

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, AUGUST 15, 2018 ~ VOL. CCLXXII NO. 38

WSJ.com

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DJIA 25299.92 ▲ 112.22 0.4% NASDAQ 7870.89 ▲ 0.7% STOXX 600 384.92 ▲ 0.003% 10-YR. TREAS. ▼ 5/32, yield 2.893% OIL \$67.04 ▼ \$0.16 GOLD \$1,193.00 ▲ \$1.70 EURO \$1.1344 YEN 111.15

What's News

Business & Finance

A broad investor retreat has pushed the market for digital currencies down 70% from its January high, reflecting user frustration and a general shakeout in speculative investments. **A1**

◆ Musk tweeted another surprise about his desire to take Tesla private, this time revealing a list of advisers before arrangements with all of them were completed. **B1**

◆ Three of Tinder's founders and some current executives said in a lawsuit that the dating app's parent firms cheated them by manipulating financial information. **B1**

◆ Moves in the Turkish lira, Indian rupee and other currencies have sparked questions about how far financial distress might spread. **B1**

◆ U.S. stocks rose as concerns over Turkey appeared to ease. The Dow added 112.22 points to 25299.92. **B14**

◆ Kroger will sell its products in China on an e-commerce site owned by Alibaba, the grocer's first foray into foreign sales. **B1**

◆ A major health insurer said it would stop reimbursing patients for use of injectable amniotic-tissue products made by MiMedx and other manufacturers. **B1**

◆ Diamondback Energy will acquire Energen in a roughly \$8.4 billion all-stock deal. **B8**

◆ Sears CEO Lampert has offered to purchase the company's Kenmore brand for \$400 million in cash. **B2**

◆ Coca-Cola is buying a stake in BodyArmor, the sports-drink startup backed by Kobe Bryant and other athletes. **B3**

World-Wide

◆ Turkey's Erdogan stepped up his attacks on the U.S., calling for a boycott of electronic goods, while Ankara's foreign minister joined his Russian counterpart in criticizing Western sanctions. **A1**

◆ A grand-jury report said that Catholic officials in Pennsylvania systematically covered up the molestation of more than 1,000 children by more than 300 priests over 70 years. **A1**

◆ Trump knew about Democratic emails stolen by Russian hackers before they were made public during the presidential race, Manafort Newman claimed. **A4**

◆ Kansas Gov. Colyer conceded to Trump ally Kobach in the state's Republican gubernatorial primary. **A6**

◆ Manafort's legal team said it wouldn't call witnesses at his trial, setting the stage for closing arguments. **A4**

◆ Total U.S. consumer debt climbed to \$13.3 trillion in the second quarter, continuing a rise in borrowing over the past four years. **A3**

◆ A four-lane bridge in the northern Italian city of Genoa collapsed in stormy weather, killing at least 26 people and injuring 15. **A7**

◆ Several people were hurt when a car crashed into barriers outside the U.K. Houses of Parliament in a suspected terror attack. **A7**

◆ Germany's economic growth accelerated in the second quarter, ensuring the eurozone as a whole avoided a slowdown. **A7**

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WEDNESDAY, AUGUST 15, 2018 ~ VOL. CCLXXII NO. 38

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Italian Bridge Crumbles in Violent Storm, Killing Two Dozen



REDUCED TO RUBBLE: At least 26 people died Tuesday when a four-lane bridge in Genoa collapsed in stormy weather, sending cars plummeting 150 feet. The company that runs the highway said work had been in progress to improve the bridge's foundations. **A7**

Digital Currencies Tumble

A broad investor retreat has pushed the market for digital currencies down 70% from its January high, reflecting user frustration over their modest

By Steven Russolillo,
Paul Vigna
and Akane Otani

inroads into commerce and a general shakeout in speculative investments.

The value of all cryptocurrencies in circulation this week fell below \$200 billion for the first time in 2018, its lowest

since November. The selling has been widespread and, some holders say, indiscriminate. Of the top 100 cryptocurrencies by market value, 98 were down over 24 hours, according to research site CoinMarketCap.

Cryptocurrencies are digital tokens that aim to allow users to exchange value online quickly and cheaply, mimicking some qualities of currencies such as the dollar and yen without the physical infrastructure. Proponents have said they will overtake such

so-called fiat currencies, but so far few uses have emerged other than trading.

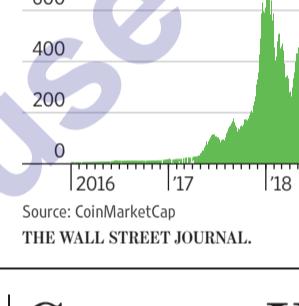
Bitcoin, by far the most widely used digital currency, this week fell below \$6,000 for the first time since late June. Ether, the second-most-used coin, dropped 17% over 24 hours, according to CoinDesk.

Over the past two days, "enough people started freaking out" and selling assets that it led others to start selling as well, said Kyle Samani, managing partner at crypto hedge

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Rise and Fall

Cryptocurrencies' total market cap



Source: CoinMarketCap

THE WALL STREET JOURNAL.

Ford Chief's First Task: Explaining His Vision

Hired to fix the auto maker, he has confused executives and investors

By CHRISTINA ROGERS

Senior executives at Ford Motor Co. have come to expect emails from their new boss, Chief Executive Jim Hackett, that include links to TED Talks and articles from Science Daily. They often come around 11 p.m., when he catches up on his reading.

The former chief of an office-furniture maker, Mr. Hackett frequently references the work of theoretical physicist Geoffrey West and uses terms such as "think phase" (a concept from his design background) and "clock speed" (a phrase from computing).

In conversations, he often reaches for the nearest piece of paper or whiteboard to articulate his thinking by

Asia Pacific

S. America

Mobility

Europe

Ford Credit

N. America

\$0.05

1.29

3.65

Source: the company

Profit Mix

North America continues to drive the bulk of Ford's profits as the company tries to fix money-losing operations overseas.

Ford's profit/loss in billions, by unit

January-June

THE WALL STREET JOURNAL.

sketching out a diagram.

In a company long ruled by a rigid operational structure, Mr. Hackett's cerebral, free-flowing management

style has won some fans and mystified others. For investors, the question remains:

What exactly is he thinking?

Please turn to page A10

A Rose by Any Other Name Might Just Be a Rhododendron

* * *

U.S. is running short of botanists, which is worsening cases of 'plant blindness'

By DOUGLAS BELKIN

The U.S. is running short of people who can tell the forest from the trees.

Organizations such as the National Park Service and Bureau of Land Management can't find enough scientists to deal with invasive plants, wildfire reforestation and basic land-management issues.

Botanists use the term "plant blindness" to describe the growing inability by Americans—and even well-degreed biologists—to tell the difference among even basic plants. Quick: Rhododendron or hydrangea?

The issue has prompted botanical gardens around the na-

tion to raise the alarm. Colleges are beefing up plant identification coursework for a generation of botanists more focused on their microscopes than studying leaf patterns. Bills introduced in the U.S. Senate in July and the U.S.

House last year are aimed at promoting botany education.

"Imagine a medical doctor who didn't know how to identify the correct body parts," said William Friedman, a Harvard biology

professor. "You wouldn't want that guy working on you."

Camila Martinez, who is finishing her doctorate, bumped into this phenomenon when she interviewed for a spot in the botany Ph.D. program.

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INSIDE



MARRIAGE FROM A DISTANCE

LIFE & ARTS, A11



AUSTRALIA'S VAST DROUGHT

WORLD NEWS, A18

Turkey Shifts Closer to Russia

Foreign ministers slam Western sanctions, as Erdogan plans boycott of U.S. electronic goods

BY DAVID GAUTHIER-VILLARS

ISTANBUL—President Recep Tayyip Erdogan of Turkey stepped up his attacks on the U.S. on Tuesday, calling for a boycott of Apple Inc.'s iPhones and other U.S. electronic goods, while his foreign minister joined his Russian counterpart in criticizing Western sanctions.

Turkey, a longtime North Atlantic Treaty Organization ally, has been caught between the West and Russia. This week, officials in Ankara were leaning decidedly toward Moscow.

In recent weeks, Turkey and Russia have been the targets of U.S. sanctions while their currencies, the lira and the ruble, have dropped against the dollar. Mr. Erdogan's boycott is part of a wider campaign Turkey has launched to retaliate against the U.S. measures.

The lira, already hit by investor concerns over Turkey's financial stability, has hit a series of record lows since Aug. 1, when the U.S. imposed sanctions on Turkey for not freeing a U.S. pastor facing terrorism charges.

On Tuesday, the lira rose

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◆ Currency crisis fails to trigger wide selloff..... B1

◆ Turkish banks feel brunt of lira's slide..... B13

Coverup Hid Hundreds Of Abusive Priests

By SCOTT CALVERT
AND KRIS MAHER

Catholic officials in Pennsylvania systematically covered up the molestation of more than 1,000 children by more than 300 priests over the past 70 years, according to a report released Tuesday on one of the most exhaustive investigations into the church's sex-abuse scandal.

The scathing, 884-page grand-jury report details widespread abuse of boys and girls dating to the 1940s that it said shows a chronic failure by six of the eight Pennsylvania dioceses to protect young victims. Earlier grand-jury reports found evidence of abuse in the two other dioceses, in Philadelphia and the Altoona-Johnstown area.

"The abuse scarred every diocese. The coverup was sophisticated. And all the while, church leadership kept records of the abuse," Pennsylvania Attorney General Josh Shapiro said at a news conference. The

attorney general's office launched the inquiry in 2016.

Mr. Shapiro called it "the largest, most comprehensive report into child sexual abuse within the Catholic Church ever produced in the United States."

The church has weathered decades of inquiries into the sexual abuse of children, resulting in grand jury reports in multiple states, high-profile leaders disciplined and billions in civil settlements, forcing several dioceses to declare bankruptcy.

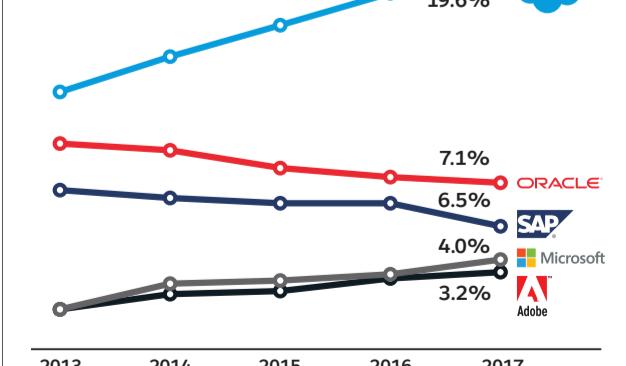
Tuesday's report, combined with the two previous ones, amounts to the biggest statewide investigation of sex abuse in the church. Mr. Shapiro said the report builds on investigations dating back more than a decade that exposed sex abuse in Boston and Philadelphia.

In 2002, the Boston Globe reported that the Boston Archdiocese had systematically covered up clerical sex abuse and repeatedly moved offending

Please turn to page A4

Salesforce. #1 CRM.

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



U.S. NEWS

Cost of Imports Eased by Strong Dollar

By PAUL KIERNAN

WASHINGTON—As escalating trade disputes threaten to drive up the cost of imported goods for U.S. consumers and businesses, economists say a stronger dollar may be helping to offset some of the pain.

Import prices excluding volatile fuel items fell 0.3% in July after posting a similar drop in June, the Labor Department said Tuesday, reversing five straight months of increases this year. The price declines came after the

dollar rallied as much as 7% between mid-February and late May against a basket of currencies, bolstering Americans' purchasing power relative to the rest of the world.

"Import prices had been trending higher for a couple of years, but we have seen some weakening in the very recent data that is likely at least partially related to the dollar appreciation so far this year," said Daniel Silver, an economist at J.P. Morgan, in an emailed note.

Because the Labor Depart-

ment data don't include taxes, it is unclear what effect the tariffs that Washington has slapped on imported goods from China and other countries in recent months are having on final consumer prices. But a number of economists say the dollar, which has strengthened another 2% since July 31, should continue to restrain import prices in the short term.

Interest rates are significantly higher in the U.S. than in other developed markets such as Europe or Japan, and

the Federal Reserve plans to further raise its benchmark rate by as much as a half percentage point before the end of the year. Such moves tend to boost returns on U.S. assets, drawing investment funds from the rest of the world and causing the dollar to appreciate.

Geopolitical turmoil in recent weeks has also contributed to the dollar's rise as investors flee Turkey and a host of other emerging markets.

"Global trade contracts are decided months in advance,

so movements in exchange rates affect import prices with some lag," said Mickey Levy, chief economist for the Americas and Asia at Berenberg Capital Markets LLC.

"Accordingly, we expect the dollar appreciation to weigh on import prices and push up export prices in coming quarters."

Another potential downward force on prices is tariff retaliation from U.S. trade partners, which constrains demand for U.S. goods abroad.

Soybean prices, for instance, have withered in recent months after China threatened—and then imposed—tariffs on U.S. exports of the oilseed.

"On the inflation side, on the price side, I think you see movements on both sides, and we'll see where that lands," Richmond Federal Reserve President Thomas Barkin told reporters last week. "When you see tariffs being put on our exports—soybeans, pork... you'll see prices go down. You'll see an oversupply."

U.S. WATCH

NEBRASKA

Execution Carried Out With Fentanyl Cocktail

Nebraska put to death its first inmate in more than two decades, executing a convicted murderer with a four-drug cocktail that contained the synthetic opioid fentanyl.

Carey Dean Moore, 60 years old, was executed by lethal injection Tuesday. In 1980, Mr. Moore was sentenced to death for shooting two cab drivers in Omaha in 1979. He was convicted of two counts of first-degree murder, prison records show.

The first of the four drugs was administered at 10:24 a.m. local time, and the county coroner pronounced Mr. Moore dead at 10:47 a.m., according to Nebraska's Department of Correctional Services.

In a handwritten statement released by state officials Tuesday, Mr. Moore admitted his guilt. But he said others on Nebraska's death row claimed they were innocent. "Why must they be there one day longer than all the years they have been there?" he wrote. He signed the note, "Carey Dean Moore, ex-Death Row Inmate."

In 2015, state lawmakers abolished the death penalty, but Nebraskans the following year voted to reinstate it. There have been 1481 executions in the U.S. since 1976, including Mr. Moore's, according to the Death Penalty Information Center.

—Corinne Ramey

FEDERAL RESERVE

Ex-Head of Richmond Bank Joins University

Jeffrey Lacker, who resigned from the Federal Reserve Bank of Richmond last year over his role in a 2012 leak of confidential information, is heading to academia.

Virginia Commonwealth University said Tuesday that Mr. Lacker, who led the Richmond Fed from 2004 to 2017, will become a professor in the Department of Economics starting Thursday.

Mr. Lacker's new job brings him back to where his career began, as a professor. He taught at Purdue University between 1984 and 1989 before moving to the Richmond Fed. Mr. Lacker also taught at The College of William & Mary and New York University, and has published extensively in academic journals.

"I've always loved teaching and I'm looking forward to helping the next generation of VCU students understand economics and the important ways it affects their lives," Mr. Lacker said in a statement.

He abruptly resigned from the Richmond Fed in April of last year after his involvement in revealing secret Fed information came to light. Mr. Lacker acknowledged that he had inadvertently revealed information to an analyst in 2012. A criminal investigation resulted in no charges.

—Michael S. Derby

NEW YORK

Bid by 'El Chapo' to Move Trial Rejected

A U.S. judge denied a request by Mexican drug lord Joaquín "El Chapo" Guzmán to move his trial.

U.S. District Judge Brian Cogan made the ruling on Tuesday at a hearing in Brooklyn.

Mr. Guzmán's lawyers said intense security measures used in transporting him from a Manhattan jail to Brooklyn court appearances were creating a public spectacle that hurt his chances for a fair trial. The measures have included closing the Brooklyn Bridge. The judge said some logistical concerns would be addressed.

Mr. Guzmán has pleaded not guilty to charges that his cartel laundered billions of dollars and oversaw a campaign of murders and kidnappings.

—Associated Press

A Break in the Storm as Heavy Rains Trigger Flash Floods in the East



AFTER THE DELUGE: Jim Burne stands next to his home along a flooded avenue in West Scranton on Tuesday, a day after heavy rains soaked a wide swath of Pennsylvania. On Tuesday, flash-flood warnings were issued from central New York to New England. There were no reports of fatalities or injuries.

BUTCH COMEGY/S/THE TIMES-TRIBUNE/ASSOCIATED PRESS

Digital Currencies Tumble

Continued from Page One

fund Multicoin Capital.

While the intense selling reflects a handful of market and economic factors, many users say plunging cryptocurrency prices point to the apparent failure of bitcoin, ether and other popular units to gain widespread adoption in the economy. Many view such a step as necessary to justify valuations that despite the recent selling remain well above year-ago levels.

Others say there is a growing recognition that prices may never again reach the high levels of January and foresee a rush to sell cryptocurrencies before losses deepen further. Financial products based on bitcoin and other currencies have in some cases failed to gain regulatory approval, and crypto investors have been hit with substantial

losses repeatedly this year tied to hacks and other incidents in Asia.

"People are starting to realize that they drove this stuff up in a feeding frenzy, and they're starting to realize just how dangerous it is," said Mark Grant, chief global strategist and managing director at B. Riley FBR Inc., who has for months been warning clients against putting money into cryptocurrencies.

In part, the underlying sentiment shift is being driven by the rise of the dollar, amid solid U.S. growth, a series of Federal Reserve rate increases and a pullback from riskier securities issued in emerging markets such as Turkey. The MSCI World Index, a measure of global stocks, topped out in January and hasn't been able to reclaim its high since then, while bitcoin prices remain below their December peak.

Bitcoin and the wider market for cryptocurrencies often have been driven far more by so-called momentum trading than fundamentals. In 2017, investors scrambled to wager that crypto was going mainstream.

What's more, there still is virtually nothing holders of

Products and services were going to emerge from the billions raised in the market for initial coin offerings that would bring in users. Wall Street and "institutional" money then would rush in to get a piece of the pie.

While the outreach to traditional markets continues—the owner of the New York Stock Exchange earlier this month launched a subsidiary to develop a compliant exchange for

digital assets—there have been prominent setbacks. A proposed bitcoin exchange-traded fund was in July rejected again by the Securities and Exchange Commission. The amount of institutional money flowing into the sector still appears to be small.

What's more, there still is virtually nothing holders of

bitcoin, ether, or any other cryptocurrency can do besides trade it. They have no practical utility in traditional markets and in daily commerce.

Accordingly, investors are now judging that much of the market—which runs with little oversight from Wall Street regulators—is akin to "gambling," said Mr. Grant of B. Riley FBR.

Sharp declines are nothing new to users of these currencies. In 2017, bitcoin flipped between what is generally considered a bull or bear market—a rise or drop of 20% or more from a peak or valley—about once a month. In a particularly frenzied 40-hour run in December, it rose 40%. It proceeded to drop 25% in a subsequent 24-hour period.

That said, investors now are confronting a period in which many cryptocurrency projects have had well-publicized problems. The Ethereum network, where ether is used, has been bogged down in development. The EOS network, which was designed as a competitor to Ethereum, had several problems after its launch. For all the excitement over decentral-

ized products and services, only a handful are actually live, and they have few users.

A highly anticipated prediction-markets service called Augur went live on the Ethereum network in July, after three years of development. After an initial burst of activity, it has failed to build any momentum, and the service remains only lightly used.

"Everyone has been searching for the killer app," said Sherwin Dowlat, a researcher at advisory firm Satis Group. "Augur's performance has left us waiting for another."

On another level, though, several people said this sell-off was nothing unusual, certainly not for the hypervolatile cryptocurrency market.

"You have a crescendo, euphoria, a crash, and capitulation," said Mr. Samani of Multicoin Capital, adding this is the fourth time the market has gone through such a pronounced and well-defined cycle. His firm, in fact, had positioned itself for exactly this, despite being a long-biased fund.

"We're not as sad as you'd expect," he said.

CORRECTIONS & AMPLIFICATIONS

In some editions Tuesday, the surname of former FBI agent Peter Strzok was misspelled as Stroz in a Page One What's News item about his firing.

Hu Lianhe is the deputy director general of the ninth bureau of China's United Front Work Department, which oversees Xinjiang province. In some editions Tuesday, a World News article on China disputing claims about the detention of Muslim ethnic minorities incorrectly said he is deputy director general of the entire department.

Rhonda Vetere's first name

was misspelled as Rhoda in a photo caption with a Life & Arts article Tuesday about high-stakes charity fundraising.

A chart illustrating the U.S.'s trade imbalance with South Korea, which accompanied an Aug. 8 World News article about trade tensions, showed imports and exports in billions of dollars. The chart didn't indicate the data were in billions.

A July 26 decline in Facebook Inc. shares shaved more than \$119 billion from the company's value. An Aug. 7 Page One article about Facebook's

discussions with banks about possibly sharing data incorrectly said that the decline was more than \$120 billion.

Astronaut Josh Cassada's first name was incorrectly given as John in a U.S. Watch article on Aug. 4 about NASA assigning crews to ride on commercial spacecraft.

Nearly 45 million people have student-loan debt. A June 15 Page One article about bankruptcy judges who are trying to help borrowers incorrectly said that hundreds of thousands of people have student loans.

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U.S. NEWS

Household Borrowing Hits High

Rise in mortgage debt and auto loans pushes total U.S. consumer debt to \$13.3 trillion

By JOSH ZUMBRUN

Gradually rising interest rates have yet to dent Americans' appetite for borrowing, with total U.S. consumer debt climbing to \$13.3 trillion in the second quarter, continuing a gradual rise in household borrowing over the past four years.

Debts rose by \$82 billion in the second quarter, driven by rising mortgage, credit-card and auto-loan balances, according to the Federal Reserve Bank of New York's quarterly report on household debt and credit.

Total debt is now higher than before the financial crisis, when widespread defaults, especially on mortgages, contributed to the longest and deepest recession since the Great Depression. After paying down debt through 2013, in aggregate, consumers gradually began to borrow again, and household debt is now nearly 20% higher than five years ago.

"Aggregate household debt grew for the 16th consecutive quarter," said Wilbert van der Klaauw, senior vice president at the New York Fed. He said delinquency rates that have been stable for most categories of debt, and falling for student loans, show an "improved labor market."

In recent years, student-loan balances have also contributed to the rise in household debt, though they didn't in the second quarter because few people take out student loans from April through June.

The total stock of debt has been rising as the economy

grows. Debts were 65% of gross domestic product in the second quarter—a figure that is changed little in recent years and is lower than during the financial crisis. In 2009, when the economy was shrinking and debt burdens had yet to be worked off, the total stock of debt was 87% of GDP.

The steady increase in debt has come amid a campaign by the Federal Reserve to return interest rates to the sort of levels that prevailed before the financial crisis. After holding its benchmark interest rate near zero for seven years, the Fed began gradually raising rates in December 2015.

The Fed's benchmark rate is now in a range between 1.75% and 2%. The average rate on a 30-year fixed mortgage was at 4.6% last week, up from as low as 3.4% in 2013. The prime borrowing rate, to which many banks index consumer loans and credit-card rates, has risen to 5% from the 3.25% that prevailed for most of the past decade.

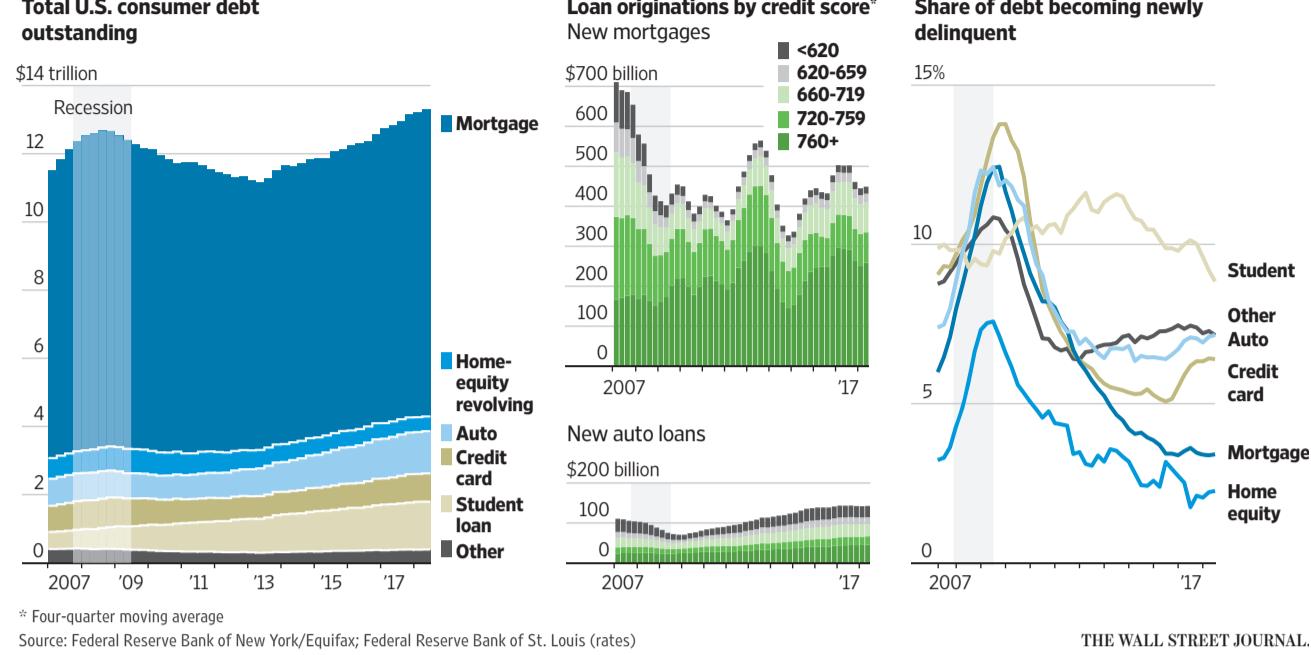
So far, these rates have done little to dissuade borrowers.

In the second quarter, lenders originated \$151 billion of new auto loans, the best quarter in 13 years. The total stock of outstanding auto loans climbed to a record \$1.24 trillion. In a sign that the lending could continue without causing widespread distress, loans have been rising for borrowers with the highest credit scores and declining for those with lower scores.

The total stock of outstanding mortgages climbed to \$9 trillion, the highest level since 2009. New mortgage originations remain lower than before the financial crisis, but this is because a much smaller fraction of

Climbing Debts

Total U.S. household debts reached a new peak in the second quarter. Origination of new mortgages and auto loans has remained strong and delinquencies have mostly remained low, even against a backdrop of rising rates for borrowers.



* Four-quarter moving average
Source: Federal Reserve Bank of New York/Equifax; Federal Reserve Bank of St. Louis (rates)

Millions of Credit Scores Boosted

The credit scores of millions of U.S. consumers have risen following a broad overhaul of how credit-reporting firms handle negative credit information.

Consumers who had at least one collections account removed from their files experienced an 11-point increase, on average, in their credit scores, according to a report released Tuesday by the New York Federal Reserve. The report was based on a sample of millions of anonymous credit reports from credit-reporting firm Equifax Inc. Collections were completely removed from eight million consumers' credit reports in the 12 months through June, resulting in an average 14-point increase.

The improvements come after the three largest U.S.

credit-reporting firms changed how they deal with certain kinds of negative credit events that some have said are prone to error and unfairly drag down scores. The firms—Equifax, Experian PLC and TransUnion—agreed to revamp the reports following settlements with state attorneys general dating back to 2015.

The settlements prompted the firms to remove some non-loan related items that were sent to collections firms, such as gym memberships, library fines and traffic tickets. The firms also agreed to remove medical-debt collections that have been paid by a patient's insurance company.

Collections weigh heavily on consumers' credit scores, and they became more common in the aftermath of the financial crisis. By 2013, the share of credit reports with at least one account in collections had climbed to 14.6%.

That number fell to 12.5% in the second quarter of 2017, before experiencing a sharp drop to 9.4% in the second quarter of this year—a decline from about 33 million consumers to 25 million. That overlapped with the time period when the credit-reporting firms were implementing changes from the settlements.

Credit-reporting executives say the changes are part of a broader challenge facing credit reports and the overall consumer-lending system.

A series of changes have been announced in recent years aimed at removing negative information from credit reports, because that information is more likely to be incorrect or might not reflect consumers' efforts to repay their debts. Beyond collections, the credit-reporting firms decided in 2017 to begin removing much tax-lien and civil-judgment data from consumers' credit reports.

Earlier this year, they decided to stop adding new tax-lien information.

The result is that a growing amount of adverse credit information is falling off credit reports, resulting in higher consumer credit scores.

The majority of the consumers who benefited from the removal of collections from their credit reports had low credit scores, according to the New York Fed. Nearly 80% had credit scores below 660 before the collections were removed. They also had higher delinquency rates on other debts besides their collections accounts.

For 20% of consumers who had a score below 620, the changes pushed their credit scores above that level—an increase that can mean the difference between getting approved or denied for a loan.

—AnnaMaria Andriots and Josh Zumbrun

borrowers obtain subprime mortgages.

The borrowing comes against a backdrop of improving delinquency and foreclosure rates. Overall delinquency rates came down slightly.

In recent quarters, delin-

quency on student debt have also started to come down. Other types of debt delinquency improved quickly once the recession ended, but student-debt delinquencies remained stubbornly high for years.

Those rates have begun coming down as the economy improved and as more people have entered income-driven repayment plans that help keep monthly payments more manageable.

The data are drawn from

the New York Fed's quarterly report on household debt and credit, which analyzes a representative random sample of millions of anonymous credit reports from the consumer credit reporting agency Equifax Inc.



A ranger directed visitors as California's Yosemite National Park reopened its most popular tourist spot, the Yosemite Valley, on Tuesday. Farther north in the state, a firefighter died in a separate blaze.

Park Reopens Yosemite Valley After Wildfire Forced Closure

By ALEJANDRO LAZO

SAN FRANCISCO—Yosemite National Park reopened its most popular tourist section on Tuesday after nearly three weeks of closure because of a wildfire in the nearby Sierra Nevada.

The Yosemite Valley, where rangers have estimated 95% of visitors spend at least some time, had been closed since July 25 as the 96,606-acre Ferguson Fire burned through dry forest south of the park. The park's Wawona and Mariposa Grove portions opened Monday.

The U.S. Forest Service said firefighters were making steady progress against the Ferguson blaze, having established a perimeter to contain about 86% of it.

Elsewhere in California, firefighters said they were battling 11 major blazes, with a lull in heat and winds helping them gain on some of the largest.

The Mendocino Complex Fire in Northern California, comprising both the Ranch and River fires and the largest in state history, claimed the life of a firefighter from Draper, Utah, on Monday. Battalion Chief Matthew Burchett, 42, had

been deployed to California along with four Draper colleagues.

"Our hearts ache for his wife and young son, family members, loved ones, colleagues with the Draper City Fire Department and the entire State of Utah," California Gov. Jerry Brown said Tuesday.

So far this year, wildfires have claimed the lives of six emergency responders and five civilians, officials said.

Fires this summer have consumed more than 740,000 acres and damaged or destroyed more than 2,000 structures, state officials said.

Suit Accusing Weinstein Of Assault Can Proceed

By CORINNE RAMEY

A federal judge ruled that an actress's lawsuit accusing Harvey Weinstein of sexual assault can proceed, approving an unorthodox use of a federal sex-trafficking statute.

U.S. District Judge Robert Sweet's ruling, made public Tuesday, comes in a civil suit filed by Kadian Noble in 2017 in federal court in Manhattan last year. The suit, which asks for unspecified damages, claims Mr. Weinstein promised to help the actress and then sexually assaulted her in a hotel room during the 2014 Cannes Film Festival in France.

Ms. Noble claims Mr. Weinstein violated sex-trafficking laws by enticing her into a hotel room under false pretenses then forcing her to engage in a "commercial sex act." Federal law defines a commercial sex act as exchanging something of value for sex. Mr. Weinstein claims he gave nothing of value to Ms. Noble. But Judge Sweet found that he did.

"For an aspiring actress, meeting a world-renowned film producer carries value, in and of itself," the judge wrote. "The opportunity, moreover, for the actress to sit down with that producer in a private meeting to review her film reel and discuss a promised film role carries value that is career-making and life-changing."

Jeff Herman, who represents Ms. Noble, called the decision groundbreaking. In a typical sex-trafficking case, the lawyer said, the accused "doesn't look like Harvey Weinstein."

Mr. Herman added, "He's nonetheless violating the law in the same way. Instead of offering drugs or cash, he's offering glamorous movie roles."

A lawyer for Mr. Weinstein said the decision was "just the first round."

"We will seek to appeal the decision," the lawyer, Phyllis Kupferstein, said in a statement.

denied all allegations of nonconsensual sex.

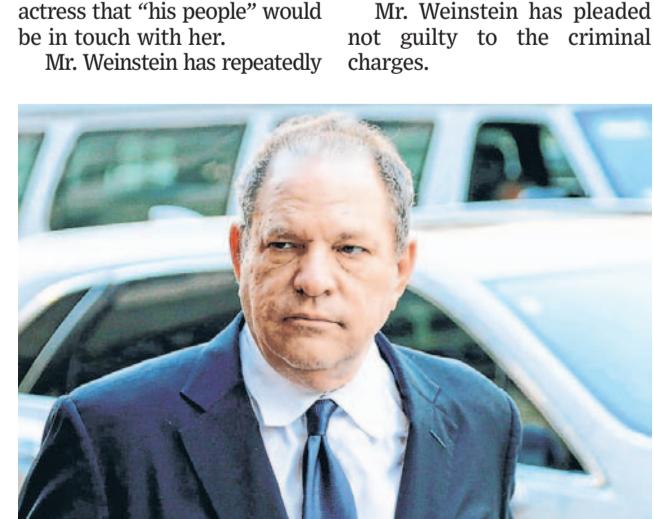
Judge Sweet threw out allegations against Mr. Weinstein's brother, Bob, saying there is insufficient evidence he knew or participated in his brother's conduct.

Gary Stein, a lawyer for Bob Weinstein, said the judge's ruling "is consistent with what we have said from the outset—that Mr. Weinstein had no knowledge of the illegal conduct of which his brother has been accused."

The ruling could have a ripple effect, said Rebecca Ricigliano, a defense attorney at Crowell & Moring LLP who isn't involved in the case. "I think this particular action brings light to a relatively underutilized statute that victims may employ more in the future," she added.

The suit is one of numerous legal actions against Mr. Weinstein. Earlier this year, the Manhattan district attorney's office charged the producer with rape and other felonies. The office of New York state's attorney general has also sued Mr. Weinstein and his companies, accusing executives of failing to protect employees from Mr. Weinstein's misconduct.

Mr. Weinstein has pleaded not guilty to the criminal charges.



Onetime powerful movie producer Harvey Weinstein, seen above on July 9 in New York, has denied allegations of nonconsensual sex.

U.S. NEWS

Trump Knew About Emails, Ex-Aide Says

Manigault Newman claims candidate had notice of messages stolen by Russia

BY PETER NICHOLAS

WASHINGTON—President Trump knew about Democratic campaign emails stolen by Russian hackers before they were made public during the 2016 presidential race, Omarosa Manigault Newman, a former top White House aide who was fired in December, claimed Tuesday.

Ms. Manigault Newman, who is promoting a new book, also said she has been interviewed by special counsel Robert Mueller, who is investigating whether the Trump campaign and Russian operatives colluded in helping defeat Hillary Clinton. The campaign and Moscow deny those allegations.

Speaking on MSNBC, Ms. Manigault Newman was asked if Mr. Trump knew about the emails before WikiLeaks began releasing them in the summer of 2016. "Absolutely," she said.

Ms. Manigault Newman's assertion contradicts the president's statements that he had no advance knowledge of the messages that created a drag on the Clinton candidacy. She didn't provide evidence to support her contention and there was none

in her book, "Unhinged," which was released Tuesday.

Rudy Giuliani, one of Mr. Trump's attorneys, denied that Mr. Trump knew in advance the emails were coming out. "She's definitely lying to sell her books," Mr. Giuliani said.

The falling out between Mr. Trump and Ms. Manigault Newman marks a bitter end to a partnership that had benefited both. She helped drive ratings as a star contestant on his reality TV show, "The Apprentice," and later was a rare minority voice to vouch for his candidacy. After the election, he installed her in a \$179,700-a-year job in the White House Office of Public Liaison.

Inside the White House, aides readied a strategy to try to "starve" Ms. Manigault Newman of additional attention, people familiar with the matter said. Aides said this week they wouldn't take punitive action against her for secretly recording conversations in secure parts of the White House. Firing her was sufficient, one aide said.

But Mr. Trump and his re-election campaign took a more combative approach. The president has tweeted about her repeatedly in recent days, a move some Trump loyalists fear will only help her sell more books.

Mr. Trump called her a "dog" in a tweet Tuesday. The insult aimed at one of the few African-Americans in the president's senior staff drew an immediate



Former aide Omarosa Manigault Newman said she has spoken with special counsel Robert Mueller.

backlash. Rep. Frederica Wilson (D, Fla.), a member of the Congressional Black Caucus, tweeted, "How dare the president call @omarosa or any black woman a dog!"

Sen. Jeff Flake (R, Ariz.) tweeted: "This kind of language is unbecoming of a President of the United States. There is no excuse for it, and Republicans should not be okay with it."

The president's campaign filed an arbitration action Tuesday against Ms. Manigault New-

man, alleging she violated a confidentiality agreement she signed during his presidential bid. A Trump campaign official said in a statement Tuesday that the claim was filed with the American Arbitration Association of New York City. The statement doesn't specify how Ms. Manigault Newman might have violated the agreement.

The details of the agreement signed couldn't be determined, and she didn't respond to a request for comment.

"It's interesting that he's trying to silence me," she told MSNBC. "So, what does he have to hide? What is he afraid of?"

One Trump campaign nondisclosure agreement reviewed by The Wall Street Journal forbids publicizing any "confidential information" that is "in any way detrimental to the company, Mr. Trump, any Family Member, any Trump Company or any Family Member Company."

The agreement includes a "no disparagement" clause that

requires the employee not to "demean or disparage" Mr. Trump "during the time of your service and at all times thereafter."

Ms. Manigault Newman has given no sign that she will back off. Her memoir, published by Gallery Books, an imprint of Simon & Schuster, ranked No. 2 on Amazon's best-seller list on Tuesday afternoon.

Ms. Manigault Newman has helped rivet the news media's attention in part by spacing out the release of conversations with Mr. Trump and various campaign and White House officials that she secretly taped.

In a 2016 recording aired Tuesday on CBS News, she and other campaign aides are heard discussing the possible existence of a tape in which Mr. Trump uses the N-word. One aide said she had talked to then-candidate Trump about the matter. The aide said she asked him, "Can you think of any time this might have happened, and he said, 'No.'"

Ms. Manigault Newman is then heard saying, "Well, that's not true." In her book, she says her attempts to warn the White House about the tape contributed to her firing.

White House press secretary Sarah Sanders, asked if she can assure Americans that no tape exists, said: "I can't guarantee anything.... I can tell you, I've never heard it."

Court Impeachment Fires Up Clash

BY JACOB GERSHMAN

An impeachment of all of the sitting justices on West Virginia's highest court spurred the resignation of one of the judges and set up a dramatic legal showdown that now heads to the state's upper legislative chamber.

The charges were handed down Monday night by the Republican-controlled House of Delegates, which voted to impeach all four of the court's sitting justices for alleged financial abuses. The unprecedented confrontation between the judicial and legislative branches of government now moves to the Senate, which is expected to hold a trial to decide whether to convict and expel the remaining justices.

At a news conference Tuesday, one of the four impeached justices, Democrat Robin Davis, announced her resignation and accused the Legislature of staging a partisan coup against the court. The four members were split 2-2 by party; a fifth justice, Democrat Menis Ketchum, resigned from the bench last month amid charges of wire fraud, for which he agreed to plead guilty.

For months, the state's high court has faced a widening



Justice Robin Davis, a Democrat, resigned from the West Virginia high court Tuesday, accusing GOP lawmakers of a partisan coup.

spending scandal that has led to federal criminal charges against two of its members. Republican lawmakers say the justices exploited the court system's unusual budgetary powers by going on a personal spending spree.

Justices, legislators say, spent more than \$1 million to redecorate their personal offices and furnish them with pricey furniture.

Impeachment articles also accused various judges of splurging on lunches, misusing state-issued vehicles and computer equipment, and authorizing unlawful payments to

senior-status judges.

Republicans overwhelmingly favored mass impeachment. Democrats supported the charges against Justice Allen Loughry, a Republican who also faces a federal indictment on related charges. But Democrats strongly opposed impeaching justices in their own party, calling it a politically driven attack.

Besides Justice Loughry, the other judges who remain on the court and face possible removal are Chief Justice Margaret Workman, a Democrat, and Republican Beth Walker.

On Tuesday, Chief Justice

Workman said she isn't resigning and would put "all the facts before the Senate." Justice Walker said the spending practices under fire had predated her tenure. Justice Loughry has pleaded not guilty and didn't issue a statement.

Should lawmakers expel them, the vacancies would be filled by Republican Gov. Jim Justice.

Fall electoral contests will decide who succeeds two of the judges: the seats occupied by Ms. Davis and Mr. Ketchum.

Ms. Davis on Tuesday said the impeachment was based on trumped-up charges, calling the effort a "disaster for the rule of law."

"The majority members have ignored the will of the people who elected the justices of this court," said Ms. Davis.

Republicans in the lower chamber said the Legislature was upholding the law.

"No one takes joy in this process," said John Shott, Republican chairman of the state House Judiciary Committee.

The Senate on Monday is convening in Charleston, but no trial date has been set. Conviction requires a two-thirds vote in the chamber, which is composed of 22 Republicans and 12 Democrats.

Final Arguments Set In Manafort Trial

BY ARUNA VISWANATHA AND JULIE BYKOWICZ

ALEXANDRIA, Va.—Paul Manafort's legal team said Tuesday it wouldn't call witnesses or present further evidence in the former Trump campaign chairman's defense, setting the stage for closing arguments in the case Wednesday.

Prosecutors rested the government's case against Mr. Manafort on Monday, after 10 days of testimony alleging Mr. Manafort didn't pay taxes on at least \$16 million in income from political consulting work in Ukraine and later misled U.S. banks when he obtained millions of dollars in loans in 2016, including during his time running Donald Trump's campaign.

Mr. Manafort, who has remained silent throughout his trial, stood Tuesday when U.S. District Judge T.S. Ellis asked him if he wished to testify in his defense. He responded: "No, sir."

That followed a sealed hearing that lasted more than two hours on a topic that neither side has publicly discussed. Mr. Manafort's legal team filed a motion under seal in recent

days, but hasn't disclosed the subject of the request.

Judge Ellis moved forward with the trial after that hearing, suggesting that the motion is unlikely to affect the case.

After opening the courtroom to the public, Judge Ellis also heard arguments on—and ultimately rejected—a motion by Mr. Manafort's team that argued prosecutors didn't present enough evidence to sustain the charges. That type of request, known as a Rule 29 motion, is a common one for defendants to raise but is rarely granted.

Judge Ellis said he thought Mr. Manafort's team made a "significant argument" specifically as it related to one set of bank-fraud allegations Mr. Manafort faces, but said it was a question the jury had to decide.

An attorney for Mr. Manafort had argued that the lender Federal Savings Bank knew the true picture of Mr. Manafort's income and assets when it provided him with \$16 million in loans, and any discrepancies or misstatements by Mr. Manafort weren't material to the bank's decision to lend the money.

Vast Abuse By Priests Is Detailed

Continued from Page One priests to other parishes where they were able to abuse again. Mr. Shapiro said the Globe identified 229 "abuser priests," revelations that led to Archbishop Bernard Law's resignation.

Chad C. Pecknold, a professor at the Catholic University of America, said the scale of this investigation—and the number of Catholic clergymen who were found to be culpable—set it apart from previous accounts of abuse within the church. "Previously, everyone understood that abuse was rampant, and that the church worked hard to try to resolve the problem," Mr. Pecknold said. "What was not clear before, and is clear now, is how many bishops worked just as hard to cover things up."

The findings, Mr. Shapiro said, came largely from records kept by the dioceses. The files document allegations and admissions of abuse, he said, "corroborating accounts of victims and illustrating the organized coverup by senior church officials that stretched in some cases all the way to the Vatican."

The Vatican declined to comment on the report.

The Pennsylvania grand jury's report said the roughly two-year inquiry found that

bishops in the dioceses kept abuse complaints in "secret archives" locked in their offices, and that church officials regularly placed priests in ministry even after learning of allegations against them.

Many of the accused priests and other church officials named in the report are deceased. The names of some of those still alive are redacted in the report, under an order by the state Supreme Court.

Mr. Shapiro cited cases where investigations into complaints had been halted by a diocese to delay a case beyond a statute of limitations, or in one instance by a prosecutor to avoid negative publicity.

The Allentown Diocese said the allegations in the report are "abhorrent and tragic."

"We apologize to everyone who has been hurt by the past actions of some members of the clergy," the diocese said. "The victims and survivors of abuse

are in our prayers daily."

MATT ROURKE/ASSOCIATED PRESS

Earlier this month, the Harrisburg Diocese, one of the six investigated, released the names of 71 priests and other personnel accused of child-sex abuse.

The investigation into the six dioceses has led to criminal charges against two priests who are no longer in active ministry. One pleaded guilty last month to sexually assaulting a 10-year-old boy. The other is charged with molesting two boys over years and has pleaded not guilty. That case is pending.

Several victims who spoke to the grand jury praised the investigation.

"There's no doubt it's been a complete coverup across all churches and dioceses," said Jim VanSickle, a 55-year-old life coach and tutor in Pittsburgh. Mr. VanSickle came forward in February with allegations of being groped between 1979 and 1982 by a priest who was his English teacher at a Catholic

high school.

The priest is one of the two currently facing charges for more recent allegations. Although the statute of limitations in Pennsylvania bars any legal recourse for Mr. VanSickle, he said he hopes to testify in court against the priest.

The grand-jury report said almost every instance of abuse is too old to be prosecuted. Mr. Shapiro, a Democrat, renewed a call for state lawmakers to abolish such restrictions.

State Rep. Mark Rozzi said he hopes the report will spur the Legislature to eliminate the statutes of limitations for filing civil cases and criminal charges in future abuse cases.

Mr. Rozzi, a Democrat, and others have sought for years to change state law. The Pennsylvania Catholic Conference, the public affairs arm of the state's 10 Catholic bishops and dioceses, has opposed creating a window to sue for past abuse, arguing it is unconstitutional.

Dozens of individuals, mainly clergy members, sued to block the report's release and successfully petitioned the high court to black out their names and any identifying information.

They claimed their reputations would be unfairly ruined if the report were released unaltered, and said they were denied a chance to testify before the grand jury. The state Supreme Court ordered their names temporarily redacted so the public could see an interim version of the report until those legal challenges are resolved.

—Ian Lovett contributed to this article.

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Victims of clergy sexual abuse and their family members react during a news conference at the Pennsylvania Capitol in Harrisburg.

MATT ROURKE/ASSOCIATED PRESS

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U.S. NEWS

Trump Ally Wins Nod in Kansas

BY ANDREW DUEHREN

Kansas Gov. Jeff Colyer has conceded to Secretary of State Kris Kobach in the state's Republican gubernatorial primary, ending almost a week of uncertainty in the tight election.

Mr. Kobach, who was endorsed by President Trump the day before the primary, campaigned as a Trump-style Republican, pushing his connections with the White House and his record fighting illegal immigration. His razor-thin victory over Mr. Colyer, who became

governor after former Gov. Sam Brownback took a post in the Trump administration earlier this year, is the latest rejection of establishment party leaders in favor of candidates Mr. Trump personally favors.

Mr. Colyer's concession Tuesday night came as counties across the state count provisional ballots from last week's election, which was too close to call. The most recent vote tally has Mr. Kobach leading Mr. Colyer by just 345 votes, though counties will continue to make final vote

tallies until Aug. 20.

Mr. Colyer said that he

wouldn't consider requesting a

recount in the election or

challenging the results in

court. He said he had called

Mr. Kobach to congratulate

him on his success.

"We will make sure the next governor is fully prepared and I hope it is a Republican governor," he said.

Democrats, who nominated

Laura Kelly, a state senator, as

their gubernatorial nominee,

see Mr. Kobach as a more vul-

nerable candidate in the gen-



Kris Kobach,
known for
fighting illegal
immigration,
will be the
GOP nominee
for governor.

proven claim that millions of people voted fraudulently in the 2016 election. Democrats hope to leverage what they see as Mr. Kobach's controversial history to raise money from liberals across the country.

Democrats and Republicans have swapped control of the governor's office for decades in Kansas.

Businessman Greg Orman is also running in the gubernatorial race as an independent, creating problems for Democrats who fear he could siphon votes away from Ms. Kelly.

Connecticut Nominees Picked for Governor

BY JOSEPH DE AVILA AND KRIS MAHER

Two businessmen who ran as political outsiders will square off to be Connecticut's governor this November, in what is expected to be one of the nation's most competitive gubernatorial races.

Democrat Ned Lamont and Republican Bob Stefanowski won their party's primaries, according to the Associated Press. The Cook Political Report rates the open race a tossup. Current Democratic Gov. Dannel Malloy, who has low approval ratings, declined to run for a third term, leaving Republicans optimistic that they can flip the seat.

Mr. Lamont defeated Bridgeport Mayor Joe Ganim. Mr. Stefanowski edged out four Republican rivals.

In Wisconsin's gubernatorial primary Tuesday, state schools superintendent Tony Evers emerged from a crowded Democratic field and will now try to unseat incumbent Republican Scott Walker, who is seeking his third term.

In Vermont's primary Tuesday, former utility executive Christine Hallquist beat out three other gubernatorial candidates to become the nation's first transgender gubernatorial nominee for a major party.

Ms. Hallquist will face incumbent Republican Gov. Phil Scott, who easily won his matchup with his primary opponent Keith Stern, a grocer.

In Minnesota, the race to succeed Gov. Mark Dayton will be contested by Jeff Johnson, a Republican county commissioner, and U.S. Rep. Tim Walz, who won the Democratic primary.

Mr. Johnson's primary win over Tim Pawlenty, who previously served two terms as governor, was viewed as a significant upset. Mr. Pawlenty outspent Mr. Johnson by roughly 3-to-1 on radio and television advertising.

The Other Court Where Kavanaugh Presides

BY ALEXA CORSE

In federal court, Brett Kavanaugh may have a reputation for knowledge and expertise, but on the basketball court—well, he tries.

He isn't the best shooter. And he can't jump very high, according to fellow players and coaches.

"He wasn't the biggest or most athletic or jumped the highest," said Christen Dudley, who played pickup ball with Judge Kavanaugh at Yale. Still, he "worked really hard."

Mr. Dudley played on Yale's varsity team and went on to play professional ball. Judge Kavanaugh made junior varsity.

Still, Mr. Dudley sees an upside to the effort-over-skills quality of Judge Kavanaugh's game. "People who are hard workers on the court are usually hard workers off the court as well," he said. "That's the case with Brett."

Basketball clearly means a lot to Judge Kavanaugh, who has been nominated by President Trump to serve on the Supreme Court. As a judge on the U.S. Circuit Court of Appeals for the District of Columbia, he doesn't carry a briefcase to work, but an Adidas duffel bag.

After Mr. Trump announced his nomination last month, Judge Kavanaugh said basketball is more than a hobby to him. One of his favorite memories, he said in his acceptance remarks, is taking his two young daughters to the most recent NCAA Women's Final Four in Ohio. He has also been a volunteer coach for his daughters' basketball teams for the past several years.

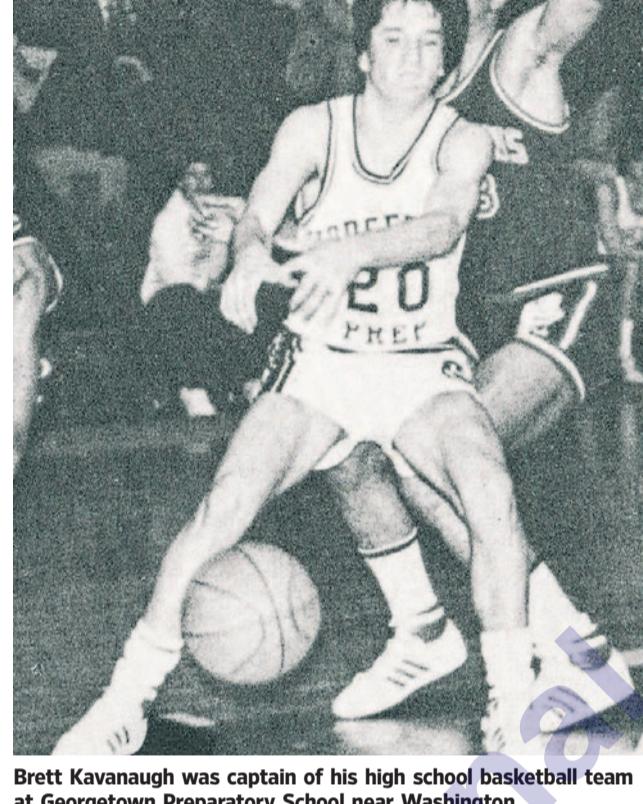
"I have tried to create bonds with my daughters like my dad created with me," Judge Kavanaugh said.

Don Urgo, a high-school classmate, remembers attending professional sports events with the future judge and the judge's father. Mr. Urgo and Judge Kavanaugh attended Georgetown Preparatory School, an all-boys, Jesuit high school near Washington, playing on the football team together.

Judge Kavanaugh was captain of the basketball team—not that his talent was overwhelming.

"His biggest strength was his work ethic," said Kevin Dowd, who coached Judge Kavanaugh in high school. "He worked hard on his ball-handling and his passing."

Judge Kavanaugh has recently coached fourth-, fifth- and sixth-grade girls, whose



Brett Kavanaugh was captain of his high school basketball team at Georgetown Preparatory School near Washington.

parents call him "Coach K," according to a recent letter of praise from several parents to the Senate Judiciary Committee. One of his teams, from the Blessed Sacrament School, won the city champion-

ship of the Catholic Youth Organization league this past season.

He shows a restrained—some might say judicial—temperament during the games. "He's a calm guy,"

said Tom Conaghan, a lawyer whose daughter was coached by Judge Kavanaugh. "You could never hear him talking to his players" during games.

Like a judge, he often puts his thoughts in writing. He sends parents detailed emails on their daughters' progress and ways they can improve, Mr. Conaghan said. And it's not uncommon for him to join the girls and mix it up during practice, said another father whose daughter was coached by the judge.

Some friends say his externally calm demeanor isn't the whole story.

"He likes to succeed at everything he does, so he may pretend that it's all fun and games," Mr. Urgo said. "Trust me...he takes it seriously."

Mr. Dowd saw a similar intensity. "You could tell his displeasure" when the team was losing, Mr. Dowd recalled. "It was mostly body language."

Senators are scheduled to begin hearings about the Supreme Court nomination early next month.

If he is confirmed, Judge Kavanaugh will have another place to play hoops. The Supreme Court has a basketball court on the top floor, affectionately called "the highest court in the land."

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WORLD NEWS

Terror Suspected in London Crash

Several injured in what police called a 'deliberate act' outside Parliament buildings

By JOANNA SUGDEN AND WILL HORNER

LONDON—A car crashed into barriers outside the U.K. Houses of Parliament on Tuesday morning in a suspected terrorist attack, injuring several people just yards away from the site of an attack last year.

Police said the driver, a 29-year-old U.K. national, was arrested at the scene on suspicion of terrorist offenses.

"It certainly appears this was a deliberate act but what the motivation is we can't say," said Neil Basu, the head of the London police counterterrorism unit, adding that the method and the "iconic scene" of the crash pointed to terrorism.

The incident prompted an early morning tweet from President Trump. "Another terrorist attack in London...These animals are crazy and must be dealt with through toughness and strength!" he tweeted.

A woman and two men were treated for their injuries following the incident, the police said. The woman remained in the hospital on Tuesday but her injuries don't appear to be life-threatening.

If confirmed as terrorism-related, the attack would be one that lacked the sophistication and planning that marked last year's deadly attacks in London, where vehicles and bladed weapons were used.

Police said there were no weapons found in the car and no evidence of any attempt to follow up with a blade attack.

Detectives established that the vehicle was driven to London from Birmingham, around 120 miles northwest of the capital, late Monday. It was driven around the Westminster area



Forensic officers inspecting the car that slammed into barriers at the Houses of Parliament on Tuesday.

for more than an hour before the assault, police said.

Counterterror officers are searching three addresses outside the capital in connection with their investigation. Two are in Birmingham and the third is in Nottingham.

Television footage of the path of the vehicle and eyewitness accounts suggested it could have injured more people at a different time. The area is normally much more crowded later in the day, and Parliament is in summer recess, meaning prominent politicians are less likely to be in the neighborhood.

The driver didn't appear to have been known to security services or counterterrorism police before the incident, Mr. Basu said.

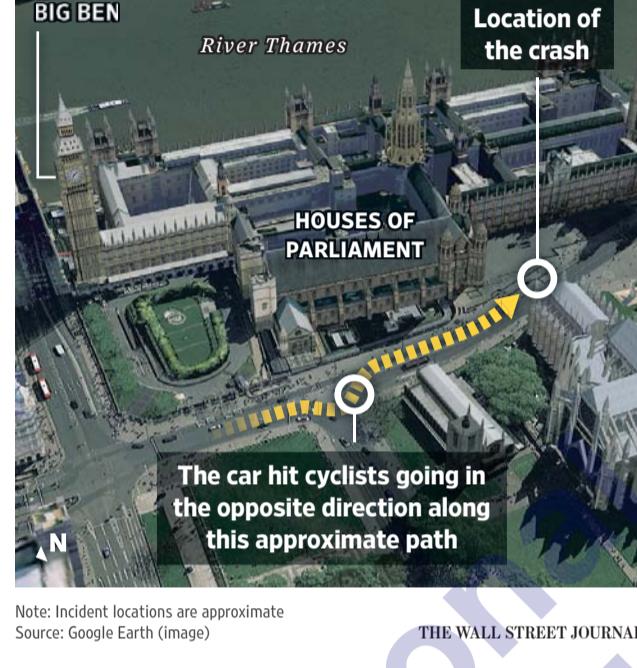
That increases the likelihood that, if it was terrorism, the attacker will be found to be a "lone wolf," self-directed individuals who are difficult for security services to track.

Television footage from the scene showed a silver Ford Fiesta surrounded by armed police officers and fire engines outside the parliamentary buildings, the seat of the British government.

Footage also showed a cy-

Westminster Mayhem

A silver Ford Fiesta collided with cyclists and pedestrians before crashing into barriers outside the Houses of Parliament.



Note: Incident locations are approximate
Source: Google Earth (image)

clist lying on the ground near where the car came to a halt, and what appeared to be a policeman jumping out of the way before it hit the barriers.

The suspected attack on a

U.K. landmark and tourist hub comes just over a year after a spate of summer assaults rattled the U.K., including three in which attackers used vehicles in the capital.

Britain has beefed up security, including placing barriers along bridges and other prominent sites in the capital. Some are disguised as flower beds, benches and bicycle stands.

Security services in the U.K. say the current threat level is at severe—the second-highest—which means a terrorist attack is highly likely.

"For the second time in as many years the home of our democracy, which is a potent symbol of our precious values of tolerance and freedom, has witnessed terrible scenes just yards from its door," Prime Minister Theresa May said.

Mrs. May's official spokesman told reporters Tuesday that since the start of 2017 security services have foiled 13 Islamist terror plots and four by far-right extremists.

The spokesman added that counterterror police and security services were at the end of June conducting 676 live terror investigations.

Jason Williams, a witness, said he saw a man driving a car "straight through Parliament hitting the bollards and barriers." Specialist police arrived in 10 minutes with rifles, Mr. Williams added.

In March of last year, Khalid Masood mowed down pedestrians on nearby Westminster Bridge and stabbed a policeman before being shot and killed.

In June 2017, three terrorists used a van to plow into people walking over London Bridge before stabbing and slashing others with knives, leaving a total of eight people dead. Later that month, a van careered into a crowd near a London mosque, and one man died.

Police closed surrounding roads in the area in the hours after Tuesday's crash. Workers in offices just inside the cordon who weren't allowed out passed laptops to colleagues so they could work from nearby coffee shops.

—Jason Douglas contributed to this article.

Germany's Growth Buoys the Eurozone

By NINA ADAM AND PAUL HANNON

FRANKFURT—Germany's economic growth accelerated in the second quarter, ensuring the eurozone as a whole avoided a slowdown, but economists said global trade tensions and a currency crisis in Turkey are clouding the outlook for businesses.

Germany's gross domestic product grew at a quarterly rate of 0.5%, or 1.8% in annualized terms, the Federal Statistical Office said Tuesday. It also raised its first-quarter growth estimate to an annualized 1.5% from 1.2% reported in May.

Bolstered by the stronger-than-expected figures, the European Union's statistics agency raised its second-quarter growth estimate for the entire eurozone to 1.5% in annualized terms from 1.4% reported in late July.

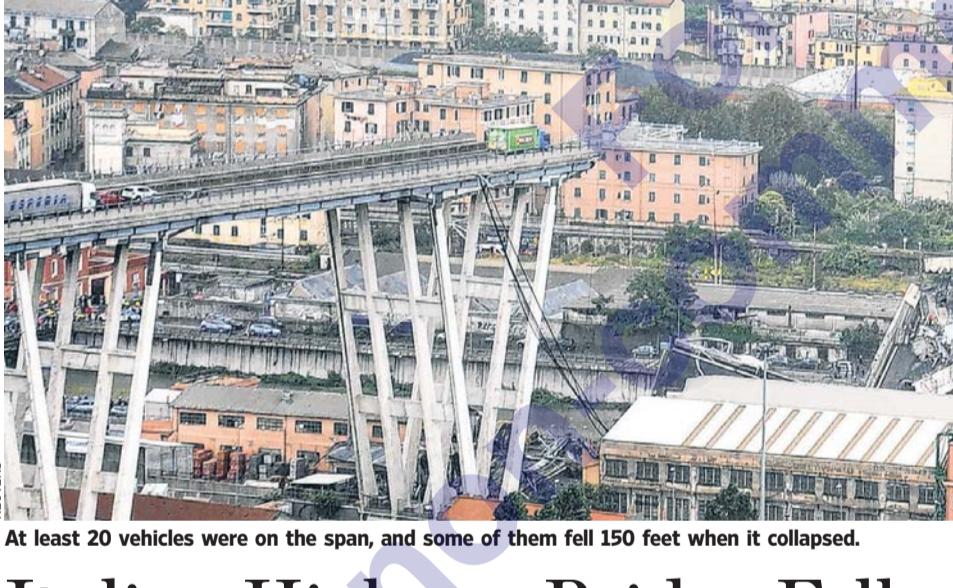
"Germany has pulled off an impressive feat," said Oliver Rakau, chief German economist at Oxford Economics. "In contrast to the performance of its eurozone peers, growth has picked up slightly in the second quarter."

Economic activity in Italy and Spain eased in the second quarter compared with the first three months of the year, while the French economy grew at a steady, yet low, pace.

The pickup in the German economy was led by domestic demand, the statistics body said, with a rise in households and government spending.

Private consumption is expected to remain solid in the coming months, supported by a buoyant labor market and rising wages, but rising inflation is partly eroding higher pay.

◆ Heard on the Street: Berlin's reassuring signal..... B14



At least 20 vehicles were on the span, and some of them fell 150 feet when it collapsed.

Italian Highway Bridge Falls, Killing at Least 26 People

By ERIC SYLVERS

A major four-lane bridge in the northern Italian city of Genoa collapsed in stormy weather, sending cars plummeting 150 feet and leaving at least 26 people dead and 15 injured.

At least 20 vehicles were on the bridge, part of a highway that connects the port city with the French border to the west, when it fell.

Mangled trucks and cars littered a dry part of the Polcevera riverbed, while more than 200 firefighters dug through the wreckage, sometimes with their bare hands. Rescue workers carried people on stretchers to waiting helicopters. First responders flipped over cars and covered the vehicles with sheets to hide the bodies inside.

It wasn't immediately clear what caused the collapse.

Autostrade per l'Italia, the company that runs the highway, said work had been in progress to improve the bridge's foundations. The bridge was under "constant" monitoring, the company said.

Infrastructure and Transport Minister Danilo Toninelli called the collapse an "enormous tragedy" on Twitter and said he was on his way to Genoa. Prime

Minister Giuseppe Conte was also on his way.

Edoardo Rixi, an undersecretary for the transport ministry, said four people had been pulled alive from the rubble.

The bridge was built in the 1960s and was referred to by locals as "Genoa's Brooklyn Bridge" because of its resemblance to the span in New York.

Italy has struggled in recent years to keep its infrastructure,

The structure, built in the 1960s, spanned a part of the northern port city of Genoa.

both public and private, well-maintained. Last year, a bridge over the highway running along the Adriatic coast collapsed, causing two deaths, and in 2016 a bridge on a busy road north of Milan fell, leaving one dead and five injured.

More than 30 buses in Rome have spontaneously caught fire in the past four years due to a lack of maintenance. Experts also say that Italy's many earthquakes would be less costly with

proper retrofitting.

Italy's enormous national debt, which is among the highest in the world relative to the size of the economy, has meant that basic maintenance is sometimes put off and new infrastructure projects often get delayed or shelved while political parties haggle on where funding will come from.

In the wake of the collapse, Interior Minister Matteo Salvini, who is head of the League, one of the two parties in the ruling government coalition, called on Italy to ignore limits on the country's debt and yearly deficit imposed by its membership in the European Union so that, he said, more funds could be directed to infrastructure maintenance.

The 5 Star Movement, the League's partner in the governing coalition, campaigned on improving existing infrastructure rather than investing in a new fast-train line to France, which has been supported by the League.

5 Star has campaigned vigorously against the building of a new freeway in Genoa that would be a potential alternative to the collapsed bridge.

—Donato Paolo Mancini contributed to this article.

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WORLD WATCH

VENEZUELA

Government Says 14 Arrested for Attack

Venezuela's top prosecutor said 14 people, including two senior military officers, were arrested on accusations they participated in an assassination attempt against President Nicolás Maduro this month.

Attorney General Tarek William Saab said an investigation found 34 people were involved in a plot to detonate a pair of drones laden with explosives on a stage where Mr. Maduro was giving a speech during a military parade on Aug. 4. The president wasn't hurt in the incident. Mr. Saab said many of the people accused of taking part are in Colombia and the U.S.

Opposition groups and foreign governments, including the U.S., warned Mr. Maduro would use the incident to justify the jailing of critics as his authoritarian government struggles with an economic and humanitarian crisis.

—Ryan Dube

SOUTH KOREA

Politician Acquitted Of Sex Charges

A former provincial governor viewed as a possible successor to South Korea's president was acquitted of sexually assaulting an aide, in a case seen as a test of the country's resolve in prosecuting alleged sex crimes.

Ahn Hee-jung, a former presidential hopeful, was cleared of all charges Tuesday by the Seoul Western District Court in the first high-profile sex-abuse case to come to trial after the country was swept up in the global #MeToo movement.

Women's rights groups called the acquittal a setback for their cause, which has grown increasingly prominent in recent months in a conservative society where most positions of power are still held by men.

Throughout the trial, Mr. Ahn denied the accusations and said his relationship with his aide was consensual. The allegations surfaced in March when Mr. Ahn's former aide, Kim Ji-eun, appeared on a television news program and said she was forced into sexual relations with him on four separate occasions.

Mr. Ahn resigned as governor of South Chungcheong province after the allegations came to light.

—Yun-hwan Chae

WORLD NEWS

Afghan City Gauges Taliban's Toll

Doubts raised by the time and effort the government needed to turn back insurgents

KABUL—Residents of a strategic eastern Afghan city began emerging hesitantly from their hiding places on Tuesday to assess the human cost and physical ruin from four days of fierce fighting between Taliban insurgents and government forces.

Long lines formed early in

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

the morning outside the only two bakeries still standing in Ghazni, a city some 80 miles south of the capital on the main road to the country's second-biggest city, Kandahar. Many of the would-be customers left their homes Tuesday for the first time since the Taliban launched their assault on the city on Friday.

The drawn-out confrontation that ensued—requiring at least 1,500 government forces backed with U.S. firepower to put down a far smaller and more lightly armed number of insurgents—has cast doubt over the progress of the U.S. military in building security forces in Afghanistan that can defend the country.

Esmatullah Jamradwal, a member of the provincial council, said some Taliban fighters were still hiding inside civilian homes, slowing the block-by-block, house-by-house search for insurgents by government soldiers and police that accelerated on Tuesday.

The U.S. military, which has provided military advisers to Afghan forces in Ghazni and carried out airstrikes against Taliban fighters, said that while some militants remained in the city, most had been driven out and were attacking “more vulnerable” rural districts nearby. Many residents remained in their homes as the occasional crackling of gunfire echoed from the outskirts of the city.

Teams overseen by the International Committee of the Red Cross began ferrying the wounded to hospitals and col-



An Afghan soldier inspecting a passenger at a checkpoint on the Ghazni-Kabul highway on Tuesday, as the Taliban siege was routed.

lecting the remains of the dead scattered in the streets and around sites where the most ferocious fighting raged, according to eyewitness accounts gathered from residents and local officials, especially the city prison.

It was there that the battle for the city appears to have culminated on Monday night, when insurgents fought unsuccessfully to free fellow fighters. “So many Taliban were killed around the prison last night,” one man said by telephone.

After the rout at the jail, Taliban fighters gathered up the remains of their dead and largely evacuated the city, according to two Ghazni residents. Their convoy of Toyota station wagons operating as makeshift hearses came under attack from Afghan security forces, they said.

The Afghan military said some Chechens and Pakistanis were among the Taliban fighting in Ghazni. Videos posted on social media purported to show the bodies of dead Paki-

stanis who had fought alongside the Taliban in Ghazni being transported back across the border. Afghan and American officials have accused Pakistan of providing essential support to the Taliban, an allegation Islamabad denies.

Tuesday's ebb in the Ghazni fighting caps an unusually

army base in northwestern Faryab province after a two-day siege during which the troops requested but didn't receive reinforcements. Forty soldiers surrendered to the insurgents.

The United Nations early Tuesday estimated the number of civilian dead and wounded in the fighting in Ghazni at between 110 and 150, but said the toll still needed to be verified.

Taliban casualty figures issued by the U.S. military and Afghan government varied widely. Afghan Defense Minister Tariq Shah Bahrami said Monday 194 militants had been killed and an additional 147 wounded in the fighting in Ghazni. But a statement issued by the U.S. military on Tuesday said its air power alone was responsible for the deaths of 220 insurgents in and around the city.

There was no official estimate on the extent of the property damage, as videos circulating on social media showed the charred, still-smoldering remains of mar-

kets and government offices, including the province's main voter-registration center.

As the scope of the devastation becomes clear, the Afghan armed forces and the government of President Ashraf Ghani are likely to face intense scrutiny of their handling of the attack on Ghazni, a city that since 2015 has grown from an estimated 143,000 to 270,000 as many flee violence in the countryside.

For the second time in less than four months, the Afghan military faced a numerically and technically inferior Taliban force trying to seize a provincial capital. As in the attack on the western city of Farah in May, the government was accused by local officials and residents of failing to respond quickly and effectively to stem the threat and limit the damage and casualties.

What makes Ghazni different—and politically more delicate for Mr. Ghani—is its location barely a two-hour drive from Kabul.



Russia's top diplomat, Sergei Lavrov, front right, and Turkey's Mevlut Cavusoglu, left, in Ankara on Tuesday.

ALEXANDER SHCHERBAK/TASS/ZUMA PRESS

The U.S.-Turkey spat “is a bilateral issue and will remain so,” said Unal Cevikoz, a retired ambassador who served in Russia. “Mr. Erdogan will not dare leave NATO.”

In Turkey and the U.S., the business community warned about possible catastrophic consequences and urged the two sides to avoid stoking tensions.

“Actions that heighten these tensions risk spreading today’s financial challenges to other emerging markets, to European banks, and, ultimately, to the U.S. economy,” said Myron Brilliant, vice president of the U.S. Chamber of Commerce.

Much of Tuesday’s meeting of the foreign ministers in Ankara concerned the war in Syria.

In the spring, Russia, one of the main sponsors of Syrian President Bashar al-Assad’s regime, permitted Turkey to occupy a town in northwestern Syria to repel Kurdish militants whom the U.S. considers allies but Ankara regards as a terrorist threat.

In Ankara on Tuesday, Mr. Cavusoglu urged Mr. Lavrov to help contain the regime’s rush to retake the town of Idlib, around which Ankara has positioned military observers.

“It would be a massacre to bomb the whole of Idlib just because there are some terrorists inside,” he said.

Turkey Leans More To Russia

Continued from Page One slightly against the dollar, to 6.37, but remains vastly lower against the U.S. currency this year.

New tariffs the U.S. introduced on some Turkish imports on Monday have raised concerns of a full-blown trade war.

Attending a conference with Russia’s top diplomat, Sergei Lavrov, in Ankara on Tuesday, Foreign Minister Mevlut Cavusoglu of Turkey lashed out against Western sanctions.

“This era when we are being bullied must end,” Mr. Cavusoglu said.

Mr. Lavrov echoed those sentiments: “They are using methods of sanctions, threats, blackmail and diktat.”

Promising tighter cooperation with Turkey, Mr. Lavrov said Russia may shun the dollar in bilateral trade in the future, as it has done with countries such as China and Iran.

Closer ties to Russia could help Mr. Erdogan make his nation less-reliant on Washington and change the face of post-World War II Europe, on which its military force has

been guarding NATO’s southeastern flank.

“We are looking for new allies,” Mr. Erdogan told supporters on Sunday.

There are limits, however, to how much help Moscow can provide for Turkey’s economy. On Tuesday, Mr. Lavrov provided no concrete pledges of assistance.

The budding trade and military partnership between Russia and Turkey is a remarkable turn of events. Two years ago, tensions rose after Turkey downed a Russian jet fighter and Russia’s ambassador was shot and killed by an off-duty Turkish police officer.

Recently, however, Moscow has signed contracts to supply its southern neighbor with more natural gas, a nuclear power plant and an advanced antimissile shield.

In contrast, relations between Turkey and the U.S. have soured.

Mr. Erdogan has accused Washington of waging an economic war against Turkey. Over the weekend, he lamented the lack of action on his demand that the U.S. deport a cleric he has said was behind a failed coup in 2016. The cleric, Fethullah Gulen, has denied the accusation.

Manifestations of anti-U.S. sentiment have multiplied on social networks, where some people posted videos of them

themselves burning dollar bills and breaking U.S. electronic devices.

Hit hard by the drop in the lira, Ruhi Tas said he had tailored his own boycott.

Angry to see a \$12,000 debt he contracted in dollars was ballooning in liras, the 43-year-old barber said he had decided to stop offering the “American” at his salon in the Black Sea town of Unye.

Although the male cut—

short on the side and longer

on the top—is very popular among youth in the region, the boycott has spread to other barbershops, he said.

“I will resume doing the American when the dollar goes down,” he said, adding he had support from clients. “Tell the U.S. not to mess with Turkey.”

Despite using inflammatory language against the U.S., Mr. Erdogan has avoided direct attacks on President Trump, Turkish officials said, signaling

that a compromise on the issue of the pastor, Andrew Brunson, was still possible. On Tuesday, the pastor’s lawyer said he had filed a new motion to Turkish courts, asking his client be released from house arrest and given back his passport.

Some analysts, meanwhile, said they expect Mr. Erdogan to forge closer ties with the European Union, which relies on Turkey’s help to contain migrant flows, and remain committed to NATO.

Outbreak of Ebola Is Reported in a Conflict Zone in Northwest Congo

BY NICHOLAS BARIYO

KAMPALA, Uganda—A deadly outbreak of Ebola in the Democratic Republic of Congo has spread outside the province of North Kivu, the health ministry said, entering for the first time an active conflict zone and raising the threat of a wider outbreak.

Forty-one people have died in Congo’s current epidemic, which started last month in the gold- and tin-mining heartlands of North Kivu. An earlier Ebola outbreak in

declared over a week earlier.

On Tuesday, the ministry dispatched a team of experts to Ituri province, which borders North Kivu, where a man who had a confirmed case of the virus died after returning home from the town of Mangina in North Kivu, the epicenter of the current outbreak.

Five new cases in both provinces were confirmed Tuesday, bringing the total number of cases to 57, with 30 confirmed and 27 probable, the health ministry said.

There is no indication that the current outbreak in

Congo’s east is related to the earlier outbreak in the northwest, some 1,500 miles away, the health ministry said.

Complicating response efforts is the location of the latest outbreak: the epicenter of a war zone, where dozens of rebel groups have been fighting for decades over ethnic conflicts and the region’s mineral wealth.

The province is also close to the Ugandan and Rwandan borders, a major regional trade center for a range of commodities including mineral exports such as tin, tantalum

and gold out of eastern Congo.

Jessica Ilunga, spokeswoman for Congo’s health ministry, says authorities have put in place safeguards to protect health officials.

Some experts remain skeptical. “It is the first time we face an Ebola-outbreak response in an area of conflict,” said Gwenola Seroux, the emergency cell manager for Doctors Without Borders. “This is going to make the response all the more difficult, especially in terms of limiting the spreading of the disease in areas difficult to access.”



MARK WAFTON/UNICEF/EPIC/SHUTTERSTOCK

FROM PAGE ONE

U.S. Runs Short of Botanists

Continued from Page One
gram at Cornell University. Afterward, she and a handful of other candidates took a tour of the plant conservatory.

One candidate stopped in front of a magnificent orchid, she said. He remarked on its strange leaves. Ms. Martinez grew up in Colombia, where she studied plant identification. She waited for someone to say something. No one did.

"There are two plants in that pot," she finally said. "That leaf is a part of a fern."

Another result of the declining interest is that schools are getting rid of their herbaria, the sometimes vast col-

lection of plants that form the spine of a botanist's education. In the past 30 years, the New York Botanical Garden alone has absorbed collections from 15 colleges and universities that no longer have space, budget or interest in maintaining it. Barbara M. Thiers, who directs the herbarium at the New York Botanical Garden, estimates about a quarter of the world's 3,200 herbaria are at risk because of physical threats such as hurricanes or administrative apathy.

"If a collection is sitting stacked up in a hallway, it's just bug food," said Austin Mast, director of the herbarium at Florida State University.

The term plant blindness was discussed in a 2001 essay in the Bulletin, a publication of the Botanical Society of America. It laid some blame on how few Americans today make their living off the land.

It also noted that animals have faces and can move; plants can't. The paper noted "zoochauvinistic introductory biology instructors" who use "zoocentric examples" to teach basic biological concepts to stack the deck against plants. Also, "human-eating plants do not exist, and we all know it."

The authors complained that botanists aren't particularly good advocates. At the entrance to the Royal Botanic Gardens near London was an intricate, wood-relief mural depicting the gardens during a storm. "Yet, inexplicably, about two-thirds of the sculpture's surface area is devoted to images of animals."

Co-author Elisabeth Schusler, now an associate professor of ecology and evolutionary biology at the University of Tennessee, Knoxville, said plants have an uphill battle because children are raised to like animals better. Think

stuffed animals and Snoopy. Not only are there fewer university botany programs but those who graduate from them may not be well versed in plant identification. The cutting edge of plant science,

About a quarter of the world's 3,200 herbaria are at risk, by one estimate.

which has commercial applications, is molecular. Students and universities are following the significant money.

"Molecular biology is the underpinnings for how organisms work, at the other end of the spectrum there is global ecology," said Dr. Friedman, the Harvard biology professor who runs a course every sum-

mer which helps graduate students learn how to identify plants. "The area in the middle is all about how a plant grows; that is disappearing from most university curricula and we need this information because things are changing really fast." The Harvard program addresses the deficit with an intensive two-week course in an arboretum to help them learn to identify plants in their natural environment.

Molly Edwards, who attended Dr. Friedman's course two years ago, said students looked closely at the difference between thorns, spines and prickles. It may sound esoteric but since each is generated by a different biological system (leaves, epidermis and stems), it is fundamental to their structure. "It's addicting," she said. "It's like a gateway drug to the sciences."

Many botanists who accrued knowledge specific to

their regions over decades are retiring from the federal government faster than they can be replaced, said Greg Mueller, a chief scientist at the Chicago Botanic Garden. Today, there is roughly one botanist on the federal payroll for every 20 million acres of land, he said.

Dennis Woodland, a professor emeritus at Andrews University in Michigan, said the extent of plant blindness was made clear to him several years ago when a man came to his office and asked him to identify several flowers and shrubs that were growing in his yard. The visitor said he had been to four other colleges and no one had been able to help.

The plants were neither rare nor uncommon, Dr. Woodland said. "We are creating a virtual world and we are not paying attention to the natural world around us," he said.

Ford global markets chief Jim Farley said his boss was an "important catalyst" behind the company's recent move to retrench from the U.S. sedan market, but that Mr. Hackett left the final decision to him and his team.

Since he started, Mr. Hackett has pushed for connecting all of Ford's vehicles to the internet. The company had fallen behind rival GM, which introduced built-in wireless connectivity in 2015 across most of its lineup. Ford executives dithered over the decision for years, worried the cost couldn't be justified.

"Jim said, 'Look, we've made the decision...so I don't want you revisiting this,'" said Hau Thai-Tang, Ford's purchasing and product development chief. Ford plans to connect 100% of its U.S.-sold cars by 2019.

"We tend to place a lot of emphasis on detailed historical data as a proxy for the future," he said. "[Mr. Hackett] is saying that approach works well if the future is going to be identical to the past."

The shift is evident on the headquarters' 11th floor, where several months after Mr. Hackett's arrival, a plaque dedicated to Mr. Mulally's One Ford plan was removed from the executive's main conference room to clear the wall for use as a workspace to map out a new strategy.

While Ford still uses parts of the One Ford plan to steer its business, Mr. Hackett said he didn't feel the language "fit what we were trying to get across."

The plaque has been reappointed in a common area on the same floor, a Ford spokeswoman said.

Strategy rooms

On the same floor, Ford executives have set up a series of strategy rooms, many in offices that once belonged to the company's corporate officers.

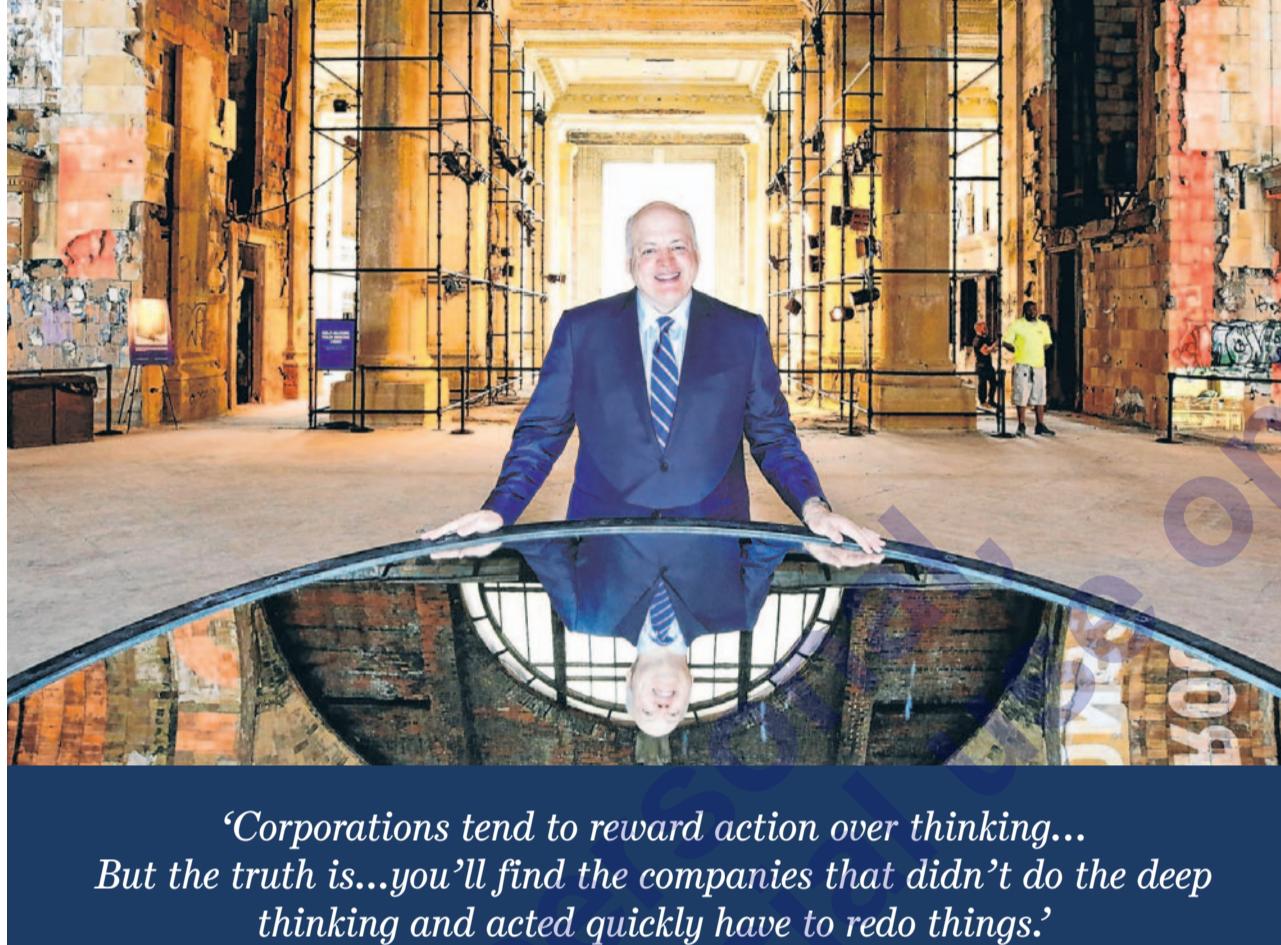
Rather than sit through PowerPoint presentations, executives meet surrounded by walls packed with charts, diagrams and other materials outlining the strategy for various models and business units. The goal is to allow everyone to view different parts of a plan, from manufacturing to marketing, in one place and make decisions quickly, executives say.

"There is a set of what you need to know about your business always on the wall," said Kumar Galhotra, Ford's head of North America. "It shouldn't be buried in your laptop somewhere that you have to go search for."

Ford's window for catching up with rivals is narrowing, with new-car demand in the U.S. cooling after seven years of growth. The CEO unexpectedly canceled an investor presentation in September that many analysts and investors were hoping would provide clarity on his plan. The move prompted Morgan Stanley auto analyst Adam Jonas to criticize Ford during an earnings call in July for not being more forthcoming. He also questioned whether the CEO would be sticking around.

"Whenever you do reschedule the capital-markets day, to be clear with investors, will you be the one delivering the message or will it be someone else?" Mr. Jonas asked.

Mr. Hackett responded: "Hell yes, I expect to be in front of everybody declaring where we are going and what we want to get done. So I think there should be zero question about that."



'Corporations tend to reward action over thinking... But the truth is...you'll find the companies that didn't do the deep thinking and acted quickly have to redo things.'

Ford CEO Jim Hackett

JEFF KOWALSKY/BLOOMBERG NEWS

Bank Group Corp. in July after 14 years at Ford. John Casesa, Ford's former head of strategy, quit last fall after Mr. Hackett's debut investor presentation left Wall Street wanting more detail on the company's plans.

Mr. Hackett said some of the departures were retirements, and that he had asked Mr. Casesa to stay. He said Ford still has a strong team and "deep bench."

Smart vehicles

He has urged patience, telling analysts on a recent earnings call the company is making "tremendous progress" and that he will share more information about his plans once decisions are made. He said Ford, which is undertaking a thorough redesign of the business, will be a better-structured company over time.

"Corporations tend to reward action over thinking," Mr. Hackett said in an interview. "But the truth is...you'll find the companies that didn't do the deep thinking and acted quickly have to redo things."

The core of Mr. Hackett's plan is to make "smart vehicles for a smart world" and remake Ford into a technology-savvy provider of connected cars and transportation solutions.

Earlier this year, Mr. Hackett took the stage at the Consumer Electronics Show in Las Vegas to unveil a new service called the Transportation Mobility Cloud. The service provides software that connects cars to each other and the broader transportation network, with the aim of helping people move around more efficiently.

Under Mr. Hackett's direction, Ford has killed off several unprofitable sedan and small-car models and reallocated spending to higher-profit pickup trucks and sport-utility vehicles. He aims to slash \$25.5 billion in cumulative costs by 2022 and is leading an effort to make bigger investments in electric and self-driving cars. Ford is also forging partnerships in markets including Europe and India, where it has long struggled to remain profitable.

In July, Mr. Hackett outlined plans for a broad, multi-

year restructuring that would result in \$11 billion in charges. He didn't offer specifics when pressed by analysts, saying employees, dealers, unions and others connected to the company needed to be informed first.

Inside the company, some executives have taken to asking Mr. Hackett's chief of staff, Clare Braun, to clarify his comments or diagrams following a meeting, say people familiar with the matter. Mr. Hackett said Ms. Braun understands how he operates and often attends meetings in his place when he is unavailable.

She previously held the role of "visual sensemaker" at Ford Smart Mobility, an innovation unit experimenting with car-sharing programs, self-driving ventures and other non-transportation alternatives that Mr. Hackett ran for about a year before becoming CEO.

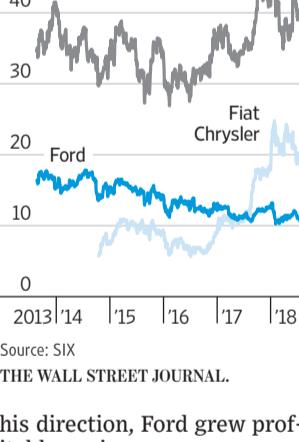
He called Ms. Braun a "reverse mentor because of her age," who keeps him in touch with "how someone who is still under 30 would be thinking."

When former CEO Alan Mulally arrived in 2006, Ford was losing money and suffering from a fractured corporate culture rife with departmental infighting.

Mr. Mulally introduced his "One Ford" plan that unified the workforce around a common mission, and began a multiyear restructuring that improved the quality and styling of Ford's models. Under

Driving Down

Ford's stock hit a five-year low in July after the auto maker reported weaker-than-expected earnings in the second quarter.



Source: SIX
THE WALL STREET JOURNAL.

his direction, Ford grew profitable again.

By 2014, when his successor, Mark Fields, became CEO, the industry was changing faster than Ford was able to adapt. Even though the company was earning healthy profits, Ford's board felt it wasn't moving aggressively enough to respond to the challenges ahead and pushed out Mr. Fields after less than three years on the job.

Chairman Bill Ford Jr. turned to Mr. Hackett, whom he'd known for more than 20 years, saying the two shared similar views on how to transform the car business. Mr.

Ford, a great-grandson of founder Henry Ford, has called Mr. Hackett a "visionary" and a "cultural change agent."

Mr. Hackett, who ran Grand Rapids, Mich.-based Steelcase Inc. for two decades, was a surprise CEO pick. The former Ford board member hadn't worked in the auto industry before joining the car company. Steelcase—from which he retired in 2014—is a fraction of Ford's size, with annual revenue of \$3 billion.

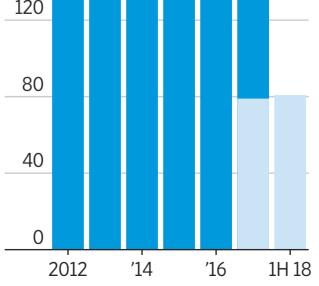
Early in his tenure, Mr. Hackett sent his senior leadership team a roughly 3,000-word email laying out ideas for the company. He talked about "fitness" and the "know-make" framework, business decision-making terms not typically used in the auto industry. Not knowing how to respond, some executives began contacting each other, trying to make sense of it, people close to the company said.

He acknowledged not everyone gets him at first, but he said employees are coming around to his way of thinking. "Things are actually gelling now in the way we're thinking and doing," he added. "It's not clear to the market yet, but I see it."

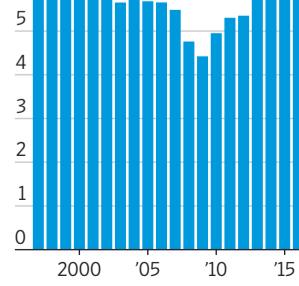
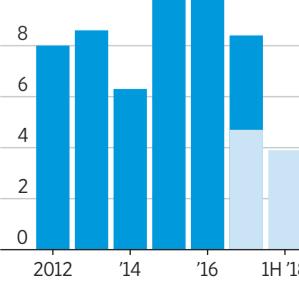
One of Mr. Hackett's first moves as CEO was to shrink his team of direct reports from 18 to eight and cut down on the size and frequency of meetings. Mr. Hackett said he favors giving his top executives more decision-making room.

Bumpy Ride

Ford's profitability is slipping, after several years of strong growth driven by the U.S. auto market's recovery.



Sources: FactSet (revenue, profit); LMC Automotive (sales)



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GREATER NEW YORK

Budget Woes Spark Subway, Bus Cuts

The MTA is planning reductions to trim costs by \$562 million in the next few years

BY PAUL BERGER

The Metropolitan Transportation Authority plans to stop expanding a bus rapid-transit service, reduce bus fare-evasion patrols and cut dozens of positions for subway car cleaning as it seeks \$562 million in cost reductions during the next few years.

According to emails reviewed by The Wall Street Journal, some MTA board members are concerned that the authority is taking such cost-savings measures even as it hires more than 1,000 workers under a plan launched last year to improve subway service, known as the Subway Action Plan.

MTA board member Carl Weisbrod, an appointee of Mayor Bill de Blasio, wrote in an Aug. 5 email to fellow board members and senior MTA officials: "It's hard to escape the conclusion that we've giveth with one hand through the Subway Action Plan, and we've taketh away, to some extent, through these service cuts."

In an interview Monday, MTA Chairman Joe Lhota rejected assertions that the reductions are service cuts, calling



A commuter waited for an M15 Select Bus in Manhattan.

such talk "pejorative and inaccurate." He said the moves are a "redeployment of resources."

Mr. Lhota said any organization as large as the MTA must constantly re-evaluate its deployment of resources. "Not doing so would be malfeasance," he added.

He also said that despite staff reductions in some areas, overall the MTA would increase head count across the subway and bus systems by more than 700 positions in the next few years.

The cost savings are laid out in the MTA's 521-page preliminary budget and financial plan, which was presented to MTA board members in July.

MTA Chief Financial Officer Robert Foran explained the broad outlines of the cost savings at the time to the board. But the emails show that some board members took a closer look at the budget after the presentation and said Mr. Foran failed to highlight specific cuts that affect service.

Veronica Vanterpool, another appointee of Mr. de Blasio, wrote in an Aug. 3 email that the MTA board relies on staff to flag important issues and "the omission perpetuates a sentiment shared by many regarding the opacity of some of the information we do receive."

Mr. Lhota defended Mr.

Belt-Tightening Moves on Track

A sample from the MTA's preliminary budget including the estimated cost savings through 2022.

◆ Cutback train-cleaning:

Savings: \$37 million

Rationalization: Subway cars are sometimes cleaned when they reach both ends of the line. Cleaning at only one end would reduce staffing.

◆ Reduce track-inspection crews:

Savings: \$23 million

Rationalization: Under a pilot program to be rolled out along one-third of the subway system, an automated track-in-

spection vehicle would perform work, allowing the MTA to decrease manual inspections to once a week from twice a week.

◆ Reduce select bus service fare-evasion patrols:

Savings: \$12 million

Rationalization: By switching teams to focus on a borough rather than an individual route, staffing could be trimmed "without a significant increase in expected fare evasion."

nually by reducing staffing for subway car cleaning at some terminals.

In an Aug. 3 email to board members, Andy Byford, head of the MTA's subway and bus systems, said he had made "tough choices," adding that the reductions "are intended to be temporary in nature while the necessary funding and revenue stream discussions sort out."

Since Mr. Byford arrived at the MTA in January, he has announced ambitious plans to overhaul and modernize mass transit.

The MTA is a sprawling transit agency with a \$17 billion budget that also runs two commuter railroads and nine bridges and tunnels.

Passenger revenues are falling, as an increasing number of riders flee the subway and bus systems. During his July presentation, Mr. Foran said that, even with an anticipated fare and toll increase in March 2019 that would raise fare revenues by 4%, the authority will struggle to maintain a balanced budget within a couple of years.

Now, Mr. Byford finds himself having to make staff reductions. His agency employs about 50,000 workers.

All of the cuts—about 450 positions during the next 18 months—will be through attrition, according to the preliminary budget.

Mayor Signs Uber, Lyft Bills

BY KATIE HONAN

New York City Mayor Bill de Blasio signed a package of bills that will limit new for-hire vehicles like Uber Technologies Inc. and Lyft Inc. and set a minimum payment for drivers during their shifts.

The bills—signed Tuesday in front of dozens of union leaders, cheering taxi drivers and for-hire drivers—set out to address congestion across the city, as well as improve working conditions for more than 100,000 drivers.

Under the laws, the city's Taxi & Limousine Commission will stop issuing new for-hire vehicle licenses for a year as it studies congestion and regulates the number of new licenses in the future. Under the measures, wheelchair-accessible vehicles would still receive licenses.

One of the new laws establishes a minimum payment that comes to \$17.22 an hour for ride-hail drivers, with the app companies making up the difference if drivers don't meet the minimum on hails during a shift.

Wages for taxi, livery and black-car drivers have dropped significantly as app-based companies have grown. A recent study commissioned by the TLC showed that a majority of app-based drivers also made less than the hourly minimum wage of \$13 for companies with 11 or more employees.

Mr. de Blasio, a Democrat, said the bills would create fairer pay and working conditions for drivers. "In this city we love, do we let big corporations tell us what to do?" he asked the crowd at the signing, referring to Uber and Lyft. "Here it is about the power of the people. And every one of you are such a powerful example of what it means when people get together and they organize and they fight for their rights," he said.

Representatives for app-based cars said the measures would strand riders throughout the city because fewer vehicles will be on the road. "These sweeping cuts to transportation will bring New Yorkers back to an era of struggling to get a ride," said a Lyft spokeswoman.

Dusting Off Those Old Dinosaur Bones



CLEANING DAY: Exhibition Maintenance Manager Trenton Duerksen on Tuesday vacuumed the Titanosaur, a 122-foot-long dinosaur replica on display at the American Museum of Natural History in Manhattan. The popular exhibit gets an annual thorough cleaning.

MARY ALTAFFER/ASSOCIATED PRESS

New York Becomes Latest to Sue Purdue Over Opioid Crisis

BY GERALD PORTER JR.

New York state filed a lawsuit Tuesday against opioid manufacturer Purdue Pharma LP, alleging the company played down the health risks and overpromoted its signature opioid painkiller to bolster sales, state officials said.

With the suit, New York becomes the latest of 27 states to sue the manufacturer for its alleged role in the opioid crisis. While other states such as Florida and Ohio have targeted drug manufacturers and distributors, Purdue is the only

defendant listed in the lawsuit spearheaded by Gov. Andrew Cuomo's administration and New York Attorney General Barbara Underwood.

According to the complaint filed in New York state court, a statewide investigation found that Purdue's allegedly deceptive marketing contributed to the overuse and overprescription of opioids throughout the state. As of 2016, the suit alleges, more than 75% of New York's opioid overdose deaths were caused by painkillers, including Purdue's OxyContin.

Ms. Underwood called Pur-

due's business conduct "illegal," and said the complaint is New York's first step toward holding pharmaceutical companies responsible. "Our work won't stop with this lawsuit," she said, adding that her office would continue to work with a coalition of states investigating opioid manufacturers and distributors across the U.S.

New York is seeking an unspecified amount of money from Purdue to pay for damages and costs associated with the opioid crisis.

In a statement, Mr. Cuomo said the lawsuit "sends a clear

message" and that the opioid epidemic was manufactured by "unscrupulous distributors who developed a \$400 billion industry pumping human misery into our communities."

Purdue denied all allegations brought by New York and questioned its investigation. "We believe it is inappropriate for the state to substitute its judgment for the judgment of the regulatory, scientific and medical experts at FDA," the company said in a statement.

Activists have scheduled a protest in Connecticut outside Purdue's headquarters on Friday.

Organizers say the demonstration will be an effort to hold the company responsible for its alleged role in the opioid crisis, while remembering those who have died from opioid overdoses.

The state cases are among more than 1,000 lawsuits also filed by cities, counties and Native American tribes claiming Purdue and other pharmaceutical companies had a role in fueling the opioid epidemic.

Hundreds of those suits filed in federal court have been consolidated in Ohio. The first trial in that proceeding is scheduled for September 2019, though the

judge overseeing the case has urged both sides to resolve the issues outside of the courtroom.

"All this discovery and depositions and whatever, and a trial, will accomplish zero," U.S. District Judge Dan Polster said at a hearing earlier this month.

Instead, he said, the parties should be focused on finding a way to curb opioid addiction and come up with "some meaningful amount" of money "to help treat the people who are addicted so that they don't die."

—Sara Randazzo contributed to this article.


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METRO MONEY | By Anne Kadet

Life Zips By While We're on Our Phones



When I stopped photographer Jorge Correa to ask why he was typing on his phone while walking down a busy Grand Central Terminal corridor, he burst out laughing. "I'm playing a stupid game!" he said.

He'd gotten so caught up in the videogame Bricks n Balls while on the subway that he kept playing as he hurried through the vast station.

"Of course I think I'm good at it," he said of his ability to navigate while glued to his phone. "Though I've had a wall or two creep up on me."

When I see New Yorkers pecking at their phones while on the go, I have to wonder, what possibly could be so urgent? I recently asked 100 practitioners to reveal what they were up to, focusing on people passing through the 42nd Street Passage of Grand Central Terminal.

A common activity, reported by 24%, was checking directions on Google Maps. My favorite was the man so absorbed in his quest to locate the subway using his map app that he didn't notice the entrance 20 feet away.

Twenty percent were texting friends or family members. The most frequent activity, reported by 31%, was checking work email, texting a colleague or otherwise engaging in a business communication. Registered nurse Shavon Clenkian was texting her real-estate broker about a prospective apartment. "Multitasking! New York! Busy! On the go!" she explained.

Ah, multitasking. New Yorkers, it seems, can accomplish a variety of phone-based tasks while on the go. Some were catching up on their newspaper reading. One man was completing a crossword. One woman was buying



JAMES YANG

tickets, another was texting her cleaning lady and two were playing PokéMon Go.

Several were conducting research, including a man searching Google to determine the last year of the Civil War and a woman trying to determine if actress Isla Fisher is Jewish. But I didn't find one person doing something so urgent—say, calling 911 because their hair was on fire—that they couldn't have taken a moment to stop and step aside.

Finance intern Luke Babcock was emailing a potential employer about a job interview, but it wasn't that urgent, he admitted: "I have tunnel vision sometimes. I'll put my own priorities over walking

into people in Grand Central. Which is really pretty rude."

Others reacted with good-natured self mockery. "If I don't respond to this email, I don't know how many people may die!" said Jon Paley, founder of ad agency The Vault. He frequently texts on the go and doesn't mind when others do the same, he said. Many New Yorkers, after all, have work or family obligations that demand an instant response. The only people bothered by the habit, he observed, are those who refrain from doing so themselves.

"It's, 'Who do you think you are, texting and walking when I'm not?'" he said.

Busted! In my efforts to enjoy the city, I usually keep

my phone silenced and in my bag so I'm not distracted by its imperious rings and dings. People who text while walking strike me as bonkers. Why pay so much to live in New York City only to bury your nose in your phone?

But I realize my habit is a luxury afforded by my quiet lifestyle. And I'm not perfect. I recently found myself walking while texting a friend about what Lincoln Center might look like if it catered to raccoons.

So when is it OK to text and walk? In his guide to considerate city living, "NYC Basic Tips and Etiquette," cartoonist Nathan Pyle offers a rule that I like very much: "Anything goes as long as

you stay out of the way."

He advised cultivating compassion for constant texters. People are anxious, he said, and fiddling with their phones "helps them escape the pressures of the day."

I suspect more New Yorkers have the mind-set of Timofey Yuriev, a design consultant I found texting in Grand Central. Flashing a facetious grin, he compared himself to a certain Macedonian conqueror who often stopped in the middle of the road to reflect while his troops marched on. "I'm much like that," he said. "Much like Alexander the Great."

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GREATER NEW YORK WATCH

POLITICS

Nixon, Cuomo Agree To Televised Debate

New York Democratic gubernatorial candidate Cynthia Nixon said Tuesday that she was glad Gov. Andrew Cuomo agreed to debate her later this month—even if she didn't have a say about the format.

"Look, Andrew Cuomo has been in office for eight years," Ms. Nixon said during a meet-and-greet with voters at the 72nd Street subway station in Manhattan. "He hasn't had a one-on-one debate in 12 [years]. I feel like I'm lucky to be getting this debate at all."

Mr. Cuomo, Democrat, accepted an invitation on Monday to square off against Ms. Nixon in a debate at Long Island's Hofstra University on Aug. 29, which will air across CBS affiliates in New York. However, Ms. Nixon said the governor and WCBS unilaterally negotiated the terms of the showdown.

Mr. Cuomo's campaign spokeswoman said Ms. Nixon's unhappiness with the debate was "manufactured melodrama."

In a statement, WCBS said: "Ultimately, it is up to the campaigns to agree on the format and other details."

—Maya Sweedler

NEW JERSEY

Flooding Prompts State of Emergency

New Jersey Gov. Phil Murphy has declared a state of emergency in five counties after a weekend of heavy rain and flooding. Mr. Murphy signed an order declaring emergencies in Bergen, Essex, Monmouth, Ocean and Passaic counties. The Democratic governor says the order would allow state resources to go communities most directly impacted by flooding.

Weekend rain dumped from 5 to 8 inches on several towns, surpassing the expected rainfall for all of August. More rain is expected to hit the state this week.

—Associated Press

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LIFE & ARTS



WORK & FAMILY | By Sue Shellenbarger

Marriage From a Distance

More married couples are living apart—here's what it takes to keep the relationship healthy

IF YOU WERE offered a good job, would you move to a different city even if your spouse had to stay put? More people are answering yes to that question.

The practice of married people living apart has risen 44% since 2000 to 3.96 million, census data show. Although the data include couples who live apart for all reasons, including incarceration or living in a nursing home, a sizable number do this for work. The share of adult married couples who live apart is highest in their 20s and 30s, when careers are typically on the ascent, and falls as couples approach retirement.

Some couples set up separate residences so one spouse can transfer to a new job. Some 20% of global employers have increased the number of employees who commute from their homes to new overseas assignments during the past year. And 30% expect further increases in the year ahead, according to a recent survey of 162 companies by Airinc Mobility, a workforce research and advisory firm. Other spouses embrace commuter marriages so one of them

can satisfy midlife career ambitions after years at home raising children.

Todd Graeve of Omaha, CEO of the 190-store Scooter's Coffee franchising company, and his wife, Melanie, met several years ago in Melanie's hometown of Kansas City, Mo., and dated long-distance for several years before marrying in 2016.

Ms. Graeve has kept her Kansas City home because she co-owns several Scooter's stores in the area with her adult daughter, Mackenzie Sykes. She also wants to stay close to her daughter Madison, a University of Kansas student.

While the Graeves spend many weekdays apart, they text, call, email and FaceTime each other six times a day or more, sharing selfies with their dog Buddy, photos of what they're eating or snapshots of household items they're considering buying. Video calls every evening allow each to read body language and tell if the other is having a bad day, Ms. Graeve says.

"The important thing is not to see yourselves as living separate lives," she says. And trust is essential. Without it, "being apart could

be really difficult," Ms. Graeve says.

Recent research suggests new technology makes long-distance relationships a bit easier. Commuter couples can cook in tandem, eat the same meal or watch the same movie in separate homes, with images of each other's faces hovering on smartphones or tablets nearby, says Danielle Lindemann, author of a 2017 study on commuter couples.

All but one of the 97 couples Dr. Lindemann interviewed had either returned to living with their spouses again or said they planned to do so in the future. Their time apart ranged from two months to 16 years, with a median of five years.

Beyond the obvious hazards to intimacy, some long-distance spouses say they have trouble conveying emotions or resolving arguments, says Dr. Lindemann, an assistant professor of sociology at Lehigh University in Bethlehem, Pa.

More than three out of four employers say pressuring couples to live apart for one spouse's job risks upsetting the marriage and harming the employee's productivity or morale, according to a 2018 survey of 320 employers. "It takes a really special relationship to survive," says marketing executive Bill Black, who commutes on weekends from a new job in Omaha to his Atlanta home until his wife of 38 years, Tammy, can join him.

But living apart also can provide an adrenaline shot for your career. Karen Kroman Myers moved away from her husband briefly years ago for a university faculty position. "One of the values of having a long-distance relationship is that you work like the devil when you're apart, so that when you are together you can truly enjoy the time," says Dr. Myers, a professor of communication at the University of California, Santa Barbara.

Melanie and Todd Graeve text, call, email and FaceTime each other several times a day. He works in Omaha and she in Kansas City, Mo.

Braedon and Teresa Simpson decided to live apart in 2015, when Braedon, a career military-service member, was transferred to San Diego from their Bellevue, Wash., home. Moving together would have disrupted client relationships Ms. Simpson had built as a division director for the staffing firm Robert Half. Mr. Simpson says he didn't want to see his wife "give up something that she has worked so hard on." He adds, "Sometimes you have to make sacrifices. This was one I felt was worthwhile for her, and for us."

Some spouses told Dr. Lindemann their communication actually improved while apart, and they relied more on each other emotionally. "It was almost like a return to the excitement of dating," she says.

People in long-distance relationships tend to be more intimate in their communication, a 2010 study at the University of Kentucky found. But they also tend to avoid conflict and gloss over differences.

Sandie Lawrence, of Tulsa, Okla., and her husband Dave, a safety and environmental specialist who works in Houston, have sharpened their communication skills while living apart three times for his work during their 26-year marriage.

Phone calls used to trip them up. "You can't read the body language, the sighs and the pauses," Sandie says. She still recalls an argument years ago: Dave became frustrated because she was empathizing with him over a problem. He told her, "That's not what I need. I need you to help me figure out how to fix this." Since then, they ask each other what kind of feedback they want.

While their three children, now 15, 18 and 21, have lived with Sandie, she and Dave have shared parenting duties. When one had behavior problems a couple of years ago, "we put the phone on speaker and we talked about it with all the kids," Sandie says.

Dave works long hours but immerses himself in family life on weekends, rehabbing their Tulsa home and other projects. "When he's home, it's pretty much full-on engagement. He loves the chaos and energy of the family," Sandie says.

And when she visits him in Houston, "I love being able to just sit on the porch and drink coffee and not think about what needs to be done," she says. "This has been a really happy surprise for me—that we can have this great relationship without necessarily being always together."

MUSIC

HOW ONE FESTIVAL KEEPS FANS COMING BACK

BY JIM CARLTON

San Francisco **ONE MINUTE,** Bruce and Medea Bern were laughing at the jokes of celebrity chef Hugh Acheson as he whipped up a shrimp soup. The next, they were swaying to the psychedelic soul sounds of the Mono-phonics.

"Every time we come here there's something different," Ms. Bern, a 59-year-old writer from San Mateo, Calif., said Saturday of the Outside Lands Music and Arts Festival here.

The Berns have attended Outside Lands every year since it was launched in the western end of Golden Gate Park in 2008. In a crowded calendar of music festivals around the country, Outside Lands has thrived by constantly reinventing itself and capitalizing on San Francisco's strengths, such as a low-stress vibe and high-quality food.

Outside Lands now features almost exclusively local and gourmet food offerings, along with high-end wine and cocktails. Entertainment at the three-day festival ranges beyond its musical roots. This year, in addition to more than 90 musical acts, there were magic and comedy shows as well as—for the first time—talks by speakers including Bill Nye the Science Guy. Other new attractions included Grass Lands—a town square showcasing California's newly legalized cannabis industry—and Bubble Tea Party, a whimsical tea party with giant, colorful mushrooms and entertainers in 19th-century period dress cavorting with ukuleles and bubble wands.

"They keep adding new things, and they are able to do it without

making the festival feel that different," said Mick Stallone, 26, a software developer from San Francisco who has attended Outside Lands since he was a teenager.

Other music festivals also are adding comedy and different attractions. This month, Lollapalooza in Chicago brought in ping pong tables for the first time, while June's Bonnaroo festival in Manchester, Tenn., featured daily yoga, meditation and exercise meet-ups.

"We want to keep refreshing it for people who come year in and year out," said Allen Scott, co-owner of Another Planet Entertainment, which produces Outside Lands with event companies Superfly Productions and Starr Hill Presents. For the first time, two women—Janet Jackson and Florence Welch, lead singer of Florence and the Machine—headlined two of the main stages. The lineup reflects, in part, that women make up 60% of the 200,000 attendees, Mr. Scott said.

The Bay Area's rich food scene is another distinction. Like most festivals back in 2008, Outside Land depended on fare from traveling vendors, such as churros and pizza, Mr. Scott said. Since then,

the festival has recruited an entirely local lineup of providers, who serve Jamaican chicken curry patties, fennel sausage calzones, fresh mini-doughnut sundaes and other food. Sunita Giri, co-owner of Bini's Kitchen, said at times fans wait 30 deep for specialties like Nepalese dumplings. Two years ago, Outside Lands expanded the liquor offerings. Over the weekend, Tito's Handmade Vodka of Austin, Texas, did a brisk business selling concoctions like a \$16 Kung Fu

Mule with lotus root, said Zack Flores, director of the vodka brand's philanthropic programs.

"It's much more chill here than other festivals," Julia Orr, a 17-year-old college student who lives in the city. "It's San Francisco."

Outside Lands has yet to solve all the problems endemic to big music festivals, such as fans having to negotiate crowds to get from one act to another. And some neighbors don't like the mid-August surge in traffic and noise.



Carly Rae Jepsen, left, performed at the 2018 Outside Lands festival in San Francisco. An area of the festival, above, was devoted to regional wines.

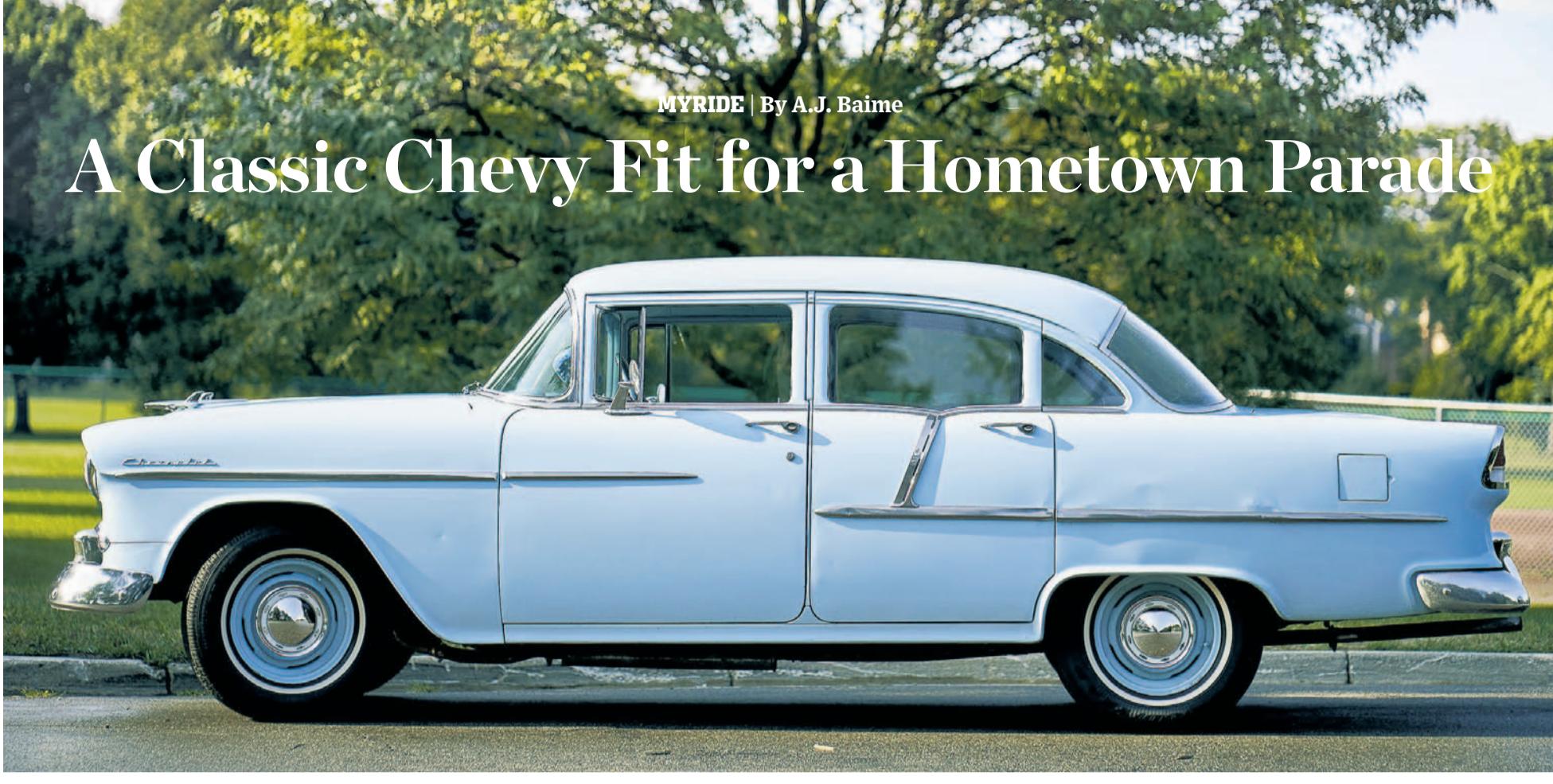
John McGrath said his children, ages 7 and 10, are kept awake two extra hours during the festival's three nights because of music blaring a few blocks from home. "It's a mild annoyance," said the 48-year-old software developer.

Still, those are mostly small gripes. Said Mr. Bern, a physician, leaving the GastroMagic stage where he and his wife had caught the cooking-soul show: "This is a socially responsible way to enjoy all things hedonistic."

LIFE & ARTS

MYRIDE | By A.J. Baime

A Classic Chevy Fit for a Hometown Parade



JASON KEEN FOR THE WALL STREET JOURNAL

Josh Siegel, 29, a research scientist at the Massachusetts Institute of Technology who lives in Brookline, Mass., on his 1955 Chevrolet 210, as told to A.J. Baime.

This Saturday, the Woodward Dream Cruise will roll through Metro Detroit, within a half-mile of the home where I grew up. It is billed as the world's largest car cruise, with over a million spectators. I will drive my 1955 Chevrolet 210 in the cruise, for the 13th time.

For me the story of this car begins with a summer job, back in 2003. I grew up in Bloomfield

Hills, Mich., a suburb of Detroit that was deep in car culture. When I was 14, I taught kids at a summer camp to build model cars. No one in my family worked in the auto industry, but through that summer job I got hooked on cars.

I was just old enough to get my learner's permit (14 years, 9 months), so I started looking for a vehicle of my own. I found a 1955 Chevrolet 210 in Arkansas, for sale on the internet. I had saved money from my summer camp job and I bought the Chevy for \$3,000. Price included delivery, and the car was trucked to a town an hour and a half from our house.

My parents drove me out and I will never forget seeing that car roll off the truck. It was about 11 p.m. and I realized: I did not know how to drive stick. With my father in the car giving

me some guidance, I figured it out. It was a terrifying and magical experience.

I did just about everything there was to do on this car. When I disassembled the 235-cubic inch six-cylinder engine, cleaned it all and put it back together, it was like going back in time because the car was about three times as old as I was. I studied electronics

so I could redo the wiring, and learned about chemistry while stripping paint.

The experience inspired me to study engineering, and today my work involves putting sensors and modems all over vehicles so that you can know everything you need to know about your car through a device, like a phone. When I am tired of work, I escape to the ga-



Josh Siegel, a research scientist at MIT, plans to take his 1955 Chevrolet 210 on its annual spin in Detroit's famed Woodward Dream Cruise on Saturday. He bought the car for \$3,000 when he was 14 years old.

rage in the home where I grew up and my parents still live to work on my 1955 Chevrolet, which has no computers at all.

The Woodward Dream Cruise is something I look forward to all year long. I get to celebrate my Chevy 210 and the car culture where I grew up.

—Contact A.J. Baime at Facebook.com/ajbaime.

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Hull #6670, 98 of 109 built. Documentation.

Engine PC10255. All original. A1 condition.

1936 18' Dunphy Runabout

105 HP Chriscraft K-1 engine. Mint condition. All original.

Contact willeykb@gmail.com

or (810) 516-3644



BOATING

Regarding your column on offices with open seating (May 15, 2018), I've worked in offices where employees share desks on a first-come, first-served basis. My only problem is having to clean up the mess left by the previous occupant. Think of how many people fail to wash their hands properly.—M.R.



WORK & FAMILY MAILBOX | By Sue Shellenbarger

GIVING NOTICE GRACEFULLY



Q Great article about interviewing for a new job without tipping off the boss (June 26, 2018). If you do want to resign, how do you have that awkward discussion as you hand the boss a resignation letter? —W.M.

A: Many people dread giving notice, but most bosses take the news in stride.

First, prepare to explain why you're leaving, in case you're asked. It's best to cite general reasons, such as a new opportunity, an easier commute or a better fit for your family. Then request a private conversation. Make your message short and simple: Say something positive, that you've enjoyed your time at the company or appreciate what you've learned there. Then add that you've made the difficult decision to move on, that you've decided to take on a new challenge, or something similar.

Your goal should be to build bridges, not burn them. Emphasize the positive. Avoid complaining or alleging mistreatment. And if your employer asks whether you'd be willing to consider a counteroffer, be wary. No matter how rich an offer you receive, it's unlikely to change the fundamental reasons you decided to quit in the first place.

Avoid complaining or alleging mistreatment. And if your employer asks whether you'd be willing to consider a counteroffer, be wary. No matter how rich an offer you receive, it's unlikely to change the fundamental reasons you decided to quit in the first place.



A: Many employees share your distaste. Employers are trying to address the problem. Some provide supply carts with sanitary wipes and ask workers to wipe down desk surfaces and other shared items after using them. Some employees sanitize them again before settling into a workspace, just to be sure. Others bring their own headset and computer mouse, to reduce the need to share.

Some companies also ban eating at shared desks. Others employ floor stewards or concierges to keep shared areas clean, replenish supplies and tote away trash. One in 10 employers add more cleaning services after adopting unassigned seating, according to a survey by the International Facility Management Association. And 9% provide etiquette training, stressing the same rules you learned in kindergarten—don't leave a mess, wash your hands often and don't gobble your food in front of others.

Consider talking with him privately about the problem. If his babbling is driven by anxiety or perceptual problems, he may not be conscious of how others see him. If he is conscious of it and doesn't care, he's being narcissistic, and walking away is entirely OK. Listen politely for five to 10 minutes, then give an upbeat reason for moving on, such as, "It's great to see you again. I promised myself I'd talk to Carrie tonight, so I need to slip away."

Q I have an acquaintance who rambles on incessantly about the same subject ev-

ery time we meet (May 28, 2018). If I break in and try to introduce a new topic, he acts as if I never said anything and just picks up where he left off, oblivious. I don't want to offend him by getting up and walking away. Any thoughts? —D.L.

A: He's fortunate that you're such a considerate listener.

LIFE & ARTS



Clockwise from left: Eugène Delacroix's 'Four Studies of Horses (recto)' (1824-25), 'Götz von Berlichingen Being Dressed in Armor by His Page George' (1826-27) and 'The Agony in the Garden' (c. 1849)

Silence, After Rubens" (1840), Delacroix treats line and form with varying openness, weight and density, creating gritty, shimmering edges and silvery grays.

The exhibition also includes figure studies for his masterpieces "Liberty Leading the People" (1830) and "The Sultan of Morocco and His Entourage" (1845). Here, also, are architectural renderings, caricatures, satirical cartoons, travel sketches, drawings from a performance of "Othello," and studies for his prints illustrating "Hamlet" and Goethe's "Faust." The watercolor "A Moroccan Couple on Their Terrace" (1832) glows like a Persian miniature painted on ivory. The sublime, cloud-stacked, yellow-and-violet-pastel "Sunset" (c. 1850), roughly eight by ten inches, evokes Jacob van Ruisdael, J.M.W. Turner, John Constable and Gustave Courbet, and anticipates Arthur Dove. Beautifully expansive, it refutes the notion that heroism increases with scale.

The most spirited and engaging works here, however, are Delacroix's animals. "Four Studies of Horses (recto)" and "Four Studies of Galloping Horses and Riders (verso)" (1824-25) reveal the creatures' strength, dignity and restlessness, their glistening coats. In the explosive "The Giaour on Horseback (recto)" (1824-26), you can almost hear the snorting beast and clanking armor. The animals in "Studies of a Rearing Horse Attacked by a Lion and a Lion Wrestling With a Serpent" (1830s)—looping and soaring—are nearly indistinguishable. In "Crouching Tiger" (1839), fur shivers, and taut musculature, like a coiled spring, feels ready to strike. And in the crisp pen-and-ink drawing "A Lioness and a Caricature of Ingres" (1850s)—executed when tensions between Delacroix and Ingres were heightened—ink runs out of the feline's mouth like drool. It is impossible, really, to know if Delacroix is honoring Ingres or salivating to devour him. Perhaps it is both.

Devotion to Drawing: The Karen B. Cohen Collection of Eugène Delacroix

The Met Fifth Avenue, through Nov. 12

Mr. Esplund writes about art for the Journal. His book "The Art of Looking: How to Read Modern and Contemporary Art" will be published this fall by Basic Books.

ART REVIEW A Master off the Canvas

BY LANCE ESPLUND

New York IN 1822, Adolphe Thiers, the journalist and, later, the second elected president of France, wrote the first glowing review of Eugène Delacroix (1798-1863), in whom he recognized "the boldness of Michelangelo and the fecundity of Rubens." No faint praise, and these accolades—and then some—bear themselves out in the Metropolitan Museum of Art's enthralling exhibition "Devotion to Drawing: The Karen B. Cohen Collection of Eugène Delacroix."

This is the kind of show that gets your heart racing—that starts at a trot and builds almost immediately to a gallop. Organized by Met curator Ashley Dunn, "Devotion to Drawing" comprises more than 100 drawings, watercolors, sketchbooks, preparatory studies and copies from old masters. Intimate yet comprehensive, it reveals a ravenous, omnivorous and inventive artist, a painter dedicated to tradition and innovation; a superb colorist and draftsman stimulated as much by his imagination as by other artists and cultures; a Romanticist, Neoclassicist and pioneering modernist—a prolific and daring painter expressing himself through a full range of approaches, media and temperaments.

Art history's "isms" tend to pi-

geonhole artists—most of whom defy classification. Delacroix is seen as the leading French master of Romanticism. His dynamic pictures' broken contours, liberated, tactile and impassioned color and brushwork are considered the fiery antithesis of the symmetrical compositions, closed contours and crystal-clear, sensuous line of his cool-headed contemporary, the leading French master of Neoclassicism, Jean-Auguste-Dominique Ingres. Despite Ingres's willful distortions and expressive color, he was understood to be the embodiment of the rational draftsman-painter; whereas Delacroix was believed to be an emotive and dramatic colorist—a painter, not a draftsman. But that was until Delacroix's death, when 8,000 staggeringly diverse, previously unknown works on paper were found in his studio.

"Devotion to Drawing" celebrates the promised gift to the Met of the Cohen collection of Delacroix—a gathering of some of these posthumously discovered works on paper that amounts to a career-spanning drawing retrospective. The show, conveying that painting and drawing are symbiotic, is doubly welcome because it will soon overlap with the Met's much-anticipated "Delacroix" (Sept. 17 through Jan. 6, 2019), the first comprehensive survey mounted in North America.

Installed thematically, "Devotion



to Drawing" swings wonderfully between precise renderings from nature and lively, whiplashing compositions as it traces Delacroix's diverse interests and pathways, his training, development and increasing mastery. Establishing Delacroix's commitment to fundamentals, it opens with early academic studies of classical sculpture, the nude, antique coins, human limbs and torsos, as well as cadavers, weaponry and armor, and copies of Neoclassical illustrations by John Flaxman. Here, Delacroix hones his skills of perception, as he explores graphite, chalk and pen-and-ink, moving from nature studies concerned with structure, form, mark-making and composition to vigorous, crowded

sheets depicting numerous heads, animals and tumbling figures.

In gorgeous, creative interpretations after Raphael, Paolo Veronese, Peter Paul Rubens and Théodore Géricault, Delacroix—finding his voice among the gods—doesn't so much copy but consume and reincarnate these artists. In expressionistic works such as "Battle Scene With a Prisoner Being Bound, After Raphael" (c. 1823), Delacroix gives us movement, thrust and counterthrust, the fall and lift of figures whose roiling limbs become interchangeable. In "Figures From Raphael's Vatican Loggia" (c. 1833-35), he focuses on the sculptural solidity of facial features and folds of cloth, which evoke carved stone. In "Drunken

MUSIC REVIEW A LITTLE MIDNIGHT MUSIC

BY MARC MYERS

BY 1964, Erroll Garner's popularity in the U.S. had softened. The jazz pianist had stopped recording for Columbia Records in 1958 during his bitter legal battle with the label over his pay and the company's unauthorized release of his early work.

To make up the lost income, Garner toured relentlessly, especially abroad. In Europe, sizable concert halls sold out within 48 hours as audiences of mixed ages jammed venues to hear his mischievous approach to standards and such originals as "Misty." In March 1964, Billboard magazine noted that he had become as popular abroad as Louis Armstrong.

Now Garner's Nov. 7, 1964, performance at Amsterdam's Royal Concertgebouw has finally been released in the U.S. for the first time by Mack Avenue. The label worked with the Garner estate, which found the master tapes in its archives.

This new album, "Nightconcert," follows two recent estate-blessed Garner reissues—the complete 1955 "Concert by the Sea" (2015) and "Ready Take One" (2016), with previously unreleased studio mate-



Erroll Garner performing on Nov 7, 1964, at Amsterdam's Royal Concertgebouw

rial from 1967, 1969 and 1971.

Garner's Amsterdam concert began at midnight, since the Concertgebouw had hosted a classical performance earlier in the evening. Despite the late hour, all 2,000 seats were filled, including the hall's three unusual stepped galleries on stage.

The music is remarkable for several reasons, chief among them Gar-

ner's lengthy and elaborately disguised solo introductions. During concerts, Garner did not share song lists with his bassist Eddie Calhoun and drummer Kelly Martin. Instead, he made song choices on the fly, masking them with elaborately improvised openings. Garner's audiences and fellow musicians were left to guess what familiar song would emerge, thrilling his fans and leaving Calhoun and Martin just seconds to jump in.

On the 16 tracks of "Nightconcert" (1 hour and 20 minutes of music), Garner's piano introductions are especially robust and ambiguous. A dreamy 34-second Debussy-like opening melts away to reveal the movie ballad "Laura." On another song, Garner invents a 64-second gospel-stride opening that turns

into "When Your Lover Has Gone."

Another highlight is Garner's inclusion of "All Yours," his lesser-known 1963 theme written for "A New Kind of Love," a film starring Paul Newman. Garner opens the song with a 58-second solo sprinkled with flecks of "I Surrender Dear." The movie ballad is easily on par with "Misty," his 1955 hit.

Most songs on "Nightconcert" also feature daring treatments by Garner. For instance, "My Funny Valentine" lasts more than eight minutes and is brilliantly intertwined with the tip-toeing feel of Neal Hefti's "Girl Talk."

What made Garner so captivating for sophisticated European ears was his swing and rococo chord configurations. Self-taught, Garner as a teen had been denied admittance to the musicians' union in Pittsburgh because he couldn't read music. Upset, he vowed to play like "a whole band."

Garner made good on his promise. As pianist Dick Hyman explained in his 1999 "Century of Jazz Piano" instructional CD-DVD series, Garner's magical "sound" typically featured his right hand playing the melody in octaves, with two or three notes filling in to emulate a brass section. Mean-

while, his left hand played the lower keys as if strumming a rhythm guitar.

Garner also was a highly engaging stage presence. Listening to the music on "Nightconcert," one imagines the sharply dressed and diminutive performer perched on a telephone book, his hair lacquered with pomade to give it a reflective shine. We hear his expressive grunts in places and visualize him turning to the audience periodically with a confident, elfin grin.

Less than a year after the Concertgebouw performance, Garner signed a deal with MGM Records to distribute albums recorded on his newly formed Octave label. But despite assuming full control of his recording output, Garner, up until his death at 53 in 1977, never regained his 1950s and early '60s popularity at home.

With "Nightconcert," we now have a Garner performance spring-loaded with his most captivating keyboard tricks. As evidenced by the recording, he made sure his fans left delighted.

—Mr. Myers, the author of "Anatomy of a Song" (Grove), is a Wall Street Journal contributor who writes daily about music and the arts at JazzWax.com.

SPORTS

COLLEGE FOOTBALL

MARYLAND TO REVIEW PROGRAM

BY RACHEL BACHMAN

UNIVERSITY OF MARYLAND
president Wallace Loh on Tuesday apologized to the parents of football player Jordan McNair, who died in June after overheating during a workout, and pledged to make changes to prevent anything similar from happening again.

"The university accepts legal and moral responsibility for the mistakes that our training staff made on that fateful workout day of May the 29th," Loh said.

The admissions in a university news conference were unusual in their frankness and scope, especially because inquiries into McNair's death and the culture of the Maryland football program are ongoing.

The training staff failed to take McNair's temperature after he showed signs of distress and didn't apply a cold-water immersion treatment to try to bring down his body temperature, Maryland athletic director Damon Evans said.

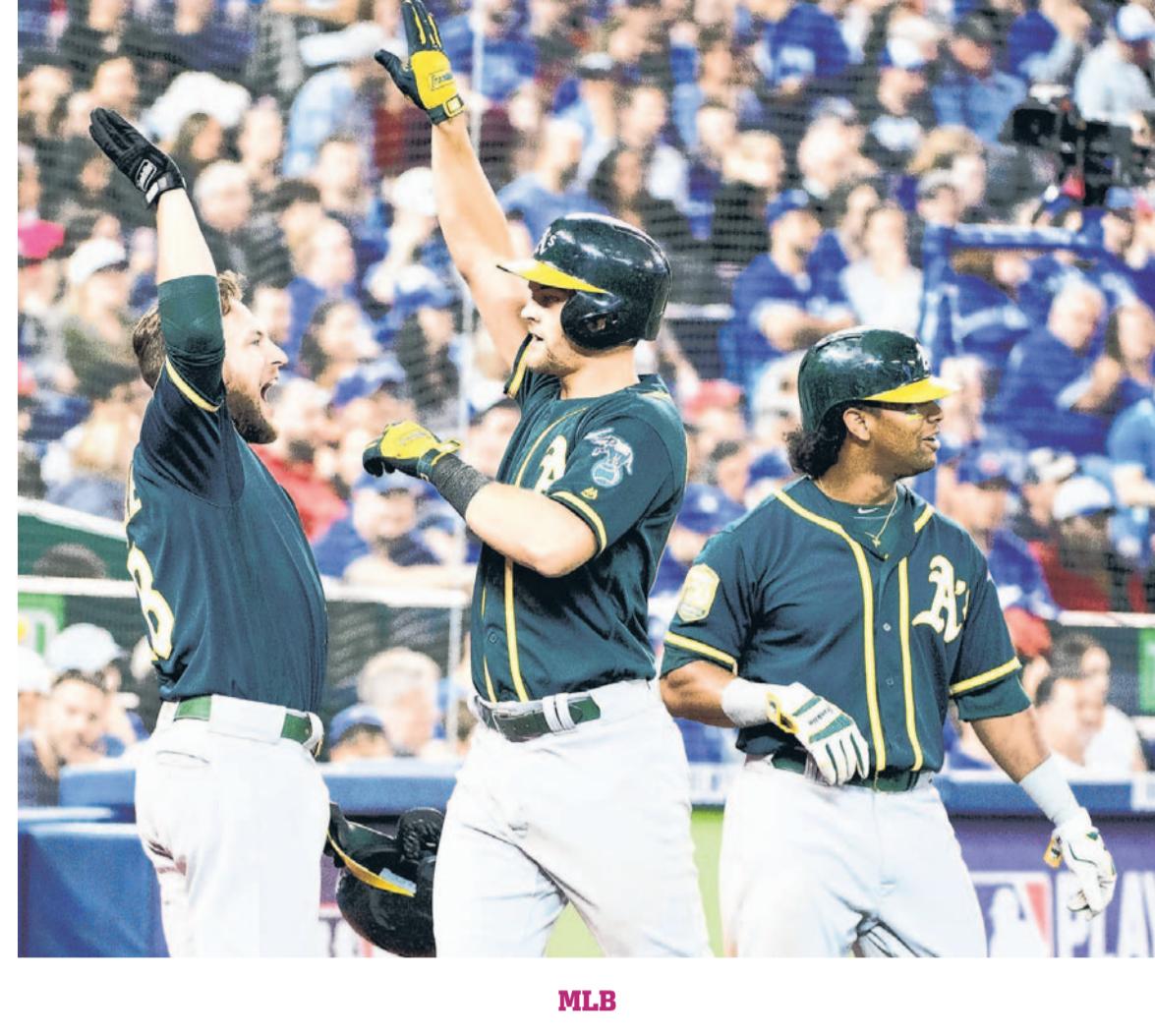
Maryland football coach DJ Durkin was placed on administrative leave Sunday, soon after an ESPN report alleged a culture of intimidation, verbal abuse and humiliation in the football program. Examples included strength and conditioning coach Rick Court throwing small weights and objects at players in anger.

The school has parted ways with Court, Evans said Tuesday.

The school is convening a four-person panel to investigate the practices of the football program: former U.S. District Judge Benson Legg, former state's attorney of Prince George's County Alexander Williams, attorney Charles Scheeler, who served as an NCAA-appointed monitor in the wake of the Jerry Sandusky scandal, and an unnamed former athletic director and football coach.



Maryland football coach DJ Durkin is on administrative leave.



MLB

Moneyball, 2018 Edition

The Oakland Athletics took all of the trends sweeping across baseball, distilled them into their purest forms and turned into a playoff contender

BY JARED DIAMOND

Oakland, Calif.

THE MAGIC HAPPENING here this summer, in this dilapidated old stadium nestled in the heart of the East Bay, appears hard to believe. Despite modest expectations from oddsmakers and analysts, the Oakland Athletics have emerged as baseball's biggest surprise, surging into an American League wild-card spot with about six weeks remaining in the regular season.

Few predicted this sort of performance from the A's, especially considering how they started. They woke up on the morning of June 16 with a record under .500 and trailing the Seattle Mariners by 11 games. Statistics websites calculated their chances of reaching the playoffs at around 3%. Then they exploded, finishing the month with a 12-2 stretch, and they haven't looked back.

Maybe none of this should come as a surprise by now. The A's have spent nearly two decades under "Moneyball" architect Billy Beane toppling the giants of the sport, even while spending about \$1.5 billion less in payroll than some of their big-market opponents. They

have qualified for the postseason eight times since 2000, better than all but five teams over that span, a group including blue bloods like the New York Yankees, Boston Red Sox and Los Angeles Dodgers.

"People look at this organization and say what they want," said closer Blake Treinen, a first-time All-Star this year. "The stadium's old. This team doesn't spend money, blah blah blah. But we have great players here still."

Don't feel too bad if you can't name them. The A's have assembled a roster still largely unknown outside of the Bay Area.

Oakland's best squads of the early 2000s boasted a trio of aces in Tim Hudson, Mark Mulder and Barry Zito, not to mention a pair of MVP sluggers in Jason Giambi and Miguel Tejada. This group features...nobody like that, to the point that their most prodigious run producer, Khris Davis, might at first glance look like a typo for his namesake in Baltimore, Chris Davis.

These A's differ from their counterparts of last decade in another key way: The A's of the "Moneyball" days revolutionized the game, fundamentally changing the industry and ushering a new paradigm for how front offices op-

erate. As for this current incarnation, even general manager David Forst admits, "I don't think the formula is a mystery." Beane now serves as the team's executive vice president of baseball operations.)

Instead of inventing new ideas to succeed, the A's used their small budget to build something seemingly manufactured in a lab to succeed in this era. They took all of the trends sweeping across baseball, distilled them into their purest forms and combined them to create the most 2018 team in the major leagues.

Oakland's lineup has power. The A's entered Tuesday's action ranked sixth in baseball in home runs, led by Davis (34), first baseman Matt Olson (22) and second baseman Jed Lowrie (18).

And that doesn't tell the whole story of their ability to pulverize baseballs into the stratosphere. The A's play half their games in the cavernous Oakland Coliseum, one of the most pitcher-friendly ballparks in MLB. On the road, however, they homer once every 21 at-bats, the best in baseball by a wide margin.

They do this by capitalizing on another of the sport's latest crazes, one designed to combat the rise of defensive shifts. They

The Athletics have emerged as baseball's biggest surprise this year.

hit the ball in the air, ranking 29th in ground ball percentage.

"The defense is so good," Davis said. "Just hit it over the fence and they can't touch you."

The pitching side also feels of the moment. Their rotation doesn't offer much, leaving them with a weakness in an area once viewed as an imperative to contend for a title. Highlighted by Sean Manaea, Trevor Cahill and Brett Anderson, Oakland's starters entered Tuesday with a 4.16 ERA, the worst among any team currently in playoff position.

It doesn't matter. Starting pitching means less nowadays, and the A's realize that, focusing instead on their powerhouse bullpen. Their starters average just 5.5 innings a game, but their bullpen ranks sixth in ERA, ensuring that if the A's secure a lead, they win. They have the best record in baseball in one-run games and, through Monday, had gone 49-0 when leading after the seventh.

Home runs and a lockdown bullpen—the definition of modern baseball. "The formula has been to score enough to stay in the game and let the bullpen shut it down," Forst said. "And it worked."

Forst insists the A's didn't necessarily want to build up their bullpen at the expense of their rotation. But given the limited amount of money Oakland's ownership gives him to work with, he lacked the resources to pursue established starters, an expensive commodity. Quickly, he realized "we were going to have to work from the back forward."

So they supplemented Treinen by signing Yusmeiro Petit this winter, as well as trading for Ryan Buchter and Emilio Pagan, all of whom have contributed. They promoted Lou Trivino from the minors, and he turned into a revelation, posting a 1.56 ERA in his first 49 appearances. Now, in the past few weeks, they added Jeurys Familia, Shawn Kelley and Fernando Rodney, giving them plenty of options that could prove especially valuable in October.

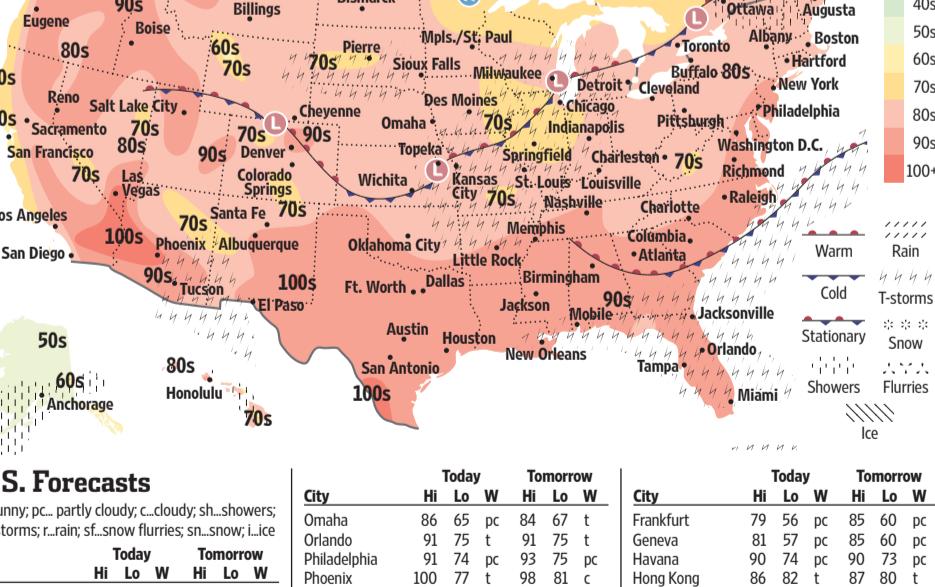
Inside the A's clubhouse, the players insist they believed they would fare better than the prognosticators anticipated, buoyed by the fact that they went 17-12 from last Sept. 1 to the end of the year. They saw players that outfielder Stephen Piscotty described as "not household names—yet."

Forst took a more measured approach. Though he believed in the team, he recognized the challenge of competing in their division with the Houston Astros, the defending World Series champs. And for 2½ months, his hesitancy seemed justified. Then the hot streak happened, the hot streak that still hasn't ended—the hot streak that once again proved one of baseball's great truths: Underestimate the A's at your peril.

"It doesn't matter what you have, it's what's you do," Treinen said. "People are starting to see how capable this team is."

Weather

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



U.S. Forecasts

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

t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Today Hi Lo W

City Anchorage 59 50 sh 61 50 pc

Atlanta 91 74 pc 90 73 pc

Austin 98 75 pc 99 73 pc

Baltimore 91 69 s 92 71 pc

Boise 98 67 pc 98 67 s

Boston 86 73 pc 88 70 pc

Burlington 86 66 t 81 65 t

Charlotte 92 71 pc 93 73 pc

Chicago 80 70 t 82 68 sh

Cleveland 89 70 pc 82 69 t

Dallas 93 77 pc 95 78 s

Denver 90 60 pc 90 60 pc

Detroit 88 70 pc 78 69 t

Honolulu 90 78 pc 89 78 s

Houston 93 78 pc 94 75 pc

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Kansas City 84 66 t 89 66 pc

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Milwaukee 83 69 t 79 68 sh

Minneapolis 84 63 pc 83 64 pc

Nashville 93 73 pc 91 70 t

New Orleans 92 76 pc 90 77 t

New York City 90 74 pc 92 76 pc

Oklahoma City 87 71 pc 89 74 s

International

Today Hi Lo W Today Hi Lo W

City Amsterdam 75 61 pc 76 58 t

Athens 92 75 s 90 73 s

Bahrain 110 81 s 112 81 s

Bangkok 89 79 sh 88 80 sh

Beijing 89 74 s 88 70 pc

Berlin 76 60 pc 85 64 s

Brussels 76 59 pc 82 56 t

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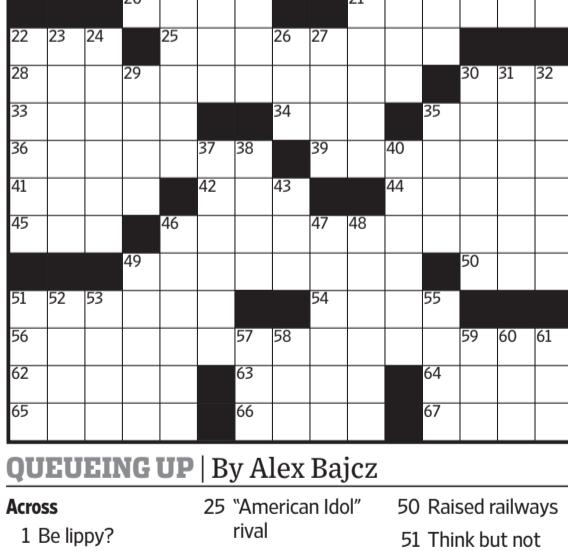
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Edinburgh 69 51 r 61 50 sh

AccuWeather DOWNLOAD THE FREE APP

The WSJ Daily Crossword | Edited by Mike Shenk



QUEUEING UP | By Alex Bajcz

- | Across | Down |
|---------------------------------------|---|
| 1 Be lippy? | 25 "American Idol" rival |
| 5 Wrapped in blankets, say | 50 Raised railways |
| 9 X band user | 51 Think but not know |
| 14 Buccaneer's bounty | 54 Echelon |
| 33 Needless | 56 Parts of a skit show about fussbudgets? |
| 35 "Thanks, Obama," for one | 62 Let loose |
| 36 Thought | 63 Older brother of Janet |
| 39 Challenge for a comic | 64 Big Ten school |
| 41 Quechua is spoken there | 65 Hudson River School painter Brown Durand |
| 42 Something taken lying down | 66 Neighborhood |
| 20 Colleague of Clarence and Sonia | 67 Drifter? |
| 21 Prepare to shelve, as wine bottles | Down |
| 45 Next year's alums: Abbr. | 1 SkyTeam alliance member |
| 46 Henhouse jitters? | 2 Paper in a pot |
| 22 Key near 1 | ► Solve this puzzle online and discuss it at WSJ.com/Puzzles . |

- | | |
|---|---|
| 3 Founder's successor, often | 32 Lifespan shortener, it's said |
| 4 Instant oatmeal instruction | 35 Pod in Creole cuisine |
| 5 Band fronted by Morrissey | 37 Hardest substance made by the body |
| 6 Nicolas Cage, to Francis Ford Coppola | 38 "Tally me banana" song |
| 7 Thurman of "Gattaca" | 40 Precipitated |
| 8 Hair raiser? | 43 By means of |
| 9 Vulgarity | 46 Move clumsily |
| 10 "It's ___ to the finish" | 47 Go around |
| 11 Animated explorer | 48 Protein source for vegans |
| 12 Act. figures | 49 Brown who was NBA Coach of the Year in 1978 and 2004 |
| 13 Tear down | 51 Blue hue |
| 18 Wiener schnitzel, e.g. | 52 Phoenix hoopsters |
| 19 Frittata relative | 53 Evildoers in a galaxy far, far away |
| 22 Outfits | 55 Cleanup man's rewards |
| 23 Break apart | 57 Seventh of 24 letters |
| 24 Applejack sources | 58 Address for a superior |
| 26 Quick clip | 59 A + in chemistry? |
| 27 "Then again..." to texters | 60 Binary base |
| 29 Pahoa party | 61 Toothy tool |
| 30 "My reaction was..." amongst teens | ► Previous Puzzle's Solution |
| 31 Tank filler | AIRPLANE ASSUME CAREBEAR CAT ENTREES YUPCAT NOIR LEGALEAGLE TIKO SIDEVEER SENSORS VISTA SPRUCEGOOSE OBEYSELFETSGO STAR RIA TOM HONEYBUNNY PIKE AHS ELS DECIMAL SEABEE GRAPEAPE TERESA METATUT ALIGHT SASS ETS |

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

OPINION

How to Solve a Problem Like Elon?

BUSINESS WORLD
By Holman W. Jenkins, Jr.

So, like the nuns of Nonnberg Abbey, if you're the Securities and Exchange Commission, what are you going to do? Elon Musk is extraordinarily popular with the public, with shareholders, with politicians. His company is worth \$60 billion in the marketplace. It embodies the hopes and dreams of many green believers and others. Especially in blue California and purplish Nevada, politicians have poured millions and even billions into it. And Mr. Musk himself is crucially if intangibly important to all this: Tesla's stock valuation and the faith of Tesla's believers depend on him personally to a large if immeasurable degree.

The SEC could throw the book at Mr. Musk as it did Bernie Ebbers of WorldCom or Ken Lay of Enron. Even less ambiguously than these men, who were able to shift some of their blame to expert accountants and financial officers, the agency could conclude Mr. Musk intended to mislead the market by putting out inaccurate information that he knew would have a positive effect on the stock price.

It was information, after all, that explicitly told the world an offer for Tesla shares, then selling for \$350, too would be taxpayers who put big money into the company to create jobs and bask in green virtue.

In the past two decades there has been a sharp drop in the share of national income going to working- and middle-class Americans. As the discontent among these workers begins to affect their livelihoods and the entire nation's politics, policy makers must either hope the market will somehow fix wage stagnation or enact policies to reverse it.

For much of the postwar period, American wage and salary earners received an average of 64% of gross domestic product. Although signs of weakness emerged in the mid-1980s, the labor share of national income stood at 64% as recently as the first quarter of 2001. Then the world changed. The labor share fell almost without interruption for more than a decade, bottoming out at 56% in the final quarter of 2011 and now resting at about 58%. More than half of this decline occurred between 2001 and the end of 2007, before the onset of the Great Recession.

A simple calculation shows the significance of the decline from 64% to 58%. If workers in 2016 had received the share of national income they averaged over most of the postwar period, their total earnings would have been \$1.2 trillion higher in that year alone. This equates

to an annual salary boost of more than \$7,500 for each worker.

The labor-share drop came as a surprise to most economists. In 1939 John Maynard Keynes wrote of the "stability of the proportion of the national dividend accruing to labour, irrespective apparently of the level of output." Fifteen years later, American economist D. Gale Johnson found there hadn't been a "significant secular change in the share of national income received by labor" between 1850 and 1952. A constant labor share was widely regarded as one of the basic features of modern economic growth.

But the labor share in fact has declined—and there are no signs that the market is working to reverse the drop. In the past year economic growth has accelerated and unemployment has fallen to the lowest level in two decades. This is supposed to help wage earners, but pay rates haven't ticked up. Between July 2017 and July 2018, workers' average inflation-adjusted earnings fell by 0.4%.

The most common explanations for these developments don't work. Many point to the decline of unions, because union workers earn more on average than their comparable nonunion peers. But private-sector union membership declined as much in the last 17 years of the 20th century as it has since 2001, when the labor-share drop began. Another explanation is the entrance of women into the workforce, as

The SEC would be the villain. As the song says, it would be accused of crushing the moonbeam in its hand and worse: There would be insinuations the agency acted to punish one of Donald Trump's antagonists, even if no evidence existed, because that's a go-to in this age of Trumpian resistance.

Musk may not be an asset to the abbey, but the SEC knows he makes us laugh.

But this raises another headache. If the SEC gives Mr. Musk a pass and down the road lies some greater calamity, how does the agency explain administering a mere slap for what might appear in retrospect to have been a harbinger of major malfeasance?

After all, Tesla has yet to show that manufacturing electric cars can be profitable. Around the world, dozens of competitors have entered the market for electric cars as "compliance vehicles"—as cars dumped on consumers at a loss to meet the demand of politicians and regulators in the U.S., China and the European Union.

Even put aside the idiotically perverse regulatory environment Mr. Musk now finds himself in at the hands

of pols who are also enthusiasts for electric cars. The car business just isn't that profitable. It's too competitive. The margins are too small to support a valuation the market has given Tesla in some unspoken expectation that Mr. Musk is creating the next Apple rather than the next GM.

So the prospect that Tesla will go belly up or at least wipe out a great deal of shareholder wealth is not small. Companies can survive for while by selling stock to investors, but sooner or later their products must start paying for themselves. Such is the argument that has made Tesla the most shorted stock in the market. And it's an argument the SEC can hear even with its fingers in its ears.

So what if you're the SEC and you give Mr. Musk a pass (as the SEC, we're predicting, will largely do) and then find egg on your face down the road?

First answer: Today's SEC commissioners and chairman will pray that it happens after they are gone.

Second answer: In a fact of life that irritates many readers when I mention it, if you're an ordinary scofflaw, you can pretty much expect the law to be administered as written. If you are Hillary Clinton or Elon Musk or anybody from whom large political ripples flow, the law is always going to treat you differently.

Get used to it.

women earn less than men on average. But women's labor-force participation rate peaked in 1999 and has declined significantly since then. Some analysts attribute a portion of the labor-share decline to changes in the scale and measurement of self-employment, but these changes can't account for more than a third of the drop. Finally, there is no clear relationship between the labor share and capital investment.

Low working- and middle-class incomes aren't likely to rise without new subsidies.

There is a connection, however, between the labor share and globalization. In a 2013 paper for the San Francisco Federal Reserve Bank, economists Michael Elsby, Bart Hobijn and Aysegul Sahin found that as much as 85% of the declining labor share may be attributable to increased import competition, as U.S. producers respond by shifting production to countries with cheaper labor.

It may be true that trade leaves countries better off in general. But this is small comfort to those who lose out, especially because the winners rarely compensate them commensurately. The promise of job training rings hollow to workers in areas dependent on industries that have been decimated

by trade. A system of wage insurance would also help workers by narrowing the gap between disappearing high-wage jobs and the lower-wage alternatives that displaced workers often adopt.

But to repair the damage, policy makers will have to go further. Two options make sense. First, they could significantly expand the earned-income tax credit to bolster the incomes of workers somewhat higher up the income ladder. Second, they could implement a broader program of wage subsidies that would raise the wages of lower- and middle-income earners toward a specified hourly target.

The EITC and other direct wage subsidies don't interfere significantly with the market economy, unlike the minimum wage. But expanding them to the necessary size would require substantial new spending. Because the labor-share problem has become so large, the solution must be equally large. And because fiscal policy already is out of control, it would be irresponsible to fund the new spending with more IOUs.

There is only one way to go. The high-earning Americans who have done so well in recent decades must pay higher taxes to support the portion of the workforce that is falling behind. This isn't charity, nor is it welfare. It's simple common sense, or self-interest rightly understood, because an economic system that fails to offer broad gains will end up with disruption.

when it became clear they were actively competing with taxable financial institutions.

Congress ought to keep the tax exemption for smaller credit unions that serve customers with a genuinely tight common bond—say, a well-defined group of company employees, church members or university faculty. Credit unions that reach \$500 million in assets should lose the exemption. So should credit unions of any size that compete head-to-head with banks by offering commercial and business loans or services like wealth management.

This plan is fair to all sides. It would ensure that small credit unions can continue to fulfill their original purpose—while forcing those, like Navy Federal, that have outgrown the old model to compete on equal terms and pay taxes like the rest of us.

Mr. Sanchez is president and CEO of the Florida Bankers Association.

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Is this what Congress intended for credit unions to do with their tax-exempt status? Purchase the naming rights for stadiums and arenas? Lawmakers ought to eliminate this outdated and abusive tax loophole for large credit unions. A similar action was taken decades ago on mutual savings banks. Lawmakers revoked their tax exemption in 1951

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BOOKSHELF | By James Traub

Arab Spring, Egypt's Fall

Into the Hands of the Soldiers

By David D. Kirkpatrick
(Viking, 370 pages, \$28)

David Kirkpatrick is one lucky foreign correspondent. He became the New York Times's Cairo bureau chief on Jan. 9, 2011—one month after the popular uprising known as the Arab Spring began in Tunisia and one month before mass protests brought down President Hosni Mubarak of Egypt. Mr. Kirkpatrick would have every reason to think that, like the journalists John Reed in 1917 Russia and Timothy Garton Ash in 1989 Poland and Czechoslovakia, he would be witnessing, and chronicling, a world being transformed.

Yet it would not be so. The Arab Spring crashed into Egypt like a tsunami that somehow sent everyone sailing up into the air before depositing them back in the same place, badly bruised and frightened. It was a devastating anticlimax. In its aftermath, we are left to ask: Why was 2011 not 1917, or 1989?

It isn't in the nature of a journalistic memoir like Mr. Kirkpatrick's "Into the Hands of the Soldiers" to provide answers to such large questions. What the author has written, rather, is a tragedy, not only in the sense of a dreadful mishap, but in the Greek sense of a terrible fate that the hero has provoked yet cannot or will not see—though we in the audience can.

It's an account that fills us with terror and pity. Successful uprisings tend to have two parties—the state and the people. Egypt, to its great misfortune, had at least four: the state, the liberal opposition, the Islamists and powerful outsiders, above all the U.S. and the Persian Gulf countries. Each seems to have taken a turn slamming the doors shut just as the light of democracy began to shine through.

It's no secret that Egypt's permanent state apparatus—its army, police, intelligence service and judiciary—never accepted the legitimacy of the popular movement and actively undermined Mohammed Morsi, the Muslim Brotherhood official who in 2012 won Egypt's first free presidential election. What Mr. Kirkpatrick captures is the utter contempt among these powerful actors for the idea of popular sovereignty: the ministry of defense official who assures the foreign press (no Egyptian reporters allowed) that the army isn't about to let real power pass to a civilian leader; the president of the Judges Club who brazenly tells the Egyptian people, one week before the presidential run-off vote, "we won't leave matters for those who can't manage them."

Mr. Kirkpatrick demonstrates how those forces actively encouraged sectarian division and political infighting, or stood by as the crowds set on women, Christians and Islamists, thus reinforcing to Egypt's frightened citizens that the country was ungovernable without the "proper" authorities. Such cynical tactics might not have succeeded if Egyptians—like, say, the Poles—despised their political masters. But Egyptians believed in the soldiers and the judges who ultimately betrayed them. They had been sold on the idea, as Mr. Kirkpatrick observes, that "the social order was so tenuous that its guardians... must put themselves above the law in order to save it."

Uprisings tend to have two opposing parties. Egypt had four, each slamming the door shut just as the light of democracy began to shine through.

Indeed, at the heart of the Egyptian tragedy were the liberals who trusted the state more than they did the Islamist leadership, which they regarded as a fifth column plotting to place the country under Shariah law. Mr. Kirkpatrick had far too much experience with the Islamists to buy this stereotype. He regards Mr. Morsi as a functionary—albeit a rigid and clumsy one—rather than a theorist. He believes Mr. Morsi spoke from the heart when he said, "Those who voted for me and those who did not—I'm for all of you, at the same distance from all." He notes that Mr. Morsi appointed few Brothers to top government posts and paid more attention to lunch-bucket issues than to the fine points of doctrine.

Rather than wait out Mr. Morsi's mistakes in the hopes of winning an ensuing election, the liberals—led at the time by Nobel Peace Prize laureate Mohamed ElBaradei—demanded his downfall, conspiring with the military to organize a coup and land him in prison. It is painful to read Mr. Kirkpatrick's passages on Mr. ElBaradei, who had deluded himself into believing that the military would hand over power to a good civilian—meaning himself—after deposing the bad one. In fact, since Gen. Abdel Fattah Al Sisi seized power in July 2013, he has yet to let go. Today's Egypt is far more authoritarian than Mr. Mubarak's ever was. That terrible denouement was perfectly foreseeable, but Mr. ElBaradei and others were blinded by their hatred of the Islamists and their faith in the army.

More than Egypt's liberals rallied to the military's side. Leading officials of the United Arab Emirates, including Abu Dhabi's Crown Prince Mohammed bin Zayed, regarded the Brotherhood as a threat to regional order and had little more regard for popular sovereignty than did Mr. Sisi. Mr. Kirkpatrick cites leaked phone calls with Mr. Sisi's office showing that the UAE secretly funded Tamarod, the grassroots movement that brought the crowds into the streets in the spring of 2013 and produced the chaos that would serve as a pretext for the military coup.

President Barack Obama's administration, by contrast, was too divided between its ideals and its strategic calculations to adopt a consistent policy. Mr. Obama concluded that the U.S. ought to support Egypt's democratically elected leader, but his senior national-security officials saw the Islamist threat as Egyptian officials did—the same Egyptian officials they'd been listening to for the past generation. Only Ambassador Anne Patterson had both the clarity to foresee where Mr. Sisi was taking Egypt and the guts to say so. I'm not persuaded, however, that a different U.S. policy could have produced a different outcome. That is one of the subjects upon which Mr. Kirkpatrick doesn't speculate.

Two weeks before the uprising, then-Secretary of State Hillary Clinton warned that the "foundations" of the Arab world were "sinking into the sand." So, with a few exceptions, they still are. President Sisi has no real answers to his country's problems. But few Egyptians care to provoke another tsunami. The long era of pharaonic generals may persist for many more years before the system finally collapses.

Mr. Traub is writing a book on the rise and fall of liberalism.

By Alex Sanchez

The problem with modern American credit unions boils down to a simple question: Why should a family of four pay more income taxes than a \$90 billion financial institution? That's the total amount of assets held by Navy Federal Credit Union. Yet it is exempt from federal and state corporate income taxes, as well as sales taxes (and, in my home state of Florida, intangible taxes). This is corporate welfare.

Credit unions were first recognized nationally in a law signed by FDR in 1934. The original intent was to allow people with a common bond—coworkers, neighbors and so forth—to pool their resources and provide credit to one another. But this idea of a common bond, which is still technically required by law, has been stretched beyond recognition. MidFlorida, my state's fifth-largest credit union (with

\$3.1 billion in assets), was founded in 1954 as Polk County Teachers Credit Union. In 1997 MidFlorida expanded its charter to cover "anyone who lived, worked, worshipped or attended school" in its growing service area. Today it has nearly 300,000 members.

Why is a \$90 billion financial institution exempt from taxes?

The number of credit unions with more than \$1 billion in assets has dramatically increased, from 13 in 1994 to more than 304, according to data from the American Bankers Association. Navy Federal, the nation's largest, has more than 14,000 employees. Yet these institutions pay hardly any taxes, unlike the banks they are often competing with.

As a result, credit unions are able to pour money into

advertising. Golden 1 in California, with \$11 billion in assets, paid \$120 million for the naming rights to the new Sacramento Kings arena. MidFlorida paid an undisclosed sum for the naming rights to an amphitheater in Tampa. CFE Federal Credit Union, with \$1.7 billion in assets, paid \$4 million to put its name on the basketball arena at the University of Central Florida. San Diego County Credit Union, with \$8 billion in assets, paid \$500,000 for the naming rights to what is now known as SDCCU Stadium, which hosts an annual college football bowl game.

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Mr. Sanchez is president and CEO of the Florida Bankers Association.

OPINION

REVIEW & OUTLOOK

An Indictment of Political Timing

The Justice Department indicted New York Republican Chris Collins last week for insider trading, and three days later the third-term Congressman ended his re-election campaign while professing his innocence. Whether or not Mr. Collins is convicted, prosecutors have succeeded in killing his political career and maybe helping Democrats gain a seat in Congress.

Such an outcome is one reason that official Justice Department policy frowns on indictments close to Election Day. An indictment near an election means a politician must campaign under a cloud. Prosecutors can put an ugly set of facts in front of voters before the accused has a chance to put on a defense. A late-hit indictment, effectively if not intentionally, puts the Justice Department on the side of a candidate's political opponent.

This explains why three different Attorneys General each have explained the importance of "election year sensitivities" in memos in 2008, 2012 and 2016. "Department of Justice employees are entrusted with the authority to enforce the laws of the United States and with the responsibility to do so in a neutral and impartial manner. This is particularly important in an election year," begins the March 9, 2012, two-page version from AG Eric Holder.

A paragraph later the memo elaborates: "Simply put, politics must play no role in the decisions of federal investigators or prosecutors regarding any investigations or criminal charges. Law enforcement officers and prosecutors may never select the timing of investigative steps or criminal charges for the purpose of affecting any election, or for the purpose of giving an advantage or disadvantage to any candidate or political party."

Yet Justice clearly gave an advantage to Mr. Collins's Democratic opponent when it indicted the Congressman on Aug. 8. Geoffrey Berman, U.S. Attorney for the Southern District of New York, conducted a news conference complete with two incriminating charts, a passel of officials at his side, and condemning phrases such as Mr. Collins "placed his family and friends above the public good."

But if the evidence is so compelling, the question is why prosecutors took so long. The illegal stock tip and the trades at issue took place in June 2017. The trades are easy to document and the defendants and witnesses were readily accessible for interviews. You'd think prosecutors could have at least managed to indict Mr. Collins before the New York primary a year later on June 26, 2018.

That would have given Mr. Collins a chance to withdraw before his name was on the No-

The late charges against Rep. Chris Collins violate Justice policy.

vember ballot. And it would have given Republicans a chance to nominate someone else to compete in what is one of the most Republican districts in New York. With the late indictment, Mr. Collins may not be able to get his name off the ballot even though he has abandoned his campaign.

Asked about the indictment's timing, Mr. Berman was dismissive. "Politics does not enter into our decision-making," he told reporters. "We are cognizant of the prudential concerns surrounding an election," but "here we are months away from an election and those concerns do not apply."

He should have said 90 days away. That's closer to Election Day than the Justice Department's notorious July 29 indictment of then GOP Senator Ted Stevens in 2008. Sally Yates, the Obama-era Deputy Attorney General, once told the Justice Department Inspector General, "To me if it were 90 days off, and you think it has a significant chance of impacting an election, unless there's a reason you need to take the action now you don't do it."

Sarah Isgur Flores, the Justice Department spokeswoman, says that Attorney General Jeff Sessions and Deputy Rod Rosenstein were informed of the Collins indictment ahead of the public announcement. She adds that "we make charging decisions when they are ready to present to a grand jury. There is no other factor." In any case, she says, the AG memos on political sensitivities refer only to "election-related charges."

That last point defies common sense. Why issue a department-wide memo only about campaign- or election-related charges? Those would be investigated in nearly all cases only after an election.

The memos only make sense as a warning about any criminal charges that could affect an election outcome—which is how our sources who are former Justice officials also interpret it. The fair conclusion from the statements by Ms. Flores and Mr. Berman is that the current Justice Department either ignored or has abandoned this official guidance.

* * *

We won't speculate on motives, though it's no defense that this is a Republican Justice Department and Mr. Collins is a Republican. The department has clashed more with House Republicans this year than it might with a Democratic House next year.

It's worrisome enough that Justice, in its zealous prosecution, didn't seem to mind interfering in an election. We'd have thought officials would have learned a lesson from the debacle of Ted Stevens—or from 2016.

Confidence Is High

One of the more remarkable media campaigns of recent times is the current attempt to persuade Americans that the economy is worse than it seems. Every day our competitors are filled with columns, editorials and news analyses asserting that tax reform has failed, wages aren't rising, investment is falling, and growth is an illusion. We're reminded of the old Chico Marx line, "Who ya gonna believe, me or your own eyes?" Apparently Americans are believing their own eyes.

The National Federation of Independent Business reported Tuesday that its small business optimism index climbed in July to the second

Business owners don't believe what they read about the economy.

highest level in its 45-year history. At 107.9, the index is within 0.1 point of its July 1983 record. The July survey also set new highs for owners reporting current job openings or plans to create jobs.

The biggest problem in the survey is that 37% of owners say they had job openings they couldn't fill.

Meanwhile, the Atlanta Federal Reserve Bank's wage growth tracker moved up to 3.3% in July on an annual basis.

None of this guarantees future prosperity, and the economy needs years of growth to make up for the 2% malaise of the Obama era. But Americans are smart enough to know a better economy when they see one.

Strzok and Consequences

One year ago Robert Mueller kicked FBI agent Peter Strzok off his investigation into Russian meddling in the 2016 election. The special counsel recognized his investigation would be compromised if he kept on his team an FBI investigator who exchanged text messages with a colleague blasting Donald Trump while supporting Hillary Clinton.

The bureau's Office of Professional Responsibility had recommended a demotion and 60-day suspension, but Deputy Director David Bowdich recognized this would be seen as a slap on the wrist when the FBI is fighting to re-establish a reputation for integrity. He overruled OPR and sacked Mr. Strzok.

Mr. Strzok reacted the way we've come to expect from FBI officials of the James Comey era: He set up a GoFundMe page and accused the bureau of caving to "political pressure."

The FBI fires a Comey ally who tarnished the bureau's reputation.

Any reasonable person reviewing these texts would conclude that Mr. Strzok had a bias unbecoming of any FBI agent, much less one entrusted to lead investigations that affected the fates of both presidential candidates. In his defense Mr. Strzok told Congress that he never let his "personal opinions" affect "any official action," and Inspector General Michael Horowitz conceded he found no direct proof that they did.

But proving that bias affected an investigatory decision is akin to proving point-shaving to throw a basketball game. It's very difficult. In this context it's worth noting the IG's statement that the Strzok-Page texts "cast a cloud" over the whole investigation. The IG further noted he "did not have confidence that Strzok's decision to prioritize the Russia investigation over the following up on the [Hillary Clinton email] investigative lead discovered on the [Anthony] Weiner laptop was free from bias."

The IG report deals only with the Clinton email investigation. The IG is still investigating the Russia investigation that Mr. Strzok also led. When he testified before Congress, Mr. Strzok refused to answer nearly all of the substantive questions. This is one reason America is still in the dark about crucial facts in that investigation, such as the role played by Justice official Bruce Ohr, whose wife worked for Fusion GPS, which paid for dirt on Trump campaign officials.

The FBI has been granted enormous law enforcement and intelligence power on the assumption that it demands a culture of truth. Restoring this culture, badly tarnished during the Comey years, is crucial for public trust. Much more needs to be done to restore that trust, but firing Mr. Strzok had to be done.

LETTERS TO THE EDITOR

Fair Indexing for Taxes Can Be Complicated

Regarding Alan S. Blinder's "Index Capital Gains, but Not Without Congress's Consent" (op-ed, Aug. 2): Prof. Blinder never refers to tax increases as "raids" on taxpayer wallets and lifestyles. He acknowledges that capital gains unadjusted for inflation are illusory and that a rational tax system wouldn't reap government benefits from "unreal" gains. His real agenda, though, is to restore more progressive tax rates and increase revenues for Washington. Despite all evidence to the contrary, raiding taxpayer wallets, especially those of the rich, is considered by Mr. Blinder to be a way to boost long-term economic growth. Will that growth boost be real or illusory? As with capital gains, the real or illusory distinction matters less than achieving the goal of a steeply progressive tax system that generates prodigious revenue gains for Washington for as long as taxpayers and markets permit.

WILLIAM BRANDT
Clearwater, Fla.

Reserve vice chairman and professor of economics would ignore such an obvious solution.

KEVIN WOOLLEY
Englewood, Colo.

I've never figured out, with all the tax changes now enacted or proposed, why the maximum tax deduction for capital losses has remained at \$3,000 for many years without change or indexing. It should have long ago been increased substantially and, if required, some of it could be limited to offset only investment income. At the current \$3,000 deduction limit some capital losses will outlive the person.

DWIGHT MEHRING
Williamsburg, Va.

Mr. Blinder's suggestions on capital-gains taxation make sense, but mostly for the top 5% as indicated. Shouldn't the same theory apply to IRA and 401(k) accounts? Tax the original tax-deferred contributions at ordinary income rates as they are proportionately withdrawn, and any amounts beyond that at capital-gains rates with some allowance for inflation, since the majority of these accounts are held for long periods. This would carry the tax-saving idea at least to the middle class and quiet those who want to deny any tax breaks for the five-percenters.

RICHARD MATTHIES
Springfield, Ohio

Advise and Dissent In Senate Confirmations

Sen. Chuck Grassley's "A Moment of Honesty From Chuck Schumer" (op-ed, Aug. 7) about Sen. Schumer's opposition to Judge Brett Kavanaugh misses the mark. He overlooks that a number of senators from both parties have stated they are still undecided about the Kavanaugh confirmation. Sen. Schumer is certainly justified in seeking a more complete record so that those senators and the public will be fully informed about the judge's background, opinions and ability.

The fact that Judge Kavanaugh's judicial opinions are available for review doesn't mean that the other records aren't important. When Justice Sonia Sotomayor's confirmation was considered, she had served for five years as a U.S. district judge and 11 years as an

appellate judge. Yet the Republican opposition (including Sen. Grassley's own August 2009 floor speech) was based not on any of Judge Sotomayor's judicial decisions but on speeches she had given. The concept that only Mr. Kavanaugh's judicial opinions are relevant is contrary to Sen. Grassley's own record on judicial confirmations.

ALAN M. POSNER
Highland Park, Ill.

The Democrats are demanding millions of pages of transcripts before considering Judge Kavanaugh. How many of them read Public Law 111-148, the 906-page Affordable Care Act legislation, before passing it?

JIM HORTON
Clawson, Mich.

Organics Have a Deserved Good Reputation

Regarding Henry I. Miller's "The Organic Industry Is Lying to You" (op-ed, Aug. 6): The organic industry isn't hiding anything. Organic foods reduce your exposure to toxic chemicals, promote ecological farming practices and conserve vital resources like soil, water and biodiversity.

Mr. Miller would have us believe that organic farmers frequently use unsafe chemicals on crops "just as

conventional farmers do." The truth is organic farming has a baseline prohibition of harmful chemicals. Transparent processes are required by law allowing certain synthetic products to be used only when all other measures have failed. They must go through rigorous, public review to prove their use "would not be harmful to human health or the environment" and must be re-reviewed every five years. We aren't being duped; choosing organic is the best way to reduce dietary exposure to pesticides.

CAMERON HARSH
Center for Food Safety
Washington

Organic is all about choice. It's about consumers being able to choose food that has been produced with the least amount of pesticides of any food grown, with no GMOs, no growth hormones and no artificial flavorings, colorings or preservatives. It's about allowing consumers to choose food that has been grown and produced in ways that are the healthiest for ourselves, our families and our environment.

When we choose products with the USDA Organic label, we are choosing a product that has been raised and produced by the most highly regulated and most transparent sector of our food and agricultural system. No other agricultural system operates under the comprehensive and rigorous set of federal regulations and standards by which organic farmers choose willingly to abide.

LAURA BATCHA
CEO and Executive Director
Organic Trade Association
Washington

Pepper ... And Salt

THE WALL STREET JOURNAL

"Can you join a conference call with my life coach, therapist, wife, and mentor?"

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JAMES RUMBAUGH
Chicago

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OPINION

Advice for a Palestinian ‘Icon’

By Daniel J. Arbess

Israel released 17-year-old Ahed Tamimi last month after she spent eight months in prison for assaulting an Israeli soldier. She immediately met with Mahmoud Abbas, president of the Palestinian Authority, who lionized her as a “model of Palestinian resistance,” and others have since hailed her as an “Icon of Palestine.” Ten days before her release, Israel’s Knesset had enacted a law reaffirming that Israel is “the national home of the Jewish people” and that “the right to exercise national self-determination in the State of Israel is unique to the Jewish people.”

Ahed Tamimi, 17, and her peers shouldn’t be content as the next generation of cannon fodder.

These two otherwise unrelated developments point to essential questions: Will the Palestinians finally accept Israel as the homeland of the Jewish people and help fashion Israel’s democracy to serve better all who live there? Maybe—if Ms. Tamimi’s generation is willing to help make it happen. But they, and well-meaning Palestinian sympathizers in Israel and abroad, will need to move on from the past, accept the present and work toward the future.

In her first postrelease interview, the young icon inauspiciously says that the Palestinians’ problem

“was never with the Jews, it’s with Zionism.” This is the familiar mantra of rejecting Israel’s right to exist, yet expecting to enjoy its economic and political benefits as if it were an ordinary secular liberal democracy like Canada or Sweden—where demographics might one day make the Jewish vote a minority.

This narrative of rejection is Ms. Tamimi’s family legacy. Her father, Bassem Tamimi, describes himself as a follower of Gandhi, but in 2012 an Israeli military court convicted him of “sending people to throw stones.” Ahed’s cousin Ahlam Tamimi was behind the 2001 Sbarro Massacre, in which a suicide bomber murdered 15, including seven children and a pregnant woman. Another cousin, Rushdi Muhammed Sa’id Tamimi, murdered an Israeli man near Ramallah in 1993. Ahed herself professes nonviolence, despite being jailed for assault and still pledging that “the resistance will continue until the end of the occupation.”

It’s a self-defeating attitude. Palestinian Arabs, and self-styled progressives everywhere, need to realize it’s time to stop fighting lost battles and accept reality. Israel is the ancestral and legal homeland of the Jewish people. Its capital is Jerusalem, as the U.S. has belatedly recognized, with other countries following. Israel’s enemies lost the Six Day War more than 50 years ago and relinquished the West Bank and the ancient city of Jerusalem. The 1967-borders-and-land-swaps formula of the 1993 Oslo Accord is an artifact of history, overtaken by developments on the ground. The Palestinians rejected it, and they have never initiated any proposal to



Palestinian Authority President Mahmoud Abbas and Ahed Tamimi, July 29.

achieve peace with Israel, before and since.

A broad alignment is coalescing among Israel and its treaty partners, Egypt and Jordan, and the consensus now informally includes Saudi Arabia and the United Arab Emirates, among others. With this Israeli-Arab détente, the Palestinians in Israel are finding that they are the last holdouts of an Arab world that has accepted Israel and will make peace with it. Next-generation Saudi and Emirati leaders are notably losing patience with Palestinians’ rooting for Iran or supporting the West against the Gulf Arabs’ interests. Arab leaders who truly want to help their people know the path is through creativity, negotiation and compromise, not violent “resistance”—a euphemism for terrorism—and war.

Nonetheless, the Palestinians and their sympathizers have a legitimate argument that the status quo is unsustainable. Nobody seems truly satisfied with the unresolved status of Palestinian Arabs. Polls show the Israeli public wants a dignified outcome that integrates the Palestinian people into Israel’s thriving economy and culture of innovation. But security comes first. How could Israel ease security restrictions while Palestinian leaders are indoctrinating and inciting new generations to resist the so-called occupation with violence?

As the “two-state solution” fades and Palestinian “resistance” lingers, the Jewish people’s standards and aspirations still anticipate Zionism’s complete reconciliation with the ideal of equality for all of Israel’s “inhabitants,” expressed in the nation’s 1948 Declaration of Independence. It would seem appropriate for Jews, Christians, Druze and forward-looking Muslims to

start discussing how democratic rights may be preserved for everyone while still guaranteeing the Jewish character of the state under any demographic circumstances. Might the answer point toward an arrangement that grants local communities self-determination while sustaining Jewish control of immigration and other policies of national identity and security? We in the U.S. know very well that decentralized democracy can be highly legitimate and effective.

Ahed Tamimi and her cohort shouldn’t be content as the next generation of cannon fodder. They’re capable of breaking free from their elders’ calcified thinking, as their millennial counterparts are doing around the world. Information-savvy young Palestinians should find the courage to move on, or Israel and the world will keep passing them by.

Ahed says she’s considering law school and a political career, and she’s a passionate and telegenic teenager with the potential to make a difference. Let us hope she will follow this path and help develop an arrangement that benefits all peoples of Israel. Such an order would promote democratic local self-determination, while preserving Israel’s eternal Jewish identity.

An Israeli nation free of the burden of this conflict—Christians, Jews, Muslims and Druze together—would be a beacon of democratic light, leadership and healing for the entire Middle East and world. Ahed Tamimi’s involvement in that project would render her a true icon.

Mr. Arbess is CEO of Xerion Investments and a co-founder of No Labels.

Getting Around Is About to Get Harder for Minorities



UPWARD MOBILITY
By Jason L. Riley

More than two decades ago I wrote an op-ed for this newspaper about the reckless use of the term “racist.” The article (see nearby) prompted one of the more amusing reader responses I’ve received over the years. “Obviously,”

read one letter, “Mr. Riley doesn’t know what it’s like to be a young black man trying to catch a cab in New York.”

At the time, it so happens, that’s exactly what I was—a young black man living in New York who often found himself on the subway home to Brooklyn at night after the umpteenth taxi had zoomed past without stopping. I sent the letter to my folks, who got a good laugh.

Thanks to the internet, readers are less likely nowadays to make incorrect assumptions about my race. And thanks to ride-sharing services like Uber and Lyft, young black men worry less than they once did about trying to hail a ride from wary hacks with legitimate concerns about being robbed or not being

paid if they venture into high-crime areas. This is progress, you would think, but some political “progressives” disagree.

Last week New York became the first major city in the U.S. to place a cap on the number of for-hire vehicles it would license. Mayor Bill de Blasio, who’s waged a yearslong battle against Uber and Lyft, celebrated the vote at a rally in Manhattan. “Three years ago, we took a stand against corporate greed, but corporate greed won the day then,” said the leftist mayor, who honeymooned in Cuba and styles himself a champion of the downtrodden. “Well, this time the people won. This time the drivers won.” Really, Mr. Mayor? Which people? Which drivers?

For-hire cars are generally cleaner, cheaper and more readily available than taxis. By all indications they’ve been a huge hit with commuters, especially working-class minorities in the outer boroughs who voted overwhelmingly for Mr. de Blasio. These ride-sharing apps have “brought much-needed relief to far corners of the city where just getting to work is a daily chore requiring long rides and multiple transfers, often squeezed into

packed trains and buses,” reports the New York Times. “The black cars that crisscross transit deserts in Brooklyn, Queens, the Bronx and Staten Island have become staples in predominantly black and Hispanic neighborhoods where residents complain that yellow taxis often refuse to pick them up.”

New York’s mayor and City Council protect the taxi cartel at the expense of outer-borough dwellers.

The city’s move to limit such vehicles wasn’t a win for “the people.” It was a win for special interests with deep pockets—namely, the traditional taxi drivers and their affiliated labor unions—who want to stop ride-hailing apps like Uber and Lyft from competing for customers. Since running for mayor in 2013, Mr. de Blasio has received more than a half million dollars in campaign contributions from the taxi industry. The mayor placed the concerns of the people who financed his

election above the concerns of people who voted for him, then spun it as a victory for the latter.

Technically, the legislation that passed last week calls for a one-year moratorium on issuing any new ride-share vehicle licenses while the city conducts an impact study. Sounds reasonable, but it’s doubtful that any study will change the minds of the mayor and his allies on the City Council, who begin any analysis from the premise that traditional taxi drivers must be insulated from competition.

The sad irony is that the same liberals who act in the name of the less fortunate continue to find ways to make life more expensive and frustrating for New York City’s most vulnerable populations. They’ve promoted rent-control policies that create housing shortages by making the construction of affordable dwellings unprofitable. They’ve promoted education policies that aim to block popular and academically successful public charter schools from multiplying if their teachers aren’t unionized. And now they’re working to undermine the most positive development in urban transportation in decades: cheap, reliable car service.

Customers who’ve come to depend on Uber and Lyft aren’t the only ones who will be harmed by the city’s new policy. From a free-market perspective, the consequences of licensure requirements for ride-sharing are little different than similar requirements for barbers, cosmetologists, taxidermists, food-truck operators, florists and numerous other occupations. These permission-to-work laws hurt not only consumers but also aspiring entrepreneurs with limited access to capital. They harm business creation and employment opportunities in communities that typically have too little of both.

Onerous licensure laws that protect the jobs and pay scales of existing taxi drivers create barriers to entry for others who want to join their ranks. They distort labor markets in ways that make it more difficult for immigrants or ex-cons or the less-educated to find gainful employment. The kind of occupational licensing mandated by New York progressives only exacerbates racial and economic inequality. Hope against hope that other big cities don’t follow the Big Apple’s lead.

Companies Shouldn’t Be Accountable Only to Shareholders

By Elizabeth Warren

Corporate profits are booming, but average wages haven’t budged over the past year. The U.S. economy has run this way for decades, partly because of a fundamental change in business practices dating back to the 1980s. On Wednesday I’m introducing legislation to fix it.

American corporations exist only because the American people grant them charters. Those charters confer valuable privileges—such as limited legal liability for their owners—that enable businesses to turn a profit. What do Americans get in return? What are the obligations of corporate citizenship in the U.S.?

For much of U.S. history, the answers were clear. Corporations sought to succeed in the marketplace, but they also recognized their obligations

to employees, customers and the community. As recently as 1981, the Business Roundtable—which represents large U.S. companies—stated that corporations “have a responsibility, first of all, to make available to the public quality goods and services at fair prices, thereby earning a profit that attracts investment to continue and enhance the enterprise, provide jobs, and build the economy.” This approach worked. American companies and workers thrived.

Late in the 20th century, the dynamic changed. Building on work by conservative economist Milton Friedman, a new theory emerged that corporate directors had only one obligation: to maximize shareholder returns. By 1997 the Business Roundtable declared that the “principal objective of a business enterprise is to generate economic returns to its owners.”

That shift has had a tremendous effect on the economy. In the early 1980s, large American companies sent less than half their earnings to shareholders, spending the rest on their employees and other priorities. But between 2007 and 2016, large American companies dedicated 93% of their earnings to shareholders. Because the wealthiest 10% of U.S. households own 84% of American-held shares, the obsession with maximizing shareholder returns effectively means America’s biggest companies have dedicated themselves to making the rich even richer.

In the four decades after World War II, shareholders net contributed more than \$250 billion to U.S. companies. But since 1985 they have extracted almost \$7 trillion. That’s trillions of dollars in profits that

might otherwise have been reinvested in the workers who helped produce them.

Before “shareholder value maximization” ideology took hold, wages and productivity grew at roughly the same rate. But since the early 1980s,

My new bill would require corporations to answer to employees and other stakeholders as well.

real wages have stagnated even as productivity has continued to rise. Workers aren’t getting what they’ve earned.

Companies also are setting themselves up to fail. Retained earnings were once the foundation for long-term investments. But from 1990 to 2015, nonfinancial U.S. companies invested trillions less than projected, funneling earnings to shareholders instead. This underinvestment handicaps U.S. enterprise and bestows an advantage on foreign competitors.

The problem may get worse, because executives have a strong financial incentive to prioritize shareholder returns. Before 1980, top CEOs were rarely compensated in equity. Today it accounts for 62% of their pay. Many executives receive additional company shares as a reward for producing short-term share-price increases. This feedback loop has sent CEO pay skyrocketing. The average CEO of a big company now makes 361 times what the average worker makes, up from 42 times in 1980.

Corporate charters, which define the structure and obligations of U.S. companies, are an obvious tool for addressing these skewed incentives.

But companies are chartered at the state level. Most states don’t want to demand more of companies, lest they incorporate elsewhere.

That’s where my bill comes in. The Accountable Capitalism Act restores the idea that giant American corporations should look out for American interests. Corporations with more than \$1 billion in annual revenue would be required to get a federal corporate charter. The new charter requires corporate directors to consider the interests of all major corporate stakeholders—not only shareholders—in company decisions. Shareholders could sue if they believed directors weren’t fulfilling those obligations.

This approach follows the “benefit corporation” model, which gives businesses fiduciary responsibilities beyond their shareholders. Thirty-four states already authorize benefit corporations. And successful companies such as Patagonia and Kickstarter have embraced this role.

My bill also would give workers a stronger voice in corporate decision-making at large companies. Employees would elect at least 40% of directors. At least 75% of directors and shareholders would need to approve before a corporation could make any political expenditures. To address self-serving financial incentives in corporate management, directors and officers would not be allowed to sell company shares within five years of receiving them—or within three years of a company stock buyback.

For the past 30 years we have put the American stamp of approval on giant corporations, even as they have ignored the interests of all but a tiny slice of Americans. We should insist on a new deal.

Ms. Warren, a Democrat, is a U.S. senator from Massachusetts.

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WORLD NEWS

Drought Takes Toll on Australian Farmers

Continued dry weather plagues vast territory, threatening livelihoods; 'not a blade of grass'

BY ROB TAYLOR

CANBERRA, Australia—A severe drought has gripped an area of Australia more than twice the size of Texas, turning normally fertile crop areas into dust bowls, draining water reserves and leaving wine-producing regions parched. Hungry kangaroos are turning up in cities.

Millions of dollars of farm equipment is idle across vast expanses of agricultural land in the continent's east, and farmers are wondering if they should bother planting summer crops.

"There's not a blade of grass, not even a vestige or shoot. It's dirt," said Carolyn Fretwell, a rancher whose family has grazed cattle and sheep on the plains near Coonabarabran, 300 miles northwest of Sydney, for 80 years.

They have used all their stocks of hay, so to feed their animals the family now trucks in sugar cane and cotton from about 700 miles away.

The current drought, which began for some in 2013 but intensified this winter when seasonal rains failed to arrive, isn't yet as severe as a dry spell from 2001 to 2009 that wiped 1% from economic growth and forced many farmers off the land for good.

Still, it is likely to worsen a global grain shortfall and lower beef prices, as a heat wave ravages crops in Europe and North America. Australia is the world's No. 4 wheat exporter and the No. 2 beef exporter, after Brazil.

The eastern state of New South Wales and much of Queensland, which together represent a third of the \$1.2 trillion national economy, were declared drought-affected last week. In some areas, water reserves are dangerously low.

The 3,000 residents of Coonabarabran may be the among first to run out of water. The town's dam is a muddy ditch. Locals are cutting back on showers and feeding their gardens with water recycled from washing machines.

"I look out the window and it's just brown. People are fragile, bursting into tears," said Julie Shinton, whose hus-



Parched farmland in New South Wales, 400 miles northwest of Sydney. Some farmers have been left no choice but to buy hay with which to hand-feed their stock.

band is the town's mayor. "People have had no income for two years, but if they walk off the land that'll be the end."

Farther north near Walgett, farmer Ed Colless said his 13,000 acres of prized black-soil farmland have received just a spray of rain since 2016.

"We've had one small crop in the last seven years," he said.

The central bank last week singled out the drought as a risk to Australia's 27-year growth streak. One of the country's main banks last week said it would cut business loan rates for farmers in drought-declared areas, and offer low-interest loans to support farmers through the next season.

With official forecasters worried that the dry spell could intensify under an El Niño weather system threatening to develop in the Pacific within months, Australia's largest commercial bank last week estimated the drought would knock

as much as 0.6% from economic output this year. Agriculture accounts for 3% of the economy.

The drought also poses a risk to Prime Minister Malcolm Turnbull, who faces elections by May. The conservative leader has struggled to maintain the support of rural voters,

'We've had one small crop in the last seven years,' a farmer with 13,000 acres said.

who have been drifting to populist and right-wing parties.

Mr. Turnbull recently toured drought-stricken areas, announcing hundreds of millions of dollars in farm-assistance payments and loans, as well as pipelines to ensure towns don't run dry. The gov-

ernment may also send the army into drought areas, officials said, to help deliver stock feed and infrastructure.

The drought could cut Australia's wheat harvest by a fifth, said Nathan Cattle, managing director of online grains trader Clear Grain Exchange, even as winter rain shields Western Australia, which produces half of the national harvest.

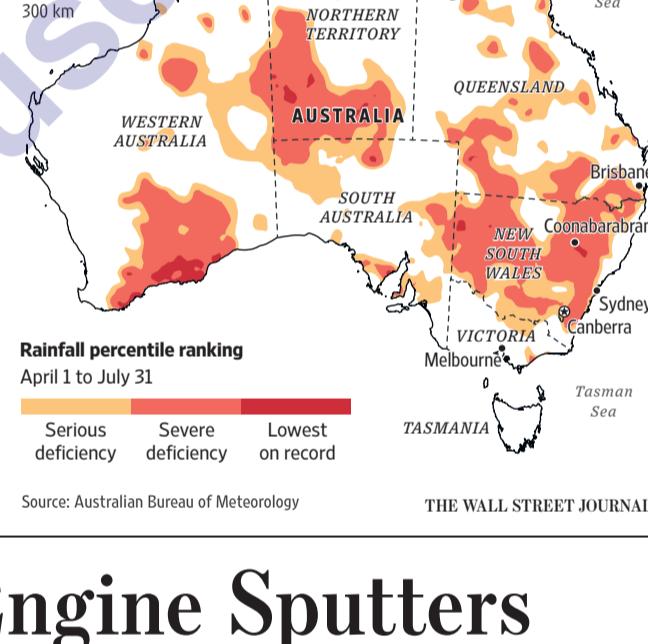
Cattle ranchers are having to decide whether to cull livestock or buy food, with the number of cattle sent to slaughter expected to top 7.8 million by December, according to industry body Meat and Livestock Australia, up 9% on 2017.

The picture is dire for Australia's famed wildlife, too. In Canberra, officials urged drivers to slow down after kangaroos moved into suburbs in search of food.

"Appoint a passenger kangaroo 'spotter,'" the city government said in a public notice.

Bone Dry

Parts of Australia are experiencing record drought conditions before the arrival of summer.



Rainfall percentile ranking
April 1 to July 31

Serious deficiency Severe deficiency Lowest on record

Source: Australian Bureau of Meteorology

THE WALL STREET JOURNAL.

Hong Kong Press Club Draws China's Ire Over Beijing Foe's Speech

BY NATASHA KHAN

HONG KONG—Hong Kong's government and Chinese officials criticized the city's foreign press club after an advocate of independence from China addressed international media.

Giving a platform to the head of the Hong Kong National Party, a fringe group opposed to Beijing's rule over the territory, was "inappropriate and unacceptable," the Hong Kong government said in a statement and expressed regret that the Foreign Correspondents' Club hadn't heeded calls to cancel the event.

China's foreign ministry condemned the speech, noting Beijing has a red line that forbids discussion of secessionist ideas that undermine Chinese sovereignty. While Hong Kong's mini-constitution guarantees free expression, the foreign ministry said "freedom of speech has a bottom line and a boundary," and talking about Hong Kong independence is unconstitutional and illegal.

Victor Mallet, the press club's acting president, said the talk by Andy Chan was a normal event in the club's public speaker program, and the club hosts advocates from across the political spectrum.

The official response worries pro-democracy campaigners in the Asian financial center, who fear a line is being redrawn to outlaw public dissent and opposition. Beijing tried to get the club to scrap the talk by sending a representative to meet club officials.

Inside the brick walls of the British colonial-era building Tuesday, Mr. Chan laid out his view that Hong Kong needs independence to preserve its people's culture, language and

identity. He criticized China as an imperial power and said he opposed the influx of more than a million migrants into the city from mainland China since Beijing resumed sovereignty over Hong Kong in 1997.

Mr. Chan was invited to talk after police recommended the Hong Kong National Party be disbanded under a law British rulers introduced to tackle organized crime gangs. The party has until Sept. 4 to respond to a dossier compiled by the police; after that, the city's security officials will decide whether to order the group to cease operations.

Police say the party has fewer than 100 members. Mr. Chan declined to give a number when asked at the talk.

As he spoke Tuesday, dozens of protesters outside chanted and waved placards. Some protested Hong Kong independence and demanded the press club be evicted. Others called for protection of freedom of expression.

Addressing the press Tuesday, Hong Kong's acting Chief Executive Matthew Cheung said he was sure the government's cordial relationship with the press club would continue.

"There's no question of us ceasing [the] relationship at all. I don't think this is a question we should consider at the moment—in fact, consider in the future either," said Mr. Cheung, who is standing in while Chief Executive Carrie Lam is on an official visit in Beijing.

The furor boosted the event's profile. It sold out only after the government and critics voiced displeasure.

A number of The Wall Street Journal's employees are members of the Foreign Correspondents' Club.

Chinese Growth Engine Sputters

BELING—As China girds for an escalating trade fight with the U.S., it is facing increasing trouble on the home front from a slowing economy.

Spending on so-called fixed assets such as factory machinery and public-works projects cooled to the lowest point in nearly two decades, the government reported Tuesday.

Other data also pointed to economic challenges. Retail sales grew, but not as sharply as analysts had expected. And unemployment ticked up to 5.1% last month, from 4.8% in June, the National Bureau of Statistics said.

Taken together, the data suggest that China can't go toe-to-toe in retaliating against U.S. trade levies, said Shuang Ding, an economist with Standard Chartered Bank in Hong Kong.

"China should avoid adopting a direct, confrontational approach in the trade fight with the U.S. and focus on strengthening its economy first," Mr. Ding said.

The U.S. has imposed 25% tariffs on \$34 billion of Chinese imports, which is set to increase to \$50 billion of goods on Aug. 23, as it seeks to correct a trade imbalance it says stems from unfair practices. China has defended its policies and imposed counter tariffs on U.S. goods.

Tuesday, China brought U.S. tariffs on imported solar products to the World Trade Organization, the Commerce Ministry said, adding that the U.S. measures harm China's interests and challenge trade rules.

"Such abuse of trade remedy measures not only harms China's legitimate interests, but also affects the seriousness and authority of the WTO rules," the ministry said in a statement.

Analysts have given the U.S. an edge so far, pointing to its solid economy. By comparison,



China said its retail sales grew slower than expected, while unemployment ticked up. Above, pedestrians in Beijing this week.

Losing Steam

Fixed-asset investment, a key growth engine for China, has slowed to a level not seen since 1999, in the aftermath of the Asian financial crisis.

Nonrural fixed-asset investment, change from a year earlier



Note: 2018 data through July

Source: National Bureau of Statistics via Wind Information

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real estate, in the first seven months of the year rose 10.2% from the previous year. That compared with a 9.7% increase in the January-June period.

Most of the growth was in so-called second- and third-tier cities that have looser property controls.

At a news media briefing on the new trade data Tuesday, statistics bureau spokeswoman Liu Aihua described the growth so far this year as "overall steady," acknowledging the impact of U.S.-China trade frictions on the Chinese and global economy.

Infrastructure investment will probably stabilize and accelerate in the second half of the year, Ms. Liu said.

Beijing is encouraging banks to open the lending spigots as it seeks to shore up its economy for what could be a long trade fight with the U.S.

The China Banking and Insurance Regulatory Commission on Saturday reported that new loans by Chinese banks totaled 1.45 trillion yuan (\$210.40 billion) in July, up 75% from the year-earlier period, according to preliminary statistics.

The regulator also said new lending to infrastructure projects stood at 172.4 billion yuan in July, up 37% from June.

So-called shadow lending, which includes loans by trust companies and other nontraditional lenders, dropped 2.3% in July from a year earlier, according to estimates by Macquarie Capital, based on central-bank data.

Apart from pumping money through banks, there is also room for the Finance Ministry to loosen fiscal policy through tax cuts and increased government spending, said Mr. Ding of Standard Chartered.

—Liyan Qi, Grace Zhu and Dominique Fong

◆ Heard on the Street: Xi's power has China downside B14

BUSINESS & FINANCE

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S&P 2839.96 ▲ 0.64% **S&P FIN** ▲ 0.86% **S&PIT** ▲ 0.62% **DJ TRANS** ▲ 0.85% **WSJ\$IDX** ▼ 0.02% **LIBOR3M** 2.315 **NIKKEI (Midday)** 22270.90 ▼ 0.38%

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CEO Musk tweeted of advisory roles for Goldman, Silver Lake as haggling continued

By LIZ HOFFMAN
AND TIM HIGGINS

Elon Musk again caught the financial world by surprise with an announcement on Twitter about his desire to take **Tesla** Inc. private, this time revealing a list of advis-

ers before arrangements with all of them were completed.

The electric-vehicle maker's chief executive said in a tweet late Monday that he was "excited to work with" as advisers investment bank **Goldman Sachs Group** Inc. and investment firm **Silver Lake**, blue-chip names in the deals world.

But on Tuesday, Mr. Musk and Goldman executives were still haggling about the terms of any engagement, according to people familiar with the matter. Silver Lake, mean-

while, is helping Mr. Musk explore the process of going private and considering a potential investment if a transaction proceeds, a person familiar with the matter said Tuesday. Silver Lake isn't being paid for financial advice, this person said. The firm doesn't typically advise companies except as part of its investment-evaluation process.

Tesla didn't immediately comment.

The disconnect comes as Tesla's board of directors

scurried to put into place a team to evaluate Mr. Musk's idea a week after he first disclosed it. The company said Tuesday the board formed a special committee composed of three board members: Brad Buss, a director since 2009 and the former finance chief at **SolarCity Corp.**, a solar-energy company Tesla bought in 2016; Robyn Denholm, a director since 2014 and the operations chief at Australian telecommunications company **Telstra Corp.**; and Linda John-

son Rice, CEO of **Johnson Publishing Co.**, who joined Tesla's board in 2017.

Tesla's board committee is contending with a CEO who often reveals corporate developments on Twitter that are typically disclosed by other companies in carefully crafted news releases.

While it isn't unusual for banks like Goldman to take

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◆ Saudi fund faces hurdles for Tesla deal. B12

Catching Fire

Share price of Tinder parent Match Group since its listing in 2015.



Source: FactSet

THE WALL STREET JOURNAL.

Tinder Valuation Sparks Lawsuit

By GEORGIA WELLS

Three of **Tinder**'s founders and a handful of current executives say the popular dating app's parent companies cheated them out of as much as \$2 billion by manipulating financial information to undermine its valuation, according to a lawsuit filed Tuesday.

The co-founders and executives claim **Match Group Inc.** and **IAC/InterActiveCorp.** hid projections of **Tinder**'s rapid growth in order to reduce payments to the holders of stock options, which were based on the company's valuation.

The suit, filed by 10 plaintiffs in New York Supreme Court, also says that Greg Blatt, a longtime executive of IAC who served as interim chief executive of **Tinder**, groped and sexually harassed **Tinder**'s vice president of marketing and communications, Rosette Pambakian, during the Los Angeles-based company's 2016 holiday party.

Mr. Blatt didn't respond to a request for comment.

The suit says Match Group played down the sexual-harassment claim to keep Mr. Blatt in place as he worked on the valuation of **Tinder**. Mr. Blatt, who at the time was also CEO of Match Group, left the company at the end of 2016.

Today's situation may be somewhere between the two, according to investors, as the Federal Reserve raises U.S. interest rates and reverses its massive bond-buying program, known as quantitative easing.

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Kroger To Start Selling In China

By LIZA LIN
AND HEATHER HADDON

Kroger Co. will sell its products in China on an e-commerce site owned by **Alibaba Group Holding Ltd.**, the U.S. grocer's first foray into foreign sales amid a broader push into online retail.

The supermarket chain on Tuesday said it is opening an online storefront on Alibaba's Tmall Global site, the Chinese internet titan's platform for international brands. Kroger said the initiative will begin Wednesday with an offering that includes dietary supplements and private-label products, in large part natural and organic goods.

"Growing into the Chinese market is a huge opportunity for Kroger and we are really excited," Yael Cosset, Kroger's chief digital officer, said in an interview.

An Alibaba spokeswoman said the company was "pleased to work with Kroger" on bringing its products to the Chinese market, particularly the grocer's Simple Truth line of natural and organic goods.

Kroger stock rose 2.4% on Tuesday after The Wall Street Journal reported on the partnership.

Kroger executives said they have been negotiating their first overseas sales push for months.

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Insurer's Policy Shift Hits New Treatment

By GRETCHEN MORGENSEN
AND CHARLEY GRANT

A major health insurer said it will stop reimbursing patients for use of injectable amniotic-tissue products made by **MiMedx Group Inc.** and other manufacturers, saying they are considered "experimental, investigational and/or unproven for all indications."

The decision by **Health Care Service Corp.**, effective Aug. 1, will likely curb the use of products promoted aggressively for an array of ailments including hair loss, erectile dysfunction, knee pain and osteoarthritis.

The policy change, which hasn't been publicly reported, was issued by the nation's largest customer-owned health insurer, the parent of Blue Cross/Blue Shield operations covering 15 million members in Illinois, Montana, New Mexico, Oklahoma and Texas.

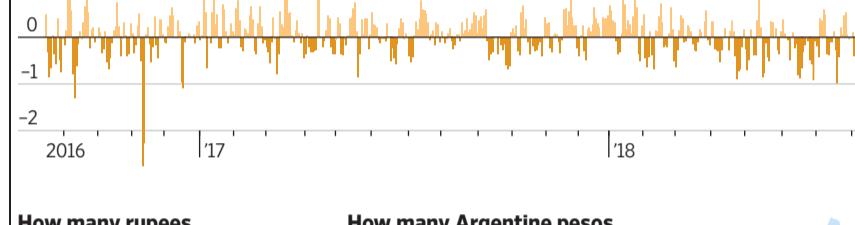
The company said it won't reimburse for injections of human amniotic fluid or "micronized or particulated human amniotic membrane," such as MiMedx's Amniofix products. Its policy noted it would cover limited uses for amniotic skin grafts such as MiMedx's EpiFix allograft.

A MiMedx spokesman declined to comment.

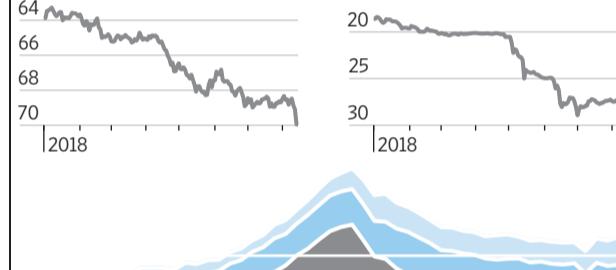
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The sharp selloff in the Turkish lira and other emerging-market currencies had sparked fears of contagion.

Two-day change, MSCI EM Currency Index

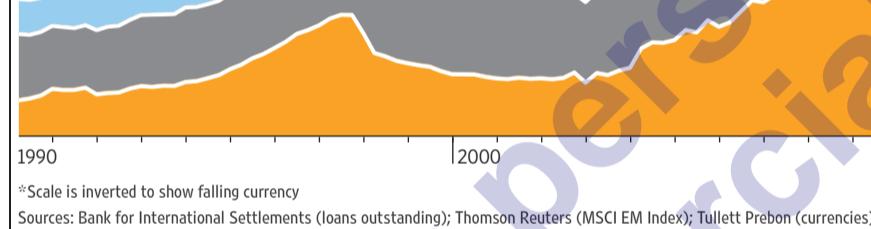


How many rupees one U.S. dollar buys*



*Scale is inverted to show falling currency

Sources: Bank for International Settlements (loans outstanding); Thomson Reuters (MSCI EM Index); Tullett Prebon (currencies)



How many Argentine pesos one U.S. dollar buys*

15 pesos

20 pesos

25 pesos

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460 pesos

465 pesos

470 pesos

475 pesos

480 pesos

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Tinder Valuation Sparks Suit

Continued from the prior page

been a key driver for Match Group, whose share price has more than tripled since the company went public in 2015.

It isn't uncommon for relations to sour between founders of businesses and their bosses within larger companies. The lawsuit is unusual in part because it involves so many senior officials who remain at the company. Tinder's chief strategist, vice president of finance, director of marketing, as well as Ms. Pambakian, all joined the suit. The chief strategist, Jonathan Badeen, is also a co-founder.

Two other Tinder co-founders, Sean Rad and Justin Mateen, and Tinder's former chief technologist, engineering director, lead designer and head of U.S. expansion are also participating in the suit. Mr. Rad, a one-time CEO of Tinder, and Mr. Mateen no longer work at the company. The two sold



Sean Rad, a founder of Tinder, is among 10 plaintiffs in the lawsuit.

their shares of Match Group in 2017, missing out on the stock's sharp rise this year.

In a joint statement Tuesday, IAC and Match Group said: "The facts are simple: Match Group and the plaintiffs went through a rigorous, contractually defined valuation process involving two independent global investment banks, and Mr. Rad and his merry band of plaintiffs did

not like the outcome."

Messrs. Rad and Mateen "may not like the fact that Tinder has experienced enormous success following their respective departures, but sour grapes alone do not a lawsuit make," Match Group and IAC said. "We look forward to defending our position in court."

IAC, which is based in New York, still owns more than

80% of Match Group after spinning it off in 2015.

Tinder was launched in 2012 after growing in a startup incubator run by IAC, and the swipe-based dating app spread quickly on college campuses. By the time Tinder parent Match Group went public in 2015, nearly 30 million people in the U.S. had downloaded Tinder.

To compensate Tinder employees and founders, Match Group and IAC agreed in 2014 to issue them stock options in Tinder, according to the complaint. Those options were set to convert to shares of Match Group in 2017.

The plaintiffs allege Match Group was motivated to suppress Tinder's valuation to minimize their payout. The lawsuit says Match Group and IAC "conducted a disinformation campaign," using false information and projections to value Tinder at \$3 billion in mid-2017, a figure the plaintiffs believe should have been far higher.

Ahead of the valuation calculation, Match Group removed

Mr. Rad as CEO of Tinder and installed Mr. Blatt, who subsequently banned Mr. Rad from Tinder's headquarters.

Policy Shift Hits Treatment

Continued from the prior page

MiMedx is restating its financial results back to 2012, and its founder, Parker H. Petit, has been removed as chief executive, although he remains on the board. MiMedx is being run by David Coles, a restructuring expert and managing director at Alvarez & Marsal.

The company calls itself a leader in regenerative biologics and uses donated human placenta tissue for wound care, spine and sports-medicine treatments. A recent Wall Street Journal investigation detailed allegations by former employees that MiMedx improperly booked revenues when it shipped goods, rather than when the products were used. Its practices are under investigation by the Justice Department,

the Department of Veterans Affairs and the Securities and Exchange Commission.

The Marietta, Ga.-based company has said its board's audit committee is conducting an independent investigation into "certain sales and distribution practices and other matters" and that it is cooperating fully with regulatory agencies, but didn't elaborate. Its shares, which peaked at nearly \$18 earlier this year, have fallen to around \$4.

Its products, made from placentas from women who have given birth by caesarean section, were lightly regulated.

MiMedx takes the amniotic membrane—thin, moist tissue that protects the fetus—and processes it into wound patches or grinds it into a powder that can be applied topically or by injection.

The Food and Drug Administration criticized MiMedx's quality-control procedures in a 21-page report in 2016, which was reviewed by The Journal but hasn't been disclosed by the company.

The report detailed 13 deficiencies found during a 12-day unannounced inspection of MiMedx's injectable-products manufacturing facilities in Marietta.

The 2016 FDA report said the company's written representation that its product-processing methods reduce the

risk of transmitting communicable diseases "was not based on a fully validated or verified process."

A MiMedx spokesman said since the inspection, the company has "continued its transition to current Good Manufacturing Practice compliance with an eye toward a biologic license filing and approval."

FDA rules allow products

made from human tissue to be marketed without regulatory approval, as long as the tissue performs the same basic function it had in the donor and hasn't been significantly altered.

Last November, the FDA said some products of the type MiMedx sells would require agency approval. MiMedx and other manufacturers have three years to meet the new guidelines.

The FDA allows such product to be sold, provided its use doesn't raise safety concerns.

"There is very little clinical evidence of superior efficacy of any of these products," said Paul J. Kim, a professor of plastic surgery at Georgetown University Medical School. "Largely the interest has been driven by great marketing efforts rather than by clinical outcomes."

The MiMedx spokesman said the company "continues to build its compendium of clinical studies to support EpiFix as a treatment for wound care patients."

BUSINESS & FINANCE

Sears CEO Offers to Buy Kenmore

By SUZANNE KAPNER

Edward Lampert, the chief executive of **Sears Holdings Corp.**, has offered to buy the company's Kenmore brand for \$400 million in cash, according to a letter Mr. Lampert sent to Sears's board.

The offer, from Mr. Lampert's hedge fund, **ESL Investments**, is contingent on obtaining equity financing from an unnamed potential partner, according to the letter. ESL also proposed buying the home-improvement business of Sears Home Services for as much as \$80 million.

Mr. Lampert, who is

Sears's controlling shareholder, first proposed buying Kenmore and other assets in April. The hope was that the original interest from ESL would flush out other bidders, people familiar with the situation have said.

Sears has created a special board committee to evaluate the proposal but hasn't announced interest from any other parties. The company declined to comment.

The moves are an effort by Mr. Lampert to inject Sears with cash and stave off bankruptcy, while allowing the hived-off businesses to grow by distributing their products

and services beyond Sears and its sister chain Kmart, the people have said.

The company has struggled with years of shrinking sales and deep losses, forcing it to close hundreds of Sears and Kmart locations. It has already sold off its Craftsman tool brand to raise cash, and Mr. Lampert's hedge fund has pumped in money through short-term loans.

"Completing the acquisitions of Kenmore and [home-improvement] will enable Sears to improve its debt profile and liquidity position, creating the runway to help continue its transformation,"

ESL said.

In his letter to the board, Mr. Lampert said ESL plans to work with third parties to solicit interest in purchasing all or part of Sears's encumbered real estate, including the assumption of debt secured by the properties. The deal would allow for the stores' continued operation, he wrote.

Mr. Lampert also encouraged Sears's board to reach out to debtholders to gauge their appetite for a restructuring. He said ESL would be prepared to participate in such a transaction if it resulted in a substantial reduction in Sears's debt.

Kroger To Sell In China

Continued from the prior page

Mr. Cosset declined to discuss the terms of the financial arrangement with Alibaba. He said the Cincinnati-based grocer looked at several other companies before deciding on the Chinese site.

Tougher competition in the U.S. is prompting big retailers to strike deals abroad. **Walmart Inc.** in May took a majority stake in Indian e-commerce giant **Flipkart Group**.

The sales push in China is Kroger's fifth e-commerce initiative in three months. The largest U.S. supermarket chain by sales and stores is trying to fend off stiffer competition from **Amazon.com Inc.** and the Whole Foods grocery stores it owns, as well as other food sellers.

Kroger increasingly sees its Simple Truth line as a way to attract new customers domestically and abroad. The goods have already surpassed \$2 billion in annual sales, Kroger said this year.

Kroger currently sells those items online in the U.S. through Vitacost.com Inc., an e-commerce site it acquired in 2014.



Kroger's initiatives include taking a stake in Ocado Group, a U.K. online grocer with automated warehouses.

The grocer said it has generated strong sales of its natural and organic products on the site, including in parts of the U.S. where it doesn't have grocery stores.

Kroger selected the initial line of products to sell in China through consumer surveys, and they will be further expanded, Mr. Cosset said.

Earlier this month, Kroger started delivering directly to homes and businesses through third-party carriers. In May, Kroger took a stake in British online grocer **Ocado Group**

PLC to run automated delivery warehouses for digital orders. It also acquired Home Chef to sell its meal kits in stores and online, and is working with electric-vehicle startup Nuro Inc. to test driverless grocery deliveries.

After focusing for years on sales at their 2,800 U.S. stores, Kroger executives said they have traveled abroad to study the habits of foreign consumers and search for technologies to use in the U.S.

"You should continue to see us doing partnerships and relationships with multiple people

across the world," Chief Executive Rodney McMullen said in an interview earlier this year.

For Alibaba, owner of China's two most popular e-commerce websites, Kroger's products could provide a leg up in the nation's fiercely competitive online grocery market. Walmart owns a 12% stake in **JD.com Inc.**, Alibaba's biggest rival in China. Signing a deal with Kroger also adds to the list of U.S. merchants Alibaba has been seeking to woo over the past years as consumers there are increasingly shifting their purchases online.

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BUSINESS NEWS

Home Depot Lifts Growth Projections

BY KIMBERLY CHIN

Home Depot Inc. raised its earnings and sales targets for the year as it continued to benefit from robust home-improvement activity and a strong U.S. economy in the latest quarter.

The Atlanta company on Tuesday said it is targeting 2018 sales growth of about 7% and comparable-store sales growth of about 5.3%, above its prior guidance of 6.7% and 5%, respectively. Home Depot also raised its earnings target to \$9.42 a share from its earlier forecast of \$9.31 a share.

Home Depot said its second-quarter profit jumped 31% from the year-ago period to \$3.5 billion, or \$3.05 a share. Analysts polled by Thomson Reuters had expected a profit of \$2.84 a share.

Revenue rose 8.4% from a year earlier to \$30.5 billion. Overall comparable-store sales rose 8%, with U.S. comparable-store sales rising 8.1%.

The report comes as a basket of retail companies from **Walmart** Inc. to **Macy's** Inc. are due to report earnings this week.

Home Depot benefited from customers spending more money on each transaction in the latest quarter. The average customer ticket rose 5% to \$66.20, driven in part by inflation for lumber building materials and copper.

Ted Decker, Home Depot's executive vice president of merchandising, said on a conference call that the company is dealing with inflation on multiple fronts as costs for raw materials and transportation rise.

However, RBC Capital Markets analysts said in a client note that Home Depot would be largely unaffected by rising commodity prices as product manufacturers would have to bargain hard to pass on price increases to the retailer.

The company's profit continues to soar on a favorable economic backdrop, marked by rising home prices, stronger housing formation and tight housing supply. Low inventory levels are expected to drive home prices higher and home-related investment activity.

"We feel very positive about the strength of the home-improvement sector and the customers' willingness to spend," Chief Executive Craig Menear said on the call.

Analysts also were concerned that the retailer's plan to accelerate investments to improve its supply chain and integrate online tools to improve customers' in-store shopping experiences would weigh on earnings over the next couple of quarters. The company reported cost of sales rose 7.8% to \$20.1 billion.

The investments, however, were seen as necessary to "future-proof Home Depot's business against online competition," RBC analysts said in a note.

◆ Heard on the Street: Home Depot raises the roof B14

Coke Raises Game With Gatorade

Beverage giant buys stake in BodyArmor, an athlete-backed sports-drink startup

BY JENNIFER MALONEY AND CARA LOMBARDO

Coca-Cola Co. is buying a stake in **BodyArmor**, the sports drink startup backed by Kobe Bryant and other athletes, marking the latest attempt by the beverage giant to break Gatorade's lock on the sports market.

In addition to taking a minority stake, Coca-Cola's bottling system could soon begin distributing BodyArmor's drinks, executives said. The deal would also allow Coke to later take full ownership of the upstart, they added. Financial terms couldn't be learned.

BodyArmor has sought to challenge Gatorade, which is owned by **PepsiCo** Inc., and Coca-Cola's Powerade. BodyArmor has marketed its products as healthier alternatives and enlisted younger athletes, like Los Angeles Angels outfielder Mike Trout and Houston Rockets guard James Harden, to invest and appear in its ads.

Gatorade still dominates the market, capturing about three-quarters of the \$8 billion in U.S. sports drinks sales, but its sales have declined in recent quarters. BodyArmor has grown quickly in the past year but is still a distant third, behind Powerade, with less than 6% of the market, according to a Wells Fargo analysis of Nielsen data.

Like Gatorade and Powerade, BodyArmor is rich in electrolytes to help with hydration. But BodyArmor, which



UFC fighter Francis Ngannou is among athletes sponsored by BodyArmor, expected to have \$400 million in revenue this year.

uses coconut water, is lower in sodium and higher in potassium and is marketed as more natural than rivals. It doesn't use artificial colors like Gatorade or high-fructose corn syrup as a sweetener like Powerade.

BodyArmor is expected to have about \$400 million in revenue this year and, based on recent deals in the beverage industry, could be valued between \$1 billion and \$2 billion.

Under the deal, Coca-Cola would become BodyArmor's second-largest shareholder, eclipsing a stake held by soda rival **Keurig Dr Pepper** Inc., which also has a distribution deal.

BodyArmor has informed

Keurig Dr Pepper that it plans to terminate the current distribution agreement, according to a person familiar with the matter. A Keurig spokeswoman declined to say whether the company plans to keep its stake in BodyArmor.

The amount Coca-Cola would ultimately pay for full ownership of BodyArmor would depend on sales and other performance measures, Jim Dinkins, president of Coca-Cola North America, said in an interview.

He said Coke will position BodyArmor as a premium drink above Powerade.

BodyArmor, which is based in Queens, N.Y., was launched in 2011. Its co-founder, chair-

man and principal investor, Mike Repole, also helped create Glaceau, the maker of vitaminwater and smartwater and a business that Coke acquired in 2007 for \$4.1 billion. In 2013, Mr. Bryant became a top BodyArmor investor and joined the board.

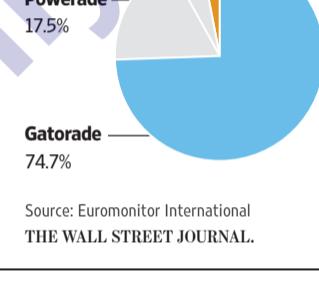
Mr. Repole said the new Coke deal sets the groundwork for distributing BodyArmor internationally, including in China, which would ramp up his challenge to the market leader.

"To me, Gatorade is Blockbuster Video, and BodyArmor is Netflix," he said in an interview. "If you don't evolve, you're not going to be around much longer."

Natural Selection

Gatorade still dominates the sports-drink market, but BodyArmor has grown quickly in the last year.

U.S. market share in 2017



Source: Euromonitor International

THE WALL STREET JOURNAL.

New York Magazine Owner Mulls Sale

BY BENJAMIN MULLIN AND LUKAS ALPERT

New York Media, owner of New York magazine and several websites, is exploring options including a possible sale, according to people familiar with the matter, the latest publisher to weigh consolidation to cope with pressures in the fast-changing media sector.

New York Media's flagship publication, New York magazine, has for decades covered the nexus of politics and culture from its Manhattan perch as both a regional and national brand.

The publisher is owned by a holding company controlled by the heirs of Bruce Wasserstein, the late financier who purchased New York magazine in 2003 for \$55 million. Pamela Wasserstein, a former corporate lawyer, took the helm of the company in 2016.

The Wassersteins have transformed New York Media, building upon the print magazine with a network of



The print magazine was founded as a weekly in 1968 and moved to biweekly in 2014.

websites.

After Mr. Wasserstein's acquisition, New York Media launched Vulture, a website that tracks the entertainment industry; Grub Street, a food and restaurant site; Select All, a vertical dedicated to technology; The Cut, a fashion and lifestyle site; and The Strategist, a vertical that makes recommendations for a variety of products.

Earlier this year, New York Media acquired Splitsider, a comedy website, from The Awl Network.

In a statement, New York

Media said, "We are focused on building our business organically, but we also explore investment interest and strategic opportunities as a general practice... Given the growth New York Media has seen, it makes sense for us to evaluate the market for opportunities to continue to develop the business." Closely held New York Media doesn't make its finances public.

"Partnering to support acquisitions or other ways of growing might make sense. Or it might not," Ms. Wasserstein said in a memo to staff Tuesday.

The company's digital audience has grown rapidly over the past year. In June, the company's network drew 35 million unique visitors, an increase of nearly 100% over the previous year, according to comScore.

The print magazine, which was founded as a weekly in 1968 and moved to biweekly in 2014, reports circulation of 404,000 per issue, according to the Alliance for Audited Media.

Twitter Suspends Alex Jones

BY TRIPP MICKLE

Twitter Inc. on Tuesday suspended the far-right talk-show host Alex Jones for violating the social media company's policies, a reversal amid intensifying public scrutiny and criticism of Mr. Jones's posts on the platform.

Mr. Jones will be blocked from posting on Twitter for seven days because of an offending tweet, the company said. Twitter declined to comment on the content that violated its policies, but in a note to Mr. Jones it said a tweet about taking action against web censorship included a link to a video that violated the company's policy against targeted harassment of someone or inciting others to intimidate or harass someone.

Mr. Jones couldn't immediately be reached for comment.

Twitter's move came more than a week after technology companies, including **Apple** Inc., YouTube and **Facebook** Inc., removed content from Mr. Jones or his site, Infowars. The actions intensified a debate over what role companies play in policing content while supporting free speech.

BUSINESS WATCH

PERRY ELLIS INTERNATIONAL

Committee Ends Talks With Randa

Perry Ellis International Inc.'s special board committee has ended deal talks with **Randa Accessories** after one of the company's key licensing partners declined to back Randa's takeover proposal.

Perry Ellis's largest inbound licensor was unwilling to consent to the deal, the special committee said Tuesday in a news release, without identifying the company. Inbound licensors are companies that contract with Perry Ellis to manufacture merchandise on their behalf.

The company has a pending deal, announced in June, with George Feldenkrais, the founder and former executive chairman, and his son Oscar Feldenkrais, the current CEO, to take the company private at \$27.50 a share, or \$437 million.

In July, Randa began making unsolicited offers for Perry Ellis. Its initial \$28-a-share bid was

rejected, but Perry Ellis said earlier this month it would start discussions for a proposed takeover and grant due-diligence access to the privately held Randa after it raised the offer to \$28.90.

—Kimberly Chin

UNITED PARCEL SERVICE

Aircraft Mechanics Reach an Agreement

United Parcel Service Inc. has reached a tentative labor contract covering more than 1,000 aircraft mechanics, the delivery company's third such deal with the Teamsters union in recent months.

The agreement with Louisville-based Teamsters Local 2727, after more than four years of negotiations, provides annual wage increases and preserves health coverage without employee premiums.

The deal sets up a critical series of votes for UPS union members on three contracts that represent more than

260,000 covered employees. In June, UPS agreed to a new five-year deal covering workers, including drivers and package sorters, in its small-package operations. A few weeks later, the two sides agreed to a five-year deal covering UPS workers who haul freight.

The workers are expected to vote on the contracts over the coming weeks. If passed, the agreements would provide relative labor peace for the package-delivery company as it embarks on a transformation to cut costs and upgrade its operations.

The latest deal with the mechanics union, which represents 1,300 workers, provides an immediate 16% pay increase.

UPS aircraft mechanic Jack Chatburn said he expects the contract to be "ratified swiftly."

UPS spokesman said the proposed contract provides higher pay and more flexibility for the company, "positioning UPS to meet customer needs while also addressing competitor challenges."

—Paul Ziobro

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Tencent Cheers On Esports

By CHRISTOPHER CAMERON

HONG KONG—Tencent Holdings Ltd., the world's largest videogame company by revenue, is raising its bet on the rapidly growing esports industry.

The Chinese tech giant is investing at all levels of the business, which revolves around public contests between the world's top videogame players. Shenzhen-based Tencent is importing foreign competitive-games titles to China, hosting arena competitions and buying up streaming services that broadcast the events.

Tencent, best known for its WeChat social-media messaging app, already dominates China's estimated \$38 billion games market, and worldwide in 2017 the company generated more than \$18 billion, or about half of its total revenue, from dozens of games businesses, according to analysts. Deeper involvement in esports could boost its revenue from games, including its "League of Legends" blockbuster, because such competitions generate buzz around games.

Tencent Chief Strategy Officer James Mitchell said on an earnings call in May there were substantial opportunities to make money with esports and the company was testing them out with "League of Legends." Tencent declined to comment for this article.

Amsterdam-based market research firm Newzoo BV estimates that about one-third of esports' global online audience of 380 million is in China.

One challenge Tencent faces is how to build out esports in China as effectively as such companies as California-based Activision Blizzard Inc. do in the U.S. Newzoo says North American esports "enthusi-

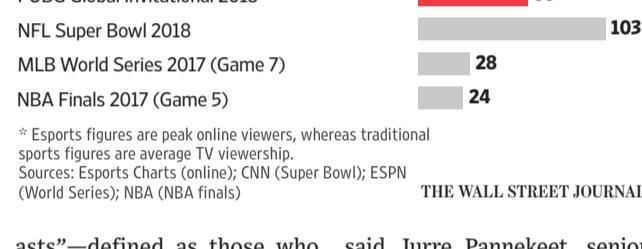


The Chinese giant's videogames include 'League of Legends,' which has spawned esports contests.

Game On

Esports are drawing online audiences that rival TV viewership of sports leagues.

Total viewers*



* Esports figures are peak online viewers, whereas traditional sports figures are average TV viewership.

Sources: Esports Charts (online); CNN (Super Bowl); ESPN (World Series); NBA (NBA finals)

THE WALL STREET JOURNAL.

asts"—defined as those who watch esports events more than once a month—are considered the most valuable in the world to advertisers.

"Brands like Apple value North American and European fans because they're more likely to have higher income and spend money on their brands,"

said Jurrie Pannekeet, senior market analyst at Newzoo.

In the U.S., esports organizations have attracted the attention of the traditional sports leagues, including the National Football League. Activision Blizzard's Overwatch League has franchises owned by the same groups that con-

trol the NFL's New England Patriots and Los Angeles Rams as well as the National Hockey League's Philadelphia Flyers. The finals for the Overwatch League in July were sold out at New York's Barclays Center.

Still, the main online audience for Overwatch was in China, with 72% of the grand final's peak audience of 1.2 million viewers coming from Chinese streaming services, according to Esports Charts, a Kiev-based analytics service.

In China, Tencent is filling stadiums with competitions for "League of Legends," a game developed by its Riot Games subsidiary. One event in May achieved a peak audience of 127.6 million online viewers, the most popular esports event in history, according to Esports Charts. By comparison, the average number of TV viewers recorded for the 2018 NFL Super Bowl was 103 million.

Cortana's Problem: Relying on Windows

By JAY GREENE

Microsoft Corp. is moving to retool Cortana, its digital voice assistant that has struggled as the software giant shackled it to the personal computer.

When the assistant—named after a character from the Xbox videogame franchise "Halo"—was introduced four years ago, it was available only through the Windows operating system, a strategy that hobbled Cortana as voice computing took off in a new era of smart speakers.

Amazon.com Inc. introduced its Alexa digital assistant seven months after Cortana's launch, but its Echo and sibling devices now control two-thirds of the U.S. smart-speaker market, according to research firm eMarketer. The market share of devices using Cortana isn't large enough to be listed in eMarketer's tally.

Microsoft's effort to turn Cortana into a viable competitor, while voice computing is still in its early days, is bigger than just the market for smart speakers that sit on kitchen counters. It is an opportunity to lead in the next big advance in computing, in which people use their voices rather than a keyboard and mouse.

Microsoft is looking to get customers using Cortana when they aren't sitting in front of their PCs, said David Ku, Microsoft vice president. He declined to elaborate, but said one approach could lead to customers using Cortana to access email in cars.

Cortana's overhaul effort is led by Javier Soltero, a senior executive who came to Microsoft through a 2014 acquisition and has become an internal advocate for new

approaches at the 43-year-old company. As a senior executive in the group behind Outlook, he pushed to make the email and calendar app work well on Apple Inc.'s iOS and the Android operating system from Google.

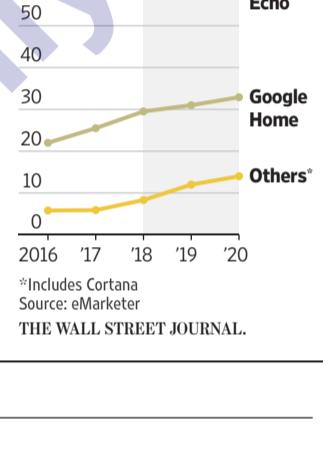
Mr. Soltero declined to be interviewed. A person familiar with his plans expects him to provide more details regarding his Cortana strategy early this fall.

Microsoft also hopes to boost Cortana use through a partnership with Amazon. The deal provides each assistant with capabilities they lack, giving Alexa, for example, access to Microsoft's widely used Outlook calendar app. The companies demonstrated how the integration would work in May, and could roll out the service as early as this week, the person familiar with the plans said.

Speaker Slump

Devices running Microsoft's Cortana significantly trail Amazon's Echo in the U.S. smart-speaker market

U.S. smart-speaker market share



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Negotiation, Organizations and Markets: negotiation, decision making, behavioral economics, incentives, the motivation and behavior of individuals in organizations, and the design and functioning of markets. Closing date for applicants with a background in judgment and decision making, negotiation, social psychology, and/or organizational behavior: 4 October 2018. Closing date for applicants with a background in economics: 15 November 2018.

Organizational Behavior: micro- and macro- organizational behavior, leadership or human resources management. The unit welcomes diverse theoretical and disciplinary perspectives, including organizational behavior, organization studies, human resource studies, industrial relations, sociology, psychology, economics, and networks, among others. Candidates should submit a curriculum vitae, research and teaching statement, three letters of reference, and up to three representative publications or working papers. Closing date: 27 September 2018.

Technology and Operations Management: operations management in service, retailing, and manufacturing contexts, digital operations and analytics, new product development, economics and management of technological innovation, supply chain management, or economics of information technology. Candidates should submit a current curriculum vitae and a job market paper abstract. Closing date: 19 November 2018.

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NY, NY. Support multiple apps, providing subject matter expertise & creating test strategies & test plans for more than 1 project &/or app. Participate in cross-functional discussions to review impact of app changes from both internal & external interfaces. Identify & implements area for improving efficiency, shortening of test cycles, & automation of test scripts. Bachelor's or equiv in technical field + 5 yrs relevant exp. Demonstrated knowl of Softw Devlpm Lifecycle concepts such as Agile & Waterfall models. Exp in Bus Req'mt analysis & tecchnl documents. Exp in C/C++, Python, & Bash Shell scripting. Exp w/Linux & Unix. Demonstrated knowl of VB scripting & Excel Macros. Exp of RESTful svrcs, API testing, JSON & Web app devlpm. Web technologies e.g. HTTP, XML, HTML/CSS. Devlpm exp in automaton frameworks & automaton testing using Selenium, JUnit, Cucumber & Behavior Driven Devlpm (BDD) & SOAP-UI. Exp in dbase/SQL & Devlpm architecture. Exp w/Integrated Devlpm Enviro tools like Eclipse, Putty, GIT, Tortoise, FileZilla, & Spring IDE. Devlpm exp using Java Devlpm kit (JDK) & Java Run time environ (JRE). Exp in banking domain especially retail banking. Employer will accept any amount of prof'l exp w/reld skills. To apply, visit <http://careers.jpmorganchase.com/> & apply to job # 180079263. EOE, AAE, M/F/D/V. J.P. Morgan Chase is a marketing name of JPMorgan Chase & Co. The Chase Manhattan Bank is a subsidiary of J.P. Morgan Chase & Co. © 2003 J.P. Morgan Chase & Co. All rights reserved. www.jpmorganchase.com/

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THE PROPERTY REPORT

Startups Disrupt With Short Leases

Some landlords are offering tenants office-space flexibility in order to compete

By PETER GRANT

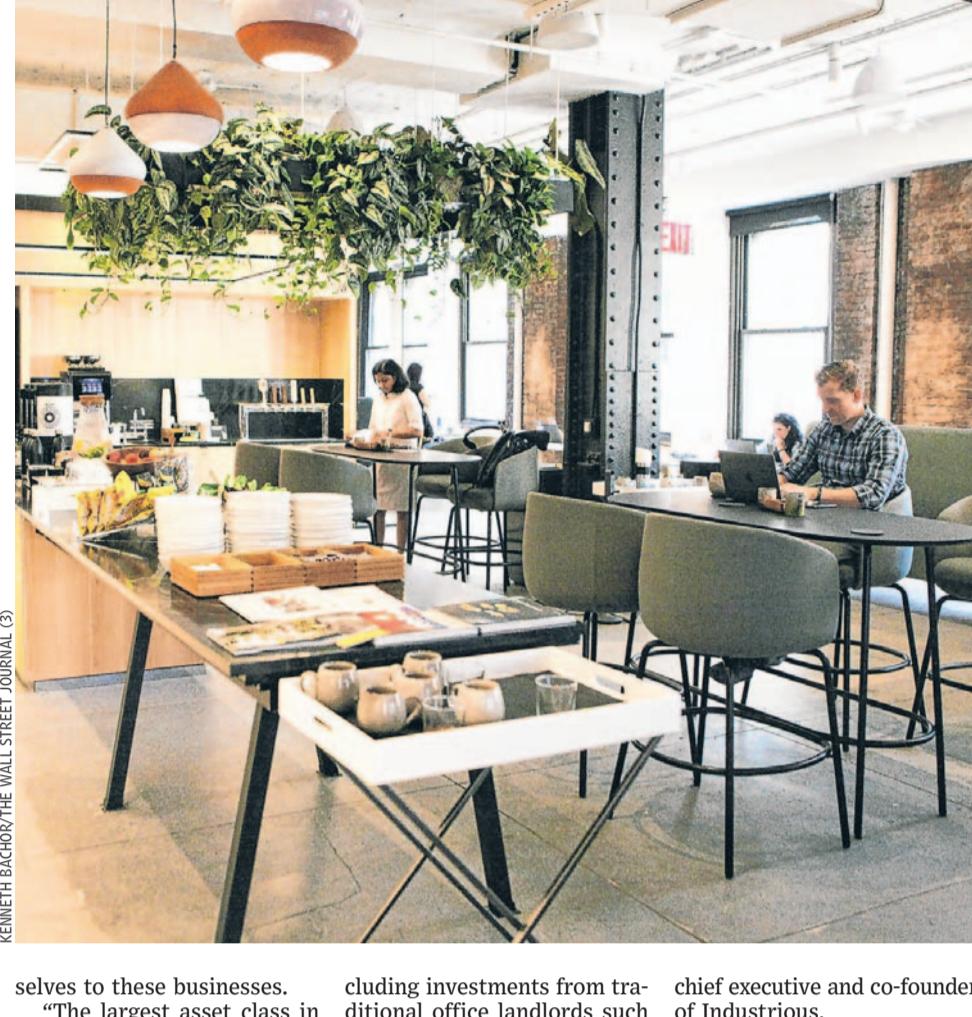
A startup real-estate technology firm is looking to take on shared office company WeWork Cos. in one of hottest new areas of commercial real estate: providing short-term office space to some of the biggest U.S. companies.

Convene launched nine years ago as a firm that provided conference, meeting and training spaces. Now it is starting to provide short-term, more flexible workspaces as well. The New York-based company sets up ventures with landlords or leases out big spaces itself wholesale, then carves them up and rents them out to businesses.

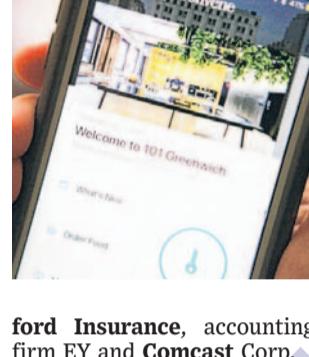
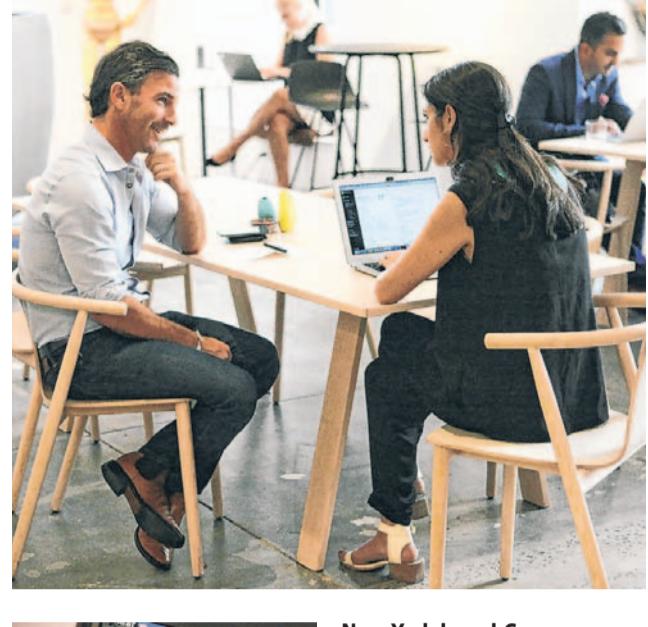
Many corporate tenants today want to be able to scale up or trim down quickly. That means leasing a portion of their space for only a few years or even a month—making traditional leases of 10 or 15 years that landlords have offered for decades less attractive.

This rapidly growing corner of the commercial real-estate market is shaking up the often-staid business of office rentals by shifting some of the power to newer, more nimble firms.

Convene, WeWork and others are developing relationships with companies that used to go directly to landlords. Some landlords are trying to block this by offering flexible workspaces themselves, posing a threat to Convene and others. But many building owners are finding that they can't do it as well as the startups that devote them-



KENNETH BACHOR/THE WALL STREET JOURNAL (3)



New York-based Convene provides conference, meeting and training spaces. The company opened its first three workspace locations this year, including one at Manhattan's 101 Greenwich St.

selves to these businesses.

"The largest asset class in the world is being disrupted," said Ryan Simonetti, Convene's co-founder and chief executive, referring to the office market.

The so-called flexible space could account for as much as 30% of office space demand by 2030, up from less than 5%, according to real-estate services firm JLL.

Convene recently closed a \$152 million funding round, part of which will help this new campaign. That increased its equity to \$260 million, in-

cluding investments from traditional office landlords such as the Durst Organization, RXR Realty and Brookfield Property Partners.

Other companies in the flexible office sector include Knotel, which closed on a \$70 million funding round earlier this year, and Industrious. The five-year-old firm has about 50 locations in 27 cities.

"The name of the game is convincing companies they should be outsourcing their workplace needs to third-party providers," said Jamie Hodari,

chief executive and co-founder of Industrious.

WeWork's tenants include International Business Machines Corp., Microsoft Corp. and UBS Group AG. Industrious rents out to companies like Pfizer Inc., Hyatt Hotels Corp., Pandora Media Inc. and Freddie Mac.

Convene currently has operations in 19 buildings in five cities and expects to open four more by the end of 2018. Big-name tenants who are meeting some of their space needs through Convene include Hart-

ford Insurance, accounting firm EY and Comcast Corp.

"You talk to any company today and they would like to make as many of their expenses as variable as possible," said Mr. Simonetti.

For traditional landlords, the trend offers a short-term payoff but a longer-term risk.

Firms like Convene and WeWork have become big tenants, helping boost revenue. But the shorter, flexible leases that tenants increasingly prefer make it trickier for owners to finance buildings because

long-term cash flow is less assured.

There are also plenty of risks for firms such as Convene and WeWork. For starters, demand for their space has yet to be tested by an economic downturn.

Convene said it is trying to work closely with landlords, not pose as a threat to them. "The fight that's happening right now in the industry is who owns the customer and the customer experience," Mr. Simonetti said. "Could that be perceived as threatening? Yes."



Belmond, which owns and operates dozens of famous hotels, as well as the '21' Club restaurant in New York, is up for sale.

Owner of Luxury Hotels Seeks Buyer

By CRAIG KARMIN

A London-based company that owns and operates dozens of famous hotels, from the Cipriani in Venice to the Copacabana Palace in Rio de Janeiro, is up for sale after years of rebuffing its many suitors.

The move by Belmond Ltd. to explore the market now is the latest sign that luxury travel is booming after an extended downturn, when many leisure travelers and businesses shunned paying up for high-end accommodations.

Belmond said in a U.S. securities filing last week that it has initiated a "comprehensive review of strategic alternatives" including "a possible sale." While the company could decide not to sell the entire firm, or could instead sell individual properties or even nothing at all, the market reacted as if a sale of the company were the probable outcome.

Shares of Belmond have surged about 40% on the New York Stock Exchange since the news was made public. They closed on Tuesday at \$15.95, up about 1.6% on the day. Some analysts think the stock has further to go. Deutsche Bank in a note last week suggested it could go to \$17 a share.

Belmond's board over the years has heard from potential buyers of all stripes—including

sovereign-wealth funds, hotel operators and private-equity firms—but most of those talks never gained much traction, say people familiar with the firm. Because Belmond has a dual-class share system that concentrates voting rights in the hands of board members, the company has been able to reject any unsolicited bid.

A few years ago, the board rejected a bid of more than \$12 a share from a unit of India's Tata Group. The board also turned away a \$60-a-share offer made by a Dubai company in 2007. The stock hasn't been anywhere close to that level in several years.

Belmond has decided to pursue a potential sale at a time when the luxury hotel market has come roaring back. The average daily rate for luxury hotels in 2012 was \$236.20, according to data firm STR. By the end of 2017, that figure was up to \$284.61, and it has continued to rise this year without much change in occupancy levels.

"Resorts and luxury hotels are in vogue at the moment, and it's not surprising [Belmond] would want to capitalize on that," said Lukas Hartwich, a senior analyst who covers the lodging sector for Green Street Advisors.

Luxury travel's comeback reflects a stronger economy that has helped boost tourism

and the return of business travel.

During the financial crisis, American International Group came under public attack when details emerged about a bash at the tony St. Regis hotel in Dana Point, Calif. AIG was denounced for spending money on a high-end hotel after receiving a government bailout package, even though it was a long-planned event

The decision to pursue a sale comes as the high-end market bounces back.

for top-selling employees. The bad press put a chill on business events at luxury hotels for years to follow.

Analysts suggest Belmond could draw widespread interest because it owns iconic properties in places like St. Petersburg, Russia; Cape Town, South Africa; and Santa Barbara, Calif. The company's market capitalization of less than \$2 billion is small enough to make it affordable for many potential buyers.

Belmond has full or partial stakes in virtually all its 36 hotels, making it one of the last hotel operators to own

most of the properties it manages. Its sale would represent an end of an era.

Most lodging companies have gotten out of the business of owning real estate, often spinning off their property holdings into real-estate investment trusts for tax purposes. Large operators today focus on managing hotels or franchising their brands, teaming with investors who own the properties.

Belmond has chosen to hold on to its properties for a number of reasons, in part because it doesn't own a large enough number of hotels to function as a pure operator.

The company has struggled even after business started to pick for the rest of the industry. The company's share price was down 5.75% over the past three years through Aug. 8, when the company announced its strategic review. The hotels, restaurants and leisure subsector of the S&P 500 consumer discretionary index was up nearly 26% over the same period.

The new CEO, Roeland Vos, is a hospitality veteran and a former Starwood Hotels executive. The company also offers luxury train rides, including the Venice Simplon-Orient-Express, river cruises in Europe and Asia, and owns the venerable '21' Club restaurant in New York City.

Borrowing Costs Rise, Create Funding Gaps In Affordable Housing

By ORLA McCAFFREY

"It makes the difference between feasibility and infeasibility," said Cynthia Parker, president and chief executive of Bridge Housing. "Developers have to pull things out of units, and it may take a bit longer because you have to assemble other funding sources. By the time you get those, you might have to rebid out the project and it might be more expensive."

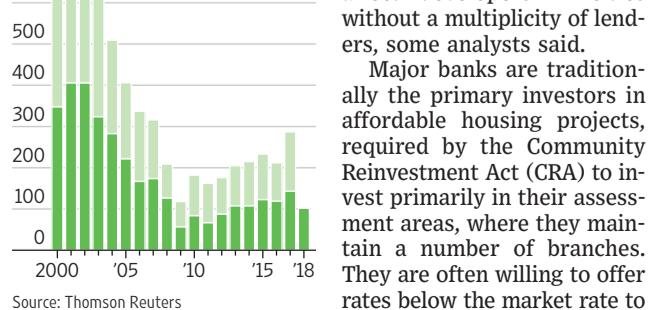
The rising cost of debt isn't just making new projects harder to launch; it is also putting future refinancing into question. The rents of affordable-housing tenants are tied to the area's median income, so if wages continue to stagnate while rates rise, the revenue from projects may not be enough to pay down debt in the future, some analysts said.

Affordable housing, which constitutes about one-quarter of all new apartment construction in the U.S., is already facing a number of difficulties, including a decline in government subsidies and rising construction costs.

Production of affordable units is expected to reach 97,000 in 2018, according to a Novogradac estimate. That is up from a tumultuous 2017 but notably below 2015 and 2016 levels. And over the next decade, the number of units built is forecast to decline by 230,000, thanks to the lower corporate tax rate introduced by last year's tax bill and subsequent valuation of low-income housing tax credits. The credits constitute the largest investment source of assisted-housing.

While high-rent areas such as New York City and the Bay Area in California often dominate the conversation around affordable housing, rising interest rates are most likely to affect developers in cities without a multiplicity of lenders, some analysts said.

Major banks are traditionally the primary investors in affordable housing projects, required by the Community Reinvestment Act (CRA) to invest primarily in their assessment areas, where they maintain a number of branches. They are often willing to offer rates below the market rate to meet CRA rules.



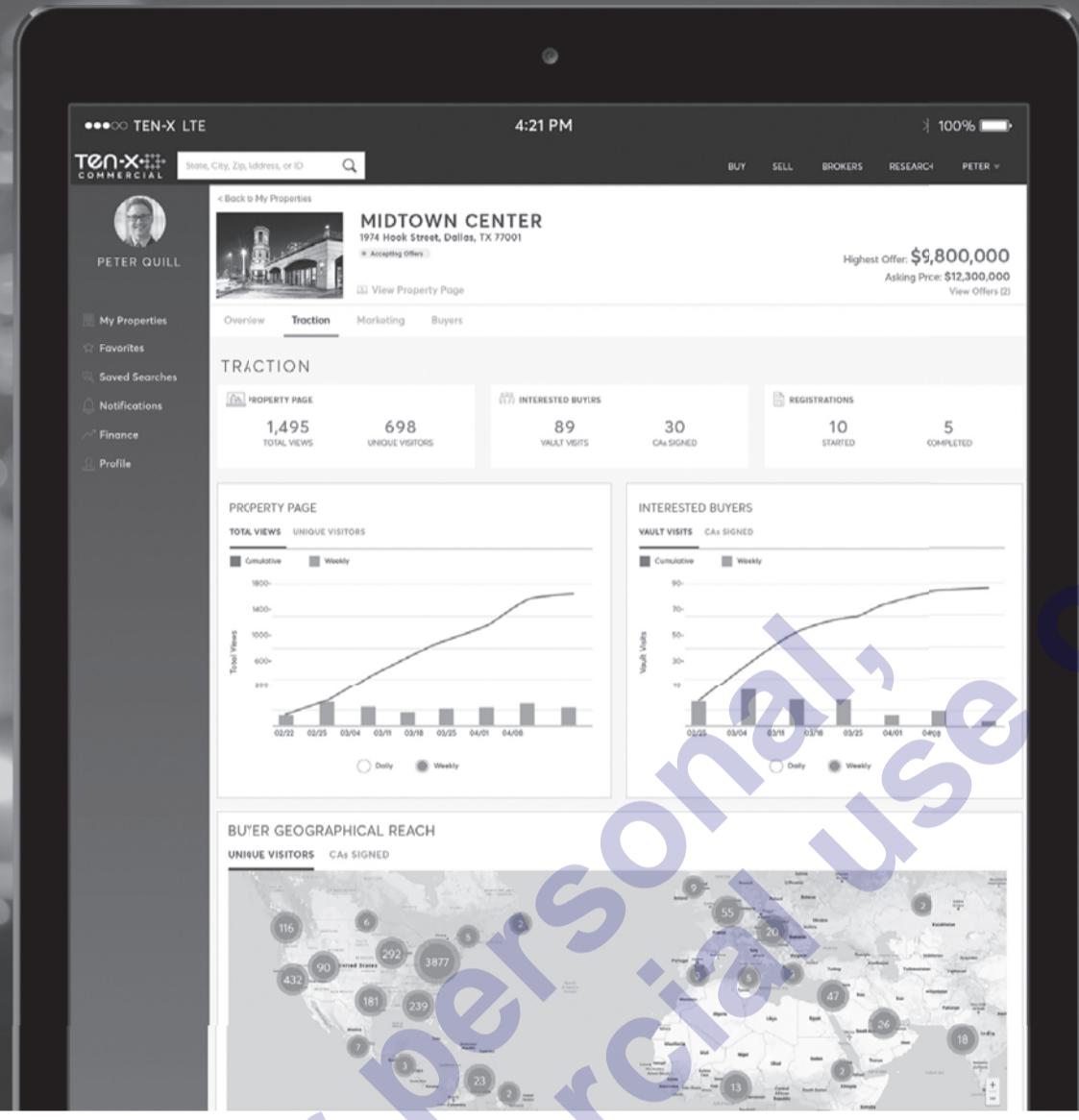
Source: Thomson Reuters

THE WALL STREET JOURNAL

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BUSINESS NEWS

Refiner Carves Out Niche

Finnish firm Neste turns animal fat, plant oil into renewable fuel with low emissions

By SARAH KENT

One of the best-performing stocks in the global oil sector this year is a company that makes most of its money without touching crude. Finnish state-backed refiner **Neste Oil** has carved out a niche using proprietary processing to turn animal fat and plant oil into renewable diesel. The product has virtually the same chemical properties as diesel made from fossil fuels, but produces a fraction of the carbon emissions.

Neste has found a way to make cleaner fuels a large part of its business as big oil companies face pressure to transition away from carbon-heavy energy sources. Even as companies such as Exxon Mobil Corp. and Royal Dutch Shell PLC make room in their product portfolios for alternative energy sources, oil and gas are

expected to remain their core profit driver for years to come.

"I can tell you, nobody believed us," said Chief Executive Matti Lievonen. "We innovated something completely different—never in the marketplace. That was the breakthrough."

Studies show that renewable fuels like Neste's diesel can reduce overall greenhouse-gas emissions by 60% or more, said Robert McCormick, a senior research fellow at the National Renewable Energy Laboratory. Last year, Neste estimated its products helped decrease emissions by 8.3 million tons, which it said was the equivalent of taking 3 million cars off the road.

Neste's success isn't necessarily a template for other companies interested in shifting away from fossil fuels. The market for renewable diesel remains a fraction of the global diesel market and growth is limited to places where credits and incentives exist to subsidize the product's higher cost.

"In today's market I don't think these biofuels would be close to price competitive

without the various incentives that are in place," said Mr. McCormick. "If something were to drive the price of oil up to \$150 or \$200, well that could make a difference."

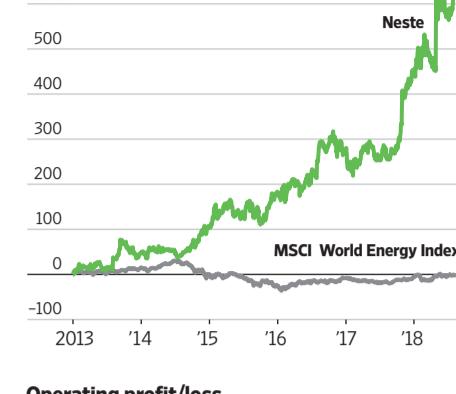
Over time, new engine technologies and wider adoption of electric vehicles could erode the environmental benefits offered by renewable diesel. But while renewable diesel remains a niche product globally, it has proved highly profitable for Neste. In the first six months of the year, renewable products accounted for nearly 60% of the company's operating profit of €592 million (\$674 million) and just 15% of its production capacity. The remainder is conventionally produced fuel.

Neste's share price is up around 40% this year, hovering near an all-time high, and outperforming big U.S. refiners like Valero Energy Corp. Since the company first turned an operating profit from its renewable diesel business in 2013, its share price has increased more than 600%, bringing its market capitalization to around €19 billion.

Pumped Up

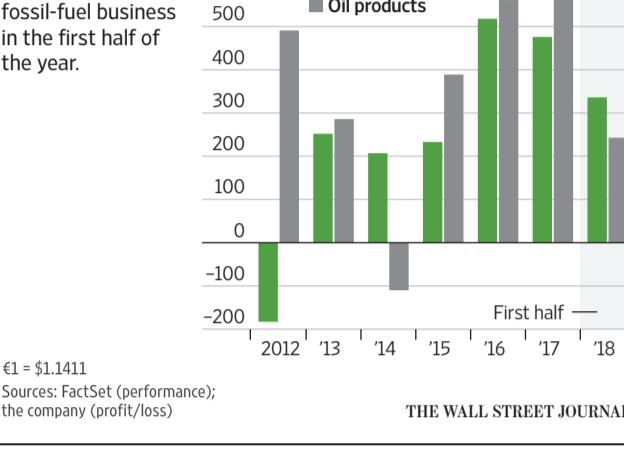
Neste's share price has soared since it first turned a profit from renewable fuels, outperforming other energy stocks...

Share and index performance since 2013



...while profits from its renewable division beat its fossil-fuel business in the first half of the year.

Operating profit/loss



€1 = \$1.1411
Sources: FactSet (performance); the company (profit/loss)

Diamondback To Acquire Energen

By MICAH MAIDENBERG

Diamondback Energy Inc. will acquire **Energen Corp.** in a roughly \$8.4 billion all-stock transaction, a deal that comes as energy producers face pressure to control rising costs.

The acquisition values Energen at \$84.95 a share, a 19% premium to the stock's closing price Monday. Energen shareholders will receive 0.6442 share of Diamondback stock for each Energen share they own. If the deal is completed, Diamondback holders would own 62% of the combined company, with Energen stock owners controlling the rest.

Including debt, the deal is valued at \$9.2 billion.

The combined company would control 390,000 acres in the Midland and Delaware basins, both of which are part of the Permian Basin. That represents an 85% increase over what Diamondback currently controls in those oil patches.

THE WALL STREET JOURNAL.

Mutual Funds

Data provided by LIPPER

Fund	Net NAV	YTD Chg %	Net %Ret	Fund	Net NAV	YTD Chg %	Net %Ret	Fund	Net NAV	YTD Chg %	Net %Ret	Fund	Net NAV	YTD Chg %	Net %Ret	Fund	Net NAV	YTD Chg %	Net %Ret	
American Century Inv	50.86	+0.36	17.1	Baird Funds	IntSmVa	21.08	-0.01	-8.2	FF2020	16.36	+0.03	1.2	FF2030	17.91	-0.01	-1.3	Income	NA	...	NA
American Funds Cl A	10.90	-0.01	-0.1	BlackRock Funds A	TAUSScoreEq	19.20	+0.16	6.5	Freedom2020	16.35	+0.04	1.4	Freedom2025	14.26	+0.04	1.0	CoreBond	11.28	-0.01	-1.0
AMCpA p	34.00	+12.12	10.7	BlackRock Funds Inst	US CoreEq2	22.82	+0.19	6.4	Freedom2030	17.89	-0.05	1.9	Freedom2035	15.16	+0.05	2.6	CorePlusBd	8.06	-0.01	-1.0
AMUtpA p	41.99	+0.28	3.9	BondA p	US Small	39.02	+0.45	9.0	Freedom2040	10.65	+0.04	2.4	GrowthA p	26.64	+0.29	6.7	Lazard Instl	17.16	-0.02	-14.3
BondA p	27.70	+0.08	3.0	BondC p	US TdfVal	28.08	+0.56	7.9	GrowthA p	26.63	+0.02	-2.3	First Eagle Funds	35.29	+0.18	2.3	Lord Abbott F	45.35	-0.01	-1.0
BondA p	12.56	-0.01	-1.2	BondC p	US Smal	39.02	+0.45	9.0	GrowthA p	26.63	+0.02	-2.3	FPA Funds	35.29	+0.18	2.3	Metropolitan West	17.16	-0.02	-14.3
CapIBA p	50.20	+0.03	-2.5	BondC p	US TdfVal	28.08	+0.56	7.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Advisor I	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
CapWGrA p	50.70	+0.02	0.2	BondC p	US Smal	39.02	+0.45	9.0	GrowthA p	26.63	+0.02	-2.3	Fidelity Freedom	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
EupacA p	52.85	-0.02	-3.3	Bridge Builder Trust	Balanc	108.14	+0.56	3.3	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
FdmVpA p	64.07	+0.32	4.4	Bridge Builder Trust	Bluch	102.62	+0.59	16.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
GwthA p	55.28	+0.24	11.6	Bridge Builder Trust	Contra	13.76	+0.09	14.1	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
Hl TrA p	10.23	+0.00	2.3	Bridge Builder Trust	Cpnk r	10.06	+0.01	1.5	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
ICAA p	41.32	+0.18	4.5	Bridge Builder Trust	DIntl	38.70	-0.01	-3.3	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
IncoA p	23.11	+0.00	0.3	Bridge Builder Trust	Stock	211.65	+1.77	5.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
Dimensional Fds	22.50	+0.18	5.7	Bridge Builder Trust	GroCo	20.84	+0.15	16.7	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
Tuesday, August 14, 2018				Bridge Builder Trust	GrowthC	20.84	+0.15	16.7	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
American Century Inv	50.86	+0.36	17.1	Bridge Builder Trust	InvBrd	10.96	-0.01	-0.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
American Funds Cl A	10.90	-0.01	-0.1	Bridge Builder Trust	InvBrd	10.96	-0.01	-0.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
AMCpA p	34.00	+12.12	10.7	Bridge Builder Trust	InvBrd	10.96	-0.01	-0.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
AMUtpA p	41.99	+0.28	3.9	Bridge Builder Trust	InvBrd	10.96	-0.01	-0.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
BondA p	27.70	+0.08	3.0	Bridge Builder Trust	InvBrd	10.96	-0.01	-0.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
BondA p	12.56	-0.01	-1.2	Bridge Builder Trust	InvBrd	10.96	-0.01	-0.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
CapIBA p	50.20	+0.03	-2.5	Bridge Builder Trust	InvBrd	10.96	-0.01	-0.9	GrowthA p	26.63	+0.02	-2.3	Fidelity Invest	45.35	-0.01	-1.0	ShDtDlrcm	4.17	-0.01	-0.5
CapWGrA p	48.45	-0.01	-8.6	Bridge Builder Trust	InvBrd	10.96	-0.01	-0.9	GrowthA p											

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25299.92 ▲ 112.22, or 0.45%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 22.75 20.19
 P/E estimate * 16.41 18.45
 Dividend yield 2.15 2.28
 All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788

65-day moving average

Session high DOWN Session open UP Close

Close Open Session low

Bars measure the point change from session's open

May June July Aug.

23000 23500 24000 24500 25000 25500 26000

25000 25500 26000 26500 27000 27500 28000 28500

26500 27000 27500 28000 28500

28000 28500

28500

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29500 30000

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract		Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.								
Aug	2,6810	2,6810	2,6745	2,6755	-0,0465	728		
Sept	2,7235	2,7400	2,6770	2,6820	-0,0490	116,436		
Gold (CMX) -100 troy oz.; \$ per troy oz.								
Aug	119,130	119,50	119,20	119,00	1,70	743		
Oct	119,630	120,00	119,450	119,10	1,90	55,453		
Dec	120,110	120,80	119,80	120,00	2,00	326,941		
Feb'19	120,070	121,30	120,40	120,30	1,90	31,033		
Jun	121,000	122,00	121,30	121,20	1,80	7,253		
Dec	123,760	127,60	123,40	123,40	1,80	3,796		
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
Sept	884,70	890,70	878,00	890,00	9,10	16,772		
Dec	878,90	888,10	878,90	887,50	8,90	7,533		
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
Sept	803,70	804,90	800,00	801,90	3,70	39		
Oct	804,60	809,00	795,80	801,70	2,20	76,368		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.								
Aug	14,980	15,105	14,975	15,053	0,071	144,865		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
Sept	67,39	68,37	66,58	67,04	-0,16	177,792		
Oct	66,72	67,72	65,90	66,33	-0,24	350,548		
Nov	66,31	67,34	65,58	66,00	-0,21	183,446		
Dec	65,96	66,97	65,30	65,71	-0,17	300,653		
Jan'19	65,75	66,68	65,10	65,46	-0,18	173,409		
Dec	62,52	63,38	62,19	62,49	0,09	215,389		
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.								
Sept	2,1430	2,1786	2,1200	2,1287	-0,0083	83,877		
Oct	2,1459	2,1820	2,1243	2,1331	-0,0078	78,256		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
Sept	2,0269	2,0689	2,0244	2,0341	0,0194	98,748		
Oct	1,9174	1,9571	1,9157	1,9249	0,0167	129,731		
Natural Gas (NYM) -10,000 MMBtu's; \$ per MMBtu.								
Sept	2,925	2,974	2,922	2,959	0,029	139,745		
Oct	2,932	2,979	2,931	2,966	0,030	196,064		
Nov	2,969	3,013	2,966	3,002	0,031	176,145		
Jan'19	3,142	3,184	3,141	3,176	0,031	191,114		
March	3,006	3,039	3,005	3,032	0,028	162,921		
April	2,700	2,718	2,698	2,713	0,015	137,185		

Contract

Open High hilo Low Settle Chg Open interest

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.								
Sept	356,50	363,00	356,50	362,25	5,75	338,095		
Dec	370,75	377,25	370,50	376,50	6,00	861,268		
Oats (CBT) -5,000 bu.; cents per bu.								
Sept	258,00	261,50	257,75	260,25	2,25	1,088		
Dec	267,00	269,00	266,25	268,50	1,50	3,493		
Soybeans (CBT) -5,000 bu.; cents per bu.								
Aug	858,50	862,25	856,50	864,50	11,00	82		
Sept	865,00	880,75	864,25	879,75	11,00	425,597		
Soybean Meal (CBT) -100 tons; \$ per ton.								
Aug	322,00	328,00	321,40	335,00	7,20	36		
Dec	328,00	338,90	327,50	337,80	9,00	201,532		
Soybean Oil (CBT) -60,000 lbs.; cents per lb.								
Aug	28,06	28,07	28,06	28,09	-0,15	70		
Dec	28,63	28,65	28,38	28,61	-0,06	249,014		
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.								
Sept	1031,50	1048,50	1009,00	1019,50	-11,00	4,596		
Nov	1050,50	1065,50	1028,00	1039,50	-6,50	2,904		
Wheat (CBT) -5,000 bu.; cents per bu.								
Sept	534,75	544,25	532,25	541,75	8,25	95,473		
Dec	535,50	563,50	552,25	561,25	7,75	197,971		
Wheat (KC) -5,000 bu.; cents per bu.								
Sept	541,25	552,50	539,75	545,75	5,00	68,583		
Dec	567,00	578,25	565,75	572,50	5,50	126,133		
Wheat (MPLS) -5,000 bu.; cents per bu.								
Sept	591,75	598,75	587,50	596,25	3,50	22,504		
Dec	610,00	615,75	605,50	613,25	3,00	28,059		
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.								
Aug	148,825	149,600	148,250	148,925	-0,25	4,043		
Oct	149,100	149,100	147,775	148,900	-0,050	15,003		
Cattle-Live (CME) -40,000 lbs.; cents per lb.								
Aug	107,200	108,075	107,075	107,975	0,775	11,884		
Oct	108,050	108,850	107,900	108,725	0,575	130,844		
Hogs-Lean (CME) -40,000 lbs.; cents per lb.								
Aug	55,23	55,45	54,950	55,000	-0,525	7,992		
Oct	51,650	52,925	51,500	51,850	-0,200	115,093		
Lumber (CME) -110,000 bd. ft.; \$ per 1,000 bd. ft.								
Sept	411,80	444,90	437,70	444,90	15,00	2,828		
Nov	421,10	426,90	415,60	426,90	15,00	1,273		
Milk (CME) -200,000 lbs., cents per lb.								

Interest Rate Futures

Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%								
Sept	144-060	144-130	143-270	144-010	-9,0	843,786		
Dec	143-160	143-200	143-030	143-080	-9,0	4,210		
Treasury Notes (CBT) -\$100,000; pts 32nds of 100%								
Sept	120-050	120-080	120-010	120-035	-4,5	3,909,649		

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq (ISE). The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, August 14, 2018

A B C

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
BcoSantChile	BSAC	30.79	-0.04	Coca-Cola Femsa	KOF	60.62	1.29	Ferrari	RACE	121.00	-1.00	JacobsEngt	JEC	71.61	0.52	NewCorp B	NWWS	14.15	0.20
BcoSantMex	BSMX	7.98	0.06	CognizantTech	CTSH	75.22	-0.20	JamesHardie	JHX	15.80	-0.10	NextEraEnergy	NEE	171.94	0.64	NorthstarHoldings	NLSN	26.05	1.43
BanColombia	CIB	44.02	0.03	ColgatePalmol	CL	52.50	0.52	FibriaCelulose	FBB	19.43	0.08	JefferiesFin	JEF	23.77	0.50	NiSource	NI	80.14	-0.01
BankofAmerica	BAC	30.79	0.31	ComStar	COLM	90.28	0.81	FidNatFin	FIS	106.65	0.59	JNJ	JNJ	129.50	-0.72	NielsenHoldings	NLSN	17.94	0.64
BankNY Mellon	BK	50.97	0.83	Concast A	CMSA	35.39	0.35	FifthThirdBnkp	FITB	29.62	0.49	JohnsonControls	JCI	36.99	0.34	NiSource	NI	26.96	0.13
BnkNovaScotia	BNS	58.77	0.76	CommerceBchs	CBSH	70.06	0.92	JohnsonLang	JLL	151.97	4.24	NobleEnergy	NBL	30.30	0.05	NiSource	NI	26.96	0.13
Bardays	BCS	9.58	0.03	CommScope	COMM	31.20	-0.18	JuniperNetworks	JNPR	26.90	-0.04	Nokta	NOK	5.20	0.01	NobleEnergy	NBL	30.30	0.05
BartGold	ABX	10.41	-0.09	ConagraBrands	CAG	36.87	0.31	Kellogg	K	71.51	0.50	NorwegCruise	NCLH	52.02	0.86	NorthstarHoldings	NLSN	17.94	0.64
BauschHealth	BHC	21.52	0.04	Conocophillips	COP	72.15	1.08	KeurigDrPepper	KDP	23.61	-0.11	Novartis	NVS	82.14	-0.30	Northwind	NWIND	11.30	0.51
BaxterIntl	BAX	70.71	...	CorlgePalme	CL	52.50	0.52	KeyCorp	K	21.45	0.27	Nucom	NVO	48.35	1.05	Northwind	NWIND	11.30	0.51
BectonDicknsn	BDX	250.40	2.17	ConestBrands	STZ	221.05	1.27	KeyInsights	KEYS	60.49	0.49	Nutranix	NTNX	56.00	2.23	Northwind	NWIND	11.30	0.51
Berkley	WRB	76.41	0.43	ConstBrands A	STZ	221.13	1.27	LATAMAirlines	LTAM	9.82	0.13	Okta	OKTA	55.56	0.64	Northwind	NWIND	11.30	0.51
BethGen	BGE	164.00	4.97	ConestBrands B	STZ	221.05	1.27	LBrands	LB	32.72	1.55	OGE Energy	OGE	36.92	0.33	Northwind	NWIND	11.30	0.51
BioMarinPharm	BMRN	103.14	0.42	ConstBrands A	STZ	221.13	1.27	LG Display	LPL	56.40	-0.02	OGE Energy	OGE	36.92	0.33	Northwind	NWIND	11.30	0.51
BresnenusMed	FCM	48.24	0.15	Cooper	COO	254.97	0.64	Ling	LINE	42.51	0.54	OldDomFreight	ODFL	145.32	1.06	Northwind	NWIND	11.30	0.51
Broadcom	AVGO	207.30	-3.78	Corning	GLW	32.71	2.01	LKQ	LKQ	33.44	0.26	OnCore	OK	68.55	0.51	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Cosco	COST	22.00	0.24	LamResearch	LRCX	176.69	-1.46	Oracle	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Coty	COTY	11.77	0.04	LamWeston	LWM	75.00	1.46	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	DentalCare	BAP	225.77	1.11	Lans	L	10.20	0.01	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Laz	LAZ	50.18	0.40	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lear	LEA	172.36	1.50	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Leidos	LDOS	71.06	0.78	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lennar A	LEN	50.99	0.21	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lennar B	LEN	42.15	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lennix	L	17.23	0.34	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Ler	LER	140.93	1.80	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
BrownForman	BK	103.45	0.23	Dish Network	DISH	35.64	0.65	Lever	LEV	19.77	0.07	Orcale	ORCL	48.23	0.22	Northwind	NWIND	11.30	0.51
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MARKETS

Turkish Banks Feel Currency Pain

By PATRICIA KOWSMANN

Turkey's banks are feeling the brunt of the country's steep currency slide. Their health will be a barometer of how deeply the pain will be felt in the economy.

The banking system is chock-full of foreign-currency debt to companies and, to a lesser extent, consumers. Borrowers who took out loans in U.S. dollars and euros will see the value of their payment obligations skyrocket in lira terms. A slowing economy also will intensify the pain.

The country's banking regulator moved Tuesday to ease banks' burden of souring loans to consumers and companies. Measures include allowing lenders to extend loan maturities and facilitate debt restructuring.

"In the end, the cost of funding for companies that borrowed in other currencies but have revenues in lira is key," said Tom Kinmonth, a fixed-income strategist at ABN Amro. "Their ability to repay their debt is at stake."

Turkish banks have been at the heart of President Recep Tayyip Erdogan's economic program. A government-backed lending boom in 2017 turbocharged growth, but also overheated the economy.

Now the banks are at the center of the storm. Shares of Garanti, which is 49.9%-owned by Spain's BBVA; Yapi Kredi, which is indirectly 40%-owned by Italy's UniCredit through a joint venture; and Turkiye IS Bankasi, the coun-

try's largest listed lender by assets, have all fallen more than 40% in lira terms.

Turkish banks also are exposed to the lira's drop in how they fund themselves. As investors perceive the country as risky, they charge more to hold debt issued by the lenders. Yields of a U.S.-dollar bond issued by Turkiye IS Bankasi maturing in October, for instance, yielded 17.90% Tuesday, up sharply from 5.29% roughly a week ago.

According to the Turkish central bank, nonfinancial corporations had about \$120 billion in foreign-exchange assets and more than \$330 billion in liabilities as of May. It isn't clear whether companies can fill that gap with their sinking liras.

Last month, Turk Telekom, the country's largest phone operator, reported an 889 million Turkish lira net loss for the second quarter because of "unfavorable forex movements." Stripping out those effects, it would have posted net income of 676 million lira, it said. Almost all of its bank borrowings, totaling 14.7 billion Turkish lira, were in U.S. dollars and euros.

Analysts say retailers, energy and telecommunication companies are among the hardest hit because of their reliance on the domestic market for income.

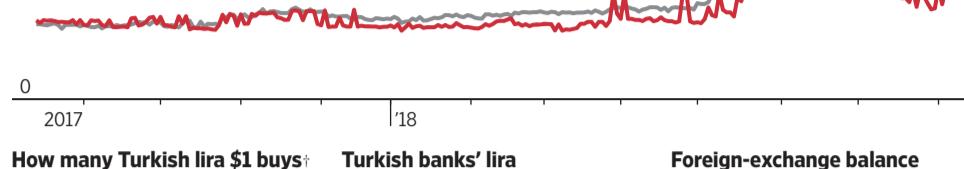
Even before the latest movement in the lira, there were signs debt repayment was becoming difficult. Non-performing loans have ticked higher in recent months. In

Troubled Turkey

Turkish companies and consumers will struggle to repay debts denominated in U.S. dollars and euros as the lira weakens.

Yields on dollar-denominated bonds of Turkish banks*

IS Bankasi
Garanti Bankasi (BBVA)



How many Turkish lira \$1 buys†



*Garanti Bankasi's 4.75%-coupon bond due Oct. 17, 2019, and IS Bankasi's 3.75%-coupon bond due Oct. 10, 2018.

†As of Aug. 14. Scale inverted to show the weakening of the lira.

**Annual data before 2015, quarterly before April 2018, and monthly April-May 2018

Sources: Thomson Reuters (yields); Tullett Prebon Information (conversion rate); CEIC (loans/deposits); Turkey's central bank (nonfinancial firms)

THE WALL STREET JOURNAL.

Turkish banks' lira loan-to-deposit ratio

Foreign-exchange balance sheet of nonfinancial companies in Turkey**

THE WALL STREET JOURNAL.

July, Fitch downgraded 24 Turkish banks, citing a rise in loans that could become troubled.

Another worry is whether depositors will keep their money at banks amid fears the government could decide to set up capital controls that would limit the amount of cash they could withdraw.

"Turkish households have a long history of keeping U.S.

dollars, euros and gold in the bank, and that is good for banks given they lend heavily in other currencies," said Carsten Hesse, an economist at Berenberg. If people start queuing to withdraw money from banks, Mr. Hesse said, the central bank may move quickly to limit the bleeding.

Around 47% of the deposits and 36% of the loans from Turkish banks are in foreign currencies, according to central-bank figures.

The banks' ability to weather the situation will largely depend on how long instability will continue in Turkey, analysts say. While the sector's capital ratio—which measures banks' ability to absorb losses—remained strong, at 15.9% as of May, it has fallen from 16.9% at end of last year, Fitch said.

Treasurys Pull Back As Lira Advances

By SAM GOLDFARB

U.S. government bonds edged lower as investors sorted through the latest moves in the Turkish lira.

The yield on the benchmark 10-year U.S. Treasury note Tuesday settled at 2.893%, compared with 2.877% Monday.

Yields, which rise when bond prices fall, climbed overnight as the lira gained against the dollar, easing some concerns about emerging-market economies and driving investors to riskier assets. The lira was up 8.3% late in New York.

Investors have been focused on the lira recently because its sharp decline has spurred worries about contagion in emerging-market economies.

Many investors began this year betting that a period of synchronized global growth would spur faster inflation, which is a threat to government bonds because it chips away at the purchasing power of their fixed returns.

Economic problems in Turkey, however, have challenged that assumption, helping to drag down the 10-year U.S. Treasury yield after it surged above 3% earlier in the year.

"This was supposed to be the summer of emerging markets," but that hasn't turned out to be the case in a positive way, said Jim Vogel, interest-rates strategist at FTN Financial. Without the expected improvement in developing countries, "you begin to wind down your thoughts about inflation," he added.

Investors this week have little economic data to distract them from Turkey and other global hot spots. One exception is retail-sales data on Wednesday. Economists surveyed by The Wall Street Journal forecast a 0.1% gain in July's overall sales from the prior month.

As some emerging economies have stumbled, a run of solid U.S. economic data have continued to put upward pressure on yields, preserving the risk of rising inflation and enabling the Federal Reserve to keep up its gradual pace of interest-rate increases.

Federal-funds futures on Tuesday showed a 96% chance that the Fed will raise rates at its September meeting, up from 87% a month ago, according to CME Group data.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are accepted at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$185,886,197,600
Accepted bids	\$70,000,117,000
"noncompetitively"	\$892,999,600
"foreign noncompetitively"	\$0
Auction price (rate)	99.851444 (1.910%)

Coupon equivalent 1.93%

Bids at clearing yield accepted 61.41%

Cusip number 912796NV7

The bills, dated Aug. 16, 2018, mature on Sept. 13, 2018.

52-WEEK BILLS

Applications	\$83,519,335,000
Accepted bids	\$26,000,160,000
"noncompetitively"	\$666,123,000
"foreign noncompetitively"	\$0
Auction price (rate)	97.608722 (2.365%)

Coupon equivalent 2.442%

Bids at clearing yield accepted 99.07%

Cusip number 912796QV4

The bills, dated Aug. 16, 2018, mature on Aug. 15, 2019.



A crowd at a currency exchange office in Ankara on Tuesday. A handful of European banks with largest exposure to Turkey have sold off in recent days, while the Stoxx Europe 600 Banks Index has fallen modestly, dropping about 3% since Thursday.

their balance-of-payments positions. Among investors, "the sense of a general vulnerability is just not there" he said.

And some investors say Turkey's problems are unusual. "Turkey isn't an average emerging market," said Colin Croft, emerging-market fund manager at Jupiter Asset Management.

In President Recep Tayyip

Erdogan, the country has "concentrated power in one person who has economic views which are extremely unorthodox," he said.

Banking systems have been another conduit for trouble. Many U.S. banks had lent extensively in Latin America before its 1980s crisis, which peaked in 1987 when Brazil suspended interest payments

on foreign debt. Eight banks, including a predecessor of Citigroup Inc., lost a combined \$5.5 billion that year.

A handful of European banks with largest exposure to Turkey have sold off in recent days, while the Stoxx Europe 600 Banks Index has fallen modestly, dropping about 3% since Thursday.

Most analysts expect the

impact on those institutions to fall well short of a systemic threat to the European banking system.

"On the other hand, and what is not being focused on, is the impact for trade finance banks," said Olly Burrows, an analyst at Nomura. Their exposures, he says "could be larger, and certainly more widespread."

strikes that boosted copper last year haven't materialized. Copper's losses accelerated Tuesday after Bloomberg News reported that the union at Chile's Escondida mine, the world's largest, is optimistic about reaching a wage agreement with BHP Billiton Ltd., potentially ending the prospect of a strike that could lower production. A 44-day strike at Escondida last year helped support copper prices. Among precious metals, front-month gold for August delivery edged up 0.1% to \$1,193.00 a troy ounce, boosted by a pause in the dollar's rally. The surge in the dollar has pushed gold to its lowest level since January 2017 by making the yellow metal more expensive for overseas buyers.

On Tuesday, the WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, was nearly unchanged after closing at a fresh 15-month high Monday.

Oil Falls as Investors Fear Less Demand

BY DAN MOLINSKI AND CHRISTOPHER ALESSI

Oil prices dropped for the fourth time in five sessions as investors worried that growth in global demand may soon weaken even though U.S. data

keep pointing to declining inventories and healthy oil-consumption rates.

Light, sweet crude for September delivery ended 0.2% lower at \$67.04 a barrel, closing near its lowest level in seven weeks and down 9.6% from a \$74.15 high in late June.

Oil prices began Tuesday's session more than 1% higher, helped by a weaker dollar amid diminished fears that a currency crisis in Turkey may spread to other emerging markets. But the dollar then began to strengthen, and oil prices,

which are bought and sold in dollars and often move in the opposite direction of the U.S. currency, drifted back lower.

"The oil market seems to be hunting for direction," said Gene McGillian, vice president of research at Tradition Energy, who said that beyond the Turkey turmoil is the issue of whether a trade fight between the U.S. and China causes a global slowdown. "People are waiting to see if oil demand is going to be impacted by that."

The global demand question has drawn further scrutiny after the Organization of the Petroleum Exporting Countries on Monday lowered its demand outlook for this year and next.

Another key gauge for oil supply and demand trends comes from weekly U.S. government data on oil inventories. Tuesday's data showed spending on factory machinery, public-



Copper prices are down 19% from four-year highs set in June.

works projects and other fixed-asset investments in China's nonrural areas grew 5.5% in the January-July period from a year earlier, matching

MARKETS

Emerging-Market Recovery Buoys Stocks

BY FRANCESCA FONTANA
AND BEN ST. CLAIR

U.S. stocks climbed, halting four-session losing streaks for the Dow Jones Industrial Average and S&P 500, as concerns over the Turkish lira's recent slide appeared to ease.

TUESDAY'S MARKETS The Dow industrials added 112.22 points, or 0.4%, to 25299.92, while the S&P 500 gained 18.03 points, or 0.6%, to 2839.96. The technology-heavy Nasdaq Composite rose 51.19, or 0.7%, to 7870.89.

Stocks have been under pressure in recent sessions, as investors worried that Turkey's economic crisis could spread to other emerging markets. But Tuesday's gains show that investors are reassessing the risk of spillover, said Christopher Harvey, head of equity strategy at Wells Fargo Securities.

"It's a rebound from some of the contagion [fears], as cooler heads prevail," Mr. Harvey said.

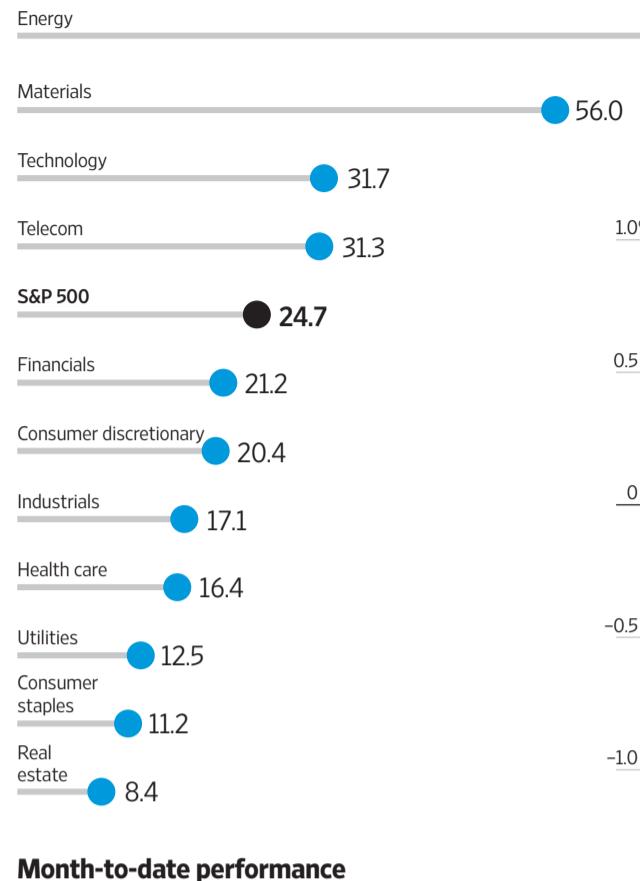
The Turkish lira rose 8.3% against the dollar after plunging as much as 10% in the previous session. Turkey's central bank on Monday introduced measures to boost liquidity in the market, but investors remain concerned that the bank isn't independent from President Recep Tayyip Erdogan. He has blamed the U.S. and social media for the country's economic troubles.

Barry Bannister, head of institutional equity strategy at Stifel Nicolaus, said the financial predicament in Turkey leaves the U.S. Federal Reserve "between a rock and a hard place."

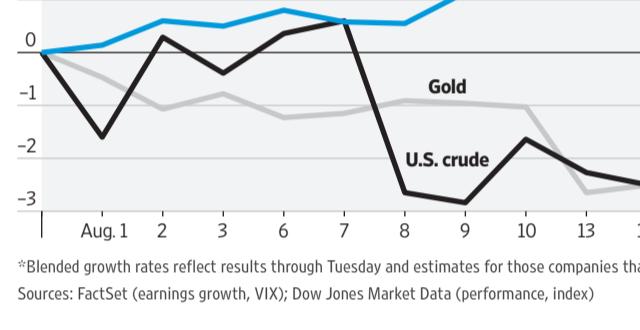
"They must pursue a policy of normalizing the cost of money," Mr. Bannister said. "But in so doing, they wreak havoc in emerging markets."

Meanwhile, a measure of expected stock swings, the

Blended earnings-growth rates, year over year*



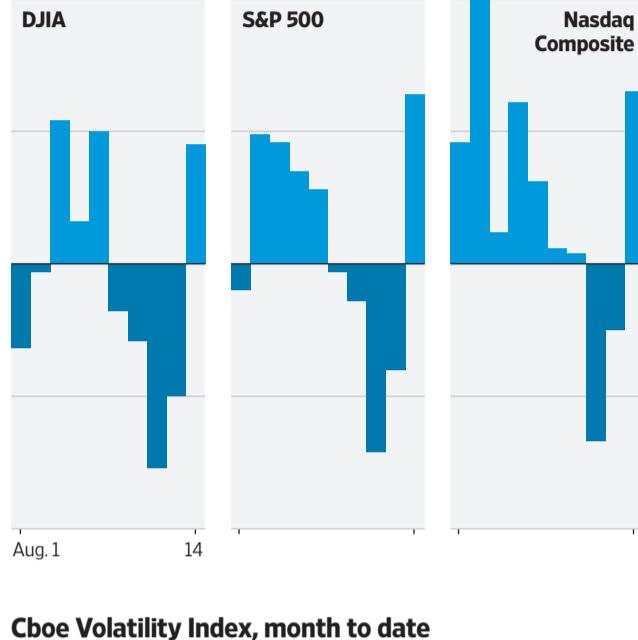
Month-to-date performance



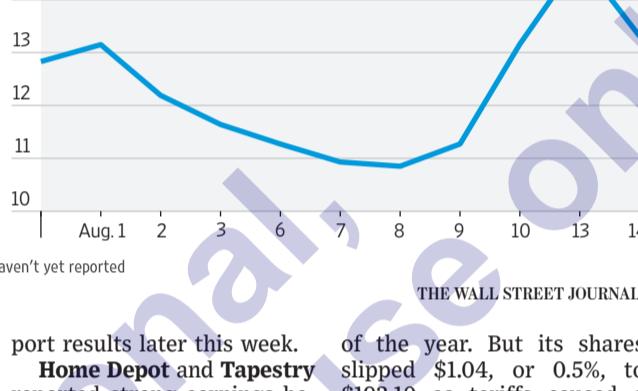
*Blended growth rates reflect results through Tuesday and estimates for those companies that haven't yet reported

Sources: FactSet (earnings growth, VIX); Dow Jones Market Data (performance, index)

Daily percentage change



Cboe Volatility Index, month to date



port results later this week.

Home Depot and **Tapestry** reported strong earnings before the market opened. The home-improvement company reported better-than-expected second-quarter results and raised its outlook for the rest

earnings and sales that beat analysts' expectations. The company said its sales were aided by the contribution of Kate Spade, which Tapestry acquired last year. Its shares rose 5.70, or 12%, to \$53.16.

"Retailers seem to be well positioned for recovery," Mr. Bannister of Stifel Nicolaus said.

The consumer-discretionary sector of the S&P 500, which is home to many retailers, gained 1% and is the best-performing group in the index this year behind technology.

Overseas, the Stoxx Europe 600 was nearly unchanged. In Asian trading early Wednesday, Japan's Nikkei Stock Average was down 0.35%, and Hong Kong's Hang Seng was off 0.89%.

Upbeat economic data gave European investors reason for optimism, with Germany reporting better-than-expected economic growth for the second quarter and the European Union's statistics agency raising its growth estimate for the bloc.

In Asia, Chinese markets were an exception to the generally buoyant mood after data showed fixed-asset investment slowing to a nearly two-decade low for the first seven months of the year. Retail sales and value-added industrial output also fell below expectations.

The Shanghai Composite Index slipped 0.2%, and Hong Kong's Hang Seng fell 0.7%. Elsewhere in Asia, Japan's Nikkei Stock Average rose 2.3%, more than retracing Monday's losses, and South Korea's Kospi added 0.5%.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, was little changed, falling less than 0.1%.

Elsewhere, yields on 10-year U.S. Treasurys rose to 2.893% from 2.877% Tuesday. Yields move inversely to prices.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

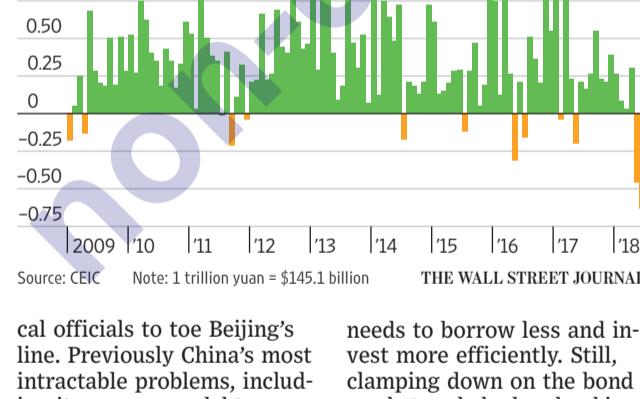
WSJ.com/Heard

Email: heard@wsj.com

Xi's Power Has China Downside

Crunch Time

Nonbank credit outstanding, change from a month earlier



Source: CEIC Note: 1 trillion yuan = \$145.1 billion

corporate bonds and shadow banking—has fallen by more than 1.5 trillion yuan (\$218 billion) since April, easily the sharpest decline of the past 10 years. Now, policy makers have little choice but to loosen monetary and fiscal policy, undoing much of the progress on debt reduction over the past two years.

It seems likely that misjudging the U.S.'s resolve on trade while simultaneously overdoing the debt crackdown at home has damaged Mr. Xi politically. What isn't clear is how deep that damage goes.

Regardless, a period of political horse trading now seems likely, as Mr. Xi's emboldened opponents reassess themselves. That could hamper policy makers' ability to respond effectively to a coming downturn. Some analysts are now making buy calls on Chinese stocks as the tilt back toward easing gets clearer. Given the current uncertainty at the top, that process could be bumpier than expected.

—Nathaniel Taplin

OVERHEARD

Switch Inc. built a strong enough business selling cloud services to raise \$500 million in an initial public offering last year.

Things haven't gone so smoothly since then, particularly with the earnings reports that come with being a public company. Each of its four reports since listing have triggered a significant stock-price drop and drawn excited news releases from law firms threatening shareholder suits.

On Monday, earnings again tripped up Switch. This time, blame fell on its new "hybrid cloud program." The company cut its revenue guidance for the year, and shares fell 24%.

Some of Switch's most loyal fans have turned hostile. Analysts at least three brokers who underwrote the company's IPO downgraded the stock to "neutral" on Tuesday. That included **Edward Parker** of BTIG, who said it is unclear why the hybrid program "is significantly different from their existing offerings." Maybe the fifth report will be the charm?

Reassuring Signal From Germany

Last year's optimism about synchronized global growth has been replaced by trade fears and emerging-market troubles. But the reassuring message from Germany is that growth is still solid.

Germany on Tuesday reported second-quarter growth of 0.5% from a quarter earlier, or 1.8% annualized. The reading was better than forecast, and first-quarter growth was revised up, too. The European Union's statistics agency, Eurostat, also revised up its estimate of second-quarter growth.

The eurozone reading isn't as heady as last year, when growth was running well above potential, but it is far from worrying. Particularly good news is that Germany's domestic economy is humming. Amid 2018's troubling headlines about trade disputes, tighter financial conditions and Turkey's economic trials, the bigger picture hasn't changed drastically, at least not for Germany.

The problem for Europe is that it isn't just about Germany. The gaping disconnect between German nominal growth of 4.2% year-over-year and the country's 10-year bond yield of 0.33% shows that. The risks to the eurozone remain uncomfortably high, for instance from an escalation of trade disputes, or from a clash with Italy's new government over tax and spending.

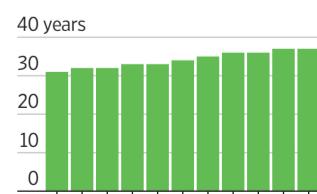
For now, though, these are risks, not reality. That may be cold comfort to investors facing markets that are struggling. But as long as eurozone growth keeps chugging along, anchored by Germany's strength, the picture might not be as dark as feared.

—Richard Barley

Home Depot Raises the Roof With Strong Second Quarter

This Old House

Median age of owner-occupied housing



Source: National Association of Home Builders

THE WALL STREET JOURNAL.

homeowners are spending more money at its stores even when they stay put.

The chief reason for the change is that while weak home sales have historically reflected strained circumstances among would-be home buyers, today's weakness in home sales has more to do with a lack of supply. The sharp decline in new construction since the housing bust has reduced the number of homes available to a growing population, making it more difficult and expensive to move.

Like homeowners who are staying put, the retailer has been improving its existing stores rather than opening new ones. One of its latest improvements is pickup lockers where customers can retrieve goods they have or-

dered online without having to wait at a service desk.

That is helping it deepen the natural moat it has against **Amazon.com**, which hasn't been able to encroach on the home-improvement market (with its costly-to-ship, heavy items) as easily as other areas. Home Depot has also used its cash to buy back one-third of its shares in the past decade.

For investors, the biggest sticking point on Home Depot shares may be their price: They trade at 19.8 times expected earnings versus 17 times for smaller rival **Lowe's**. On the other hand, Home Depot hardly counts as a fixer-upper. —Justin Lahart

raised its sales and earnings guidance for the year. It is a reflection of a changed environment: In the past, home sales tended to drive purchases at Home Depot. Now

Considering what is happening in the housing market—home sales this year are running below last year's levels as rising rates and higher prices cut into home affordability—that counts as an impressive performance.

The company expects the good times to continue, and