrys, like most communities, have drawbacks.

So, before you pull up stakes, here are some cautionary tales about small towns that retirees have shared with us through the years:

◆ "I'm here! Hello?" The ideal town is easy enough to envision: a cozy, safe and picturesque spot with—perhaps most essential—a sense of community. It's important, though, to be realistic about your chances of fitting in with your new surroundings. While you certainly could become part of the inner circle, many transplants find themselves instead joining the ranks of other retirees in the area.

Consider, for instance, this bumper sticker seen in Florida: "We don't care how you did it up North." You get the idea.

◆ Character traits. Along these same lines, and at the risk of overgeneralizing, retirees who relocate often are more assertive, more aggressive and more likely to have been managers or decision makers than those who stay put. (After all, starting a new life in a distant locale isn't for the faint of heart.) But a strong personality that might have been a big help in the business world might not work as well in an unhurried environment.

In short, ask yourself if the temperament of a possible retirement destination—and, in particular, a small town—is comparable to your own. "I think new arrivals are more concerned about immediate productivity and less patient than those who have been retired 10 or 20 years," Ms. Carlson says.

◆ Small—but for how long? Unfortunately, the chances of any small, attractive com-

Mr. Ruffenach is a former reporter and editor for The Wall Street Journal. His column looks at financial issues for those thinking about, planning and living their retirement. Send questions and comments to askencore@wsj.com.



Small-town living isn't always as idyllic as the fictional Mayberry, N.C., was on TV.

◆ Transportation. Again, some digging is needed here. A small town is likely to have fewer public-transportation options than a larger community. And remember: You could be living in your new home for a long time. With all that in mind, what happens if you're forced to cut back, or eliminate, your time behind the wheel? Do volunteer organizations or local government agencies offer transportation programs for older adults?

Says Ms. Carlson of her new town: "Our county has some door-to-door bus service for the disabled, but there appear to be long waits to be returned home. A carwash/gas station operates a single cab. There's no Uber and no car-sharing rentals."

And be aware, she adds, "that many small businesses—I'm thinking, in this case, about our local dairy that sells composted manure for gardens and yards—don't deliver, and may not be able to refer you to delivery services."

* * *

I have heard that, in retirement, I can convert an individual retirement account into a health savings account for health spending. Is there any truth to this?

It's possible to make a partial conversion, but not all retirees are able to do so.

To start, the only way to move funds from an IRA to an HSA is by means of a "qualified HSA funding distribution," or QHFD, says Sarah Brenner, an IRA analyst with Ed Slott & Co. in Rockville Centre, N.Y. With a QHFD, funds are transferred, tax-free, directly from your IRA to your HSA. However, there are restrictions.

Only one QHFD can be done during your lifetime, and, perhaps most important, you must be eligible to make an HSA contribution for the year. To be eligible to make an HSA contribution, you must participate in a high-deductible health plan, Ms. Brenner notes. And this explains why some retirees—but not all—can make this conversion. If you are retired and on Medicare, you won't qualify, because Medicare isn't a high-deductible health plan under the HSA rules.

Finally, your QHFD is limited to the amount you are eligible to contribute to an HSA for the year, Ms. Brenner says. For example, if you are single and age 55 or older and eligible for an HSA, your HSA contribution limit for 2018 is \$4,450. Thus, your QHFD limit also would be \$4,450.

Indicators

Continued from the prior page

the R-squared, which ranges from 0% to 100% and measures the degree to which one data series explains or predicts another.

In this case, zero means that the indicator has no meaningful ability to predict the stock market's returns after inflation over the next 10 years. On the other hand, a reading of 100% would mean that the indicator is a perfect predictor.

Since 1954, according to our analysis, the Philosophical Economics indicator had an R-squared of 61%. In the messy world of stock-market prognostication, that is statistically significant. Our analysis begins in that year because that is the earliest date for which data are available for all of the other indicators that we studied.

The other seven

So, here's a look at those other indicators back to the 1950s, listed in descending order of their R-squareds:

◆ The Q ratio, with an R-squared of 46%. This ratio—which is calculated by dividing market value by the replacement cost of assets—was the outgrowth of research conducted by the late James Tobin, the 1981 Nobel laureate in economics.

◆ The price/sales ratio, with an R-squared of 44%, is calculated by dividing the S&P 500's price by total per-share sales of its 500 component companies.

◆ The Buffett indicator was the next-highest, with an R-squared of 39%. This indicator, which is the ratio of the total value of equities in the U.S. to gross domestic product, is so named because Berkshire Hathaway Inc.'s Warren Buffett suggested in 2001 that it is "probably the best single measure of where valuations stand at any given moment."

◆ CAPE, the cyclically adjusted price/earnings ratio, came next in the ranking, with an R-squared of 35%. This is also known as the Shiller P/E, after Robert Shiller, the Yale finance professor and 2012 Nobel laure-

ate in economics, who made it famous in his 1990s book "Irational Exuberance."

The CAPE is similar to the traditional P/E except the denominator is based on 10-year average inflation-adjusted earnings instead of focusing on trailing one-year earnings.

◆ Dividend yield, the percentage that dividends represent of the S&P 500 index, sports an R-squared of 26%.

◆ Traditional price/earnings ratio has an R-squared of 24%.

◆ Price/book ratio—calculated by dividing the S&P 500's price by total per-share

balance professor at the Wharton School of the University of Pennsylvania.

Prof. Siegel is perhaps best known as the author of "Stocks for the Long Run," in which he argues that buying and holding equities for the long term is the best advice for most investors.

In an interview, Prof. Siegel questioned the strength of these indicators' statistical foundation. He says their historical records contain peculiarities that traditional statistical tests don't adequately correct for. Once corrected, Prof. Siegel suspects that

sight at a time when our economy was dominated by capital-intensive manufacturing companies, but not when it is dominated by high-tech information-age firms.

"What is the replacement cost for a Google or a Facebook?" Prof. Siegel asks rhetorically.

It can't be determined, however, whether correcting for these issues would transform the message of any of these indicators from bearish to outright bullish. Prof. Shiller of Yale, for one, says he isn't aware of any indicator that currently is forecasting above-average returns over the next decade and sports a statistically significant record back to at least the 1950s.

Regardless, it is important to emphasize that, no matter how impressive the statistics underlying the indicators may be, they don't amount to a guarantee that the stock market will struggle over the next decade.

After all, as Prof. Siegel reminds us, most of these indicators have been bearish for years now, even as stocks have enjoyed one of the most powerful bull markets in history.

Furthermore, even if stocks turn out to be lower in a decade's time, none of these indicators tells us anything about the path that the market takes along the way. It might immediately head south from here, or it could enter a blowoff phase of sharply higher prices before succumbing to a severe bear market.

A leaf in a hurricane

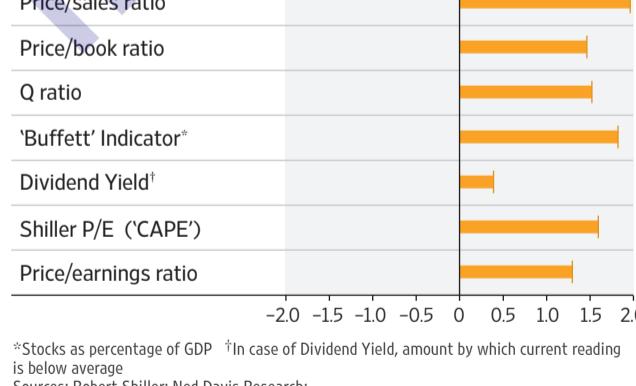
Calling short-term trends is difficult, if not impossible. For instance, when it comes to calling one-year returns, Prof. Shiller said in an interview that he doesn't know of any valuation indicator with a record extending as far back as the 1950s whose predictive power is significantly better than zero.

Ben Inker, co-head of the asset-allocation team at GMO, draws an analogy to a leaf in a hurricane: "You have no idea where the leaf will be a minute or an hour from now.

But eventually gravity will win out, and it will land on the ground."

Overvalued by Almost Any Measure

Ratio of S&P 500's current reading to average since 1954



*Stocks as percentage of GDP below average

†In case of Dividend Yield, amount by which current reading

Sources: Robert Shiller; Ned Davis Research;

www.HulbertRatings.com

their R-squareds would be significantly lower.

Prof. Siegel also questions whether these indicators are really as bearish as they seem. Among the theoretical objections he lodged against these indicators:

◆ Accounting-rule changes in the 1990s. After those changes, he says, readings from the traditional P/E and the Shiller P/E were higher than before, so their recent levels aren't particularly comparable to those from previous decades.

◆ The Buffett indicator has lost any relevance it may have once had because of the increasing proportion of U.S. corporate sales coming from overseas. That dynamic also artificially inflates the indicator and makes it appear more bearish than it should be, Prof. Siegel says.

◆ The Q ratio provided in-

MONTHLY MONITOR | WILLIAM POWER



U.S.-Stock Funds Rose 2.5% in July, Brushing Off Worries

Investors could make a long list of threats to the stock market. But so far, it's all on paper. The nine-year-plus bull market keeps grinding on.

The average U.S.-stock fund registered a total return of 2.5% for July, according to Thomson Reuters Lipper data, thanks largely to strong corporate earnings. Even the slide in well-known tech stocks didn't hold down the overall market.

The U.S. funds are up 5.9% for the year to date.

International-stock funds continue to trail their American cousins—up 2.1% for July but still down 0.7% so far this year.

John Serrapere, director of research at Arrow Funds in Laurel, Md., is struck by how the market remains calm despite the headwinds—stock valuations, bond-market credit quality, geopolitical upheaval. Through it all, the market's fear meter, the Cboe Volatility Index, remains low.

"The biggest disconnect in the market is how the VIX is priced," says Mr. Serrapere. "For a brief period in February we had that surge in volatility, and now it's gone away."

Perhaps it's all about the earnings and economic indicators.

Omar Aguilar, chief investment officer for equities at Charles Schwab Investment Management, San Francisco, sees challenges like trade disputes and the potential for an overheated economy if the Fed can't control it. Yet earnings are relentless.

"We are in an environment that is actually pretty benign for risky assets," meaning stocks in general, he says. "It's looking pretty good in terms of what the solid, hard data is, whether U.S. GDP growth or the latest readings on Europe or Japan."

Bond funds were little changed in July. Funds focusing on intermediate-maturity, investment-grade debt (the most common type of bond fund) were up 0.1%, leaving their year-to-date decline at 1.6%.

Still, what about that turmoil in Washington? The market often reacts to it, but just as quickly moves on.

Jae Yoon, chief investment officer of New York Life Investment Management, says, "It is really day by day for investors with the headlines. But there is some positive momentum that is still allowing us to recover from low points....Our view is that equity markets will finish the year at new highs."

Mr. Power is a Wall Street Journal news editor in South Brunswick, N.J. Email him at william.power@wsj.com.

The Journal Report welcomes your comments—by mail, fax or email. Letters should be addressed to Lawrence Rout, The Wall Street Journal, 4300 Route 1 North, South Brunswick, N.J. 08852. The fax number is 609-520-7256, and the email address is reports@wsj.com.

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JOURNAL REPORT | INVESTING IN FUNDS & ETFS

INVESTING IN DEALS

How Investors Can Cash In on the M&A Boom

Mutual funds, ETFs let individuals play the merger-arbitrage game once reserved for pros

BY BAILEY MCCANN

AS 2018 LOOKS TO BE a big one for mergers and acquisitions, individual investors have more ways than ever to bet on the boom—thanks to a handful of mutual funds and two exchange-traded funds focused on merger arbitrage.

A strategy once reserved mainly for hedge funds and professional investors, merger arbitrage typically involves buying the stock of an announced acquisition target, betting the deal will close and the shares will rise, and sometimes shorting the acquirer's stock on the bet it will fall. The main risk is that the deal might fall apart.

Betting on mergers and acquisitions may sound like a high-risk proposition, but the funds and ETFs that engage in the strategy generally make small bets on lots of deals with the aim of delivering steady annualized returns—generally in the 3% to 5% range—in exchange for less risk than one might expect with stock investing.

Some fund managers say interest in these investments is growing amid a resurgence in M&A activity. Some \$2.6 trillion in deals have been announced globally this year through July, up 43% from the year-earlier period, according to data from Dealogic, with U.S. deal volume alone up 47%. At that pace, M&A activity could come close to or top the record \$4.38 trillion in global deals announced in 2007.

"There have been a lot of deals—small, medium, and large—that have been announced in the last month or so and we expect the pace to continue," says Jonathan Lamensdorf, portfolio manager of Highland Capital's \$38.5 million **Merger Arbitrage Fund** (HMEAX). "Getting more



The AT&T/Time Warner deal has energized the merger-speculation business.

quirer instead of the acquirer itself to lower the potential volatility of the fund.

ProShares Merger ETF (MRGR) takes positions in as many as 40 announced deals and holds them until the deal closes. It shorts the acquirers, but also maintains a limited cash position to ensure liquidity and mitigate volatility.

Trading away upside?

Some fund managers who run merger-arbitrage strategies question these ETFs. They argue that because ETFs have set rules around when to buy and sell, they could be slow to remove stalled or broken deals from their indexes. "I think there are too many factors that can make a deal go sideways for an index to accurately reflect what's going on consistently," says Mr. Behren.

Willis Brucker, a senior analyst and portfolio manager with Gabelli Funds, which offers merger arbitrage through a hedge fund, as well as mutual funds, says running such a strategy through an index can mean that investors trade away some upside because position sizes are going to be capped. Mr. Brucker determines the size of his positions based on the likely return of a given deal, which could mean having concentrated exposure to a few deals that are likely to have a bigger payoff.

Salvatore Bruno, chief information officer of IndexIQ, the firm behind MNA, says that while ETF investors may not get a premium from having big positions in fewer deals, broad-based exposure can provide diversification benefits. Mr. Bruno also says the lower volatility of the ETF may be a positive for investors with a lower risk tolerance.

Ms. McCann is a writer in New York. She can be reached at reports@wsj.com.

**SPOTLIGHT**

JUST U.S. LARGE CAP

'ETHICAL' INVESTING'S ETF NICHE

Investments guided by ESG—for environmental, social and (corporate) governance—have surged in popularity. Estimates of the amount of investments guided by ESG-like principles world-wide range from \$6 trillion to \$20 trillion.

Exchange-traded funds also have taken the investment world by storm. But these two trends have barely overlapped. Only \$7.4 billion is invested across 54 ETFs that ascribe to an investing methodology that goes beyond the balance sheet, says research firm XTF.

A notable addition to that total came in June, when Goldman Sachs Asset Management launched **Goldman Sachs JUST U.S. Large Cap Equity** ETF (JUST). It has \$262 million in assets invested in 430 companies drawn from the Russell 1000 index of large-cap U.S.-based companies. JUST tracks an index developed by Just Capital, a research and advocacy nonprofit, that is based in part on surveys of Americans about business behavior.

The largest socially responsible ETF is **iShares MSCI KLD 400 Social** ETF (DSI). The \$1.2 billion fund has performed roughly in line with the S&P 500 over the past 10 years. Some ESG equity ETFs target specific issues, like the new **Impact Shares NAACP Minority Empowerment** ETF.

—Ari I. Weinberg

certainty around tax reform and deals like AT&T/Time Warner has been favorable to the market," he says, referring to a recent court ruling that allowed **AT&T** Inc. to proceed with its \$80 billion-plus purchase of Time Warner Inc. despite an effort by U.S. regulators to block it.

Cash on hand

With merger activity booming, fund managers such as Mr. Lamensdorf report renewed interest from investors seeking to diversify away from stocks and bonds. About \$1.64 billion has flowed into merger-arbitrage mutual funds and ETFs this year through June, according to Morningstar Inc. The category has returned negative 0.37% through July, versus a negative 1.59% return for the Bloomberg Barclays US Aggregate Bond index.

While merger-arbitrage returns have been uneven in recent months amid uncertainty around global trade disputes and government scrutiny of

some high-profile deals, these investments historically have performed well when M&A activity is strong and interest rates are rising. Rising rates can lead to bigger spreads between market prices and deal prices, potentially increasing arbitragers' returns.

Companies also have more cash than they have in recent memory, a trend that Roy Behren, portfolio manager of Westchester Capital Management's \$1.19 billion **Merger Fund** (MERFX), says will be a boon for investors in merger-arbitrage funds.

"Cash on hand can make it easier to get a deal done even if the market slows down or corrects. In fact, if that happens we could see volume go up because companies with cash will be able to potentially make acquisitions at a discount," he says.

Even if companies issue new debt to buy a company, there is likely to be a strong appetite for it, making it easier to do deals, according to

K.C. Nelson, portfolio manager for the \$62.4 million **Driehaus Event Driven Fund** (DEVDX), as well as the \$1.5 billion **Driehaus Active Income Fund** (LCMAX). "Given where the rest of the fixed-income market is at right now, investors are showing strong demand for new issue because of the yield," he says.

In addition to mutual funds, there are two ETFs that promise exposure to merger arbitrage, but at a lower cost. Unlike funds run by active managers, who can take larger positions in deals they think may provide a bigger payoff, these ETFs make similar-size investments across all deals, using algorithms to determine when to buy and sell.

IQ Merger Arbitrage ETF (MNA) automatically takes positions in any announced merger or acquisition where the acquirer plans to take a more than 50% controlling interest in the stock. Unlike classic merger arbitrage, MNA shorts the sector of the ac-

CURRENCIES

The Black Hole That Opens With Currency Conversions

Banks can be an expensive way to exchange currency. There are better ways to safely send and receive money across borders.

BY ERIC UHLFELDER

IMAGINE depositing \$100,000 in a bank. A few days later, you find only \$96,000 in your account.

This is in essence a problem that many bank customers can experience when receiving foreign payments into a domestic account. What they expect to receive, based on the prevailing exchange rate, and what they actually end up with are often quite different amounts, because of expenses involved in converting currency.

For people who work for overseas clients, send money to loved ones abroad, buy property or invest in a different currency, pay for a student's foreign education or for child support abroad, or receive a foreign inheritance, this can be a big deal.

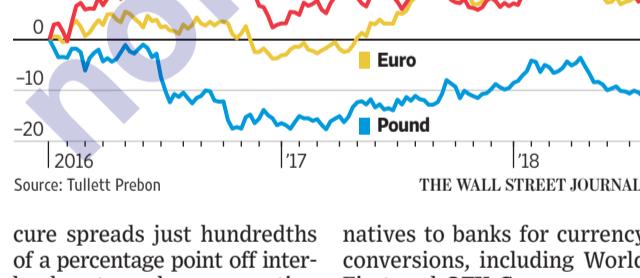
According to FXC Intelligence, a company that tracks foreign-exchange specialists and their rates, the cost of converting euros into dollars through leading U.S. banks recently ranged from about 3.2% to 4.6% of the euro amount being converted.

Why are such costs so high?

A small portion comes from service fees. But most of it comes from the spread between the interbank exchange rate—the rate at which banks transact with each other (published in newspapers and online)—and the rates at which banks convert foreign into local currency for customers. Large corporations and sophisticated investors typically se-

Masking the Costs?

With cross rates always changing, it is hard for small investors to judge the efficiency of trade executions. Currencies vs. the dollar.



Source: Tullett Prebon

THE WALL STREET JOURNAL.

currency spreads just hundredths of a percentage point off interbank rates when converting major currencies. But for less-sophisticated clients, it's often another matter—and a surprise to those who don't realize how widely exchange rates can vary from the interbank rate and from bank to bank.

"Most Americans have limited familiarity with how foreign-exchange markets work," says Richard Levich, professor of finance and international business at New York University's Stern School of Business. And he finds even sophisticated clients can "get hit" by unexpectedly large spreads.

Darren Hutchinson, head of commercial activities in the Americas for the international-payment specialist **WorldFirst U.K. Ltd.**, agrees. "I find a common sentiment among Americans is they believe 'exchange rates are exchange rates' and all one needs to worry about are fees. But they would be mistaken, because the spread off the interbank rate is where the largest loss of value occurs."

Major banks including Citigroup, JPMorgan Chase, State Street and Bank of New York Mellon declined to comment for this article on the issue of spreads.

There are less costly alter-

natives to banks for currency conversions, including World First and **OFX Group**, among many others. Both OFX and WorldFirst are established, regulated, international money-transfer companies. Both can execute a €10,000 transaction or the equivalent (about \$11,580 at current interbank exchange rates) at a spread of 1% from the interbank rate with no additional fees, and they offer better terms with larger and more frequent activity.

"We've always been aware banks are expensive means for transacting foreign exchange," says Manny Parikh, controller at P.E. Guerin, a decorative-hardware manufacturer in New York. With 10% of the firm's business involving foreign-currency transactions, Guerin has limited its foreign-exchange-related costs to about 0.5% through WorldFirst.

Fxcompared.com is a helpful website, managed by FXC Intelligence, that compares the costs of currency conversions of more than two dozen international money-transfer companies it closely monitors.

Mr. Uhlfelder writes about international capital markets from New York. He can be reached at reports@wsj.com.

How the Largest Funds Fared

Performance numbers are total returns (changes in net asset values with reinvested distributions) as of July 31; assets are as of June 29. All data are final.

The Largest Stock Mutual Funds

Fund	Ticker	Assets (\$billions)	Total Return (%)			
			July	1-year	3-year	5-year
Vanguard TSM Idx;Adm	VTSAX	701.18	3.4	16.5	12.2	12.8
Vanguard 500 Index;Adm	VFIAX	417.74	3.7	16.2	12.5	13.1
Vanguard Tot Stk;Inv	VGTSX	343.07	2.5	6.1	6.4	5.9
SPDR S&P 500 ETF	SPY	259.30	3.7	16.1	12.4	13.0
Vanguard Instl Indx;Inst	VINIX	223.49	3.7	16.2	12.5	13.1

The Largest Bond Mutual Funds

Fund	Ticker	Assets (\$billions)	Total Return (%)			
			July	1-year	3-year	5-year
Vanguard Tot Bd;Adm	VTBLX	198.04	0.04	-0.9	1.4	2.2
Vanguard Tot Bd II;Inv	VTBIX	157.49	0.04	-0.9	1.3	2.1
PIMCO:Income;Inst	PIMIX	113.26	0.6	2.4	5.3	5.9
Vanguard Tot Itl Bd;Adm	VTABX	108.21	-0.1	2.8	3.0	3.7
Met West:Total Return;I	MWTIX	75.16	0.1	-0.5	1.4	2.4

Note: For funds with multiple share classes, only the largest is shown. N.A.: Not applicable; fund is too new or data not available

Mutual-Fund Yardsticks: How Fund Categories Stack Up

Includes mutual funds and ETFs for periods ended July 31. All data are final.

Investment objective	Performance (%)	Investment objective		
		July	YTD	1-yr

Diversified stock & stock/bond funds

Large-Cap Core	3.7	5.5	14.7	11.5
Large-Cap Growth	2.4	11.6	21.6	14.6
Large-Cap Value	4.2	2.8	11.3	9.6
Midcap Core	2.4	3.9	11.8	9.6
Midcap Growth	1.9	9.7	19.9	1

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JOURNAL REPORT | INVESTING IN FUNDS & ETFS

NEWS CHALLENGE: FUNDS AND INVESTING

Test Your Smarts on...Insurance

BY CHERYL WINOKUR MUNK

FOR MANY CONSUMERS, insurance is a confusing maze of possibilities.

There are myriad kinds of policies available, including life, auto, homeowners, health, disability, flood and even pet insurance, that could be appropriate for people, depending on their circumstances and where they live. But many consumers don't fully understand what each of these policies covers, and they may struggle to find the information they need to make informed decisions.

Insurance professionals recommend consumers review their policies and coverage options yearly to ensure they are properly protected. How much do you really know about insurance?

Take our quiz to find out.

1. True or false: All disasters are covered under standard homeowners and renters insurance policies.

ANSWER: False. Standard homeowners policies typically cover damages from some potential disasters, including tornadoes, lightning strikes and winter storms, according to the Insurance Information Institute, which helps educate consumers on insurance-related issues. These policies can vary, so read the fine print. What's more, standard homeowners policies generally don't cover damages from disasters such as floods, earthquakes or sewer backups; separate endorsements or policies may be needed to protect against these types of problems, according to the institute.

2. If a policy has a \$500 deductible, and the insurance company determines that the insured loss is worth \$10,000, the claimant would receive a check for _____.

A. \$10,500 B. \$9,500
C. \$15,000 D. None of the above

ANSWER: B. \$9,500. The dollar amount of a deductible comes off the top of the claim payment. Deductibles can be specific dollar amounts or percentages, as is generally the case with homeowners insurance. With an auto-insurance or homeowners policy, the deductible applies each time you file a claim. One exception to this is in Florida, where homeowners policies usually require consumers to pay only one hurricane deductible per calendar year, rather than after each storm.



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3. When thinking about the amount of coverage to place on personal possessions, a good rule of thumb is to insure them at ___% to ___% of a person's dwelling coverage amount.

A. 10% to 15% B. 20% to 30%
C. 50% to 70% D. None of the above

ANSWER: C. Most homeowners-insurance policies provide coverage for personal possessions at about 50%-70% of the insurance on the person's dwelling, according to the Insurance Information Institute. So, if a person insures a dwelling for up to \$150,000, he or she would want to insure personal possessions for at least \$75,000.

4. Usage-based insurance is _____.

A. A new type of biometric device.
B. A type of vehicle insurance where premiums can depend on driving habits such as speed, miles driven and hard-braking incidents.
C. A policy based on your life expectancy.
D. A way of measuring how much your personal property is worth.

ANSWER: B. Usage-based insurance, also known as telematics, tracks driving behavior through devices installed in a vehicle or through smartphones. Wireless de-

vices transmit data in real time to insurers, which use the information to help set premiums. The devices record metrics such as the number of miles driven, time of day, where the vehicle is driven, rapid acceleration, hard braking, hard cornering and air-bag deployment. By year-end, 80% of new cars for sale in the U.S. could be equipped with onboard telematics devices, and by 2020, 70% of all auto insurers will use telematics, the National Association of Insurance Commissioners predicts.

**C. The financial strength of the insurer.
D. All of the above.**

ANSWER: D. There were nearly 6,000 insurance companies to choose from in the U.S. in 2016, according to the National Association of Insurance Commissioners, so consumers should do their homework before choosing one. A good place to start is with their state insurance department, which can help identify which insurers are licensed to do business in the state. The department may even publish a guide that shows what insurers charge for different policies. Independent credit-rating firms—such as A.M. Best, Fitch, Kroll Bond Rating Agency (KBRA), Moody's and S&P Global Ratings—are another source of information. They rate insurers' financial strength, which can be an important indicator of whether a firm will have the assets and liquidity to pay claims as promised. Consumers should also gauge the level of service insurers are providing and their comfort level with the company's representatives.

7. True or false: While not required, business-interruption insurance is a good idea for entrepreneurs and startups.

ANSWER: True. After a catastrophe or disaster, about 40% of businesses don't reopen and an additional 25% fail within a year, according to data from FEMA and the U.S. Small Business Administration. Business-interruption insurance can help compensate small-business owners for lost revenue due to closure. This type of insurance can also help owners cover the cost of fixed expenses such as rent and utilities, as well as mitigate the expense of operating from a temporary location.

8. True or false: People who don't have health insurance in 2018 will still face a penalty when they file their taxes in early 2019.

ANSWER: True. While the penalty under the Affordable Care Act for not having health insurance has been repealed, the change doesn't take effect until 2019, according to Louise Norris, a health-insurance broker who has been writing about health insurance and health-law overhaul since 2006. People who are uninsured in 2019 and beyond won't be subject to a penalty, she says.

Ms. Winokur Munk is a writer in West Orange, N.J. She can be reached at reports@wsj.com.

Category Kings in 16 Realms

Top-performing funds in each category, ranked by year-to-date total returns (changes in net asset values with reinvested distributions) as of July 31; assets are as of June 29. All data are final.

Large-Cap Core

	Assets (\$millions)	Total return (%)	July	YTD	1-yr	5-yr*
Amer Cent:Foc DG;Inv	72.4	2.0	19.8	31.9	15.3	
EntrepreneurSh:ERS Etp30	73.8	0.4	15.7	N.A.	N.A.	
Vanguard PRIMECAP:Adm	63,899.5	5.8	10.6	24.0	17.2	
RBB:SGI US Lw Vol Eq:I	398.4	3.6	10.3	19.8	12.0	
CIBC Atlas Disc Eq:Inst	958.5	4.8	10.2	19.6	13.3	
Principal Sust Mom Idx	5.6	1.8	9.7	N.A.	N.A.	
Fidelity Adv Dvs Stk:O	2,163.1	3.0	9.1	18.8	12.3	
Category Average:	1,142.0	3.7	5.5	14.7	11.5	
Fund Count	811	806	784	750	592	

Large-Cap Value

	Assets (\$millions)	Total return (%)	July	YTD	1-yr	5-yr*
Barclays ETN+ShillerCAPE	101.4	4.4	7.9	15.1	15.5	
DoubleLine:Sh Enh CAPE:I	5,293.6	4.4	7.6	14.5	N.A.	
Eaton Vance Foc VI Opp:I	71.3	5.3	7.1	19.9	11.0	
Cognios LC Value:Inst	25.1	2.6	5.8	16.3	N.A.	
Aptus Fortified Value	69.4	3.3	5.7	N.A.	N.A.	
Dodge & Cox Stock	70,488.0	4.6	5.6	14.9	12.6	
Amer Cent:Inc&Gro;Inv	2,220.0	3.9	5.5	16.9	11.1	
Category Average:	1,037.7	4.2	2.8	11.3	9.6	
Fund Count	484	484	474	468	356	

Large-Cap Growth

	Assets (\$millions)	Total return (%)	July	YTD	1-yr	5-yr*
Touchstone Inst:Snd Gr	1,981.1	0.7	22.0	28.4	14.4	
Touchstone:Sel Gro;Y	2,283.3	0.6	21.6	27.9	14.2	
Dunham:Focused LC Gro:N	88.7	2.1	21.2	26.8	14.2	
Berkshire:Focus	...	-1.6	20.3	34.2	18.5	
Transam:Cap Growth:I	1,259.9	-0.2	18.5	29.2	19.5	
MainStay:Lg Cap Gr;I	12,592.7	2.2	16.6	26.1	15.7	
Baron Fifth Ave Gro:Inst	262.1	1.2	16.6	26.3	17.3	
Category Average:	1,566.3	2.4	11.6	21.6	14.6	
Fund Count	713	714	705	690	549	

Midcap Core

	Assets (\$millions)	Total return (%)	July	YTD	1-yr	5-yr*
CB Select:I	125.9	0.8	22.9	38.2	18.5	
Private Cap Mgmt Value:I	66.0	0.9	12.3	18.0	10.0	
IronBridge:SMID Cap	193.5	2.1	11.9	19.4	9.9	
CRM:Mid Cap Val:Inst	555.3	2.9	10.9	20.3	12.0	
Champlain Mid Cap:Inst	2,332.0	1.9	10.5	19.2	13.9	
Destinations SMC Eq:I	768.1	2.0	9.3	17.0	N.A.	
Cambiar SMID Fund:Inv	41.4	4.0	8.8	13.9	10.3	
Category Average:	952.4	2.4	3.9	11.8	9.6	
Fund Count	474	473	464	456	328	

Midcap Value

	Assets (\$millions)	Total return (%)	July	YTD	1-yr	5-yr*
Rnhr Mid Cap PMV:Adv	228.5	2.9	8.8	16.1	10.2	
Huber Cap MC Val:Inst	2.1	2.1	8.1	19.6	N.A.	
Invesco Amer Value:A	1,413.4	2.4	7.6	15.1	8.4	
Hotchkis:Mid Cap Val:I	1,887.1	1.0	6.7	14.1	7.8	
Ancora Special Optyl:I	17.6	1.7	6.1	10.3	9.0	
Heartland:Mid Cap Val:Inv	7.8	3.8	5.4	12.8	N.A.	
Guggenheim:MCV Inst:Inst	72.6	1.1	5.4	13.5	9.1	
Category Average:	731.1	2.5	2.6	9.5	9.3	
Fund Count	185	185	179	171	115	

Data provided by LIPPER

Leaders and Laggards

Performance numbers are total returns (changes in net asset values with reinvested distributions) as of July 31; assets are as of June 29. All data are final.

Best-Performing Stock Funds

Fund	Ticker	Assets (\$millions)	July	YTD	1-year	Annualized 3-year	
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JOURNAL REPORT | INVESTING IN FUNDS & ETFS

FUNDAMENTALS OF INVESTING



When to Get a Mutual Fund Over the ETF Equivalent

The decision depends on an investor's time frame

BY DEREK HORSTMAYER

INVESTORS OFTEN FACE a difficult choice: Should they buy a mutual fund or the equivalent ETF version?

For many investors, the simple answer is to go with the fund with the lowest fee. Others instinctively choose the most experienced manager. But the smartest choice turns out to be a lot more complex.

An analysis of 66 matched ETF/mutual-fund pairs (with the same holdings, objective and fee structure) from the top five fund families (Vanguard, BlackRock/iShares, Schwab, Invesco/PowerShares, State Street/SPDR) shows that if an investor wants to buy and hold an ETF or mutual fund for more than a year,

code ruling that allows ETF portfolio managers to trim positions via "in-kind" redemptions—where ETF shares are exchanged for a basket of securities rather than cash—thus avoiding incurring capital gains. This grants the ETF holder a major advantage compared with the mutual-fund holder, particularly around annual capital-gains distributions. The one exception to this is Vanguard, which implements a proprietary pooling system of assets to deliver posttax benefits to both ETFs and mutual funds.

These two forces determine which product investors should buy, based on how long they intend to hold the position. The upfront costs implied by the bid-ask spread of the ETF leaves ETF holders in the

thing less than this time horizon, it could be in your best interest to go with mutual fund over the ETF.

To highlight these results with a tangible example, consider the following two BlackRock/iShares products with similar fee structures and both tracking the Russell 1000: **iShares Russell 1000 Large-Cap Index Fund** (BRKX) and **iShares Russell 1000 ETF** (IWB). Using Morningstar data, both vehicles delivered 1.50% after fees and taxes in the month ending May 31. Yet, because the ETF had a bid-ask spread of 0.02%, this implies that an investor who bought and sold the ETF in this period would have underperformed the mutual fund by 0.02 percentage point.

At the three-month point, again the ETF and mutual fund are matching in terms of post-tax returns, yet by the six-month horizon the ETF has outperformed the mutual fund on a posttax basis, returning 2% vs. 1.93% for the mutual fund. This becomes a 0.05 percentage-point outperformance once the bid-ask spread is taken into account. And, if we consider the previous performance over the full past year, the ETF outperformed the mutual fund by 0.20 percentage point on a posttax basis, considering annual expenses and the bid-ask spread. (iShares says this outperformance is largely driven by differences in taxable events, mainly that the mutual fund distributed a capital gain in December 2017 whereas the ETF didn't.)

These results—which assume there were no commissions for either product—imply that if you plan to hold the fund for less than three months, the mutual fund is the better choice. But if you plan to hold for anything longer than four months (the break-even point), it is in your best interest to pick the ETF.

If you are an investor who desires liquidity throughout the day at all costs, then none of the above may apply since you will almost always choose the ETF. But for the rest of us who hold longer-term investment portfolios, paying attention to break-even points for different fund styles can ultimately help you make the smartest decisions.

Dr. Horstmeyer is assistant professor of finance at George Mason University's Business School in Fairfax, Va. He can be reached at reports@wsj.com.

When ETFs Pay Off

The average 'break-even' time for when an ETF matches a similar mutual fund

U.S. Large Cap Equity	2 mths.
U.S. Value/Growth/Dividend Equity	7 mths.
U.S. Small-Cap Equity	1.2 yrs.
Int'l. and Emerging Markets Equity	1.2 yrs.
Corporate and Treasury Bonds	1.8 yrs.

Source: Derek Horstmeyer, George Mason University

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then in general the ETF will make better sense financially, especially with equity funds. Yet some interesting variations persist by fund type.

All else being equal, there are two primary factors that can differentiate mutual funds and ETFs tracking the same index—the tax efficiency of ETFs over the long run, and the implied cost of a bid-ask spread that ETFs face but mutual funds don't.

Take **Vanguard Total Corporate Bond ETF** (VTC). The average bid-ask spread for this ETF over the past month has been 0.13%. With an annual expense ratio of 0.07%, this bid-ask spread implies that a roundabout transaction (buying and then selling the ETF) costs an investor nearly double the underlying expenses charged on an annual basis.

On the other hand, since mutual-fund holders buy in and out at the net asset value at the end of each day, this implies a bid-ask spread of zero and no real upfront costs due to implied exchange expenses.

Counter to this, ETFs are generally more tax-efficient compared with equivalent mutual funds over the long run.

That is due in part to a tax-

red (relative to the mutual-fund option) at the start, but as time goes on, the tax efficiency of the ETF catches them up to the mutual-fund option, eventually coming to a break-even point, and then overperformance of the ETF as time goes on.

These break-even points vary by fund type. Examining 12 of the largest (by assets under management) matched pairs of U.S. large-cap equity ETFs/mutual funds shows that it takes just two months on average to reach the break-even point for these ETFs and mutual funds. So if investors plan to hold a U.S. large-cap equity fund for longer than two months, it is on average better to go with an ETF.

But this break-even point isn't quite as low for most other fund types. The average break-even point for funds focused on equity in international and emerging markets is 1.2 years, partially due to the larger bid-ask spreads that most ETFs in this arena carry.

For funds focusing on U.S. government and corporate debt, the average break-even point may be as long as 1.8 years. This implies that if you plan to hold a fund for any

Tracking Exchange-Traded Portfolios

Performance figures are total returns for periods ended July 31; for largest exchange-traded funds and other portfolios, ranked by asset size.

Fund	Symbol	Assets (\$billions)	Volume (000s)	Expense ratio	Launch date	Performance (%)	1-year
					July	YTD	1-year
SPDR S&P 500 ETF	SPY	271.67	66,378.6	0.09	01/22/93	3.7	6.4
iShares Core S&P 500 ETF	IVV	152.64	3,579.9	0.04	05/15/00	3.7	6.4
iShares MSCI EAFE ETF	EFA	72.94	25,087.3	0.32	08/14/01	2.4	-0.3
Invesco QQQ	QQQ	65.98	44,603.6	0.20	03/10/99	2.7	13.6
iShares Core MSCI EAFE	IEFA	58.77	5,754.0	0.09	10/18/12	2.2	-0.2
iShares Core US Aggregate Bond ETF	AGG	55.89	5,925.9	0.04	09/22/03	0.03	-1.6
iShares Core MSCI Emerging Markets	IEMG	48.89	28,222.1	0.14	10/18/12	2.1	-4.7
iShares Core S&P Mid-Cap ETF	IJH	48.36	1,258.9	0.07	05/22/00	1.8	5.3
iShares Russell 2000 ETF	IWM	46.43	23,306.5	0.20	05/22/00	1.7	9.5
iShares Core S&P Small-Cap ETF	IJR	45.18	3,423.4	0.07	05/22/00	3.2	12.9
iShares Russell 1000 Growth ETF	IWF	42.96	1,905.5	0.20	05/22/00	2.9	10.3
iShares Russell 1000 Value ETF	IWD	37.59	3,030.1	0.20	05/22/00	3.9	2.1
iShares iBoxx \$ Inv Grade Cor BTF	LQD	34.30	6,081.6	0.15	07/22/02	1.2	-3.2
Financial Select Sector SPDR	XLF	31.80	84,326.3	0.14	12/16/98	5.3	0.9
iShares MSCI Emerging Markets Index Fund	EEM	31.68	88,111.0	0.69	04/07/03	2.2	-4.9

*Expense charge is a maximum of 8 cents a share. †Assets are estimated. N.A.= Not applicable, fund is too new.

Note: Total returns are based on the change in the net asset values, not changes in market prices. Net asset values can vary from market prices, which can reflect a premium or discount to the net asset values.

Source: Thomson Reuters

SAVING FOR COLLEGE | CHANA R. SCHOENBERGER

The Financial-Aid Impact Of a Grandparent's '529'

For Fafsa purposes, it is best to have an account owned by a parent or a dependent student

Readers continue to send in questions about the smart way to save and pay for college. We asked experts to help us answer them.

* * *

How is financial aid affected if parents or grandparents own 529 college-savings accounts for the benefit of students?

If you're trying to get the maximum amount of financial aid, it is generally better to have a tax-advantaged 529 account owned by a parent or dependent student, rather than by a grandparent. Both parent- or student-owned plans are considered parent assets on the Fafsa (the federal financial-aid filing), says Mark Kantrowitz, publisher of the educational site Savingforcollege.com. When money sits in those accounts, the assets are considered at up to 5.64% of their value for financial-aid purposes.

Grandparent-owned accounts, by contrast, don't count at all—until the student takes a distribution for school expenses. At that point, the money withdrawn is considered at up to 50% of its value for aid purposes, he says.

In other words, Mr. Kantrowitz says, "\$10,000 in a student- or parent-owned 529 plan will reduce eligibility for need-based aid by as much as \$564, while \$10,000 in a grandparent-owned 529 plan will reduce aid eligibility by as much as \$5,000."

Be aware, he says, that the rules for grandparents' 529 accounts apply to anyone other than the dependent student or the student's custodial parents. This means noncustodial parents don't get a break, so make sure the account owner is the parent with whom the student lived most in the 12 months before filling out the Fafsa, he says.

There are some ways to get around this problem if you hold your college fund in a grandparent-owned account. You can switch the account owner to the parent, if your plan allows this (some don't). Because the Fafsa looks back two years to take a snapshot of your income and assets, you can also wait until the student has two years of school left before distributing money from a grandparent-owned account, Mr. Kantrowitz says.

It is also possible to roll a year's worth of 529 funds from a grandparent-owned account into a parent-owned account for the same beneficiary, after you file that year's Fafsa.

"Since the distribution to pay for college costs will be from a parent-owned 529 plan, it won't be reported as income on the Fafsa," he says. Make sure both plans are in the same state, so you don't face state income-tax repercussions.

You can also wait until the student finishes school to use the grandparent-owned fund, and take a nonqualified distribution to pay down student loans. You'll owe income tax on the earnings portion of the money you withdraw, as well as a 10% penalty on the whole amount you take out, he says. If you can, keep all college funds in a parent's name from the start.

"If grandparents want to contribute to a child's college savings, the smarter strategy is for them to contribute to a parent-owned 529 plan," says Jordan Lee, co-founder and CEO of 529-plan operator CollegeBacker.

* * *

Our son will be attending college in the fall of 2019, so his Fafsa application to be filled out this fall will be based on 2016 income. My dilemma is that in 2016, I received a large settlement award that greatly inflated my income. My husband has since retired, and our sole income is my disability payments, as reflected on 2017 tax returns. What should be our approach with Fafsa?

Actually, because it is a two-year look back, this Fafsa will be based on your 2017 income, so your settlement in 2016 won't affect it, says

Have a college-finance question in general? We'll be answering some of them in future Investing in Funds & ETFs reports. Write to reports@wsj.com.

Financial Surprises on That First Day of College

Parents sometimes send their children off to college thinking that finances are in order—only to discover they aren't. To help avoid financial surprises when their college students arrive on campus, here's a bit of summer homework for families: Get access to the student's online financial account with the school, then follow up on any missing or incorrect financial information.

Most colleges no longer use postal mail to communicate with students about financial matters. Instead, they email instructions to students to use the school's online portal. The problem is that students aren't always meticulous about checking their email or following up to ensure all their finances are in order.

Complicating matters is the fact that privacy rules don't give parents unfettered access to their student's financial information without express permission. Many

colleges allow students to grant their parents access, but in some cases it's up to the students to communicate the information to the parents, says Tom Biedscheid, director of financial aid at Colorado State University.

Parents who are taking financial responsibility need to ensure they have access to their child's financial account to stay abreast of issues that may come up.

For instance, there may be a billing mistake, financial-aid documents may be missing, or an outside scholarship may not be accounted for, says Susan S. McCrackin, a senior director of financial-aid methodology at the College Board. Any discrepancies are best handled before the student arrives on campus, she says.

Financial issues that aren't

handled promptly could have an impact on a student's ability to move in, have access to the dining hall or make class schedule changes, says Jessica Bernier, a former director of student financial services at Vassar College who is now a senior director of financial-aid methodology at the College Board. A family could also incur late fees for missed payments.

To be on the safe side, families should log in to the student's portal once or twice over the summer—even if they don't receive an email—to make sure all the requirements for financial-aid and scholarship-related documents have been met, says Julie Shields-Rutyna, director of college planning at the Massachusetts Educational Financing Authority, a provider of private student loans.

Schools will continue to reach out to students if requirements are missing, but at some point, if the student doesn't do what's required, loan funds or scholarships could be delayed, resulting in significant headaches for the student, Ms. Shields-Rutyna says.

—Cheryl Winokur Munk

JOURNAL REPORT | INVESTING IN FUNDS & ETFS

BEST BET/WORST BET



William Shatner says his childhood taught him about the value of a dollar.

He Got Rich on Priceline, Before His Gains Vaporized

IN THE 1950S, three years into a run with a Shakespeare company in Stratford, Ontario, William Shatner had saved \$500—a huge sum to him at the time. He planned to use that stake to move to New York with a couple of his actor friends.

Before they left town, one of Mr. Shatner's colleagues told him that uranium stocks were about to go up and that he should invest. Mr. Shatner says he really didn't know what stock was, but on a Thursday he put his entire \$500 into uranium-company stocks. By Friday, he says, the Canadian government announced that it wouldn't be buying any more uranium. Mr. Shatner lost his \$500 and didn't get to move to New York.

"All I could think of on stage—Friday night, Saturday matinee, Saturday night—was my loss," the 87-year-old actor says. "I realized then what a mistake I made because I'm sure my performance suffered."

Mr. Shatner, known best as a "Star Trek" captain on TV and in movies, says the experience taught him never to gamble with his money like that again. "When I go to Las Vegas with family and friends," he says, "I take a certain amount of money along knowing I'm going to lose that, but I don't go beyond that."

But he has learned that he can't give up gambling completely—because show business is a series of bets.

For example, in the 1960s, when a producer named Gene Roddenberry asked Mr. Shatner to shoot a pilot for a TV show about a group of space explorers—immediately after another pilot he had shot had been rejected—he decided to go with it.

"The bet is always there," he says. "I've got two albums and a book coming out in the next three or four months...a country-music album and then a Christmas album, and a book on how I feel about aging. Hopefully you'll love all three. But it's a bet."

Here, Mr. Shatner remembers a couple of the other bets he has made.

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BY CHRIS
KORNELIS

BEST BET A MORRIS MINOR CAR

INVESTMENT

\$400

GAINS

A career as an actor

Born in Montreal in 1931, Mr. Shatner grew up in a family that he says "at best was lower middle class. My dad worked very hard, we always had food on the table, but the luxuries were not there."

The first car he bought cost only \$50, but he says he had to enter and exit through the window and pull over at a gas station every 5 miles to have another batch of oil poured into the engine.

His second car changed his life.

In the mid-1950s, he borrowed \$200 from his dad and saved \$200 he made from mucking out stables and working as a bag boy at a grocery store to purchase a four-seat Morris Minor. He packed it full of "all my worldly goods" and set out for Toronto to become a professional actor.

"When I crossed a bridge over something and a truck was coming at me, the wave of air that the truck was pushing in front of it made this little car shudder enough for me to think, 'It's going over into the water,'" Mr. Shatner says, "and if it were to do so, everything I had in this world, and me, would be lost in the water."

The Minor got him to Toronto and, by turns, to a stellar career.



A Morris Minor similar to Mr. Shatner's.

THE TAKEAWAY: Mr. Shatner says the experience of growing up without extra money, and having to save it for things like his Morris Minor by doing rough work, taught him the value of a dollar. It is a lesson he carried with him into his early career—when he was making just enough money to get by—until today, when he's no longer living paycheck to paycheck.

"I know what being poor is," he says. "I either did my laundry or ate a meal when I was a young actor. So, the value of a dollar and saving a dollar is very real to me. And although I'm not anywhere near that, that memory is always there."

WORST BET HIS PRICELINE STOCK

INVESTMENT

Spokesperson fees

LOSSES

"I don't even want to go there."

In the late '90s, executives at Priceline.com were so thrilled with the radio commercials that William Shatner recorded for the then-little-known travel company that they asked the former captain of the USS Enterprise to record some TV commercials.

There was just one problem, Mr. Shatner says: They didn't have enough money to pay him. Mr. Shatner decided that there was commercial potential in the company's idea of bidding on hotel rooms, airplane tickets and rental cars online. He went back to Priceline.com and said that he would do the commercials in exchange for stock. The company agreed, and gave him shares when they were worth around a dollar apiece. The only catch was that he couldn't sell them.

At first, this restriction didn't seem like an issue. The stock was going in only one direction and climbed well above \$100 a share. "I had a good hunk of stock," Mr. Shatner says. "I was rich."

Then 2000 happened. The bubble burst and Priceline.com, like the rest of its peers online, went into free fall. By the time Mr. Shatner cashed out in 2002, the stock was back down around a dollar a share. Today, Priceline—now listed on Nasdaq as **Booking Holdings Inc.**—is trading above \$2,000 a share, after a 1-for-6 reverse split in 2003.

How much the move cost Mr. Shatner is a number he's not willing to calculate ("I don't even want to go there"). A spokesperson says that the fees were in the "thousands" and that Mr. Shatner lost "millions."

THE TAKEAWAY: Mr. Shatner says taking his fees in stock was one of the best bets he has ever made. Selling it at the time he did was the mistake.

So, in the decades since, when he has been approached to act as a spokesperson for forward-thinking companies run by top-flight managers, Mr. Shatner has opted to take his fees in stock rather than cash. Recently, that has meant taking stock in companies that work in virtual reality, electric bicycles and solar energy.

"What I learned was, your best bet is the principles of the company in addition to the uniqueness or the facility of what the company sells," Mr. Shatner says. "Who's running the company is equally or more important."



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