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What's News

Business & Finance

Fed officials at their last meeting signaled they were likely to raise interest rates next month and expressed concerns that prolonged trade disputes could disrupt economic growth. **A1**

◆ Target said it had its best quarterly results in more than a decade, continuing a string of strong reports from the nation's largest retailers. **A1**

◆ Buyout firm KKR is in talks to acquire Fiat Chrysler's global auto-parts business, Magneti Marelli. **B1**

◆ The S&P 500 edged lower, even as the index's bull run reached a milestone. The Dow fell 88.69 points, while the Nasdaq rose 0.4%. **B10, B11**

◆ A robust August rally in the Treasury market is foiling one of Wall Street's most popular trades, a bet on lower bond prices. **B1**

◆ Sales of existing homes continued their downward slide in July, falling 0.7% from the previous month. **A2**

◆ Facebook pulled its data-security app from Apple's app store after Apple ruled the service violated its data-collection policies. **B4**

◆ Xiaomi swung to a profit as smartphone sales rose sharply, but a CEO bonus payment weighed on results. **B4**

◆ Continental AG's shares fell nearly 15% after the German auto-parts giant issued a fresh profit warning. **B2**

◆ Santos is acquiring natural-gas company Quadrant Energy for \$2.15 billion. **B6**

◆ Hartford Financial agreed to buy insurance underwriter Navigators for \$2.1 billion. **B10**

World-Wide

◆ Trump denied playing a part in illegal hush-money payments to two women during the 2016 campaign and berated his former lawyer for saying that he had, leaving the White House and both political parties to sort through the fallout. **A1, A4**

◆ The DNC has contacted the FBI after an unsuccessful attempt to hack into a voter database maintained by the organization. **A6**

◆ The U.S. and China kicked off two days of talks in Washington aimed at settling an escalating trade battle. **A7**

◆ A Mexican official said the U.S. and Mexico are close to resolving some points that have stalled Nafta talks. **A7**

◆ The administration is looking to boost pressure on Iran to abandon its nuclear program, Bolton said. **A9**

◆ A U.S.-backed group in Syria is being pressed by the Assad regime in talks to cede control of its territory. **A9**

◆ Islamic State released what it said was a recorded speech by Baghdadi, the terror group's elusive leader. **A9**

◆ The administration is finishing a response to state laws circumventing the new cap on individual deductions for state and local taxes. **A6**

◆ Ohio State's Meyer was suspended for three games after a probe of his handling of domestic-abuse claims against an assistant coach. **A5**

◆ Mexico's president-elect will hold off auctioning new oil blocks for at least two years after taking office. **A7**

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Hawaii Prepares as Powerful Storm Nears



FROM TOP: HIGH GENTRY/REUTERS; MARCO GARCIA/ASSOCIATED PRESS

IN THE PATH: Hurricane Lane was downgraded Wednesday to a Category 4 storm, as Hawaii residents braced for flooding, possible power outages and sustained winds of 155 miles an hour. **A3**

Fed Signals Rate Raises, But Sees Trade Risks

By NICK TIMIRAO

WASHINGTON—Federal Reserve officials at their last meeting signaled they were likely to raise interest rates next month and expressed more concerns than before that prolonged trade disputes could disrupt economic growth.

The decision to pull back on this guidance bears the imprint of Fed Chairman Jerome Powell, who has signaled such language is no longer necessary as short-term rates edge closer to a neutral setting that

is designed to neither spur nor slow growth.

The Fed held rates steady at the meeting after raising its benchmark rate in June to a range between 1.75% and 2%, the second such increase this year. In June, most officials penciled in a total of at least four rate increases this year.

Most officials have signaled they are keen to raise rates to

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◆ Fed rate ticks up ahead of Jackson Hole..... B12

Target Rides Retail Surge

By KHADEEJA SAFDAR

Target Corp. said it had its best quarterly results in more than a decade, buoyed by the retailer's efforts to improve its stores and e-commerce capabilities as well as by a booming economy that has helped lift sales across the retail industry.

The numbers from the Minneapolis-based chain continue

a strong quarter of results from the country's largest retailers, which have benefited from increasing consumer confidence and rising online sales despite the challenge of Amazon.com Inc.

Target Chief Executive Brian Cornell on Wednesday said it isn't just the economy fueling growth, pointing to the company's gains in market share across a range of categories from elec-

tronics and homewares to toys and apparel.

"Our progress so far had been well ahead of our original expectations," he said on a conference call Wednesday.

The results were heralded by analysts as confirmation of a retail "renaissance."

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◆ Heard on the Street: Retailer's good news isn't over..... B12

AirPods Aren't Just Headphones, They're an Invisibility Shield

* * *

Owners of Apple's wireless earphones use them as a secretary and a hiding place

By REBECCA DOLAN

Zach Miles learned a valuable lesson before graduating this year from Oral Roberts University in Oklahoma. Walking across campus while wearing his AirPods earphones kept people at a distance. "If you're not in the mood to talk to somebody, or if you're in a hurry, it gives someone a visual signal," he said.

Mr. Miles brought that knowledge to his working life in Colorado Springs, Colo., where his AirPods remain a shield against awkward small talk. "It's a crutch," admitted the 23-year-old app developer.

Apple AirPods, those white wireless ear buds, do so much

more than transmit music and phone calls. Even when muted, or off, they declare: Stay away.

"It makes you look like you're really consumed in your work," said Hughston May, creative resident at Moxie, an advertising agency in Atlanta.

AirPods do part-time duty as a personal secretary, screening calls and potential interruptions. Ms. May says co-workers bold enough to approach her while they dangle from her ears "probably have something important to say."

At a retail price of \$159, AirPods aren't cheap, and their sound quality is generally rated in audiophile re-

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INSIDE



DONNA SUMMER'S 'RADIO' CLASSIC

LIFE & ARTS, A12



THE NFL TEAM THAT WENT ALL IN

SPORTS, A14

President Denies Role In Payments

Trump blasts former lawyer who implicated him as parties jockey ahead of midterms

By REBECCA BALLHAUS AND JANET HOOK

WASHINGTON—President Trump denied playing a part in illegal hush-money payments to two women during the 2016 campaign and berated his former lawyer for swearing in court a day earlier that he had, leaving the White House and both political parties Wednesday to sort through the fallout less than three months before midterm elections.

Mr. Trump and administration officials sought to discredit Michael Cohen, who said Tuesday as part of a guilty plea in federal court that the

president directed him to buy the silence of the women so their allegations about affairs with Mr. Trump wouldn't harm his presidential bid.

On Twitter, Mr. Trump accused Mr. Cohen of lying and mocked his legal talents. On Fox News, Mr. Trump said he became aware of the payments to the women "later on," echoing his statement in April that he wasn't aware of the payment to Stephanie Clifford, the former adult-film star who goes by the name Stormy Daniels, at the time it took place.

Last month, a lawyer for Mr. Cohen released a tape of a September 2016 conversation between Mr. Cohen and the president in which they discussed

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◆ Lawmakers calibrate their strategies after plea..... A4

Pressure, Pique Led Cohen to Talk

Michael Cohen had many reasons to play ball last weekend when his legal team sat down to talk to federal prosecutors.

By Rebecca Davis O'Brien, Nicole Hong and Joe Palazzolo

The Manhattan U.S. Attorney's office had testimony from Mr. Cohen's accountant and business partners, along with bank records, tax filings and loan applications that implicated not only Mr. Cohen in potential criminal activity, but also his wife, who filed taxes jointly with her husband. Prosecutors signaled Mr. Cohen would face nearly 20

criminal counts, potentially carrying a lengthy prison sentence and staggering financial penalties.

Adding to the pressure, David Pecker, the chairman of American Media Inc., which publishes the National Enquirer, provided prosecutors with details about payments Mr. Cohen arranged with women who alleged sexual encounters with President Trump, including Mr. Trump's knowledge of the deals.

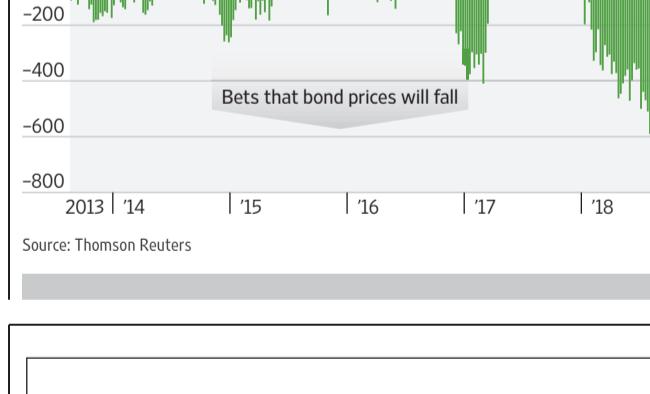
This account of how Mr. Cohen went from a pugnacious defender of the president to turning on Mr. Trump is based on details provided by people close to Mr. Cohen and others briefed

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Rally Blunts Big Bet Against Bonds

Treasurys' strength this month has hurt hedge funds and other investors betting that prices were headed lower. **B1**

Weekly net bets on 10-year Treasury futures



Source: Thomson Reuters

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U.S. NEWS

Home Sales Drop For Fourth Month

By LAURA KUSISTO
AND PAUL KIERNAN

WASHINGTON—Sales of previously owned homes continued their longest downward slide in five years in July as rising prices and higher mortgage rates kept more potential buyers out of the market.

Existing-home sales fell 0.7% in July from June to a seasonally adjusted annual rate of 5.34 million units, the National Association of Realtors said Wednesday. The drop marked the fourth straight month of declines.

Compared with a year earlier, sales in July were down 1.5%. Rising prices and limited inventory of affordable housing are continuing to sideline buyers despite solid economic growth.

"Too many would-be buyers are either being priced out or are deciding to postpone their search until more homes in their price range come on to the market," said Lawrence Yun, the trade group's chief economist.

With prices at all-time highs and the economy booming, this would normally be a

prime opportunity for current owners to sell, adding to inventory and generating more activity in the housing market. Instead, many are staying put, often choosing to renovate rather than give up low mortgage rates and pay significantly higher prices for their next homes.

"Underlying demand is edging higher, but you can't sell more homes if they're not there to be sold," said David Berson, chief economist at Nationwide Insurance and a former Fannie Mae chief economist.

A shortage of homes on the market has fueled the sharp rise in prices, which rose 4.5% in July from a year earlier to a median price of \$269,600. Average hourly wages, by comparison, were up 2.7%.

Mr. Yun said rising mortgage rates as the Federal Reserve tightens monetary policy have also helped make home buying more costly.

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THE MISSION ENDED.
BUT THE JOURNEY HAD JUST BEGUN.

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CAPITAL ACCOUNT | By Greg Ip

A Radical Response to China



The intensifying trade fight between the U.S. and China didn't come out of the blue. American frustration has long been building over China's failure to live up to its commitments when it joined the World Trade Organization in 2001.

But President Trump's unilateral tariffs risk a Pyrrhic victory that damages global trading rules that have broadly served U.S. interests. There may be a more effective solution: threaten China with expulsion from the WTO.

Calling this the nuclear option doesn't really do it justice since the nuclear weapons don't even exist. The WTO lacks a formal mechanism to throw out a member. But its founding charter, the General Agreement on Tariffs and Trade, includes a section, Article XXIII, that can, in effect, achieve the same thing. It allows a case to be brought against a member for behavior that doesn't specifically violate the treaty but "nullifies or impairs" the benefits every other country expects to derive from the WTO.

"China's economy is structured differently from any other major economy...in ways that were not anticipated by WTO negotiators," Jennifer Hillman, a Georgetown University law professor told Congress's U.S.-China Economic and Security Review Commission in June.

WTO rules don't deal well with the extensive overlap between China's government, ruling Communist party and companies. Article XXIII, she said, was designed "exactly for this type of situation."

China is more open and market oriented today than before it joined the WTO. It has generally adhered to the letter of WTO decisions, in-

Fading Glow

American businesses are losing faith in China's potential as competition from state-owned enterprises intensifies.

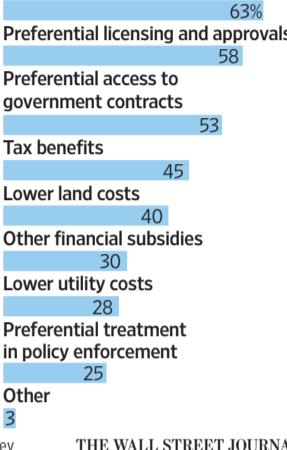
View of the current business climate in China compared with three years earlier

■ More optimistic ■ Less optimistic



Source: U.S. China Business Council member survey

Percentage of respondents perceiving their state-owned competitors as having the following benefits, 2017



THE WALL STREET JOURNAL.

cluding when it loses cases there. And it argues much criticism aimed at it is unfounded. For example, no formal laws force foreign companies to transfer technology to Chinese firms, it says.

But as Ms. Hillman, a former member of the WTO's top dispute-settlement panel, shows, that misses the many ways China violates the commitments it undertook when it joined the WTO.

Foreign companies report they are routinely compelled to transfer technology to Chinese companies to do business there, in violation of Beijing's commitments. Ms. Hillman notes that even unwritten measures can be challenged at the WTO.

China's discriminatory licensing treatment and its failure to better police the theft of foreign intellectual property both violate its obligations under the WTO's side agreement on intellectual property.

China, like all WTO members, is supposed to publish all of its subsidies so that

others can respond to them. It doesn't, because many take the form of low-cost loans, raw materials or other inputs to or from state-owned enterprises.

China isn't sued more often for such transgressions, Ms. Hillman says, because such cases can be hard to win. Foreign companies are reluctant to provide evidence because they see foreign competitors as intertwined with the Chinese government, which can retaliate, for example by blocking their expansion.

Many countries won't bring cases against China on their own for the same reason, says Chad Bown, of the Peterson Institute for International Economics. No such fear exists about suing the U.S.

Ms. Hillman says this is why other countries should bring a "big, bold" case based under Article XXIII; by addressing China's systemic violations, such a case would depend less on proving smaller, specific violations.

U.S. WATCH

IOWA

Murder Suspect Held On \$5 Million Bond

A judge has ordered a man charged in the kidnapping and murder of an Iowa college student to be jailed on a \$5 million cash-only bond.

Cristian Bahena Rivera had been held since Tuesday on a \$1 million cash-only bond after being charged with first-degree murder in the death of Mollie Tibbetts. At a hearing Wednesday, Magistrate Judge Diane Crookham-Johnson granted a state prosecutor's request to raise the bond amount to \$5 million.

Assistant Attorney General Scott Brown noted that Mr. Rivera is suspected of being in the country illegally, and is charged with a "heinous crime." He says the higher bond amount would protect the community.

Mr. Rivera's lawyer, Allan Richards, said he plans to ask for a bond review hearing at a later date. He said his client is a young man who has no prior criminal history and has worked for a prominent local farmer for years.

—Associated Press

COLD CASES

Genealogy Helps ID Rape Suspect

Investigators compared online family tree data with crime-scene DNA evidence to identify and track down a suspect in a series of North Carolina rapes from a decade ago, police said Wednesday.

One of the lead detectives called the approach, similar to what was used in the "Golden State Killer" cold case in California, a "game-changer" for investigators who had few leads in the assaults that terrorized Fayetteville starting in 2006.

Darold Wayne Bowden, 43 years old, has been charged with multiple rape counts related to six assaults from 2006 to 2008, the Fayetteville Police Department said in a news release.

Lt. John Somerindyke told the Associated Press that he has



Cristian Bahena Rivera is escorted into the Poweshiek County Courthouse for an initial court appearance Wednesday in Montezuma, Iowa. He is charged in the murder of Mollie Tibbetts.

CORRECTIONS & AMPLIFICATIONS

Greece's budget deficit in 2009 was 15.1% of its gross domestic product. A World News article Wednesday about the end of Greece's bailout incorrectly said 2008.

House of Fraser, a British department-store chain, accounts for less than 10% of **Estée Lauder** Cos.' sales. A Business & Finance article Tuesday about the cosmetics company incorrectly said House of Fraser accounted for roughly 10% of Estée Lauder's sales.

The decade from 1900-1910 was incorrectly represented as 1990-1910 in a graphic showing total returns on stocks over the past 12 decades that accompanied the Aug. 14 Streetwise column about emerging markets.

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

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U.S. NEWS

Southern Colleges Grapple With History

Ties to Confederacy conflict with a push for a more diverse student population

BY CAMERON MCWHIRTER AND MELISSA KORN

SEWANEE, Tenn.—Shadé Shepard recently attended an orientation session addressing the slave-owner connections of her new college, Sewanee.

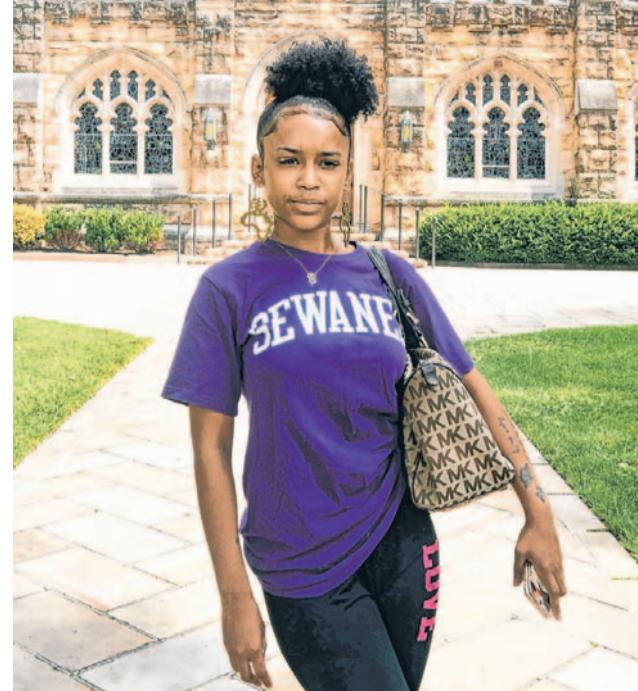
Also known as the University of the South, the liberal-arts school in the Tennessee mountains was conceived by slave owners who didn't want their sons going north for an education, and many ex-Confederates taught there after the Civil War.

"I appreciated them being blunt about it," said Ms. Shepard, an 18-year-old African-American first-year student from Washington. Life on the predominantly white campus "will definitely take some adjusting," she said, though so far, people have been welcoming.

The toppling of a Confederate statue by protesters on Monday at the University of North Carolina at Chapel Hill is the latest skirmish in an intense debate over the future of such monuments and imagery on Southern campuses. Institutions from Virginia to Mississippi are trying to come to terms with statues, markers and building names linked to their Confederate past, without alienating alumni and donors.

While Sewanee removed Confederate banners from the All Saints' Chapel and moved a general's monument to a cemetery, the campus still has stones commemorating Confederate officers and a stained-glass window bearing the Confederate Seal in the chapel.

"We are all wrestling with this in one way or another,"



Freshman Shadé Shepard, left, expects 'some adjusting' and sophomore Caroline Graham wants 'images of hate' removed in Sewanee, Tenn., where a Confederate memorial, right, has been relocated.

said John M. McCardell Jr., vice chancellor at Sewanee. He said he has to walk a fine line between acknowledging the school's history while no longer paying homage to "the Confederate shadow that looms over our institution."

For many Southern schools, a core issue is economics. They need to appeal to a more diverse student population, and Confederate symbols can scare off black and Hispanic families or prospects from outside the region.

The population of new high school graduates is expected to increase nationally by 23% between the 2000-01 and 2025-26 school years, according to the Western Interstate Commission for Higher Education. While the number of new white graduates will shrink by about 5%, the number of new

Hispanic graduates is projected to triple during the same period, and new black graduates will increase by 40.5%.

The fast-growing South is diversifying, but Sewanee has struggled to keep up. Black students made up just 5.8% of the first-year class in the 2017-18 school year, up slightly from a decade earlier, according to the school.

Caroline Graham, 20, a sophomore, said all "images of hate" should be removed. The school's history cannot be erased, "but we don't have to keep worshiping it," said Ms. Graham, who is white.

Tim Huebner, a history professor at Rhodes College in Memphis, Tenn., who has studied the legacy of Confederate memorials, recommends contextualizing Confederate markers with signs or new courses

rather than removing them.

"I don't think you take all of these remnants of the past, take all these artifacts, and grind them into dust," he said.

Last summer, after a white nationalist gathering in Charlottesville, Va., erupted in violence, Confederate statues and symbols were removed across the U.S., including in Baltimore and Helena, Mont.

Earlier this month, Duke University President Vincent E. Price announced the school would leave empty a space at the entry to its chapel where a statue of Robert E. Lee had stood. That statue was vandalized last year, and Dr. Price said the void would "provide a powerful statement about the past, the present and our values," representing, as the chapel's dean phrased it, a hole left by the sin of racism.

the country to its Nashville, Tenn., campus, announced in 2016 that it would pay \$1.2 million to the United Daughters of the Confederacy to rename Confederate Memorial Hall as Memorial Hall.

The school said the prior name contradicted its goals of inclusion. Last year, 12.5% of first-year Vanderbilt students were black, nearly double the number from a decade earlier.

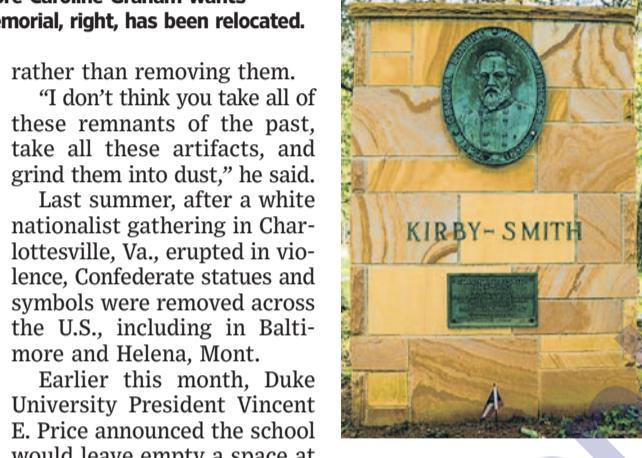
Administrators at Washington & Lee University in Lexington, Va., are expected to respond in coming weeks to a commission report, released in May, that recommended a building erected with proceeds from a slave sale be renamed, and that Confederate leader Robert E. Lee no longer be referred to as a general. It also recommended that official college functions no longer take place inside Lee Chapel—or if they do, to remove the memorial to Confederate soldiers and use a portrait of Lee in civilian dress.

"W&L's affiliation with its namesakes—particularly R.E. Lee—greatly limits the school's ability to attract diverse students, faculty and staff," the report said. The percentage of black students at Washington & Lee hovered between 2% and 3% for most of the past half-dozen years; this coming fall, it is 6%.

Some older alumni see the changes as an effort to abandon history and tradition.

Sewanee alumnus James K. Polk Van Zandt, a 65-year-old retired Episcopal reverend, said he was on the university's board for decades but became frustrated by repeated efforts to erase the institution's past.

"Whether we like it or not, it is part of our history," said Mr. Van Zandt, who is white. "If they got kids from New Jersey who don't want to go there, let them go somewhere else."



Black students comprised a near-record 11.6% of Duke's first-year class last year.

"How do you get kids to get interested and apply and feel like this is a place they want to be?" said Nicholas S. Zeppos, chancellor of Vanderbilt University. Vanderbilt, which draws students from across

Hawaii Closes Schools, Prepares for Hurricane's Arrival



Cars lined up to get gas Wednesday in Mililani in preparation for Hurricane Lane.

BY ZUSHA ELINSON

Hawaii closed schools and some government offices Wednesday as it prepared for a hurricane with sustained winds of 155 miles an hour.

Hurricane warnings were in effect for the islands of Hawai'i and Maui as Hurricane Lane headed toward the state. Hurricane watches, a less severe designation, were in effect for the islands of Oahu and Kauai.

The National Weather Service downgraded Hurricane Lane Wednesday morning to a Category 4 Storm from Category 5, the most intense level.

The unpredictability of the storm and the possibility of severe winds, flooding, power outages and other damage had

the state on edge.

"Hurricane Lane is not a well-behaved hurricane," Gov. David Ige said. "I've not seen such dramatic changes in the forecast track as I've seen with this storm. I urge our residents and visitors to take this threat seriously and prepare for a significant impact."

The weather service predicted continued weakening but said Lane was expected to remain dangerous as it drew closer to the Hawaiian Islands.

Mr. Ige signed an emergency proclamation Tuesday that will provide disaster relief if needed and granted leave to nonessential state employees in Maui and Hawai'i counties until the end of the week. Schools in those counties were also closed until further notice.

Residents of the islands descended on grocery stores and hardware stores to stock up ahead of the storm, and there were long lines at gas stations, according to local media reports.

Hawaii has found itself in the crosshairs of several hurricanes in recent years, but the last major one to hit the state was in 1992, when Hurricane Iniki killed six people and caused billions in damage.

Hawaii's Big Island, a popular tourist destination, was hit with another major disaster in May when the Kilauea volcano erupted, spewing lava and toxic gases into neighborhoods and causing evacuations. The volcanic eruption continued throughout the summer and destroyed hundreds of homes.

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U.S. NEWS

Lawmakers Calibrate Strategies After Plea

By BYRON TAU

WASHINGTON—Senate Democrats called for Republicans to halt confirmation hearings for Supreme Court nominee Brett Kavanaugh, citing his own potential role in legal proceedings involving President Trump, but didn't address whether they would pursue any actions in Congress against the president.

Republicans, meanwhile, urged restraint and warned Democrats not to overplay their hand.

The comments came a day after the president's former lawyer, Michael Cohen, told a federal judge that Mr. Trump directed him during the 2016 campaign to pay the silence of two women who allegedly had affairs with him.

Mr. Trump has denied those affairs, and denied telling Mr. Cohen to pay the two women to prevent them from talking.

Senate Democratic leader Chuck Schumer, who met with Mr. Kavanaugh on Tuesday and has said he would oppose

his nomination, called for the confirmation hearings to be delayed as he continues to seek more documents on the nominee.

It is "unseemly for the president of the United States to be picking a Supreme Court Justice who could soon be, effectively, a juror in a case involving the president himself," the New York senator said.

Republicans urged restraint and warned Democrats not to overplay their hand.

Republicans control the Senate, and there was no sign that they planned to delay the hearings, set to start Sept. 4. "This is a desperate and pathetic attempt by Democrats to obstruct a very highly qualified nominee," White House press secretary Sarah Sanders said. "The hearing date has been set and Judge Kavanaugh

will be there."

Democratic Sens. Mazie Hirono of Hawaii and Ed Markey of Massachusetts said they were canceling meetings with Mr. Kavanaugh, calling his nomination illegitimate due to the allegations against Mr. Trump.

Democrats have been looking at how Judge Kavanaugh might rule in any legal case involving Mr. Trump, amid dual investigations into Mr. Cohen and the separate probe by special counsel Robert Mueller.

Judge Kavanaugh wrote a law-review article in 2009 that argued Congress should pass a law that would defer civil suits and criminal probes involving a sitting president.

The Justice Department has long taken the position that a sitting president can't face criminal charges while in office because such a step would be too disruptive to the workings of government.

As a result, any immediate action related to Mr. Trump would likely have to come from Congress. Either cham-



GOP Sen. Lindsey Graham, left, said his party miscalculated in impeaching President Clinton in 1998. Democratic Sen. Chuck Schumer, right, called for delaying hearings on President Trump's high-court pick.

ber could open its own investigation, or try to censure Mr. Trump. Or the House could initiate impeachment proceedings, the process by which a president is removed from office after a trial in the Senate.

Republicans currently control both chambers, but polls show Democrats are favored to win seats in the House in the November midterm elections.

As a House member in 1998, Sen. Lindsey Graham (R., S.C.) was an enthusiastic proponent of the impeachment of President Bill Clinton.

With the benefit of hindsight, Mr. Graham noted that Republicans had miscalculated

then, overestimating the public's appetite for a divisive political trial that brought Washington to a halt in late 1998 and early 1999.

"I've learned once before—you can feel passionate about your case, but if you can't convince the people, you're not going to be successful," Mr. Graham said. "The public was with Clinton."

In the immediate aftermath of the revelations in court by Mr. Cohen, top Democrats proceeded cautiously, tamping down talk of impeachment but saying Congress must hold Mr. Trump and his associates accountable.

"Democrats are poised to take action to respond to this culture of corruption that has taken hold under Mr. Trump and Republican congressional majorities," said Rep. Jerrold Nadler of New York, the top Democrat on the House Judiciary Committee.

Republicans said Democrats will focus on impeachment at their own peril in the coming midterm elections.

"I have some confidence that our Democratic friends are going to overreach and this will be all about impeachment," said Sen. John Cornyn of Texas, the No. 2 Republican in the chamber.

—Natalie Andrews contributed to this article.

Holocaust survivor.

Mr. Cohen's father urged him not to protect the president, saying he didn't survive the Holocaust to have his name sullied by Mr. Trump, according to a person who was told about the conversation. The elder Mr. Cohen couldn't be reached for comment.

Sending signals

On June 20, Mr. Cohen stepped down from his position as the Republican National Committee's deputy finance chairman and tweeted his first public criticism of his former boss: "As the son of a Polish holocaust survivor, the images and sounds of this family separation policy [are] heart wrenching." The tweet no longer appears on Mr. Cohen's Twitter account.

By then, Mr. Cohen had hired New York lawyer Guy Petrillo to represent him in the Manhattan U.S. attorney's probe. The choice of Mr. Petrillo, who had once served as the chief of the office's criminal division, was seen as a sign that Mr. Cohen hoped to cooperate. Mr. Petrillo began to signal this intent to prosecutors.

Shortly after Mr. Petrillo's hiring, Mr. Cohen told ABC News in an interview that his first loyalty was to his family and country, not to the president.

In July, a recording became public that Mr. Cohen surreptitiously made of a conversation he had with Mr. Trump in September 2016 about buying the rights to Ms. McDougal's story. The president has denied the affair.

The president's legal team had waived attorney-client privilege on the recording, which had been seized in the April 9 raids.

The week of the recording's release, the investigation appeared to accelerate, people familiar with the investigation said.

Federal prosecutors faced an early September deadline to charge Mr. Cohen. After that, they would have to wait until after the midterm elections, under Department of Justice guidelines, or risk criticism of potentially affecting the election's outcome.

They had follow-up witness interviews scheduled as recently as this week, a person familiar with the investigation said, but canceled them as the plea agreement came together over the weekend.

Given the Justice Department's policy of not indicting sitting presidents, a guilty plea from Mr. Cohen and his public implication of Mr. Trump were among the strongest outcomes prosecutors could have hoped for, according to former federal prosecutors. For prosecutors, the guilty plea meant they could avoid a contentious trial and free up resources to pursue other investigations.

On Monday, Manhattan federal prosecutors filed a court document, in a case then labeled as U.S. v. John Doe, indicating a guilty plea was forthcoming.

By Tuesday night, hours after Mr. Cohen implicated Mr. Trump in a possible crime, one of Mr. Cohen's lawyers, Lanny Davis, appeared on cable news shows to say Mr. Cohen wouldn't accept a pardon from Mr. Trump and "is more than happy to tell the special counsel all that he knows."

—Michael Rothfeld contributed to this article.

Inside Cohen's Guilty Plea

Continued from Page One
on the discussions with prosecutors.

For weeks, the president had been distancing himself from Mr. Cohen, including by stopping paying his longtime attorney's legal fees, making clear amid the pressure that he was on his own.

Under oath on Tuesday, before a packed courtroom, Mr. Cohen created a spectacular moment without parallel in American history when he confessed to two crimes that he said he committed at the behest of the man who would become president.

Mr. Cohen pleaded guilty to eight federal crimes, including tax evasion and making false statements to a bank, capping a months-long investigation into his business dealings and work as Mr. Trump's personal lawyer. For the president, it opens up a perilous new legal front.

Mr. Cohen in court said Mr. Trump directed him to arrange payments during the 2016 campaign to two women who alleged they had sexual encounters with Mr. Trump. The payments violated caps on campaign contributions and a ban on corporate contributions, prosecutors said.

On Wednesday, Mr. Trump denied he directed Mr. Cohen to buy the women's silence. Contradicting earlier statements, the president said he became aware of the payments to the women "later on" and said Mr. Cohen was reimbursed from his personal funds, not his 2016 campaign coffers.

The investigation is continuing, according to a person familiar with the matter.

Although the plea deal doesn't require Mr. Cohen's cooperation, it leaves the door open for him to talk with both the Southern District of New York and special counsel Robert Mueller. The court restricted Mr. Cohen's travel to New York City; Chicago, where he owns taxi medallions; South Florida, where his parents live; and Washington, D.C., where the special counsel is based.

The deal doesn't preclude further prosecutions, including other charges against Mr. Cohen.

On the yacht

Prosecutors built their case partly by using materials seized in April 9 raids of Mr. Cohen's home, office and hotel, including recordings and other items that provided evidence of campaign-finance violations.

Investigators quickly zeroed in on Mr. Cohen's relationship with American Media, including its role brokering deals on behalf of Mr. Trump. Mr. Pecker had been an open supporter of Mr. Trump's candidacy. Prosecutors say Mr. Pecker offered to help keep quiet negative stories about Mr. Trump that might come to the National Enquirer, a practice in the business known as "catch and kill."

American Media executives

Payments made to

KAREN MCDOUGAL

David Pecker
CEO of...
Tips off

American Media Inc.
promises to reimburse
\$150,000 for rights to story of

EXPLORER
ENQUIRER
UNDER SIEGE!
Donald Trump
who claimed extramarital affair with

Karen McDougal
Stephanie Clifford
a.k.a. Stormy Daniels
who claimed sexual encounter with

Michael Cohen pleaded guilty to campaign-finance violations related to two payments made in the final months of the 2016 election campaign to women who alleged they had sexual relations with Donald Trump.

How Cohen got paid back

Mr. Cohen sought reimbursement for...

— Stephanie Clifford payment
\$130,000
— 'tech services'
\$50,000
— \$35 wire transfer fee

from...
Trump Organization
which increased the payment for tax purposes and added a bonus, for a total of \$420,000

The payment was described as 'legal expenses' and divided into 12 monthly payments of \$35,000

Michael Cohen

Source: U.S. District Court Southern District of New York
Photos: Getty Images; Associated Press; Reuters

THE WALL STREET JOURNAL.

were involved in both hush-money deals that formed the basis of Mr. Cohen's guilty plea to campaign-finance violations, prosecutors said on Tuesday. One was a \$130,000 payment to Stephanie Clifford—a former porn star who goes professionally by Stormy Daniels—as part of an agreement to keep her from publicly discussing an alleged affair with Mr. Trump. The payment was first reported by The Wall Street Journal in January.

The second was a \$150,000 payment to former Playboy model Karen McDougal for her exclusive story of an alleged extramarital affair with Mr. Trump, a story that was purchased by American Media in August 2016 at Mr. Cohen's urging, and then never published. The payment was first reported by the Journal in November 2016.

On April 5, days before the raids, Mr. Trump told reporters on Air Force One he didn't know about the payment to Ms. Clifford, and referred questions about the matter to Mr. Cohen. "You'll have to ask Michael Cohen," Mr. Trump said. "Michael is my attorney."

Mr. Cohen, who that night was staying aboard the yacht of Trump donor Franklin Hancey, which was docked in Miami, grew irate on the ship soon after Mr. Trump made his remarks distancing himself from the Clif-

ford payment, according to a person familiar with the episode. Mr. Cohen was swearing loudly as others on the boat were sipping their drinks, the person said.

The search warrant executed on April 9 sought materials and information related to a wide range of communications, including ones related to the payments to Ms. Clifford and Ms. McDougal. At the same time, investigators subpoenaed Mr. Pecker, American Media and the Trump Organization, Mr. Trump's business.

Prosecutors had reason to be concerned that without raiding Mr. Cohen's office, "records could have been deleted without record and without recourse for law enforcement," according to a court filing.

Prosecutors in the Southern District said the investigation into Mr. Cohen was, in part, a referral from the special counsel's office. It isn't clear when the referral took place, or if the office was already investigating Mr. Cohen when the referral came through.

The special counsel's office was examining Mr. Cohen's finances since at least October 2017, according to a person familiar with the matter.

Prior to the raids, investigators had already obtained covert search warrants on multiple email accounts used by Mr. Cohen.

Mr. Cohen felt exposed. Public

prosecutors said in a court filing. Early this year, they also had subpoenaed Mr. Cohen's former accountant, Jeffrey A. Getzel, who handled Mr. Cohen's personal and business tax returns.

Mr. Cohen told associates and friends he felt Mr. Trump didn't have his back and vented that the president hadn't personally offered to pay his legal bills in the Manhattan investigation, which he said were "bankrupting" him.

Mr. Cohen's troubles increased in May, when Evgeny "Gene" Friedman, a New York City taxi mogul who managed taxi medallions owned by Mr. Cohen and his relatives, pleaded guilty to state criminal tax fraud and agreed to cooperate with federal prosecutors in their probe of Mr. Cohen.

By then, prosecutors and the Internal Revenue Service had focused on Mr. Cohen's personal income taxes. In conversations with a potential witness in June and July, investigators asked "very pointed" questions about various tax filings, according to a person familiar with the conversations.

"They knew what they wanted, they knew what they had, and they went after it," the person said.

In late June, Mr. Cohen openly broke with Mr. Trump.

A personal turning point for Mr. Cohen was a conversation with his father, Maurice Cohen, a

U.S. NEWS

Backlog Stalls Veterans' Appeals

Federal agency tries to speed up, improve a clogged process for disability rulings

BY BEN KESLING

WASHINGTON—Hundreds of thousands of veterans face yearslong delays in their appeals of disability rulings because of a backlog of cases choking the Department of Veterans Affairs, but a new round of efforts aims to improve and speed up the claims-and-appeals process.

The backlog causes a number of problems, according to the department's inspector general and veterans advocates, as well as VA statistics. Rushed rulings on initial claims can be riddled with errors. Veterans who appeal their cases typically wait between three and seven years for resolution, according to the Government Accountability Office. An inspector general report also found that one in 14 veterans dies while awaiting a decision on their disability-claims appeal.

The appeals system remains "horribly flawed," said Chief Judge Robert Davis, the top judge on the U.S. Court of Appeals for Veterans Claims, the independent federal court that oversees and reviews rulings from the VA's internal appeals board. The pressure to deal with a heavy backlog of disability claims "contributes to poor decision making," he said in an interview.

VA officials say they have worked hard to process disability claims—and appeals to those claims—faster. The department in recent years has added funding and personnel and has invested in technology to increase its efficiency. Last year, President Trump signed the Veterans Appeals Improvement and Modernization Act of 2017, which will go into full effect next year and will create rapid-appeals lanes to speed the process.



WILLIAM DESHAZER FOR THE WALL STREET JOURNAL (2)



The VA is on track to process a record 80,000 appeals in 2018, spokesman Curt Cashour said, thanks to the increased funding and personnel. As of August 2018, the appeals backlog stood at about 238,000, according to VA data. A program designed by the U.S. Digital Service, a government tech incubator, also streamlined the process, reduced clerical errors and allowed judges to more quickly read a case.

"VA believes veterans are waiting too long for appellate decisions," Mr. Cashour said. The department expects the

appeals modernization law will make needed changes to the system, he added, but others remain skeptical.

"We are anxiously awaiting to see if the appeals modernization act will make any lasting change and provide any lasting benefits for veterans," said Judge Davis. "I'm not sure that's the case."

The disability-claim process can be complicated. Many veterans claim multiple injuries, each of which requires its own decision. As a veteran's case works its way through the system, claimed disabilities can worsen or change and require

Lawrence Acree appealed the VA's rejection of his disability claims. He awaits a decision.

new documentation and medical examinations. The outcome of the appeal can determine the amount of disability payments and access to future treatment.

A disability claim is first decided at one of 56 regional offices, and the VA decided 1.4 million claims for disability benefits in 2017. Of those claims, more than 90,000 cases were formally appealed to a VA board. In those cases, the board found flaws or requested more information for 57%, VA statistics show.

Judge Davis said his higher-level veterans appeals court hears about 4,000 cases a year, and of those, about 3,000 are found to have some sort of error, problem or need for more information.

Employees are rewarded for speed rather than quality, said Bart Stichman, executive director of National Veterans Legal Services Program, a nonprofit that focuses on VA benefits issues.

"Time pressure to get claims out the door causes them to cut corners," he said

of the regional VA offices that handle disability claims. "If the veteran is tenacious, the cutting of the corner will finally be caught, but a lot of veterans don't appeal."

VA officials dispute the assertion that employees are taking shortcuts or that veterans are being harmed. But the VA's Office of Inspector General concluded in a report this year that the department "did not dedicate sufficient resources to timely address appeals" as it pushed initial claims through the system faster.

An inspector-general report issued this week showed that a 2016 procedure change intended to streamline the claims process ended up leaving complex claims being decided by undertrained VA employees.

Veterans say the process is confusing, and they often have to turn to lawyers for help navigating the process.

Navy combat veteran Lawrence Acree appealed his case after the VA rejected his claims for multiple disabilities he said stemmed from his service, including psychiatric illness.

When he showed up for the appeals hearing, though, he said he unwittingly forfeited many of his claims because he was confused by the process. It took a pro bono lawyer and years of litigation for his case to be heard in June by a federal court—highlighting another layer of complexity: Many veterans who appeal their cases don't have lawyers, because technically, the process doesn't require them.

"I can see why a lot of veterans get frustrated and give up, and a lot of them don't feel they have anywhere to turn," Mr. Acree said. "It was frustrating, especially with me taking different medications, and things were a little confusing for me. When I got denied a couple of times, I got a bit of depression."

Mr. Acree won his appeal but his case isn't closed. His disability claim goes back into line. He is still awaiting a decision.

Ohio State Suspends Coach for 3 Games

BY RACHEL BACHMAN

Ohio State University suspended football Coach Urban Meyer without pay Wednesday through Sept. 2 and for the Buckeyes' first three games of the season after finding in an investigation that Mr. Meyer and Ohio State athletic director Gene Smith "went too far" in their efforts to help an assistant coach accused of domestic violence.

Ohio State suspended Mr. Smith without pay from Aug. 31 to Sept. 16. The two men kept their jobs after Ohio State concluded that neither "violated any policy, rules, law or contractual obligation" in connection with the accusations against former wide receivers coach Zach Smith.

The findings, announced just before a Wednesday night news conference, concluded a dramatic three weeks that saw one of the nation's most successful football coaches fighting for his job as troubling allegations swirled around him.

"We believe Urban Meyer did not and does not condone domestic abuse," Ohio State President Michael Drake said.

Mr. Meyer apologized and said, "I am fully aware that I'm ultimately responsible for this situation that has harmed this university as a whole. At every juncture, I gave Zach Smith the benefit of the doubt."

He added that he "should have demanded more from him and recognized red flags."

Gene Smith said he was the first one contacted about the 2015 allegation against Zach Smith and that he had taken it to Mr. Meyer but that the two didn't share it with other Ohio State administrators.

—Brian Costa contributed to this article.

Trump Denies Role In Payments

Continued from Page One buying from a magazine publisher the rights to the story of the second woman, a former Playboy model, about an affair with Mr. Trump.

On Capitol Hill, both parties began to assess how Mr. Cohen's revelations could affect the November elections, in which Democrats need to flip 23 seats to take the House and Republicans are seeking to hold their narrow Senate majority.

Mr. Cohen's guilty plea to tax fraud and campaign finance violations—on the same day former Trump campaign manager Paul Manafort was found guilty by a federal jury in Virginia of tax evasion and other crimes—heightened the GOP challenge.

"It's not helpful to Republicans," said Sen. Lindsey Graham (R., S.C.), who at times has allied with the president. "It's just one more narrative of people around the president doing bad things. The economy's going strong, we'll have our side of the story, but I don't think you have to be a political genius to understand that stuff like this doesn't help."

Of particular worry for the GOP are independent voters they need in suburban battleground districts viewed as key to control of the House.

"We're on the cusp of Labor Day. This is when the electorate starts to lock in. It's not good," said Ken Spain, a former adviser to the National Republican Congressional Committee. "It not only could accelerate the movement of independents away from Republicans, it could cement it."

A Wall Street Journal/NBC News poll in July found that independents, asked which party they want to control Congress after the 2018 elections, favored Democrats by a 22-percentage-point margin. In polling during the first half of the year, Democrats were preferred by an 8-percentage-point edge.

Some Republicans argued that the Cohen and Manafort news would have little impact on GOP voters. "This is a pretty



EDUARDO MUNOZ/REUTERS

The White House and both parties contended with the fallout from Michael Cohen's guilty plea to campaign-finance charges.

major development," said Rob Jesmer, a former executive director of the National Republican Senatorial Committee. "But there is so much noise every day. I wonder how many minds are actually changed."

Mr. Trump's problems could bolster Democrats' campaign message that giving them control of the House would counterbalance the Trump administration and GOP-held Senate.

Some Democrats on the left—most prominently, billionaire environmentalist Tom Steyer—had already been calling for the president's impeachment and arguing that the party should push more aggressively on that front.

But most party leaders have eschewed impeachment talk in ahead of the midterms. They see the 1998 midterms as a cautionary tale: Republicans, after pushing for Democratic President Bill Clinton's impeachment, lost five House seats, the first time since 1934 that the president's party gained seats in midterms.

House Speaker Newt Gingrich resigned.

A drive for impeachment also could galvanize Republican voters seeking to protect Mr. Trump in an election season that has been notable for Democratic enthusiasm. Many Democratic senators up for re-election are running in red states packed with Trump voters. Many of them are sidestepping

questions about the president to focus on more popular issues. Sen. Heidi Heitkamp (D., N.D.), asked about the latest Trump controversies, said she was "staying in our lane and doing our job."

Charlie Kelly, executive director of House Majority PAC, the House Democrats' super PAC, said "kitchen table" issues are "still our strongest message and our strongest case with voters."

Mr. Trump is expected to campaign widely for GOP candidates this fall. He learned of Mr. Cohen's guilty plea and Mr. Manafort's conviction aboard Air Force One on his way to a campaign rally in West Virginia Tuesday and returned to the White House that evening in a "rotten" mood, further irritated by what he felt had been a flat audience, according to people close to the White House.

His frustrations were amplified by the fact that his lawyer, Rudy Giuliani, is golfing in Scotland this week, people close to the president said.

One person characterized the White House strategy as "carry on with business" and said aides weren't concerned about the possibility of impeachment. "On what? That Michael Cohen said he lied before, and now he's telling the truth?" the person asked.

—Kristina Peterson, Natalie Andrews and Peter Nicholas contributed to this article.

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U.S. NEWS

Medal of Honor Awarded Posthumously

FALLEN HERO President Trump presents the family of Air Force Tech. Sgt. John Chapman, who was killed in Afghanistan in 2002, the Medal of Honor on Wednesday at the White House. Sgt. Chapman 'gave his life for his fellow warriors,' the president said.

DNC Reports Attempted Hacking

The Democratic National Committee, which was hacked by Russian intelligence officers during the 2016 presidential campaign, has contacted the Federal Bureau of Investigation after an unsuccessful attempt to access a voter database maintained by the organization. The DNC was alerted on

cated attempt to hack into our voter file and we are treating it as such," said a Democratic official in an email message. CNN reported the attempted intrusion earlier Wednesday. The FBI declined to comment.

The fake page, known as a phishing page, is a first step in many cyber-intrusion attempts and widely used by both criminals and state-sponsored actors. The technique, among other things, attempts to obtain authentic passwords from people who believe they are signing on to the legitimate site.

Lookout, which isn't associated with the DNC, discovered the fake page using the company's new phishing-detection platform.

In this case, the phishing attempt was unsuccessful as no one gained unauthorized access, said Bob Lord, the DNC's chief security officer, in

an emailed statement.

Such phishing attempts have been routine for over a decade against political campaigns and affiliated organizations. But this incident comes amid repeated warnings from senior U.S. intelligence officials that Russia is intent on interfering in the 2018 midterm elections. Russia denies involvement in election hacking.

On Monday, Microsoft Corp. said it took down six internet domains registered by a Russian hacking group and used in a phishing campaign against the U.S. Senate and conservative-leaning think tanks.

Neither Lookout nor Digital-Ocean Inc., the internet-service provider that hosted the fake login page, could say whether it was created by criminals or state-sponsored actors.

"This attempt is further proof that there are constant

threats as we head into midterm elections and we must remain vigilant in order to prevent future attacks," Mr. Lord said.

He said the VoteBuilder database contains the DNC's "most sensitive information."

Department of Homeland Security Secretary Kirstjen Nielsen said the investigation into the DNC phishing attempt was in its early stages.

The blocked intrusion attempt and the cooperation with federal authorities "shows our system is working," Ms. Nielsen said at a briefing on election security.

Emails stolen from the DNC by the Russian hackers in 2016—acquired through phishing campaigns—were later published online by the antiseccy group WikiLeaks and others, which U.S. intelligence agencies said were fronts for Russia.

Treasury Sets Sights On State Tax Credits

BY RICHARD RUBIN

WASHINGTON—The Trump administration is finishing what is expected to be a crackdown on state laws circumventing the new \$10,000 federal cap on individual deductions for state and local taxes.

The rules are likely to halt a strategy embraced in New York, New Jersey and Connecticut, high-tax states where high-income residents are getting pinched by the cap.

Tax experts are watching the rules for how the Treasury Department handles similar credits that predate last year's GOP tax law, including programs in Alabama, Arizona, Georgia and South Carolina.

Though New York, New Jersey and Connecticut have different approaches, all let taxpayers claim a partial credit against state or local taxes if they make donations to government-backed charities. Taxpayers, on their federal returns, would claim those donations as deductible charitable contributions—which don't face the new cap.

Treasury officials have warned for months that they would block these workarounds, and the Office of Management and Budget recently finished its review of

the regulations, signaling their release is imminent.

"The expectation I have is that the IRS would disallow the recharacterization of a tax payment as something else, as a charitable contribution," said Jared Walczak, a senior policy analyst at the conservative-leaning Tax Foundation.

The biggest open question is what happens to similar tax breaks in other states.

For instance, Arizona, Alabama, Georgia and South Carolina let taxpayers get a 100% state tax credit for donations to charities supporting private schools. That is more generous than the New York, New Jersey and Connecticut proposals, and those programs have important political backing from Republicans and the conservative school-choice movement.

Before the new tax law, those programs generally didn't provide a federal tax advantage, because taxpayers turned deductible state taxes into deductible charitable contributions. They directed how their state taxes were spent but often didn't pay less in total tax.

But now those programs are pitched by accountants as savvy tax-avoidance moves to turn nondeductible state taxes into deductible charitable contributions.



Treasury Secretary Steven Mnuchin, center, in Washington last month.

October 23, 2018 | San Francisco, CA

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WOMEN IN / THE WORKPLACE

The Wall Street Journal's fourth annual Women in the Workplace event returns with Sheryl Sandberg, Facebook COO and LeanIn.org founder, and Kevin Sneader, McKinsey & Company global managing director, to discuss the results of their groundbreaking 2018 "Women in the Workplace" survey of more than 230 companies. A panel discussion on creating the workplace of the future will follow, featuring Reed Hastings, founder and CEO of Netflix, and Geisha Williams, CEO and president of PG&E Corporation.

This year, we're also introducing a new, immersive, impact- and results-based day focused on advancing women as the world rethinks work.

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WORLD NEWS

U.S. Seizes on China's Woes as Talks Start

Beijing's struggle to maintain economic growth hangs over bid to settle trade battle

The U.S. and China kicked off two days of talks in Washington aimed at settling an escalating trade battle, with the U.S. claiming the advantage because Beijing is struggling to keep its economic growth from faltering.

By Lingling Wei in Beijing and Bob Davis in Washington

Beijing has tried a number of approaches to strengthening its economy in the short term, including relaxing credit controls and encouraging more lending and spending, especially on highways, rail lines and other big-ticket government projects.

WORLD NEWS

South Korea Pushes Engagement

By ANDREW JEONG

SEOUL—As the U.S. and North Korea track an unsteady course toward a non-nuclear North, Seoul is trying to sustain the engagement by deploying a veteran adviser with the distinction of being respected in both Washington and Pyongyang.

Moon Chung-in, special adviser to South Korean President Moon Jae-in, said in an interview that U.S.-North Korea talks are stalled—and that Seoul aims to prod both sides to keep moving in the direction of disarmament and peace.

While "the U.S. is demanding North Korea front-load vows to declare and accept inspections of its nuclear arms" before easing sanctions, South Korea encourages mutual concessions that can build trust—and is trying to ease the process, he said. South Korea, for instance, has offered to host talks between U.S. and North Korean officials.

President Trump has repeated assurances that North Korean leader Kim Jong Un is committed to denuclearization, after the two met in Singapore in June. But some U.S. officials, such as national-security adviser John Bolton, have expressed skepticism. North Korea has said it dismantled a nuclear testing site, but outside monitors accused Pyongyang of failing to halt development of nuclear weapons.

Meanwhile, Seoul is preparing for the third meeting this year between Messrs. Moon and Kim, to be held in Pyongyang in September. The U.S. Embassy in Seoul declined to comment on progress of engagement with the North.

Mr. Moon, 67 years old, has built relationships in both countries over the years. In 2000, North Korea allowed him to appear alongside South Korea's future unification minister, Lee Jong-seok, on a panel in a live television broadcast from Pyongyang. In talks with South Korea, Pyongyang's delegates often single out Mr.



Special adviser Moon Chung-in speaking at The Wall Street Journal CEO Council in Tokyo in May.

Moon's recent published articles for praise, Mr. Lee said.

He lived in the U.S. for nearly two decades, studying and later teaching at colleges from 1978 until returning to Seoul in 1994. His son is an American citizen.

"The South Korean president has relatively few North Korea experts who are fluent English speakers and who know Americans well," said a former senior U.S. diplomat in Seoul.

"This social capital is immensely valuable to the Moon administration, because [Moon Chung-in] has friends and colleagues across the political spectra in almost every country that matters to the Korean issue," said Peter Hayes, director of the Nautilus Institute for Security and Sustainability, a research center in Berkeley, Calif., who coedited a book with Mr. Moon.

Mr. Moon has played a role in steering public debate, and potentially influencing policy makers, through public comments that have tended to foretell the Seoul government's direction.

During a period of heightened tension with North Korea last year, he said Seoul should

reconsider conducting U.S.-South Korean military exercises in return for a halt to Pyongyang's missile tests. The comments enraged South Korean conservatives. The government in Seoul didn't publicly support Mr. Moon's comments at the time.

The U.S. has traditionally called its exercises with South Korea "defensive in nature," although Mr. Trump in June

diplomatic circles said of Mr. Moon. "It's not always clear when he's speaking on guidance from the Blue House or somebody else. But it's pretty clear that he is relevant."

In late April, days after the first inter-Korean summit, Mr. Moon traveled to New York and Washington to hear what key American foreign-affairs specialists had to say about the event. He also huddled with former Secretary of State Henry Kissinger.

Daniel Sneider, a Stanford University lecturer who has known Mr. Moon since the early 2000s, said the South Korean is a networker who knows how to sell Seoul's agenda. "He is there as a publicist more than as a policy maker," he said.

Mr. Moon has drawn criticism, however, for comments that appeared to rationalize North Korean aggression, such as when he said the former South Korean government provoked a North Korean artillery barrage in 2010 that destroyed homes and killed four South Koreans.

In the interview, Mr. Moon stressed that he considered the attack unjustifiable, but defended his past comments.

Adviser with many friends and a flair for controversy tries to keep detente rolling.

said they were "provocative," a term commonly used by North Korean state media.

Months later, the proposition became policy when Mr. Moon sought to delay and downsize the exercises. In June, Mr. Trump said he was suspending joint exercises and wanted to bring U.S. forces home.

"I would definitely say he's close" to the South Korean president, a person in Seoul's

Seoul Takes Risks By Downsizing, U.S. General Says

By ANDREW JEONG

SEOUL—South Korea's plans to dismantle some defenses along the border with North Korea would introduce new security risks, the top U.S. general on the peninsula warned, as he vowed to maintain military readiness following an end to the allies' exercises.

The remarks Wednesday by Gen. Vincent Brooks came after Seoul said last month that it plans to downsize its military by over 100,000 men by 2022 and pull back army divisions from the demilitarized zone by a few miles. The steps are aimed at reducing tensions with the North while addressing a manpower shortage.

The demilitarized zone separating the Koreas is a heavily-mined no-man's-land of barbed wire and guard posts, with thousands of armed infantrymen on each side. Sporadic clashes have occurred since the Korean War ended in 1953, but an improvement in cross-border relations this year has raised hopes for peace and led to negotiations between North Korea and the U.S. on eliminating Pyongyang's nuclear arsenal.

As South Korea seeks to sustain the detente, Seoul's defense ministry has said it is negotiat-

ing with the North to close some guard posts along the DMZ and the military demarcation line, the actual border.

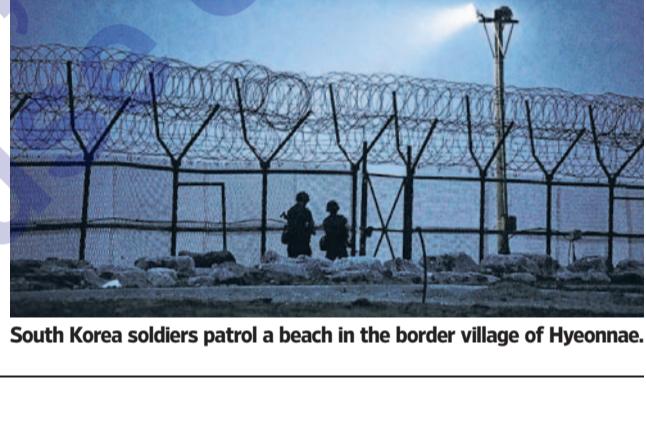
Gen. Brooks, who oversees some 28,500 U.S. forces in Korea, praised those plans as a tension-reducing measure. But he also expressed worries.

"I have some concerns about what that means militarily for the ability to defend along the Military Demarcation Line," Gen. Brooks said in Seoul. "I believe there is a reasonable amount of risk involved in this, not an excessive amount."

South Korea's defense minister has said any dismantling of the guard posts would be reciprocated by North Korea under a bilateral agreement.

Hwang Jin-ha, a retired South Korean lieutenant-general who later became a conservative lawmaker, said fewer guard posts would mean "the loss of eyes on the battlefield."

Gen. Brooks said President Trump's decision to scrap combined military exercises with South Korea—announced after his meeting with North Korean leader Kim Jong Un in June—would deprive the U.S. military of a critical tool for improving preparedness. But the four-star general said he would find other ways to stay battle-ready.



South Korea soldiers patrol a beach in the border village of Hyeonae.

FROM PAGE ONE

Target Rides Surge

Continued from Page One some said that while they credit Target and other chains for bouncing back from an extended swoon, the true test is ahead.

"The cost of doing business as a retailer is all the costs you had in the past and then some," said Sucharita Kodali, a

retail analyst at Forrester Research. "The biggest challenge is to continue growing in a retail environment that is fundamentally stable."

Many retailers have been gaining online sales at the expense of margins, said Simeon Hyman, global investment strategist at ProShares, which runs an exchange-traded fund called the **Decline of the Retail Store ETF**. "I'm certainly not one to declare that any of the retailers that have had a decent quarter have found a permanent strategy," he said.

"That's going to take a lot longer to play out."

A robust U.S. economy is spurring more people to open their wallets, boosting retailers such as Home Depot Inc. and Nordstrom Inc. Earlier this month, **Walmart** Inc. said its quarterly sales rose at the fastest rate in over a decade. Some retailers also have been picking up market share from competitors such as J.C. Penney Co. and Toys "R" Us Inc. that have closed locations.

Target said its comparable sales, meaning those from stores that have been open for at least 13 months and from digital channels, increased 6.5% in the quarter ended Aug. 4, representing the company's strongest quarterly performance since 2005.

Total revenue climbed 6.9% to \$17.78 billion, and the company raised its full-year earnings outlook. This was Target's fifth straight quarter of increasing comparable sales.

"Rising tide or not, we've been seeing progress in Target's results," said Seth Sigman, an analyst at Credit Suisse. He said the company stands out among competitors, some of which haven't performed as well even in the favorable environment. "The gap is essentially widening between the haves and the have-nots."

Target has said it expects margins to improve in the second half of the year. Margins slipped in the latest quarter in part because of higher digital fulfillment costs, though Target said some of that pressure was moderated by efforts to cut costs and retool its pricing and promotions.

The company said its menu of exclusive brands and new store designs helped it attract more shoppers to its stores, pushing up store-only comparable sales 4.9% in the second quarter. Comparable digital sales rose 41% in the same period, boosted by a one-day sale in July intended to help Target test its systems before the holiday period. Target said customers also have been using new fulfillment services, including in-store pickup and same-day delivery.

Two years ago, Target was struggling to keep up with competitors such as Amazon.com, which has been ben-



The retailer gave away ice cream at the New York City opening of one of its small stores.

efiting from the movement of shopping online, and Walmart, which had remodeled stores and lowered prices. In early 2017, Mr. Cornell announced a multibillion-dollar spending plan to help Target catch up.

Target since has sharpened its pricing strategy, redesigned stores, introduced exclusive products, and updated its supply chain and technology. It also has acquired grocery-delivery startup Shipt Inc. and opened smaller stores in urban areas and college towns.

The retailer said its investments in improving the freshness and presentation of groceries helped it gain more market share, and that it would push during the holida-

days to pick up share from the recent closures at Toys "R" Us.

Target said it expects comparable sales in the third quarter and rest of 2018 to be in line with comparable-sales growth so far this year, which Target said has been 4.8%.

The company said it expects earnings from continuing operations to be between \$1 a share and \$1.20 a share in the third quarter.

For the year, Target expects earnings from continuing operations to be between \$5.30 a share and \$5.50 a share. Target had previously forecast earnings between \$5.15 a share and \$5.45 a share.

Mr. Cornell on Wednesday highlighted the threat of tar-

iffs, saying they would "increase prices on everyday products for American families." He also said worsening ties between the U.S. and its global trade partners "could damage economic growth and vitality in the United States."

For the quarter that recently ended, Target's profit rose 19% to \$799 million, or \$1.49 a share, from \$671 million, or \$1.22 a share, for the comparable quarter a year earlier. On an adjusted basis, earnings were \$1.47 a share, up from \$1.22 a share. Analysts were expecting adjusted earnings of \$1.40 a share. Target shares rose 3.21% to \$85.94 Wednesday.

Allison Prang contributed to this article.

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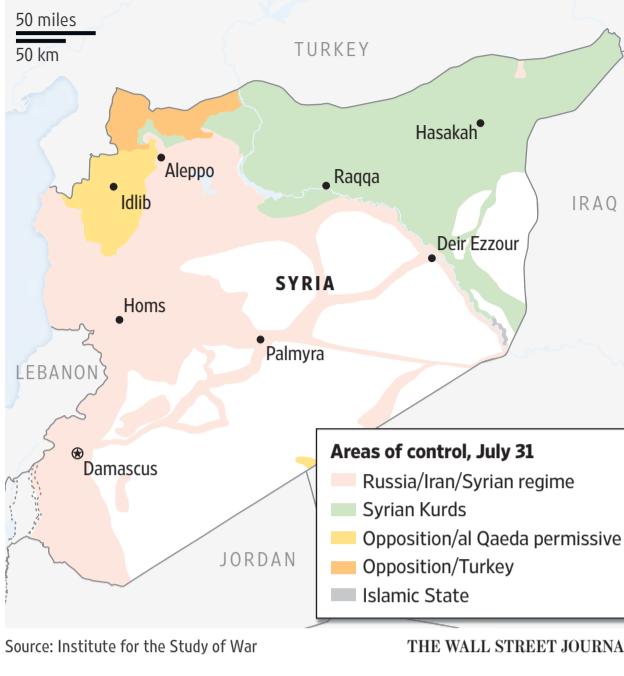
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WORLD NEWS



Source: Institute for the Study of War

THE WALL STREET JOURNAL.



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Syrian Democratic Forces members at a regimental ceremony. In July, regime officials met for the first time with the group's political wing.

Syria Pressures Kurds to Cede Territory

Assad gives U.S.-backed group two options: negotiate or face the military

By RAJA ABDULRAHIM

BEIRUT—A U.S.-backed group in Syria is being pressed by the government of President Bashar al-Assad in talks to cede control of its territory to a regime Washington has long sought to unseat.

The Kurdish-led group, which assisted the U.S. in the fight against Islamic State, controls a region stretching across much of northern and eastern Syria, including major cities such as Raqqa and some of the country's largest oil and gas fields. The U.S. has more than 2,000 troops fighting Islamic State in Syria, indirectly safeguarding the Kurdish administration. President Trump has indicated he wants to withdraw those troops.

With the U.S. commitment to Syria in question, Mr. Assad has given the Kurds two options: negotiate or face military action. Backed by Russia and Iran, the Assad govern-

ment is pushing to re-establish control over territory it lost during seven years of war. Besides the area under Kurdish administration, Turkish-backed opposition rebels control territory in the country's northwest, while Islamic State still holds a shrinking pocket of land near the Euphrates River.

But the government's efforts to retake the Kurdish-run region, which includes predominantly Arab towns, have been complicated by the presence of foreign powers with diverging interests.

A deal with the Kurds would likely bolster Russia's position as the main arbiter in Syria as the U.S. tentatively withdraws.

An agreement would put the vast majority of Syria back under the control of Mr. Assad, who the U.S. has said repeatedly it wants to oust. However,

officials have indicated that other objectives in Syria had become higher priorities, such as the defeat of Islamic State and the removal of Iranian troops from the country.

In July, regime officials met for the first time with the Syrian Democratic Council, the mostly Kurdish political wing of the U.S.-backed Syrian Dem-

ocratic Forces. They agreed to form a committee, with seven members from each side, to discuss a prospective agreement over administrative control of the area, said Sinam Mohamad, the council's foreign representative in the U.S.

Last week, committee members went to Damascus to begin discussions but left without any progress, said Ilham Ahmad, a council leader.

"We are always looking for the political solution," said Ms. Ahmad, who attended the first meeting in Damascus with regime officials. "We have never attacked the regime, so what excuse does the regime have to attack us?"

The Syrian government didn't respond to requests for comment. A spokesman for the U.S.-led coalition in Syria said it isn't involved in the talks between its allies and the regime.

A State Department official said the U.S. was aware of reports about meetings between members of the council and the Syrian regime in Damascus.

The U.S. isn't involved in the talks, the official said, and favors Syrian territorial integrity as well as a political transition process that considers the in-

terests of all Syrians.

The Syrian regime and Kurdish groups have coexisted mostly peacefully since the beginning of the conflict in 2011, when the government largely withdrew from the northeast region. That pullout was a bid to appease the minority group—which had been denied many basic rights such as getting a passport—and prevent the Kurds from joining the burgeon-

Turkey—which is trying to stamp down a Kurdish separatist movement in its own territory—captured a Kurdish enclave in Syria's north in a bid to push the Kurdish militia back from near its border. In June, Turkey got assurances from Washington that Kurdish forces would withdraw from another northern Syrian town that had been the cause of tension between the U.S. and Turkey.

That agreement could be complicated by the continuing spat between the two North Atlantic Treaty Organization allies. Ankara, which appears to be drawing closer to Moscow, has indicated it would welcome regime control near its border.

Russian leaders have previously blamed Western countries for fueling what they called separatist Kurdish sentiment for their own interests.

With its ultimatum—negotiate or face military action—Mr. Assad is deploying a tactic he has used often. In the past two years, regime forces have unleashed devastating assaults on areas controlled by rebels or Islamic State militants, including the Damascus suburb of Eastern Ghouta and the southern provinces. The assaults ended when

the antigovernment combatants surrendered and withdrew.

The regime has been brutal against its opponents during the civil war as it tries to re-establish the same environment of fear and fealty that existed in Syria under more than four decades of Assad family rule.

That concern remained even when the Kurdish-led administration was ascendant. Some residents in the Kurdish region anticipated an eventual return by the Assad regime and took precautions, including registering their properties and vehicles only with the central Damascus government for fear that they could otherwise be confiscated.

But the council's Ms. Mohamad remains hopeful regarding talks with the regime, echoing what protesters first called for in the uprising—demands the Assad regime responded to with a crackdown.

"We are not asking for independence or to secede," she said, referring to the Kurdish north. "We are asking for pluralism and democracy and decentralization. We think this is the solution."

—Jessica Donati
in Washington
contributed to this article.

An agreement would put the vast majority of Syria back under the regime's control.

ing antigovernment uprising.

Kurdish political and armed groups then used the war against Islamic State to expand their territorial control and establish their own government infrastructure and laws in the area. A deal to give up administrative control would be a major blow to their aspirations for autonomy.

Already, they have suffered several setbacks. In January,

U.S. Aims to Tighten Iran Sanctions Waivers

By FELICIA SCHWARTZ

JERUSALEM—The Trump administration is looking to ratchet up pressure on Iran to abandon its nuclear program, going beyond previous international sanctions, national-security adviser John Bolton said.

"We're not just going to stop at where the sanctions were in 2015, our goal, our objective really is essentially we'd like to say no waivers to the sanctions," Mr. Bolton said on Wednesday after two days of meetings with Israeli officials. He next travels to Geneva to meet with his Russian counterpart.

After Mr. Trump withdrew the U.S. in May from the Iran nuclear deal, Washington this month imposed sanctions targeting Iran's trade of gold and other precious metals, its car industry and the purchase of U.S. dollars. The U.S. is ex-

pected to impose tougher sanctions on Iran's oil sales and banking sector in November.

Historically, U.S. administrations have given companies waivers to deal with Iran under certain circumstances, including trade in medical and humanitarian goods. Those exceptions remain in place despite the new sanctions, but other permissions allowing companies to trade with Iran through foreign subsidiaries will be removed in November.

Mr. Bolton said the first wind-down period has ended, with the U.S. only granting two "very limited" sanctions waivers in a bid to show that the administration is pushing tough enforcement. A spokesman for Mr. Bolton declined to say who had received those waivers, as the information hasn't been released.

ISIS Leader Emerges in Audio Message

By SUNE ENGEL RASMUSSEN

BEIRUT—Islamic State released what it said was a recorded speech by its elusive leader Abu Bakr al-Baghdadi, who called for more attacks in the West and urged members of other militant groups to join his terrorist outfit.

"The supporters of the Caliphate should follow in their path, and trust in Allah, and carry out an attack that breaks their heart, and rip them apart, either with gunfire or a stab to their bodies, or a bombing in their countries," Mr. Baghdadi said, according to a translation provided by the research firm SITE Intelligence Group.

When the recording was made and whether it was the voice of Mr. Baghdadi, who is believed to be in poor health, couldn't be independently verified. If it were Mr. Baghdadi, it would be his first public communication in almost a year, at a time when the group is nearly

defeated in Syria and Iraq.

The speech gave several indications of being recorded recently. Mr. Baghdadi mocked the U.S., referring to its continuing spat with Turkey over the jailed American pastor Andrew Brunson, and Turkey's refusal to comply with U.S. sanctions against Iran, which took effect in August.

In the recording, Mr. Bagh-

dadi praised recent terrorism in Canada and Europe and implored followers to continue attacks such as driving vehicles through crowds in Western cities.

He said one such attack was equal to 1,000 attacks in Syria and Iraq. Elsewhere in his speech, Mr. Baghdadi called on members of rival rebel groups in Syria to join Islamic State, saying their

leaders had betrayed them. He specifically mentioned recent battles in Eastern Ghouta and Daraa near the Syrian capital of Damascus, where President Bashar al-Assad's government forces cleared large areas of antiregime rebels.

Islamic State released the speech to coincide with the Muslim Eid al-Adha holiday. While competing jihadist commanders communicate with their followers frequently, including al Qaeda's Ayman al-Zawahiri who has made several video appearances this year alone, this was the first public sign of life from the Islamic State leader since September last year.

Meanwhile, former Islamic State officials have told The Wall Street Journal about a meeting with Mr. Baghdadi last year, in which the terrorist leader exposed rifts within leadership ranks over military setbacks and showed signs of sickness.

FROM PAGE ONE

Fed Signals Rate Boost Next Month

Continued from Page One
at least a neutral setting, though there is considerable uncertainty about what constitutes this relative sweet spot.

As the Fed gradually raises its benchmark federal-funds rate, describing interest-rate policy as accommodative would "at some point fairly soon...no longer be appropriate," the minutes said.

The impulse reflects Mr. Powell's concern about providing too much precision about the key variables about the economy used to chart monetary policy.

The minutes said recent efforts to stimulate growth through federal tax cuts, spending increases and Fed actions had made such estimates more uncertain. As a result, providing "an explicit as-

sessment of the federal-funds rate relative to its neutral level could convey a false sense of precision."

President Trump signaled his unhappiness with Fed rate increases more than a week before the officials met. The minutes didn't indicate any discussion of those comments.

Still, Mr. Trump's critique points to a potential collision between the White House and the Fed during the current, delicate period of raising rates to a level that might deliberately slow growth to prevent the economy from overheating.

Such episodes weren't uncommon before the early 1990s. President Bill Clinton adopted a rule against commenting on Fed policy to boost investor confidence that inflation would be held in check. Presidents George W. Bush and Barack Obama maintained the hands-off approach.

The Fed has been able to slowly and predictably raise interest rates this year because the economy has performed largely in line with its expectations, but Wednesday's



The Fed's Jerome Powell wants to drop the term 'accommodative.'

prolonged dispute would harm business investment, sentiment and hiring. It would reduce the purchasing power of U.S. households and disrupt supply chains that would further degrade already-sluggish business productivity. And it could precipitate "a severe slowdown" in emerging markets.

While none of these risks appear material enough to push the Fed off its current path of rate increases, the risks also "don't seem likely to disappear soon," said Roberto Perli, an analyst at Cornerstone Macro, in a report Wednesday. That "should prevent the Fed from tightening aggressively over the course of this cycle," he said.

The minutes provided few new clues about how much longer Fed officials believe they will need to raise interest rates beyond its Sept. 25-26 meeting.

The written account of the meeting, released with a customary three-week delay, said officials "generally expected that further gradual [rate] increases...would be consistent with a sustained expansion."

Separately, Mr. Powell said at the recent meeting he would resume a technical but important discussion this fall around how the Fed implements its rate decisions.

Fed officials tabled this question last year when they agreed on a plan to shrink their \$4.5 trillion portfolio of bonds and other assets. The outcome of the debate could shape how long the Fed proceeds with its current policy of shrinking those holdings.

The portfolio has shrunk to around \$4.2 trillion, and the debate over how the Fed should set its benchmark rate will help determine how long they continue the run-off.

If officials return to a system that resembles one used before 2008, it would require fewer reserves and a smaller portfolio, meaning the run-off could continue well into the next decade.

If they maintain the current framework, they would have more reserves and a larger portfolio, meaning the runoff might end in the next couple of years.

WORLD NEWS

Fed-Up Brazil Voters Threaten Status Quo

Political outsider with law-and-order message leads, as nation reels from violence, graft

BY SAMANTHA PEARSON
AND PAULO TREVISANI

SÃO PAULO—Brazil's election campaign is set to be the country's most unpredictable in three decades.

Yet, by global standards, it's following a familiar pattern: the candidate leading the pack has struck a chord with a deeply disillusioned public and is threatening to overturn the political status quo.

Former army captain Jair Bolsonaro has won a loyal following among voters terrified of epic violence and so disgusted with the country's graft-ridden politics that they are losing faith in democracy itself. In a country with the world's most homicides, the ex-military man has made law and order his main theme.

Mr. Bolsonaro, who is running for the tiny PSL party, has the largest social media following of any candidate and is leading the polls ahead of the October vote with about 20% support.

Brazil's former President Luiz Inácio Lula da Silva, who is trying to run for the Workers' Party from a police cell where he is serving a 12-year corruption sentence, polls at around 30%. But legal experts say he will be barred from the campaign, which officially kicked off last week.

Despite a long career as a federal lawmaker after the army, Mr. Bolsonaro remains unblemished by the country's major graft scandals. His promise to revive traditional family values has also delighted Brazil's evangelical Christians. Yet his outspoken comments, including telling a female lawmaker she wasn't pretty enough to rape, have turned



Residents of a Rio de Janeiro slum, left, passed a military vehicle on patrol on Tuesday. Jair Bolsonaro, a former army captain, campaigned in São Paulo last week.

many voters against him.

Ever since the end of military rule in the 1980s, Brazil's presidential race has largely come down to a battle between the same two parties: the leftist Workers' Party and the centrist PSDB party.

"We haven't seen an election this uncertain since 1989...this year could mark the rupture of a party system that was established after the country returned to democracy," said Rafael Cortez, a political scientist at São Paulo-based consultancy Tendências. He compared the mood in Brazil to the groundswell of antiestablishment sentiment that preceded Brexit, the election of President Trump, as well as that seen across parts of Europe.

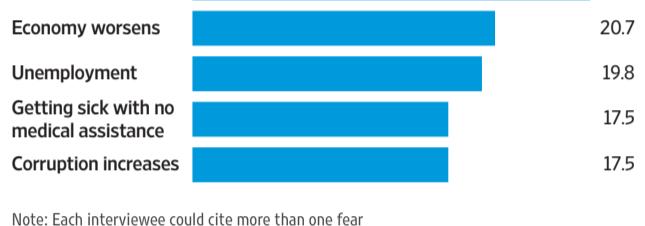
While compulsory voting rules in Brazil have tended to moderate the country's politics, a record number of people are expected to cast a blank vote this year or just not turn up, making the race more unpredictable, analysts said.

Brazilians have more reason than most to hate the establishment.

Citizen Worries

Thinking about Brazil and its current situation, what are your biggest fears about the future?

Top five responses



Note: Each interviewee could cite more than one fear
Source: Paraná Research personal interviews of 2,002 Brazilian voters conducted August 9-13; margin of error: +/- 2 pct. pts.



Nelson Almeida/Agence France-Presse/Getty Images

Congress in Focus, a congressional monitoring group.

A 2015 ban on corporate donations intended to limit graft also leaves parties more reliant on scant federal funds this year, which party leaders tend to give to incumbents.

But for Brazil's establishment, television remains crucial. In a vast country where one in four adults are functionally illiterate, it's a powerful medium and one that has always favored the status quo.

Candidates are prohibited from buying airtime. Instead, they are allotted two slots of state-funded TV time three days a week, calculated according to the size of their parties and allies.

The PSDB's candidate, Geraldo Alckmin, a business-friendly former state governor of São Paulo, will get slots of 5 minutes 33 seconds. The Workers' Party, which is expected to pick ex-São Paulo Mayor Fernando Haddad to replace Mr. da Silva, will get 2 minutes 20 seconds, according to Brasília-based consultancy Arko Advice. Mr. Bolsonaro will get just nine

seconds. The winner will succeed President Michel Temer, whose term finishes at the end of this year.

"While social media's influence in the elections is likely to reach new proportions this year, traditional media such as TV and radio will continue to play a leading role in shaping electoral preferences," said Thomaz Favaro, a São Paulo-based analyst with Control Risks, a global risk consultancy.

Digital media experts also point to the unpredictable influence this year of WhatsApp, the messaging app used by about 60% of Brazil's population.

Mr. Bolsonaro's campaign team has relied on WhatsApp to publicize its government plan, said Gerald Brant, a Brazilian-American adviser to the Bolsonaro family, playing down the importance of slick television ads.

"In 2018, Brazilians are readier to relate to organic, grass roots marketing efforts that while sometimes amateurish carry a greater degree of credibility," he said.

WORLD WATCH



KONTROL/AGENCE FRANCE PRESSE/GTY IMAGES

Rescue workers searched the Raganella Gorge in southwest Italy for victims of a flash flood that killed 10 hikers on Monday. Some 34 people were rescued after the torrent washed through the gorge.

ITALY

Deadly Flash Flood Prompts Probe Calls

Italy's environmental minister urged prosecutors to look at possible criminal responsibility and administrative lapses that may have contributed to the deaths of 10 people swept away by a flash flood as they hiked through a narrow gorge in the southern region of Calabria.

Rescue workers saved 34 people Monday after a torrent about 8 feet deep filled the narrow Raganella Gorge in the Pollino National Park. Of those, 11 were hospitalized, including at least four children—several of whom lost either one or both of their parents.

"Italy is tired of crying for the dead. Enough," environment minister Sergio Costa said. "If what happened is the result of negligence, sloppiness or a lack of awareness of the risks, we are facing a serious situation that we need to get to the bottom of."

The incident came days after a highway bridge collapse in the northern port city of Genoa killed

43 people.

Italian prosecutors on Tuesday opened a criminal investigation into the gorge deaths, and the government has asked for a separate administrative proceeding to determine if there were lapses that contributed to the deaths.

Prosecutors were looking at whether weather alerts had been properly issued and heeded, and whether access to the gorge and its challenging terrains should have been better regulated.

—Associated Press

SAUDI ARABIA

Activists Could Face Death in Secret Trial

Saudi Arabia's public prosecutor is seeking the death penalty against five human rights activists from the kingdom's Eastern Province currently on trial in a secretive terrorism court, groups including Human Rights Watch said.

Among the detainees is Israa al-Ghomgham, whom Saudi activists said was the first woman to possibly face the death penalty for rights-related work. Charges

against her include incitement to protest and providing moral support to rioters.

"Any execution is appalling, but seeking the death penalty for activists like Israa al-Ghomgham, who are not even accused of violent behavior, is monstrous," said Sarah Leah Whitson, Middle East director at Human Rights Watch.

A Saudi government communications office didn't respond to a request for comment.

Saudi Arabia, an absolute monarchy where public protests and political parties are banned, has enacted high-profile social and economic reforms in recent years. They have, however, been accompanied by a crackdown on dissent, with dozens of clerics, intellectuals and activists arrested in the past year, including women who had campaigned for the right to drive in the deeply conservative Muslim country.

Ms. Ghomgham is a prominent Shiite Muslim activist who documented mass demonstrations in the Eastern Province starting in 2011. She was arrested in December 2015 along with her husband.

—Reuters

FROM PAGE ONE

AirPods Signal: Stay Away

Continued from Page One
views as good enough. Yet their popularity contributed to 60% year-over-year growth in Apple Inc.'s wearables category in the most-recent quarter.

"We're thrilled to see so many customers enjoying AirPods," Apple CEO Tim Cook said during the company's July 31 earnings call. "It reminds me of the early days of iPod when I started noticing white earbuds everywhere."

Apple's latest phones, from the iPhone 7 to the new X, have no headphone jacks, encouraging the purchase of wireless AirPods, which aren't included.

Wearers of AirPods have adapted their daily behavior to the product in ways even its designers might not have fore-

seen—as a cloak of invisibility. "If something interesting is happening on the train, and you want to be able to listen to it while not seeming to listen to it, you can still hear what is happening around if you have them in while they're not playing," said Jasiel Martin-Odom of Brooklyn.

Mr. Martin-Odom, 25 years old, said he gets annoyed when people fail to observe the stay-away rule. Heading to a friend's house, he said, "I had my AirPods in because it's an UberPool ride—I don't want to talk to anybody."

The other rider in the car, he groused, wanted to chat.

"The fact that I had to pause my music and had to engage in a conversation—which we both could have avoided, if she'd just also put her headphones in—bothered me," Mr. Martin-Odom said.

The rules of etiquette are still evolving. Amber Rosario, a barista at Starbucks in Midtown Manhattan, finds it rude when customers wear AirPods while ordering drinks, sometimes resulting in mix-ups over their order or name.

"It's just ridiculous," she said. "If you weren't on your AirPods, it probably would have been correct!"

Dave Luis, 44, head of marketing for a hospitality startup in Dubai, heard a friend complain about insouciant colleagues wearing AirPods during business meetings.

"She found it incredibly

rude and offensive," Mr. Luis said. "I'd recently bought mine. Every time we met, she'd actually make a point of asking me to remove these from my ears."

Mr. Luis posted a poll on his Facebook page asking for opinions about wearing the devices during meetings. He said he was surprised to find that only 9% of his 80-plus friends found

it acceptable.

AirPods occupy many ears once filled by Bluetooth headphones, partly because they seem to disappear.

"I forget they're in my ears. I've gone to itch the inside of my ear and ran into an AirPod," said Mr. Miles, the app developer. "With Bluetooth headphones, it takes an extra

step of powering them on, making sure they're paired. When I have my AirPods, it's a quarter of a second."

For Ms. May in Atlanta, they have become like a daily fashion accessory. "If I get up to do anything, they come with me, until I'm just wandering around the office like they're earrings," she said.

Andy Nicolaides of Kent, England, first saw the unadvertised benefits of AirPods while in line at a U.K. Apple store last year for the iPhone X release.

"I like Apple products, obviously, but these front-of-the-line guys push it way too far for me," Mr. Nicolaides said. He slipped in his AirPods to avoid conversations, but he couldn't get cell service to stream music. He wore the headphones in silence but tapped his feet and nodded in time to an imaginary track.

The effect on the chatters nearby was immediate. "I saw them look over and start to talk before noticing the quite visible headphones," he said. "Both sides mouthed a silent, 'Oh,' and turned away."



Johanna Huckeba/The Wall Street Journal

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I didn't talk
for a very long time.

Jacob Sanchez
Diagnosed with autism



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GREATER NEW YORK

Dispute Delays Access to DNA Database

NYPD, state disagree on requirements to search for relatives of possible suspects

BY ZOLAN KANNO-YOUNGS

The New York Police Department and state officials are in a stalemate over the requirements to search the state's DNA database for relatives of suspects as investigators seek to solve eight cases, including a decades-old one involving a serial rapist.

The NYPD's Chief of Detectives Dermot Shea is frustrated. It has been nine months since the cases were submitted to the state and he still doesn't have results. A ninth case was rejected for having insufficient DNA, he said.

"Would I like to see more of a sense of urgency by all of our involved partners? Probab-



Chief of Detectives Dermot Shea would like more results.

bly," Chief Shea said. "We're talking about serious cases and the fear on our side from law enforcement is that we have an individual that killed someone or that we have an

individual who committed violent rape."

Familial DNA searching was approved by the state's Commission on Forensic Science in June 2017. It allows police to take DNA evidence gathered at a crime scene and eventually search it against a state database of 600,000 people who have been convicted of a crime. If the search produces a hit, law-enforcement officials can use it as a lead to help identify relatives of a potential suspect.

At issue is a disagreement between the NYPD and the state Division of Criminal Justice Services over policy. Official regulations require the police to sign contractual agreements for each investigation approved for familial DNA searching, according to the state. The NYPD has yet to sign those agreements, saying there should be just one memorandum of understanding for all searches.

Patrick Conry, a spokesman

for the NYPD, said the contracts would require police to disclose details on the investigations to the state, which could compromise an investigation.

Janine Kava, a spokeswoman for the Division of Criminal Justice Services, said the state has been working with the NYPD but "we must ensure that individual protections, privacy or civil rights are not compromised during these searches."

"The agreements in question protect the integrity and confidentiality of the process by holding individuals accountable for their work and their obligation to report certain information about the case to the state," Ms. Kava said.

Some civil liberty advocates argue familial DNA searching raises privacy concerns, especially for minorities, who are disproportionately represented in the state database. In February, the Legal Aid Society

filed a lawsuit alleging the Division of Criminal Justice Services and the forensic commission didn't have the authority to allow the searching.

"Familial DNA searching is flawed and the procedure itself tends to create a suspect class of poor folks of color," said David Loftis, a lawyer at the Legal Aid Society.

Police officials said no civil liberties are violated by the technique because a match can only be used as an investigative lead.

"A detective in the flesh still has to go and investigate that lead and flesh it out," Chief Conry said.

Chief Shea added that familial DNA searching can only be used after police have exhausted all other investigative options and it is only used for the most violent incidents.

One of the cases the NYPD submitted involves the cold case of the so-called East Side rapist, who committed more than a dozen sex crimes, some at gunpoint, between 1994 and 1997, according to the police. While police have DNA evidence from the crime scenes, they have yet to catch the perpetrator.

"You think of the family," Chief Shea said. "Twenty years and never having closure on a case. That's why for us it's so important."

One person who called for the approval of familial DNA searching at public hearings was Phil Vetrano, the father of Karina Vetrano, who was attacked and killed while out for a run in Howard Beach, Queens, in 2016. DNA was left at the scene, but the searching tool hadn't yet been approved. Police later identified and arrested a suspect without using familial DNA searching.

"It can only be used for good," Mr. Vetrano said Wednesday. "There are families out there that don't have a clue. That don't know who killed their loved one."

City Will Open Freelance Space

BY MAYA SWEEDLER

New York City's freelancers will soon have a free place to hone their skills, talk shop and get help finding a gig.

The Mayor's Office of Media and Entertainment announced the creation of the first city-sponsored freelancer's hub on Wednesday. The hub, which will be located in the Made in NY Media Center in Brooklyn's Dumbo neighborhood, will offer free membership that includes workshops, resources and meetups.

The Freelancers Union will operate the space, which is slated to open in early October, with support from the mayor's office. The Independent Filmmaker Project manages the Made in NY Media Center.

Julie Menin, the commissioner of the Mayor's Office of Media and Entertainment, said in an interview Tuesday that the hub marks the first concerted effort by a U.S. city to support freelance workers in the gig economy.

"When we know that nearly two out of every five workers in New York City—about 38%—are freelancers, we want to make sure that we as a city government are meeting their needs and providing the services they want," she said.

The hub's services will range from classes in marketing and budgeting, to legal clinics that will help freelancers protect their work, said Caitlin Pearce, the executive director of the Freelancers Union. Services aim to help freelancers under-

stand the city's resources and obtain insurance and more financial security.

Advance online registration will be required to reserve a spot in classes and in the co-working space. Hub members don't have to be a part of the Freelancers Union.

Ms. Menin said her office currently isn't planning to cap registration, as the hub has the space, expertise and staff to meet whatever demand there will be. The hub will cost the city about \$500,000 a year, she said. Two full-time staff members will be assigned to the space in addition to other circulating instructors, Ms. Pearce noted.

"As we launch and grow this hub, we'll be co-designing it with our members," Ms. Pearce said. "The vision is really to supply all the basic things someone needs to know to run an independent business or get started freelancing."

The hub's establishment comes after the 2016 Freelance Isn't Free Act, a city law that guarantees protections such as written contracts and timely payment for freelance workers.

Although about 900 square feet will be set aside for the freelancer's hub, members will have access to resources and facilities in the 20,000-square-foot Made in NY Media Center.

Placing the freelancer's hub in a "freelance ecosystem" will allow members to take advantage of both existing facilities—which include theater, classroom and networking spaces—and the new business curriculum, Ms. Pearce said.



Adetoro Makinde worked in an area to be dedicated to freelancers.

Three Jets Quarterbacks Gear Up for the Season



SET, HUT-HUT: New York Jets quarterbacks, from left, Josh McCown, Teddy Bridgewater and Sam Darnold worked out on Wednesday during NFL football training camp in Florham Park, N.J. Their next preseason game is Friday at MetLife Stadium against the Giants.

Carlyle Fund Bets on Long Island City

BY KEIKO MORRIS

A fund managed by the Carlyle Group LP has agreed to pay \$284 million for a luxury rental tower in Long Island City, Queens, marking a milestone for the neighborhood where developers have built thousands of apartments in the last decade, according to a broker and an investor involved in the deal.

When the sale closes, the 45-story 1 QPS Tower is expected to be the highest purchase price for an apartment rental building in Queens and yet another sign a maturing Long Island City is on the radar of sophisticated global investors, real-estate brokers said.

With Carlyle beating out other competitors, the deal also reflects an awareness that, despite headlines of landlords extending tenant concessions such as free rent periods in the luxury sector, there is little pipeline behind the most recent surge in residential development, said Will Silverman, a managing director at Hodges

Ward Elliott Inc. Mr. Silverman represented the joint venture selling the property.

"People are treating supply like obesity and a better analogy is indigestion," Mr. Silverman said. "It's Thanksgiving at 6 p.m., and everybody feels like they won't be able to eat again, but by next Tuesday they will be fine."

In the last five years, Long Island City has added 11,738 apartment rental units and has another 5,775 in the pipeline through 2021, according to Modern Spaces, a real-estate brokerage. However, today New York City has about 30,000 fewer rental apartments than it did in 1980 and 1.5 million more people, according to Mr. Silverman's analysis.

More than half the people moving to the city become free-market renters, he said.

The surge in luxury residential apartments occurred as developers rushed to get projects in the ground before a city tax-break program expired at the beginning of 2016. As Long Is-



A rendering of 1 QPS Tower

land City adds more residents and solidifies its standing as a thriving neighborhood, land prices there likely will rise and hit levels that no longer support rental-apartment development, Mr. Silverman said.

About 33% of the tower's tenants moved from some-

where in the U.S. but outside of the city, 30% came from Manhattan and 23.4% moved to the building from somewhere in Queens, Mr. Silverman said. The joint venture selling the property includes Property Markets Group, Howard Lorber's real-estate firm New Valley LLC and The Hakim Organization, a developer and owner of a large New York City portfolio of properties.

Developers of the skyscraper, located within a block of the Queensboro Plaza subway station, began leasing the tower's 391 market-rate apartments in February 2017. It is now between 98% to 99% occupied, said Brett Wolfe, director of sales and marketing of Property Markets Group.

The developers packed the tower with condominium-level finishes and amenities such as one of the city's highest outdoor pools, a gym with four-story high ceilings, and events and programs from mixology and gardening to outdoor yoga sessions, Mr. Wolfe said.

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GREATER NEW YORK

'Sweeney' Exit Leaves Fans Hungry

Show to close despite generating impressive \$8.5 million in ticket sales in 18 months

BY CHARLES PASSY

Talk about your blood money.

When it closes this Sunday after an 18-month run, a revival of "Sweeney Todd," Stephen Sondheim's classic musical about a murderous barber, will have proved itself one of the true financial success stories on the off-Broadway scene.

Created on a budget of \$1.2 million, the show recouped its investment in a fairly quick period of 24 weeks, according to producers. And despite the fact it has played in a small Greenwich Village theater with 130 seats, it has generated \$8.5 million in ticket sales, an impressive figure by off-Broadway standards, say industry professionals.

Moreover, producers note that this is the longest-running "Sweeney Todd" on record. The original Broadway production, which bowed in 1979, lasted only a little more than a year.

If there is a key factor that played into this revival's success, say producers, it is the unique concept behind it: The theater essentially becomes a pie shop/restaurant, playing off the musical's story line in which Sweeney's victims are turned into meat pies. Much of the audience sits at communal dining tables instead of traditional theater seats.

Plus, for a surcharge, patrons are even given the opportunity to dine on savory pies and mashed potatoes before the show.

The production went so far as to tap Bill Yosses, a former White House pastry chef, to helm the culinary operations.

"I think the audience felt they were getting a complete experience. It was a full night out," said Nate Koch, the



Sally Ann Triplett and Thom Sesma in 'Sweeney Todd' at Barrow Street Theatre. Below, Joseph Taylor in a scene from the musical.

show's executive producer.

The concept is a carry-over from when this revival was first staged in London four years ago at a renowned pie shop in that city. Producers noted audiences' enthusiastic reaction, and thought the concept also would play well in New York.

Just as important: They recognized the concept allowed them to appeal to an audience well beyond the musical-theater fans who normally would be attracted to a "Sweeney" revival. Specifically, the show's immersive aspect spoke to a new and younger generation of theatergoers, the same who attend interactive shows such as the long-running off-Broadway hit "Sleep No More," a reinterpretation of "Macbeth" in which audiences wander through a mock abandoned hotel as Shakespeare's story unfolds.

The decision to end the "Sweeney" run wasn't entirely

The Mad Math of A Bloody Revival

Tallying a few numbers* from the off-Broadway production:

Performances: 636
Pies served: 37,354
Costume changes: 31,400
Times characters are killed: 5,661
Patrons with the name
Sweeney: 18
Gallons of fake blood: 12.5

Source: 'Sweeney Todd' production
* Figures include projected totals for performances through Sunday.

the producers' own. A new theatrical tenant, the nonprofit company Ars Nova, is slated to move into the Greenwich Village space, Barrow Street Theatre, in the fall.

"Sweeney" producers say they could have looked for other homes in the city, but it would

have been hard to find something suitable given the need to have the pie-shop element as well. Instead, they say they are looking to bring the show to other U.S. cities, if not abroad.

"Sweeney" is not the only off-Broadway show to enjoy commercial success in recent

months, despite the generally challenging economics of working in the non-Broadway arena. Another example is the National Yiddish Theatre Folksbiene's current revival of "Fiddler on the Roof," which sold out its initial run and has been extended through Oct. 25.

GREATER NEW YORK WATCH

COURTS

Ex-Soccer Boss Gets 4 Years in FIFA Probe

A former South American soccer official convicted on corruption charges in the sprawling FIFA bribery scandal was sentenced Wednesday in Brooklyn federal court to four years in prison.

José Maria Marin, a former president of Brazil's soccer federation, also was ordered to forfeit \$3.3 million and pay a \$1.2 million fine in connection with his participation in a scheme to accept bribes in exchange for the media and marketing rights to various soccer tournaments, according to the office of the U.S. Attorney for the Eastern District of New York.

"His crime was one of pure, unmitigated and unchecked greed," said Judge Pamela Chen, who added that she wanted "to send a message of deterrence."

—Associated Press

CONNECTICUT

Largest Freshman Class at University

The new freshman class at the University of Connecticut represents the largest in the school's history, with about 5,500 students. More than 4,000 hail from 164 of Connecticut's 169 cities and towns.

UConn President Susan Herbst said Wednesday the class of 2022 is academically exceptional. The incoming students averaged 1306 on their SAT scores, higher than any UConn class.

The university is "competing with many of the best schools in America for talented Connecticut high school graduates," she said. Ms. Herbst credits UConn's "winning formula" of good academics, faculty and campus facilities at a value for Connecticut families and students.

About 3,764 of the freshmen will be based at UConn's main campus in Storrs, where they will begin moving into residence halls on Friday. Classes begin Monday at all campuses.

—Associated Press

CHEW ON THIS



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LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

A Promotion Without the Pay Bump

When your boss offers a bigger job without a higher salary, stay calm and analyze your options

MORE WORKERS are facing the same dilemma: How do you respond when your boss offers you a nice new title, without a nice new raise to match?

Some 39% of employers often hand out promotions without a pay raise, up from 22% in 2011, according to a recent survey of 300 employers by the staffing firm OfficeTeam. Many employees are left wondering whether to swallow their resentment and accept the news, or push back for more money.

A smart response requires taking stock of pay practices at your company, figuring out what's in it for you and making a well-informed decision.

After Fredda Hurwitz took on duties at a previous employer similar to the two C-suite executives she reported to, she decided to ask in her annual review for both a new title and a raise. Her bosses' initial response: "We might be able to get you the title, but not both," says Ms. Hurwitz, chief strategy and marketing officer at RedPeg Marketing in Alexandria, Va.

She stood firm and insisted that she deserved both. Ms. Hurwitz had done her homework on pay practices at the company and had come prepared to make a strong case, ticking off her accomplishments in a factual, unemotional way, she says. Hearing the evidence, her bosses granted her both the raise and title she wanted.

Some pay decisions call for pushback, including those driven by racial, gender, ethnic or religious bias.

But sometimes, no-raise promotions make sense. Alexander Lowry was startled when he received a congratulatory letter on a previous job at a Wall Street firm saying he was being promoted to deputy COO from vice president. Period.

"I looked at the letter and thought, 'They made a mistake here.'" There was no mention of salary, says Mr. Lowry, a professor of finance at Gordon College in



Wenham, Mass.

His boss explained the mixed message: Mr. Lowry was performing well, but his division wasn't, and the firm's policies prohibited raises for employees in laggard divisions. Mr. Lowry took on his new role as a welcome opportunity to learn and grow.

There are other reasons employers give promotions without raises. Some only raise pay once a year. Others restrict groups of job titles to specific pay ranges, barring additional increases for people who are already at the top of the range.

Other employers are doling out small changes in job titles, or micro-promotions, to satisfy millennial workers' craving for feedback, says Carolyn Betts Fleming, founder and CEO of Betts Recruiting in San Francisco. A recruiting associate might be named a recruiter, for example. While Ms. Betts Fleming says she doesn't believe in promoting people without a raise, "getting a title increase is something to be proud of" for some young workers, she says.

A new title may confer other

perks, such as a larger bonus, more vacation, tuition reimbursement or stock options, says Roy Cohen, a New York-based career coach.

"Most important is looking at the opportunity and the big picture," says Mikaela Kiner, who has held human-resources leadership roles at Amazon, Starbucks and Microsoft. "Is this a role you've aspired to? Is it a role where you're going to be learning and creating, that will allow you to advance your career in a way you want?"

If you're startled or dismayed by an offer of a no-raise promotion, don't react defensively. "Express genuine interest in the boss's thinking," says Amy C. Edmondson, a professor of leadership and management at Harvard Business School. That means asking neutral, curious questions about his or her reasoning. If your boss comes across as intimidating and closed-minded, "screw up your courage and ask anyway," says Dr. Edmondson, author of "The Fearless Organization," a forthcoming book on psychological safety in the workplace.

Request a little time to think

about the offer. Discreetly ask current or past co-workers about what others at that level are paid.

If you decide to accept but want to keep your hopes of a raise alive, ask when you might be eligible and what you'll have to accomplish to qualify, says Ms. Kiner, CEO of uniquelyHR, a Seattle consulting firm.

Ask to revisit the topic in a few months, and consider getting the boss's commitment in writing, says Helene Lollis, CEO of Pathbuilders, an Atlanta human-resources consulting firm. One executive she advised received a big promotion to head a major project, without a raise to match. The executive led the project so well that she was soon hiring staffers making more money than she was, Ms. Lollis says. Frustrated, she devised an upbeat way to reopen the topic by saying, "Isn't it fantastic that this project has gone so well that we need this high level of talent? Now we just need to get my pay in line with the talent needed to do it," Ms. Lollis says. She got the raise.

Some pay decisions are simply unfair.

A Shot at the Title

Before you decide to take a new title without a raise:

- Ask open, neutral questions to probe your boss's thinking.
- Explore other benefits the title might bring, such as a bigger bonus.
- Know your employer's policies and practices on handing out raises.
- Ask for time to think about the offer if needed.
- Research what others in the same or comparable positions are paid.
- Get advice from trusted colleagues and mentors.
- Consider long-term gains in skills and experience.
- Weigh the likely impact on your value in the job market.

When Shawn Rhodes, a Tampa, Fla., speaker and owner of Shoshin Consulting, a change-management firm, was asked to step into a former boss's job while he was away for several months, he made the mistake of saying yes. "I wore myself out doing two jobs with no pay raise, no extra privileges, not even a nice letter in my permanent record," he says. When pressured later to do it again, he says, he told his supervisor, "not without a pay raise," and resigned.

Saying no can damage your reputation internally. But some jobs are a setup for failure, says Mr. Cohen, author of "The Wall Street Professional's Survival Guide."

"If you know a number of folks have come and gone in this role, then you should be concerned that the same will happen to you," he says. Consider accepting the job on an acting or interim basis, allowing you to give it a try while maintaining an exit plan.

MOVIES

'MINDING THE GAP' MAKES A BUZZY DEBUT

BY ELLEN GAMERMAN

WHEN THE RAPTUREOUS reviews started pouring in for Bing Liu's "Minding the Gap," a skateboarding movie that's not really a skateboarding movie, the director was at a skate park in Brooklyn—skating but not really skating.

"I was just dissociating," he said. "It felt like a weird dream."

The movie, a story of fathers and sons, domestic violence, race and a struggling Rust Belt town, is the 29-year-old filmmaker's feature debut. Although the documentary seems to convey years of friendship between him and two other young men, in reality, Mr. Liu built the film first and the friendships later.

The central characters are skateboarding high-school dropouts in Mr. Liu's hometown of Rockford, Ill. Keire seems to grow up on camera, diving into his feelings about his late father, including his method of discipline. ("Well, they called it child abuse now," he says.)

Zack, a new dad who describes getting hit by his father, explains why it's sometimes OK to hit women in a conversation about his girlfriend Nina. Later in the film, Mr. Liu confronts his mother about the late stepfather who had beaten them both.

The movie, released on Hulu and in theaters on Friday, won the U.S. documentary special jury award for breakthrough filmmaking at the Sundance Film Festival. It went on to receive more than two dozen film festival awards and honors.

and maintains a 100% positive rating on Rotten Tomatoes.

Mr. Liu made his first movie at 17, and his first big job was on the crew of 2013's Dennis Quaid-Zac Efron movie "At Any Price." He spoke with the Journal about making "Minding the Gap," what led him to its subjects and how they have reacted to seeing themselves. Here are edited excerpts from the conversation.

Did this movie come out of years of friendship with Keire and Zack?

The press paints it as this film that slowly formed over time. I didn't meet Keire until a year into making "Minding the Gap." It started out, the idea was I'm going to examine skateboarders' relationships with their fathers. My first [interview] shoot with Keire was him talking about his father's abuse and his feelings about it. And then my first shoot with Zack was talking with him about his father.

It feels like it's about the three of you growing up together.

It was reverse-engineered. I went back to archival footage. I went to others who were younger and took footage of Keire to build a sense of who he is. For Zack, I took



The idea was I'm going to examine skateboarders' relationships with their fathers,' Bing Liu, center, says of 'Minding the Gap,' with Keire Johnson, left, and Zack Mulligan, right.

every shot of footage I had of him in the few times I'd filmed him earlier and built up a sense of who he was as a teenager. I just saw Zack at the skate park, he was really good. I filmed people for how good they were. I maybe had 15 or 20 minutes of footage of him total that I could scrap together.

How did Keire and Zack react to their portrayals in the movie?

Keire, it was like he's an emotional mirror—every time he cried on-screen, he cried in person. Every time he laughed on-screen, he

laughed in person. Zack was crying. It was the second time I'd ever seen him cry. He was like, "You got it." He also was concerned about how he would be portrayed. He was relieved his nightmarish expectations weren't reality.

Zack is seen throughout the movie drinking, smoking pot and fighting with his girlfriend. Has the film caused him any soul-searching?

[Requests for interviews with Mr. Liu's documentary subjects were declined.]

It's very dramatic and cathartic

in the movie. In real life, it takes a lot longer to create true soul-searching change, and it has to come from within.

[Zack] still has trouble expressing his emotions. His charisma was so recognized by a fiction filmmaker that he got cast as the lead of [another] film. He plays a father who is having these deeply disturbing, repressed feelings and it causes him to run away from his family and his children. He says it's oddly nice to be able to release his emotions through the confines of the character.

When you approached Nina about an audio recording of one of her fights with Zack, she told you that he hit her but asked that you not mention it to him. Zack ends up explaining why women sometimes deserve to be hit. How did this confessional scene happen?

We were just going to keep focusing on that recording, what happened in that recording, so it doesn't become about, "Did you hit her?" That interview, like many moments, those are deep into long hour or two-hour conversations. At the beginning of that interview he was like, "So Bing, do you want the real shit or do you want the fake shit?" I was like, "I always wanted the real shit." He was like, "All right, let's do this." He really just opened up the floodgates there, and I think that was a culmination of his decision to just jump off the cliff in a way and just be like, "OK, I'm going to be vulnerable here."

LIFE & ARTS

ANATOMY OF A SONG | By Marc Myers

Donna Summer's Radio Classic

The dance song 'On the Radio' started with filler vocals and became one of the disco era's defining hits

IN 1979, Donna Summer recorded "On the Radio" for "Foxes," a teen coming-of-age film due for release in early 1980. But before the movie came out, the dance song was added to Summer's double album, "On the Radio: Greatest Hits Volumes I and II," recently reissued on vinyl by Island Def Jam/UMe.

In late 1979, the single reached No. 5 on Billboard's pop chart, while the double album went to No. 1. Ms. Summer, who wrote the song's lyrics, died in 2012.

Recently, the song's co-writer and producer Giorgio Moroder, Summer's husband Bruce Sudano, recording artist Stephen Bishop, arranger Harold Faltermeyer, drummer Keith Forsey and alto saxophonist Gary Herbig recalled the song's evolution. Edited from interviews.

Giorgio Moroder: I first met Donna Summer in Munich in 1973. I was working on a demo with Pete Bellotte, my co-producer, and we needed three backup singers who didn't have a German accent. Donna came in to audition.

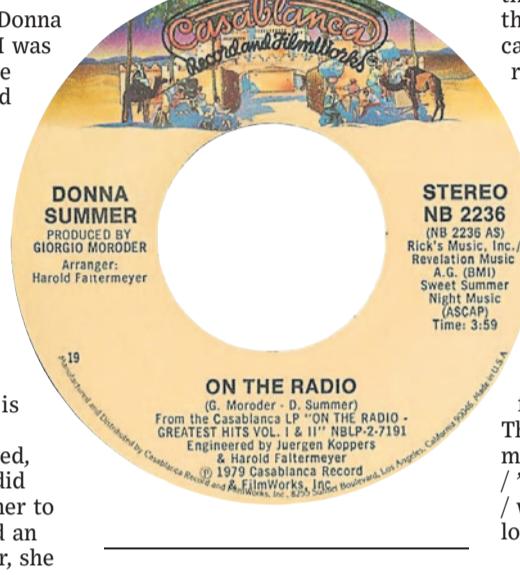
She had been living and working in Germany since 1967. We could hear she was a pro and that she had a lot of gospel experience. Soon after the recording session, Pete and I signed her to my Oasis record label.

In the months that followed, Donna lived in Munich and did studio work for us. I urged her to come to me anytime she had an idea for a song. Months later, she had a song-title idea: "Love to Love You, Baby." I thought it was great.

In early 1975, after we recorded "Love to Love You," Casablanca Records in the U.S. wanted to distribute a longer, 17-minute version of the song. So we re-recorded it with a much more elaborate disco production. It became a huge hit single and album.

Donna returned to the U.S. in early 1976, and I soon moved to Beverly Hills to compose for the movies and produce her disco albums.

In early 1979, I wrote a song for Donna on my piano at home in Beverly Hills. The melody was great but my first languages were Italian and German, and my English was limited. So I sang along using words that didn't make much sense. When I reached the



At the song's core, Donna Summer said, was a big, beautiful Italian legato melody.

Bruce Sudano: At home, Donna tried to write lyrics for Giorgio's music but soon handed me the cassette. She said I should write the lyrics. I insisted that she write them. She finally said, "OK, if I can find a way in."

Donna told NPR in 2003 that she was at L.A.'s Rusk Studio when she became stuck writing the lyrics. Then she spotted a Stephen Bishop album on the piano. After looking at the album's lyrics, she came up with, "It must have fallen out of a hole in your

chorus, I started singing 'on the radio, oh-oh oh oh oh, on the radio' just to fill it out."

I recorded a demo of the song with me singing and playing piano. Then I called Donna. She came over, and I played her the tape. She didn't like the song, so we shelved it.

Six months later, Neil Bogart of Casablanca urged me to see a rough cut of the film "Foxes." After the screening, I was asked to write a ballad score and disco vocal for a dance scene.

At home, I pulled out my "On the Radio" demo and called up Donna. She came over, and I played it for her again. I told her I was considering it for the movie and wanted her to write the lyrics. This time she loved it and took my demo tape with her.

old brown overcoat." She wrote the rest of the song's story from that one line.

Stephen Bishop: Donna and I were good friends. I think the song that inspired her was "On and On," from my 1976 album "Careless." The song is about a breakup.

Mr. Sudano: At Rusk, she typically set up mics and ran tape as she came up with lyrics while singing in a stream of consciousness. What emerged was a narrative about a woman who regrets dumping her boyfriend:

"Don't it kinda strike you sad / When you hear our song / Things are not the same / since we broke up last June."

But it's more complicated than that. When she hears that her boyfriend just dedicated their song to her on the radio, she has a change of heart:

"Yeah, you kinda made me feel proud / when I heard him say / You couldn't find the words to say it yourself."

Ultimately, the radio became a way for the two lovers to reunite: "If you think that love isn't found on the radio / Then tune right in you may find the love you lost / 'Cause now I'm sitting here / with the man I sent away long ago."

Harold Faltermeyer: Donna brought me the rough demo tape of her vocal. I used it to arrange and record the basic rhythm track at Westlake Studios.

For the intro, I opened playing a ballad version of the song on a grand piano. The bass line you hear throughout is me playing a Model D Minimoog. The entire ballad intro was in the key of D. When the dance section kicks in, the key ascended to E-minor to give it drama.

Keith Forsey: It was the disco era, so the drums in the dance section were all about four beats on the kick drum, hitting the snare on the second and fourth beats, and using 16th notes on the hi-hats.

Mr. Moroder: At Rusk, I recorded Donna's master vocal.

Mr. Faltermeyer: Once we had Donna's master vocal, I began to overdub. On the intro, I added a Fender Rhodes electric piano on top of my grand-piano notes for color. Just before Donna started to sing, I introduced strings. This gave the intro a reflective mood. Then Keith came in with a drum fill just before Donna's second verse.

My arrangement for the disco section came pretty fast. Two bars before Donna's first chorus, I started the brass section with a crescendo chord.

"Stabs" by the brass section followed ac-



Donna Summer, shown above in 1978, wrote the lyrics for 'On the Radio,' about a woman who regrets dumping her boyfriend. Below, the singer in Italy around 1976 with Giorgio Moroder who co-wrote and produced 'On the Radio.'

companied by Keith's four-on-the-floor kick drum.

Gary Herbig: I used my Selmer Mark VI alto saxophone and an AKG-C414 mic, which allowed the engineer to capture my alto's edge. I recorded my solo in one take.

Mr. Faltermeyer: At the end of the final chorus, Giorgio had the song end abruptly for dramatic impact. We put an echo on Donna's voice, so you hear, "On the radio, radio, radio."

Mr. Moroder: The version we used for the "Foxes" theme and the film's incidental music was an extended version of Donna's ballad portion backed by Harold's piano. The disco section was used for the movie's dance-party scene.

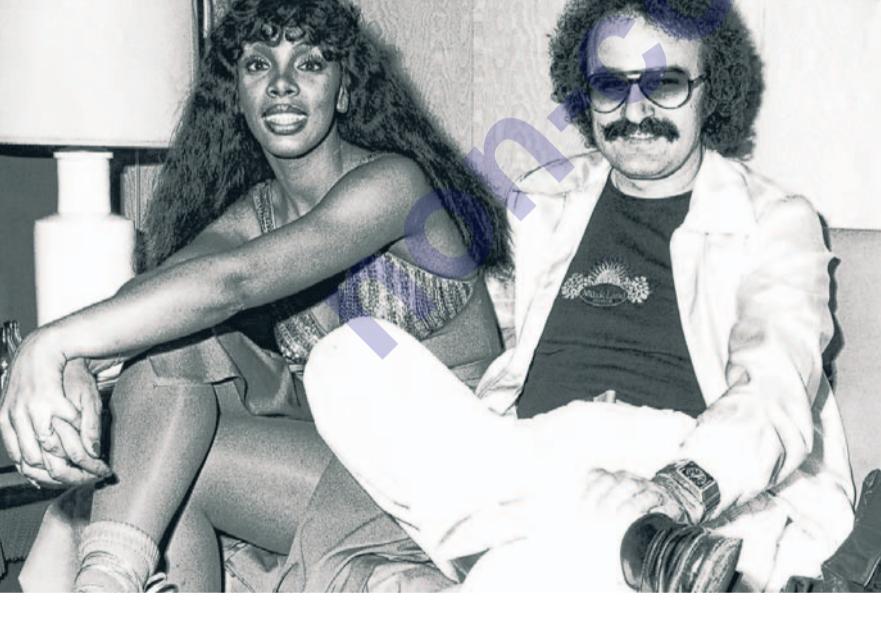
But we realized immediately that the song had huge potential as a hit, so I decided to add it onto the greatest hits album we were preparing. I simply renamed the

album "On the Radio: Greatest Hits Volumes I and II."

Mr. Sudano: When I hear "On the Radio" now, I feel as if Donna is in the room with me. We were very much in love in late 1979 but not yet married. That would come in July 1980.

She loved "On the Radio." At the song's core, she said, was a big, beautiful Italian legato melody. One day, to illustrate, she sang an operatic version of the song in fake Italian. She was so good with languages that it sounded like real Italian to me.

At home in L.A., there was a lot going on after our daughters, Brooklyn and Amanda, were born in 1981 and '82. Donna never had her awards or gold records around the house. They were in a box. She said, "I don't want you and our kids living with Donna Summer. That's over here. At home, I'm mommy and wife."



GETTY IMAGES (2)

WORK & FAMILY MAILBOX | By Sue Shellenbarger

EARLY FINANCIAL LESSONS

QI read your July 17 column about having a plan to launch your children into financial independence, and I'd like more information. How can I prepare my kids?—W.J.

A: Children can learn earning and saving skills in elementary school. One popular method is to label jars for saving, spending and sharing and have your child divide gifts and allowances among them. Set aside 10% for sharing with a worthy cause and split the rest between saving and spending, says Liz Frazier Peck, a fee-only financial planner in Somers, N.Y. Deciding what to save for and tracking progress toward that goal helps a child learn budgeting.

Allow youngsters to earn extra money by doing a special chore, such as weeding the garden, Ms.

Peck says. They also might help price items for a yard sale, or help with everyday decision-making, such as shopping for groceries on a budget.

Teens need practice managing money to build confidence. Have them get a job, open a checking account for their wages and set a savings goal, such as figuring out how many lawns they have to mow to buy the sneakers they want. Make them responsible for paying such bills as athletic or activity fees or car insurance. And consider giving them experience borrowing money and paying it back with interest by giving them a small loan or adding them to your credit-card account. Share your household budget, explaining how you make spending plans and repay debt. Helpful books include "Make

Your Kid a Money Genius (Even If You're Not)," by financial-literacy advocate Beth Kobiner; "Raising Financially Fit Kids," by financial educator Joline Godfrey; and "The Opposite of Spoiled," by journalist Ron Lieber.

Q My son wants us to pay \$60,000 a year for the out-of-state college of his choice. My wife and I both work and we've set aside \$25,000 a year for his college costs, but we have to think about our own retirement. I'm 66, but I plan to work until all three of my kids are all out of school. My son won't qualify for any financial aid, and he doesn't understand why his friends who do qualify can afford to go to better colleges. Any suggestions?—M.S.

A: You're already doing more for your son than most parents. I'd suggest telling him what you can contribute and drawing the line at that. He can work or borrow to cover any additional costs, and be responsible for repaying those loans.

This could be an opportunity for him to learn financial-management skills. Consider showing him your household budget and what you're already sacrificing to set aside money for college. Have him research his likely income and estimated expenses after graduation



and make a budget of his own. Use a loan calculator like Bankrate to estimate the size of his monthly student-loan payments and the salary required to manage them without too much financial difficulty. Also, many students who think they're ineligible for aid actually are able to qualify for various scholarships and grants. For help finding opportunities, try FastWeb.

LIFE & ARTS



Detail of Wang Hui's '10,000 Miles Along the Yangzi River'

MUSEUM OF FINE ARTS, BOSTON

ART REVIEW

A Trip Down the Yangzi in 40 Feet

Wang Hui's lengthy handscroll stirs emotions while evoking poetry, earlier paintings, history and cultural references

BY LEE LAWRENCE

Boston

WHEN THE MUSEUM of Fine Arts, Boston announced it was displaying a landscape by the Chinese master Wang Hui (1632-1717) in an "immersive installation" with "soundscapes of water, birds and fishermen," I imagined something distractingly Disneyesque and, well, cringed. I needn't have. The landscape merely establishes a calm mood and pace, appropriate for a type of landscape that sought to stir viewers' emotions while evoking memories of poetry, earlier paintings, history and cultural references. With the help of wall texts, "10,000 Miles Along the Yangzi River" still delivers this.

More than 40 feet of this 53-foot-long handscroll are unfurled in a desk-high display case running the length of the gallery, with a reproduction of the remaining portion hanging on the side wall. Even knowing that such scrolls should be viewed in segments of about three feet, the length one would unfurl in a single gesture, who can resist glancing down the impressive stretch of meandering shorelines and rocky mountainscapes? This is

where the sound helps. We hear, as though from afar, notes from a stringed instrument and the lapping of water, and our attention pulls away from the grand sweep to settle on the scene before us.

Although early paintings typically depict the river from its source in the Tibetan highlands to its outlet into the East China Sea, by the 17th century this convention had long been reversed. So Wang begins the journey near the mouth of the river in his native province of Suzhou, where

in 1699, he painted this masterpiece. In its opening tranche, mountains dwarf a city's gate, houses and people, and the ocean beyond yawns wide and infinite. The protagonist is unquestionably nature, not man, with mountain chains almost appearing animate thanks to Wang's "dragon veins." He built up mountains with irregular, billowing arcs whose angular crests he lined up to suggest rather abstractly the sinuous movement of a dragon's back.

The work, recently donated to the museum, casts nature as the protagonist

Moving right to left, we see this play out in a number of configurations as the river narrows, widens and occasionally embraces a tributary. Rocky banks rise and fall away. Here, a mountain bursts beyond the scroll's confines; there, peaks extend ever smaller, ever paler, into the distance. And throughout, negative space ribbons behind and through the landscape, morphing from a suggestion of open sea to thick trails of mist to bright horizon lines to fingers of fog in the dense mountain chains at

the river's source. Wang's contemporaries would have recognized famous towers and other sights just as they would have known that the fishermen provided more than local color. They have multiple associations in Chinese literature, including that of high-placed officials leaving unworthy kings to fish in self-imposed exile until better rulers sat on the throne. So, too, some might have seen in Wang's inclusion of dead trees within

blooming groves reminders of mortality. Certainly, they would have admired his command of the brush and his hallmark repertoire of brushstrokes.

Born into a family of professional painters, Wang was not yet 20 when Wang Jiang and Wang Shimin, two highly regarded orthodox painters, took him under their wing, the latter inviting young Wang to study his collection of paintings. Which he did, spending years copying past masters, stroke by individual stroke. As time went on, collectors purchased Wang's work for ever-higher prices while also giving him access to yet more ancient works. At the home of Zhou Liang-gong in Nanjing, for example, Wang saw Yan Wengui's panoramic "Landscape of the Yangzi River" (sometime between 970 and 1030), which he cited as an inspiration for this painting.

In many ways a nonconformist, Wang rejected the hierarchy of styles set out by the influential painter and theoretician Dong Qichang (1555-1636). No good work was unworthy of his attention as he pursued his ambition. Referring to artists from different periods in China's history, he

wrote: "I must use the brush and ink of the Yuan to move the peaks and valleys of the Song and infuse them with the breath-resonance of the Tang. I will then have a work of the Great Synthesis."

Looking at "10,000 Miles Along the Yangzi River," art lovers would have marveled—as scholars and collectors still do—at his syncretic brushwork, and they would have spotted quotations from earlier landscapes. Collector Wan-go H.C. Weng details the latter in a recently published book that he refers to in a video interview included in the show. We also see a colophon Mr. Weng wrote in which he describes how his great-great-grandfather's purchase of the handscroll in 1875 "made him most elated." Now Mr. Weng, who turned 100 last month, has donated "10,000 Miles Along the Yangzi" to the MFA. Our turn—curators and visitors alike—to be "most elated."

10,000 Miles Along the Yangzi River

Museum of Fine Arts, Boston, through Sept. 30

Ms. Lawrence writes about Asian and Islamic art for the Journal.

MUSIC REVIEW

A MAESTRO'S TIME IN CLEVELAND STILL SHINES

BY ALLAN KOZINN

WHEN GEORGE SZELL died, in 1970, he was revered for having built the Cleveland Orchestra into one of the world's great ensembles in a 24-year tenure that began in 1946, and as an interpreter whose streamlined but high-power readings were rooted in his belief that a composer's intentions were sacrosanct. But though he played down the Romantic notion that interpretation should also reflect the performer's personality, Szell's readings were always identifiable by their structural logic, textural clarity, unerring balances and sheer energy. Under Szell's baton, an orchestra was a highly polished, precision machine, and in music by Beethoven, Schubert, Brahms, Dvořák and Wagner, he was untouchable.

Yet, at the time of his death, the music world as Szell knew it was hurtling toward obsolescence. One of the last great podium martineti, Szell wielded absolute authority and executed it with severity—an approach that vanished once unions began asserting themselves in matters of how musicians should be treated. Vanished, too, is the kind of devotion Szell showed to the Cleveland Orchestra. These days, a tenure lasting nearly a quarter century is rare; beyond a decade, critics wonder (often abetted by off-the-record carping from the players) whether the relationship is growing stale.

Szell's, with Cleveland, never did; the chemistry between them consistently yielded both heat and light. Their recordings for the Epic

and CBS Masterworks labels, starting in 1947, were exemplary in their day, and they remain so now, a point Sony Classical makes vividly in its 106-CD "George Szell: The Complete Columbia Album Collection," out now. Except for some live recordings issued by the orchestra itself, all of Szell's Cleveland recordings are here, along with a few Szell made with the New York Philharmonic, the Columbia Symphony Orchestra, and as a remarkably vibrant chamber-music pianist. The discs are beautifully remastered, and packaged in sleeves that replicate their original artwork and liner notes, with period-correct labels and a hardcover book that provides all the recording details.

Mammoth boxes like this, which have become plentiful lately, are the last gasps of the physical record industry, intent on presenting its wares as they were in their heyday, one last time before streaming blows away the tactile side of music collecting entirely. They are comprehensive, relatively inexpensive (the Szell set can be had for less than \$2 a disc) and provide the eerie sense that you are holding the full shape and substance of a great musician's career in your hands.

The Szell box is a fascinating glimpse at how the supposedly ossified classical canon has evolved (albeit slowly) over the decades. There is, for example, very little Mahler or Bruckner, indispensable staples of a conducting career now. But what there is—most notably, a rich-hued 1966 Mahler Fourth Symphony, and a broad-boned 1970 Bruckner Eighth—stands up well to

modern competition. It is also hard to imagine a conductor today recording 106 discs with only a handful devoted to contemporary music and, of that, only a single Stravinsky work, the "Firebird" Suite. Yet when Szell considered a new work worth recording—for example, a spiky, high-contrast account of Samuel Barber's Piano Concerto, with John Browning; or taut, colorful performances of Walton's Partita for Orchestra and Symphony No. 2; or a curious reading of Bartók's Concerto for Orchestra that begins sedately but eventually explodes from the speaker—he is an eloquent advocate, as focused on detail, balance and the subtleties of color as he is in the great Romantic works.

There are occasional disappoint-

ments that have more to do with changing interpretive fashion than with any deficiencies of Szell's. His Mozart, Haydn and Bach, for example, sound a bit ponderous by today's standards. And despite his reputation as a literalist, he often jettisoned exposition repeats, arguing in interviews (several are included in the set) that repeats were necessary only when works were new and audiences were unfamiliar with them.

Szell's specialty was the Romantic repertory. His Beethoven and Brahms Symphonies remain among the most tightly reasoned and precisely executed on the market, and his collaborations on those composers' piano concertos, with Leon Fleisher, are still the gold standard. It's not easy to find a recording that captures the same level of urgency and anxiety Szell brought to Strauss's "Death and Transfiguration," and his Wagner Overtures are truly regal. Even pieces that, today, are typically curtain-raisers or encores—Rossini Overtures, the Dvořák "Slavonic Dances"—have an uncommon intensity that makes them sound like major statements.

Lately, the sweep of reductive history has elevated Arturo Toscanini, Leonard Bernstein and Herbert von Karajan to almost mythic status, leaving the other great conductors of the 20th century as footnotes that only specialist collectors care about. That's not how it seemed at the time, of course. And the new Sony box is a reminder, disc for disc, that Szell deserves a place in that pantheon.

Mr. Kozinn writes about music for the Journal.



Conductor George Szell leading the Cleveland Orchestra at Carnegie Hall.

ALFRED EIGENSTAEDT/THE LIFE PICTURE COLLECTION/GETTY IMAGES

SPORTS

FOOTBALL

The NFL Team That Went All In

The Los Angeles Rams made a flurry of high-profile moves—and defied the models of patience that have gripped sports

BY ANDREW BEATON

Irvine, Calif.

THE LOS ANGELES Rams did something radical this offseason: They acquired a bunch of really good players.

It sounds so obvious that calling it radical sounds obtuse. A team with playoff aspirations went out and got players who will help them achieve that goal. They brought in players who have gone to Pro Bowls and been among the most productive players at their positions.

But doing that also broke convention—not just in the NFL, but across a broader sports ecosystem that obsesses over long-term visions. It plays out the same in any sport: an executive, often with an Ivy League degree, tells fans some version of “trust the process,” the mantra that became both beloved and mocked in Philadelphia over the years with the 76ers. The team hoards draft picks and prospects with an eye on the long-term future.

In this world, the Rams’ offseason spree turned heads. It’s not that any of the moves, taken individually, was remarkable. But Los Angeles made so many that, taken together, they seemed to be a statement: Brandin Cooks, Marcus Peters, Ndamukong Suh and Aqib Talib were coming to Hollywood to take a team to the Super Bowl—now.

“It’s refreshing,” said Rams coach Sean McVay. “We’ve got a group that does an excellent job of still having a long-term perspective but also saying we’re going to make this work and manage it.”

This isn’t how football teams normally gear up for a championship run. There’s no promise the moves will turn out to be strokes of brilliance and there’s considerable long-term risk. Unlike the NBA, where one superstar switching jerseys can completely alter the league’s power dynamic, that’s rarely the case in the NFL. All of the Rams’ moves combine to make a fraction of the ripple caused by the biggest offseason acquisition in Los Angeles: The Lakers getting LeBron James.

But there’s nothing normal about the path the Rams took to contention. During their first season in Los Angeles in 2016, they produced one of Hollywood’s biggest flops in recent memory. They went 4-12. There wasn’t much inspiring about the quarterback they had taken with the No. 1 pick in the draft, Jared Goff. At the same time, the team’s prodigious running back, Todd Gurley, appeared to take a major step backwards. The expectations for 2017 weren’t



After winning the NFC West last year, the Los Angeles Rams enter this season with an upgraded roster and Super Bowl hopes.

rosy.

But with a new head coach in McVay, the youngest in NFL history, something different took hold. Goff, who people had already started writing off as a possible bust, came into his own. Gurley led the league in rushing touchdowns and once again struck fear in opposing defenses. After a holdout, defensive lineman Aaron Donald returned to the field and made every snap a nightmare for opposing quarterbacks.

It was a turnaround that nobody could have seen coming. The Rams went 11-5 and reached the playoffs. They went from having the least productive offense in the NFL to having the most productive offense in the NFL. They also went from thinking about how they could contend to how they could win a Super Bowl.

“People always go: ‘Did you exceed expectations?’” said Les Snead, the Rams’ general manager. He always replied: “Obviously.”

Snead says he learned something about expectations. They change quickly. By the middle of last season, at which point the Rams had already shown how good they could be, his forecast had changed. All of a sudden, he would have been disappointed if the team didn’t win the division. (It won the

division.)

The change in perspective also reshaped the team’s offseason plans. The Rams went from seemingly being years away from contention to games away from winning it all. “The Rams are actually on people’s radar,” Snead said.

“People are paying attention.”

After these developments, they splurged on a flurry of risky moves. In other circumstances, Snead says the team had plans to

2016, he was one of two All-Pro corners. Talib was the other. The cost for completely overhauling this position: fourth and fifth round picks in the 2018 draft and a second rounder in the 2019 draft.

Yet the cornerbacks may not be the most intimidating part of their own defense. That’s because they also signed Ndamukong Suh, the ferocious defensive lineman who will now attack opposing offensive lines next to Donald, the reigning defensive player of the year.

The fourth, and costliest move, gave Goff a new weapon. Los Angeles shipped a first-round pick to New England for receiver Brandin Cooks, who has posted three consecutive 1,000-yard receiving seasons.

There is no guarantee this approach will work as well in reality as it appears on paper.

Talib, 32, may not be the lock-down option he once was. Cooks has career numbers buoyed by catching passes from Drew Brees and Tom Brady. Suh and Peters have reputations as two of the most talented players in the league—and two of the most difficult to handle.

And the Rams’ approach inevitably raises long-term questions. It will require some serious number

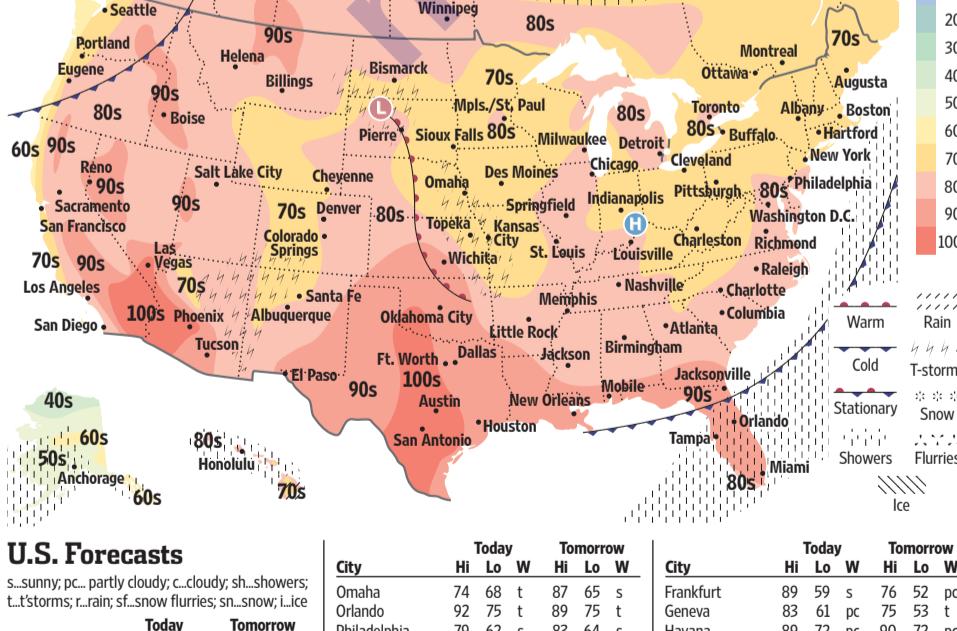
crunching to figure out how to pay so many players who command big checks. They already locked down Gurley and Cooks with new long-term deals. Goff will be due for one eventually. Donald, for the second straight season, is holding out for a deal that could break records for players at his position.

The typical plan to accommodate pricey talent is with cheap, young players in the draft. The Rams can’t do that like most teams—they traded a boatload of their draft picks away. At the same time, because of players they lost in free agency and that their biggest moves were via trade, they expect to recoup some of those losses with compensatory picks in next year’s draft. They also flipped a couple of their more expensive players, Robert Quinn and Alec Ogletree, to save money and re-up picks.

Now the Rams find themselves in an unusual position for a team that went through a number of lean years. The combination of last year’s success and this off-season’s splurge has cast the team in a new light. The Rams are throwing their weight around like a big-market team from Los Angeles.

“You want to be able to do what you can compete now,” McVay said.

Weather



U.S. Forecasts

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

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

Today Tomorrow

Hi Lo W Hi Lo W

Anchorages 57 51 r 59 50 sh

Atlanta 84 65 s 84 65 pc

Austin 102 73 s 101 73 s

Baltimore 80 59 s 82 62 s

Boise 91 58 s 84 52 pc

Boston 78 64 s 84 65 s

Burlington 78 58 pc 85 63 s

Charlotte 82 59 s 83 62 s

Chicago 81 64 s 71 68 t

Cleveland 79 59 s 82 67 s

Dallas 98 79 s 100 78 s

Denver 88 57 pc 88 60 s

Detroit 81 61 s 79 67 pc

Honolulu 87 77 c 86 77 r

Houston 97 77 s 96 77 s

Indianapolis 79 58 s 74 68 t

Kansas City 73 69 t 90 71 pc

Las Vegas 102 81 s 102 79 s

Little Rock 86 66 pc 89 69 s

Los Angeles 82 68 pc 82 67 pc

Miami 90 76 t 89 77 t

Milwaukee 80 63 s 70 66 t

Minneapolis 81 67 s 76 67 t

Nashville 82 61 pc 87 70 pc

New Orleans 91 75 pc 91 75 s

New York City 78 64 s 82 66 s

Oklahoma City 93 75 s 95 76 pc

International

Today Tomorrow

Hi Lo W Hi Lo W

Amsterdam 74 56 sh 65 52 sh

Athens 90 74 s 72 67 s

Baghdad 110 83 s 110 86 s

Bangkok 92 78 t 92 79 t

Beijing 90 68 s 91 69 s

Berlin 91 66 s 76 55 s

Brussels 76 56 t 66 49 pc

Buenos Aires 63 50 pc 55 39 s

Dubai 107 93 pc 107 92 s

Dublin 62 47 s 59 45 c

Edinburgh 61 48 c 59 44 sh

City Today Hi Lo W Tomorrow Hi Lo W

Frankfurt 89 59 s 76 52 pc

Geneva 83 61 pc 75 53 t

Havana 89 72 pc 90 72 pc

Hong Kong 91 81 t 90 81 t

Istanbul 88 76 s 86 74 s

Jakarta 91 77 pc 91 76 pc

Jerusalem 86 71 s 90 71 s

Johannesburg 73 47 s 73 49 s

London 75 52 r 66 49 c

Madrid 93 66 pc 95 64 s

Manila 88 79 t 86 78 t

Melbourne 61 40 pc 62 42 s

Mexico City 71 56 t 73 55 t

Milan 91 68 pc 88 66 t

Moscow 68 50 s 73 52 s

Mumbai 84 79 sh 84 79 sh

Paris 84 58 s 70 52 pc

Rio de Janeiro 85 70 s 87 72 c

Riyadh 108 80 s 109 82 s

Rome 86 69 pc 85 70 s

San Juan 89 75 pc 88 77 p

Seoul 88 79 r 83 73 r

Shanghai 92 76 s 89 77 s

Singapore 89 79 t 88 79 t

Sydney 62 52 pc 61 54 pc

Taipei City 91 79 t 91 78 t

Tokyo 86 79 sh 84 79 sh

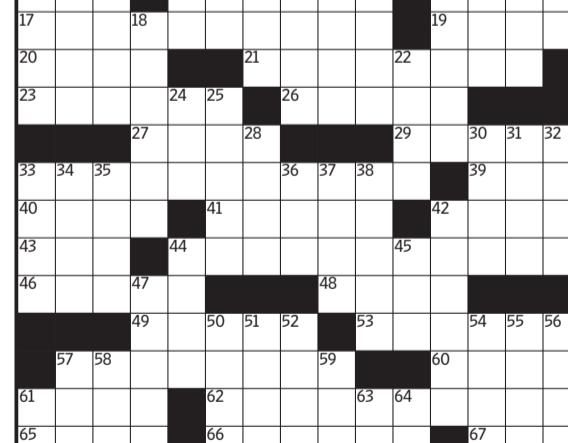
Vancouver 80 58 pc 81 65 pc

Warsaw 67 52 pc 65 52 pc

Zurich 81 65 s 87 62 t

83 59 pc 71 53 sh

The WSJ Daily Crossword | Edited by Mike Shenk



SHORT STORIES | By Colin Gale

Across

- 1 Source of a draft
- 4 Give a second airing to
- 10 Beijing blanket
- 14 Dazzle
- 15 Neon Desert Music Festival site
- 16 Batting practice backdrop
- 17 "Like a good neighbor, State Farm is there" jingle writer
- 19 Bicolor coin
- 20 Cracker topper
- 21 Powers of "Hart to Hart"
- 23 Upbraid
- 26 Dottie West song "What ___ Doin' in Love"
- 27 After-shave additive
- 29 Middle-distance runner Steve who won gold at the 1980 Moscow Olympics
- 33 Goldenrod cousin
- 39 Treasury head before Mnuchin
- 40 Out of harm's way, perhaps
- 41 Bejeweled band
- 42 Play by oneself
- 43 "Claws" carrier
- 44 Subject of a series of Monet paintings
- 45 "The Lake of the Sky"
- 46 Starbucks order
- 47 Take the plunge
- 48 Best of old movies
- 49 Output of some guns
- 53 Cause of a holdup, perhaps
- 57 Short buildings, and a clue to this puzzle's theme
- 60 Lakeside Lombardy resort
- 61 Plug, say
- 62 Mamet play in which Madonna made her Broadway debut
- 65 Unwritten, in a way
- 66 Brother of Lucrezia Borgia
- 67 Take the plunge
- 68 Starbuck's order
- 69 Ominous ending
- 70 Mag. staffers

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

Down

- 1 Garfield, e.g.
- 2 Clued in
- 3 Jeopardy
- 4 Occupant of el trono
- 5 Dartboard material
- 6 Sites for sweaters
- 7 Rodent-spread virus, familiarly
- 8 Basketry bit
- 9 "Look Homeward, Angel" author
- 10 When Romeo first beholds Juliet
- 11 "The Valley Isle"
- 12 Brutish fellow
- 13 Metric prefix?
- 18 Feel sympathetic
- 22 Off base, maybe
- 24 Copying
- 25 Gateau's cousin
- 28 Carmela's portrayer
- 30 Prey for the Morlocks
- 31 Recount
- 32 Like the pack animal about which Nash wrote "he's a beast"
- 33 Murdock (Daredevil's alter ego)
- 34 Radius neighbor
- 35 Adam's son in his own likeness, after his image'
- 36 Piehole
- 37 Iroquois foe
- 38

OPINION

Cohen, Manafort and Midterms

By Karl Rove

They show up for every presidential campaign: wannabes like George Papadopoulos, self-promoters like Carter Page, and worse, grifters like Paul Manafort and straphangers like Michael Cohen.

Grifters attach themselves to campaigns to refresh their credentials so they can sell their services to foreign governments and political parties, or businesses looking to buy influence. Straphangers hope to land a job in the West Wing—and if that's not possible, to cash in on their connections.

The consequences for President Trump of having people like this around him became clearer than ever Tuesday, when his former campaign chairman, Mr. Manafort, was found guilty of tax and bank fraud and hiding foreign bank accounts, while the president's longtime personal lawyer and "fixer," Mr. Cohen, pleaded guilty to tax evasion, making false statements, and campaign-finance violations.

So what's the likely political fallout from these courtroom bombshells?

First, full disclosure: When Mr. Manafort wrote Mr. Trump in spring 2016 to offer his assistance, he said I was his "blood enemy." By that. Mr. Manafort referred to the unsuccessful campaign he managed for my rival for the national chairmanship of the College Republicans—in 1973! Mr. Manafort must have an enormous capacity for

grudges: I can't remember interacting with him after that campaign, and I last saw him at the 1996 GOP convention.

Following Tuesday's verdict, the president declared that special counsel Robert Mueller's successful prosecution of Mr. Manafort "has nothing to do with Russian collusion." Mr. Trump is right—for now. Only the final special-counsel report will settle that definitively. Still, there's reason to be skeptical of the collusion narrative. Every presidential campaign leaks, and the Trump campaign leaked more than any in history. If there had been collusion, the public would likely know about it by now.

Some defenders of the president dismiss the Manafort verdict as a witch hunt. This is wrong and unwise. Mr. Mueller acted within his mandate, and Mr. Manafort was found guilty of failing to pay taxes on \$30 million of income from consulting in Ukraine, \$18 million of which he spent on clothing, antiques, real estate and home expenses. Though they may be distressed by the notion of 69-year-old Mr. Manafort spending decades in prison, Mr. Trump's allies could spend their energy better by pointing out that the president was not involved in his schemes and was in fact used by him.

Mr. Cohen's guilty pleas are more troubling for Mr. Trump, and not simply because Mr. Cohen admitted to paying hush money to Stormy Daniels and Karen McDougal, who claim to have had affairs with Mr. Trump. Mr. Cohen now says

Mr. Trump directed him to make the payments to protect his election prospects, an action some believe constitutes a violation of campaign-finance laws.

But many legal analysts doubt the payments were illegal, including Bob Bauer, former White House counsel to President Obama and legal adviser to Mr. Obama's campaigns. In an article last

month, Mr. Bauer suggested that "the question for legal purposes is whether Trump would have made this payment even if he had not been a candidate." The president, he believes, "does not have to deny that politics played some part in his and Cohen's plotting." Rather, Mr. Bauer argues that Mr. Trump's desire to protect his personal reputation complicates the campaign-finance question: "A dual motive is enough to muddy the legal waters." Unable to prove the payments were made solely for a political purpose, it is unlikely that prosecutors will proceed with charges.

Still, Tuesday's events will bring significant damage. Messrs. Manafort's and Cohen's legal troubles will further cement in the public's mind that corrupt people wea-

The convictions make the Democrats' hand stronger—but they could overplay it.

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sled their way into Mr. Trump's orbit before and during his presidential campaign. This notion will be reinforced further when Mr. Manafort's next trial begins in September, over charges of money laundering, failing to register as a foreign agent, and lying to federal agents.

The events will also strengthen congressional Democrats' argument that their party is a necessary check on the president. Yet while Democrats have the advantage now, they could easily overplay their hand and turn off swing voters who don't want America plunged into a political circus like the one Republicans created by impeaching Bill Clinton in 1998.

Given Justice Department guidelines, Mr. Mueller—in contrast to James Comey—is unlikely to act in ways that affect the election once September begins. The president may still choose to lash out at the special-counsel investigation, but that would hurt him and his party. Rather than attacking the Mueller probe, Mr. Trump's best approach would be to focus on his agenda. That would be a better strategy than reviving Tuesday's sordid drama.

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

Daniel Henninger is away.

Don't Trust Anyone Over 21

By Nicole Ault

memories, we're more realistic than idealistic.

We work hard, and we care. A 2014 study from the consultancy Sparks & Honey found 72% of high-school students wanted to start a business and nearly a third of those age 16 to 19 volunteered their time. With their plaid-clad hipster phase and chia-seed fetish, millennials have

America's young generation has had it up to here with millennials.

been characterized—not unjustly in many cases—by their whims. Born during more affluent years, they face life more sunnily and perhaps more lackadaisically than iGen.

Hipster millennials, like Baudelaire's dandy, strive to "create a personal form of originality, within the external limits of social conventions"—to be themselves while fitting in. The product is an odd mix of individualism and dependency: Millennials

embrace retail brands, reject religion and live longer with their parents than any previous generation.

My generation is expected to be the same, but worse: frenetic snobs, caught up in the immediacy of social media, headed toward a "WALL-E" dystopia. But we're already setting ourselves up to do better. We are pursuing meaningful passions. We care about causes and take up political activism. Millennials also did this, but iGen's practical orientation should lead to a more grounded activism that won't quickly burn out.

I don't mean to suggest that iGen-ers are a whole new breed; we have our own problems. Many of us are addicted to screens. Called "digital natives" because smartphones were introduced when we were children, we can sometimes be overwhelmed by the temptations of technology.

The oldest of us are just setting foot into the professional world. Some are even starting families. The worst we could do is let our screens draw us into ourselves. We have the choice, now, to use our technological platforms in moderation to do good, or to

become self-absorbed. Calling us millennials, or characterizing us by the worst of our youthful habits, will only encourage the latter.

When the New York Times asked a few months ago what iGen wants to be called, among the most popular responses was "Generation Scapegoat," because older generations are bound to bash us, and this term might make them pause. Another popular response was similarly jaded: "Don't call us anything. The whole notion of cohesive generations is nonsense."

Labels are dangerous, and with something as complex as a generation—defined more fairly by cultural context than the growing pains of its youthful members—they're probably wrong. Not even mayonnaise-killing millennials are wholly deserving of the grief they're given.

Whether you call us iGen or Gen Z or Generation Scapegoat, make it a term of hope and encouragement, not disengagement. Hold us to a higher standard, and help us meet it.

Ms. Ault is a senior at Hillsdale College.

Get Serious About Human Shields

By Mark Dubowitz and Orde Kittrie

ing their hold on important territory.

During the 2006 conflict between Israel and Iran-backed Hezbollah, a senior United Nations official said: "Hezbollah must stop this cowardly blending . . . among women and children." Today the group has reportedly turned thousands of Lebanese homes, schools and hospitals into command posts and weapons depots.

Congress considers a special sanctions regime for terror groups that use them.

The most prominent recent example is the Hamas-organized "March of Return," a multiweek campaign during which thousands of Gaza civilians—including women and children—repeatedly rioted at the border with Israel. Groups of armed Gazans used these riots as cover to attempt to breach the border.

Yahya Sinwar, Hamas's leader in Gaza, admitted that the march was designed to generate civilian casualties—to sacrifice "that which is most dear to us—the bodies

of our women and children." The plan worked, he claimed, as "our people" forced onto "the world's television screens . . . the sacrifice of their children." Hamas official Salah Bardawil later admitted that most of those killed by Israeli troops defending the border were Hamas operatives. But the television images had already done the intended damage to Israel's reputation.

While U.S. laws impose sanctions for terrorism, our recent study of Hamas leaders involved in using human shields shows that several have not been named as terrorists by the U.S., let alone the European Union or the U.K. At least one has traveled to Europe on behalf of Hamas without facing consequences.

Sanctions for using human shields could lead to prosecution in European courts and counter false claims that Western democracies are to blame for harm to these civilians. Too many Europeans believe that one man's terrorist is another's freedom fighter, but war crimes still are taken seriously in Europe. In recent decades, universal-jurisdiction complaints alleging involvement in war crimes, based on mere allegations from non-governmental organizations,

deterred travel to Europe by former George W. Bush and other former U.S. and Israeli officials. Human-shield sanctions can be used to help turn the lawfare tables against the terrorists.

Western forces must continue to minimize civilian casualties. Fighting with one hand tied behind their backs is the price of decency. But the U.S. government currently has no provision to impose sanctions specifically for using human shields. Legislation to do so has unanimously passed the House and is backed by a bipartisan group of senators. Ambassador Nikki Haley is spearheading a similar effort at the U.N.

Terrorists and their sponsoring regimes must be held accountable for their brutal practice of using civilians as human shields. Doing so would save civilian lives and give democracies the freedom to fight without both hands tied behind their backs.

Mr. Dubowitz is chief executive at the Foundation for Defense of Democracies. Mr. Kittrie is a law professor at Arizona State University, a senior fellow at FDD, and author of "Lawfare: Law as a Weapon of War" (Oxford, 2016).

BOOKSHELF | By D.G. Hart

Believe It Or Not

Skepticism and American Faith

By Christopher Grasso
(Oxford, 649 pages, \$34.95)

Religious nationalism is now out of favor for many Americans, but as recently as 1942 you could hear Franklin Roosevelt justify America's involvement in World War II with biblical rhetoric. In his State of the Union address that year, Roosevelt declared not only that the world was too small for "Hitler and God" but that the United States was fighting "inspired by a faith that goes back through all the years to the first chapter of the Book of Genesis." The idea that "God created man in His own image," he said, was the reason to fight and "uphold the doctrine that all men are equal in the sight of God."

Of course, it would be wrong to imply that FDR was drawing on a continuous and unquestioned cultural tradition of piety and biblical reverence. Only 17 years before, William Jennings Bryan had become an object of ridicule during the Scopes Trial in Dayton, Tenn., for his fundamentalist beliefs about creation. Even the Declaration of Independence presents a less than clear picture of the role of religion in the national idea. The 1776 justification of the country's founding appealed to "Nature's God" and grounded unalienable rights in a "Creator's" decree. But the author of that language, Thomas Jefferson, was not an orthodox Christian by any means, preferring a deist Unitarianism to traditional Protestantism.

Christopher Grasso, who teaches history at the College of William and Mary, is keenly aware of the tension between believers and nonbelievers in American history. Indeed, that tension is the theme of "Skepticism and American Faith," a revealing look at religion in the new nation. The period he covers runs from roughly 1800 to the Civil War, a time during which, Mr. Grasso argues, disagreements over belief and skepticism were especially acute. Pursuing this theme requires Mr. Grasso to devote a lot more space to books, speeches, pamphlets and newspaper accounts—the places where such ideas play out—than to the laws and policies of the federal and state governments, where politicians and voters matter more than the authors of books. At times the lives of the people arguing for either faith or skepticism take a back seat to the ideas they espouse. Those deficiencies notwithstanding, Mr. Grasso's book shines a light on an aspect of America's cultural history that is too often neglected. His chief contribution is to put on center stage a cast of skeptics and freethinkers whom historians often relegate to the wings.

Some of these figures may well be familiar, like the patriot Ethan Allen. Most of us know him for his military successes—he and his Green Mountain Boys, of course, became heroes for capturing Fort Ticonderoga from the British early in the Revolutionary War—and not for his arguments against "priestcraft." In 1785, Mr. Grasso reminds us, Allen published "Reason, the Only Oracle of Man," a book that "urged readers to discard the warped theologies derived from ancient biblical fables."

A strong current of religious belief ran through the young American nation, but so did a countercurrent of doubt and freethinking.

Many other skeptics in Mr. Grasso's chronicle are obscure, like John Fitch, the inventor of an early steamboat well ahead of Robert Fulton. He went from Universalism (the belief that everyone will be saved) to deism, which featured a belief in the Creator but in few tenets of Christianity. In Philadelphia, Fitch helped to form the Universal Society, a kind of philosophical discussion club whose leader, Elihu Palmer, a former Baptist preacher, proudly denied the divinity of Christ. Later in Mr. Grasso's chronicle comes the remarkable tale of John R. Kelso, a schoolteacher, Civil War combatant (fighting Confederate guerrillas in Missouri) and congressman. In his autobiography, written in the third person, Kelso described his despair, in the 1840s and '50s, at being unable to find the faith that he believed to be essential to his salvation. "Therefore, he went boldly forward and having once dared to use his reason, he soon emerged from the darkness of ignorance and superstition, and into the light and gladness of truth. His fetters were broken and he became a free man." And yet Kelso returned to a kind of deism after the war. Mr. Grasso takes Kelso to be an emblem for many Americans of the period, caught between reason and faith.

For the side of Christianity, Mr. Grasso includes the obvious (e.g., Timothy Dwight, Jonathan Edwards's grandson, who presided over Yale College) along with the all but forgotten, like Jedidiah Morse, a prominent New England Congregationalist who defended both Calvinism and the Federalist Party at the turn of the 19th century to help keep the American Revolution from turning into a version of the French one, with its religious skepticism and political radicalism. On the eve of the Civil War, James Henley Thornwell, a South Carolina Presbyterian, attacked abolitionists, who, he thought, favored a lamentably loose interpretation of the Bible because they discarded the parts they found objectionable. Mr. Grasso also tells the story of Ezra Stiles Ely, a Presbyterian minister who founded Marion College, on the western banks of the Mississippi in Missouri, a school that would prove, he hoped, faith's compatibility with reason. The institution failed not so much because of skepticism's success but because flood waters and the financial panic of 1837 sank the college.

These efforts and disputes, Mr. Grasso contends, were at the center of the country's search for a self-definition. Was America to be a society that owed its stability to faith or was it going to foster liberty in such a way that made freethinking the norm? By 1861 the need for a civil religion supplied the answer. Mr. Grasso lets Lincoln, by no means an orthodox believer, have the last word. Lincoln knew firsthand the appeal of freethinking but contended that unbelief should not "insult the feelings" of the majority's faith. The appeal of such civil religion is one reason that American presidents in times of crisis—from Lincoln to Roosevelt and beyond—appeal more often to God than to reason.

Mr. Hart teaches history at Hillsdale College and is the Novakovic Fellow at the Foreign Policy Research Institute.

OPINION

REVIEW & OUTLOOK

Trump and Quarterly Capitalism

President Trump has directed the Securities and Exchange Commission to study whether to shift from quarterly public reporting to a semiannual schedule. By all means study away, but there's scant public evidence that quarterly reporting hurts investment, and it's indisputable that public markets benefit from more information.

Liberals have long complained about "short-term" management, and there's always been an echo in corners of corporate America. Who wants to deal with those annoying journalists and stock analysts? The Business Roundtable in June urged corporations to drop quarterly earnings guidance because the results may reflect ephemeral factors and entice management to focus excessively on short-term profits or juice earnings by deferring spending.

Companies issue quarterly guidance as performance benchmarks for investors and management, but it's not required by the SEC. Many do because it's come to be expected. Large asset managers and active investors often conduct their own earnings forecasts or employ research shops, and stock prices are influenced by factors other than whether companies meet or miss their own guidance.

But the issue of whether public companies should offer quarterly guidance is distinct from whether they should be *required* to disclose their financial performance every quarter, including income, revenues, cash and liabilities. The SEC has required quarterly earnings disclosures since 1970 to protect public investors and enhance corporate accountability.

Investors use this information to forecast a company's outlook, and in aggregate their trades send signals to corporate boards and executives. More frequent reporting improves the efficiency of public markets and reduces the temptation for insider trading.

Technological disruption and competition also mean that corporate fortunes shift more quickly today than decades ago. Consider Facebook's decline in European users during the second quarter following privacy regulations, which appeared to augur a slowdown in growth. Investors can sometimes overreact to a quarterly slump, but stock gyrations are likely to be

Regular corporate earnings reports enhance accountability.

larger if reporting is less frequent.

Corporate 10-Q reports also provide information for policy makers and your humble reporter—for instance, economic trends and the effects of government policy. Home-builders, manufacturers and beverage makers reported in the second quarter higher commodity costs from Mr. Trump's tariffs. Deere & Co. said it is raising prices to offset higher materials costs, but that its sales have been surging amid high demand from farmers and contractors.

There's little evidence that quarterly reporting encourages myopic management. Research and development expenses as a share of the economy have been increasing since the 1970s when the SEC first required quarterly reporting. Capital expenditures declined following the 2008 downturn, but corporate investment has been increasing again thanks to tax reform and deregulation.

Quarterly reporting also hasn't dampened investor enthusiasm for forward-looking companies like Amazon or Apple, or deterred their executives from plowing cash into initiatives with a long-term payoff. Executives like Warren Buffett and Jeff Bezos have invested for the long term even as they report quarterly results. Investors can look below a company's top-line earnings and judge a company's growth potential by other metrics.

Quarterly reporting does consume management time and resources and is more burdensome on small companies. But the regulatory burden pales next to Sarbanes-Oxley's third-party audits of internal controls. There are many reasons that startups delay issuing stock in public markets including the increased availability of private capital and the risk of shareholder lawsuits. Quarterly reporting probably doesn't make the top five.

"Short-termism" has become a bogeyman on the left, which wants more political control over corporate decisions. Hillary Clinton issued a white paper in 2015 on curbing "short-term" investing that included higher taxes on capital gains and an attack on corporate stock buybacks. Let's hope the SEC's study doesn't turn mythology about "quarterly capitalism" into proposals that damage capital markets.

Is Kavanaugh Legitimate?

We figure we've seen everything, but then Chuck Schumer keeps providing a daily education in weird political science. The Senate Democratic leader on Tuesday attempted the double bank shot of claiming that Brett Kavanaugh shouldn't be confirmed for the Supreme Court because Michael Cohen copped a guilty plea.

"It is unseemly for the President of the United States to be picking a Supreme Court Justice who could soon be, effectively, a juror in a case involving the President himself," Mr. Schumer declared, picking up a trope that has quickly become part of the liberal echo chamber. Senators Mazie Hirono (Hawaii) and Ed Markey (his own private Idaho) cancelled meetings with Judge Kavanaugh, with Mr. Markey saying he is now an "illegitimate" nominee.

So let's see. Donald Trump is the elected President with the power of appointment under the Constitution, but because his former lawyer has pleaded guilty to evading taxes and paying off a couple of Mr. Trump's alleged mistresses, Mr. Trump no longer enjoys the powers of the Presidency under Article II. This novel interpre-

tation of presidential authority somehow eluded James Madison.

As for Judge Kavanaugh being a "juror" for Mr. Trump if he is confirmed to the High Court, the Chief Justice presides over Senate impeachment trials. Associate Justices have no role. The jury is 100 Senators, who get a vote only after the House impeaches a President.

Mr. Cohen has implicated Mr. Trump in approving the payoffs, but Mr. Trump denies it and no court or Congressional committee has heard the evidence. Mr. Cohen has merely asserted it, no doubt under prosecutorial persuasion as part of his plea, and it isn't clear reimbursing Mr. Cohen for the payments would be a crime even if Mr. Trump approved it. That would depend on Mr. Trump's state of mind and other evidence. But Mr. Schumer already seems to have Mr. Trump impeached and on trial.

We know the Democratic leader is under enormous pressure to show he's fighting really, really, really hard to defeat Mr. Kavanaugh, but Mr. Schumer ought to show more respect for his own reputation. The daily histrionics are getting embarrassing.

The Food Stamp Farce

The House and Senate are negotiating a farm bill, and for once the stakes are more important than wealthy sugar farmers. Republicans are debating reforms to a food stamp program that is divorced from work and economic advancement. Allow us to illustrate how a current waiver process has corroded even minimal requirements.

The House farm bill includes a requirement that adults aged 18 and 59 work or train for 80 hours a month (20 hours a week, or part time). Seniors, the disabled, pregnant women and anyone caring for a child under 6 is exempt. The Senate's bill doesn't reform food stamps, which go to millions of prime-age adults even as businesses can't find enough workers despite raising wages.

Some note that food stamps already have a work requirement, which is true on paper but not in practice. The 1996 Bill Clinton-Newt Gingrich welfare overhaul required 80 hours a month of work or training for able-bodied adults 18 to 49 without dependents. Those who refuse to comply are limited to three months of benefits over three years.

Then comes the magic asterisk. States can waive the time limit with an Agriculture Department dispensation. Congress intended these waivers for areas with high unemployment, defined in statute as 10%, or with insufficient job opportunities. Yet over time the USDA has expanded waiver eligibility.

The Foundation for Government Accountability has done yeoman's work detailing the waiver misuse: Some 33 states have waived

work rules for part or all of the state. An Illinois waiver exempts 101 of 102 counties, though none has a 10% unemployment rate.

The USDA also allows waivers in places with an unemployment rate 20% above the national average. States can also group together areas with variable unemployment rates and qualify the larger area on an inflated average unemployment rate. The status quo allows for automatic approval.

The foundation notes that Georgia's waiver exempts 66 counties even as the state unemployment rate is less than 5%. Michigan, Arizona and Idaho all have waivers for some areas. Nevada (4.6% unemployment rate) is exempt entirely. All have Republican governors.

California as usual deserves an award for shamelessness. The Golden State manipulates a curiosity in the rules by starting a waiver during the last month of the fiscal year. A loophole then allows the state to rely on employment data that is three years old. Its waiver for 2019 exempts 55 of 58 counties, including wealthy Marin with a jobless rate of 2.7%.

The Trump USDA is looking at cleaning up the requirements, but a regulation can be reversed by the next Administration. Better for Congress to fix the statute. The House bill tightens the waiver process to limit gaming by geography and excludes the 20% avenue to places with 7% unemployment or higher.

The Senate bill does nothing, and Senator Pat Roberts of Kansas opposes the House reform. But state waivers as they exist are a farce, and a farm bill that doesn't change these bureaucratic abuses is no GOP victory.

State evasions show the need for new work requirements.

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LETTERS TO THE EDITOR

Longer Truck Proposal Is a Dangerous Idea

The economy is booming yet your editorial board argues that growth is somehow being held back because Congress won't mandate larger trailers known as "twin 33s" on roads in all 50 states ("We're Gonna Need a Bigger Truck," Aug. 17).

Although the economic case for twin 33s is weak, my primary objections to this proposal have always been driven by safety. The overwhelming majority of law enforcement officers and other independent safety advocates I have spoken to have expressed significant concerns over these trucks, which are longer than an eight-story building is tall. The U.S.

Department of Transportation found consistently longer stopping distances for these larger trucks than the already large trucks they seek to replace.

You cite proponents of twin 33s to claim there is no safety concern. Given the financial stake these advocates have in allowing larger trucks, research they commissioned should be viewed with a high degree of skepticism.

In 2016 nearly 4,000 Americans died in accidents involving large trucks. Does anyone believe even larger trucks on the roads would decrease this tragic figure?

SEN. ROGER WICKER (R., Miss.)

Tupelo, Miss.

While there may be fewer roll-over accidents, the length of the truck puts the driver out of touch with what is going on at the back end. Unfortunately, a bicyclist in our community was killed last week by a twin-trailer truck. He was struck

in the head.

BRUCE GILLINGS

Mission Viejo, Calif.

Trucks are essential to our economy, but this idea doesn't help our infrastructure one bit. A better solution is to give railroads 100% investment tax credits to modernize and increase freight capacity. It would save roads, reduce congestion and help our pocketbooks.

JIM BARRETT

Lowell, Mass.

I agree that some institutions that started as legitimate "common bond" credit unions have morphed into wannabe banks and are exploiting an unfair competitive advantage over commercial banks without much of a "common bond."

CMDR. ROBERT B. JOHNSON, USN (RET.)

Orange Park, Fla.

The NFCU offers services to junior service members in remote locations who are frequently deemed "unbankable" or "targets" by other institutions.

CAPT. BRIAN FERGUSON, USAF

Abilene, Texas

Government Pensions Must Be Fully Funded Each Year

Regarding your editorial, "Saving New Jersey, If That's Possible" (Aug. 13): Can saving the Garden State ever be possible without a massive tax infusion?

This crisis should be a great big wake-up call to all governmental agencies promising pensions. Every city, county and state should be required to fully fund pension plans by the end of each year. The funds used for this should not be based on hopeful actuarial predictions, counting optimistically on growth or dividends. Each year money should be set aside to meet all pension obligations. Should, by some stroke of good fortune, these funds earn more than the forthcoming required amount, any surplus might be applied to the following year's needs.

Had fully vested retirement funds been mandatory in New Jersey, Illinois and California, those states wouldn't be facing the black holes they are.

C.M. KASE

Bloomington, Ind.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Oh, that was just my UPS guy performance. You should see my mailman show."

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

MICHAEL HODIN

CEO, Global Coalition on Aging

New York

OPINION

Why Mueller Can't Subpoena Trump

By David B. Rivkin Jr.
And Lee A. Casey

Donald Trump's lawyers have signaled he won't agree to a voluntary interview with special counsel Robert Mueller. If Mr. Mueller insists, he will have to subpoena the president. To enforce a subpoena, the special counsel would have to go to court and meet a highly exacting standard, showing what he wants and why he needs it. He would be unlikely to succeed, given that Mr. Trump already has cooperated extensively with the investigation, producing 1.4 million documents and making dozens of White House staffers available for interviews.

The president can rely on a Clinton-era precedent—one that doesn't involve Starr or Lewinsky.

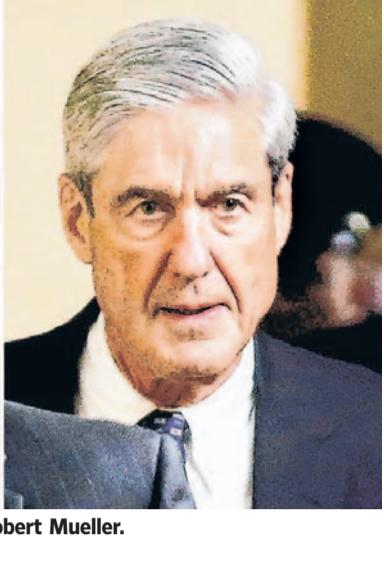
The leading precedent is a 1997 opinion, *In re Sealed Case*, by the U.S. Circuit Court of Appeals for the District of Columbia. The case involved the independent counsel investigation of former Agriculture Secretary Mike Espy, who was accused of receiving unlawful gifts. The independent counsel sought to obtain sensitive documents produced in the course of an internal White House inquiry. These materials involved the preparation of a report to then-President Clinton himself. Although Mr. Clinton had directed that most of the materials be provided, he asserted executive privilege to withhold some items.

At issue in particular was information regarding whether Mr. Clin-

ton should discipline or fire Mr. Espy, who did resign. To justify producing such sensitive materials involving "the exercise of [the president's] appointment and removal power, a quintessential and non-delegable presidential power," the court required the independent counsel to demonstrate with "specificity" why he needed the materials and why he could not get them, or equivalent evidence, from another source. (Mr. Espy was acquitted in 1998.)

Mr. Mueller's initial charge was to investigate Russian interference in the 2016 presidential election and possible collusion between the Trump campaign and the Russian government. But his investigation has expanded to cover whether Mr. Trump has obstructed justice. The president's critics say his obstructive acts include urging then-FBI Director James Comey to "go easy" on former national security adviser Mike Flynn, subsequently firing Mr. Comey, and his public criticism of Mr. Mueller, Attorney General Jeff Sessions and Deputy Attorney General Rod Rosenstein.

There are significant factual disputes about these episodes, but all involve the president's exercise of his core constitutional powers as chief executive, including the power to appoint and remove high-level executive-branch officials, to supervise the performance of their duties (as in the Espy case), and to determine law-enforcement priorities. We have argued in these pages that the president cannot obstruct justice by exercising the discretionary powers of his office, especially in determining whether and why to fire high-level presidential appointees like Mr. Comey. According to the two leaked letters from Mr. Trump's lawyers to Mr. Mueller, they take essentially the same view.



President Trump and special counsel Robert Mueller.

Evan Vucci/Associated Press; Joshua Roberts/Reuters
poena Mr. Trump in connection with Michael Cohen's guilty plea on charges unrelated to presidential power, although there are other reasons why such a subpoena would neither be issued nor enforced.)

We also now know that Mr. Trump authorized White House counsel Don McGahn to answer all of Mr. Mueller's questions regarding every alleged obstructive action. According to press reports, Mr. McGahn spent nearly 30 hours describing the substance of his conversations with Mr. Trump and offering his assessment that the president's actions were lawful.

With access to the relevant documents and everyone around the president, the special counsel has no material facts left to find. Interviewing or interrogating the president could shed additional light only on his own thoughts and motives—exactly what executive privilege is designed to protect. They relate entirely to a constitutionally proscribed obstruction inquiry that would violate the separation of powers.

These considerations distinguish Mr. Trump's situation from that of Mr. Clinton, who in August 1998 became the only sitting president to appear before a grand jury. That independent-counsel investigation did not concern the exercise of presidential authority. They concerned allegations of perjury and obstruction from Mr. Clinton's personal relationship with a White House intern. Independent counsel Kenneth Starr subpoenaed the president but withdrew the subpoena when Mr. Clinton agreed to appear voluntarily by video. Because constitutional considerations were not in play, the *In re Sealed Case* analysis would not have favored the president. (The same might apply if New York-based federal prosecutors attempt to sub-

be pardoned. Under such logic, a president under investigation could not discharge his constitutional duties at all, including the use of military force overseas—which can always be cast as a "wag the dog" strategy.

Any prosecution based on Mr. Trump's exercise of his core constitutional authority would dramatically impair the executive's status as a coequal branch of government, considering that Congress enjoys immunity under the Speech and Debate Clause while exercising its legislative powers. It would also inject the judiciary into the president's decision-making process, requiring judges to delve into matters that are inherently political.

Developments over the past year reinforce our view that it would unconstitutionally debilitate the presidency to base an obstruction charge on gainsaying the president's motives in exercising his core responsibilities. Mr. Trump's critics have also accused him of obstructing justice by using his pardon power. They claim his pardons of Joe Arpaio, Scooter Libby and Dinesh D'Souza—whom he considers victims of previous political prosecutions—were meant to reassure targets of Mr. Mueller's probe that they too might

apply the *In re Sealed Case* standard, Mr. Mueller cannot show that any need for Mr. Trump's testimony outweighs the president's interest in keeping his thoughts private. The president hasn't asserted executive privilege vis-à-vis the special-counsel investigation. But if Mr. Mueller seeks his testimony directly, he can and should. Mr. Mueller knows that losing a subpoena court fight would prolong and delegitimize his investigation. He is unlikely to press the point.

Messrs. Rivkin and Casey practice appellate and constitutional law in Washington. They served in the White House Counsel's Office and Justice Department under Presidents Reagan and George H.W. Bush.

How to Argue With a Young Socialist

By Crispin Sartwell

If you're reading this newspaper, you're probably not flirting with democratic socialism. But many young Trump-resisters are, so you may find yourself in debate with an energetic new democratic socialist, perhaps even around the family dinner table. The socialist-vs.-capitalist debate has a certain 1960s or 1840s flavor, and you may want to bone up on the arguments and find some contemporary clinchers. Here's one: The rise of Donald Trump displays exactly why socialism is a bad idea, in a way that a young leftist can readily understand.

Defining "socialism" is a classic problem and one of dubious usefulness, but start here: If the U.S. were to follow the advocates of democratic socialism, it would involve increasing state control of the econ-

omy in many dimensions. The welfare state would become even more pervasive and activist. Perhaps the government would guarantee things like universal employment at a living wage, as Alexandria Ocasio-Cortez has proposed.

In other words, socialism would dramatically increase the government's power and resources while making Americans more dependent on it for goods and necessities: food, clothing, shelter, education, health care. The socialist argument runs from the basic truth that all people ought to have these things to the apparently almost trivial corollary that the state should provide them.

Under democratic socialism, these vast powers and resources would be overseen by elected officials. But to say the absolutely obvious, Mr. Trump was elected president in 2016. What would it mean, you can

ask your young interlocutor, if the U.S. were a democratic socialist country and all that power fell into his hands? What if the Trump administration controlled the universities and ran the hospitals?

So you can't stand Trump. Do you want him to control the universities and run the hospitals?

A government that feeds its citizens tells them what and whether to eat. And it is possible that the U.S. might end up someday with a leader that the socialists find even more abhorrent than Mr. Trump. So why, you can ask your young friend, is he so eager to give people he may hate so

much more power over his own life?

This is one reason—one of several—that wanting the state to provide everything for everyone is simply a terrible idea. It should be obvious to the sort of people who are putting socialist ideas forward. Those on the left may well believe that the U.S. is a persistently racist country. They may believe that "mass incarceration" is an extension of Jim Crow. By this account, a socialist transition would put an even greater share of the nation's output—every new welfare program or power—under the control, at least intermittently, of evil racists. Why would people with this view be so eager to create the powers they believe likely to oppress them?

Back in the day, socialism was accompanied by the notion that the whole human species was on a progressive arc, and that government

was merely the citizenry acting together. Neither of these claims was ever plausible. Without them, the logic of socialism unravels. If the people who wield state power are no better or more trustworthy than anyone else, then the arc of history is liable to bend toward reaction or fascism or oppression. The more powers placed in the hands of government, the deeper this bend is likely to be.

Americans need to start talking about more realistic ways to provide for each other, and other solutions or at least reforms are possible. But right at this moment, with every Trumpian irruption, it should be clear, above all to the young leftist, that more government power is at least as likely to exacerbate as to ameliorate injustice.

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

Driverless-Car Legislation Is Unsafe at This Speed

By Ralph Nader

In my 1965 book, "Unsafe at Any Speed," I strongly urged auto companies to accelerate their adoption of proven lifesaving technologies. A year later, Congress authorized the Transportation Department to issue mandatory safety standards. This federal program has prevented millions of fatalities and injuries, and the auto industry has prospered.

Now, the situation is reversed. The autonomous vehicle, or self-driving car, industry is moving too quickly in pending legislation to exempt itself from existing and needed regulations. A bill, the Self Drive Act (H.R. 3388), has already made it through the House. The Senate is poised to consider its version, the AV Start Act (S. 1885), after summer recess.

If this legislation, driven by Commerce Committee Chairman John Thune, is enacted, it will increase risk and recklessness and destroy the

trust of the motoring public. Without that trust, you can forget about driverless cars.

Mr. Thune's bill would eviscerate vehicle regulations by allowing companies to sell potentially limitless numbers of driverless cars that would be exempt from established federal safety standards. This bill would also pre-empt states from exercising their own safety duties.

If auto lobbyists succeed, their worst nightmares will be realized as motorists become aware of the legislation's contents. Mr. Thune's bill neglects cybersecurity requirements to protect driverless cars from hacking—the kinds of cyberattacks, malware and data breaches that have occurred in other sectors of the economy. Without critically needed protections, hackers could seize control of a driverless car. In a best-case scenario, that would result in an annoying glitch in which the infotainment screen freezes. In a worst case, a vehicle, or an entire model line or fleet, could be hijacked into an au-

tonomous weapon, leading to highway mayhem.

So-called white-hat hackers have demonstrated that they can exploit smart features and take control of brakes in existing passenger vehicles. Driverless cars, with their tens of millions of lines of computer code and many internet-connected systems, would be much more vulnerable.

As Jeanna Matthews, a computer science professor at Clarkson University, said in a July statement: "The AV START Act would only require manufacturers to have a written plan for identifying and reducing cybersecurity risks. That is simply not enough. More substantive cybersecurity standards are only common sense before we the public—driver, passengers, bicyclists, pedestrians—is asked to share the road with autonomous vehicles."

Manufacturers are now prohibited from rendering safety systems inoperable without getting a government exemption. This bill would allow manufacturers to switch off safety systems related to driving tasks, such as steering and braking, during autonomous operation.

Nothing in the bill compels comprehensive crash-data collection or recording—essential for both the Transportation Department and the insurance industry to assess on-road vehicle performance.

There isn't even a requisite safety standard covering a "vision test" for what the self-driving vehicle must be able to see and react to. Pedestrians and cyclists, beware.

Congress seeks to exempt autonomous vehicles from federal safety regulation. Not so fast.

Autonomous-vehicle manufacturers argue that completely driverless cars would be safer than conventional cars, in that they would eliminate driver error and never get drunk. Yet the manufacturers are inebriated with power over Congress.

They tout data-starved claims of innovative, revolutionary technologies premised on "if you build it they will come."

Not so. A majority of motorists harbor deep skepticism about self-driving technology and fear losing control of their vehicles due to outside penetration or inside computer malfunctions. From their own self-interest, manufacturers are foolish to push the Senate to rush this law.

The National Transportation Safety Board has several open investigations into fatal and injurious crashes involving vehicles with automated driving systems. Why would auto executives want the Senate to rush ahead, with minimal time for debate, before the release of findings from transportation investigators?

Mandatory performance standards based on open, peer-reviewed data, with adequate budgets, continuing research, inspections and recall authority are tested ways of ensuring public safety. Whether drivers prefer to control their vehicles or relinquish control to fully autonomous technology, they prefer this kind of human intelligence over unbridled, underdeveloped artificial intelligence.

Mr. Nader is a consumer advocate and the author of "Breaking Through Power: It's Easier Than We Think."

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Notable & Quotable: Unsafe Space

From "The Racist Language of Space Exploration" by Caroline Haskins, *TheOutline.com*, Aug. 14:

"I don't know who it will be, and I don't know what they will discover, or what they will accomplish," [Sen. Ted] Cruz said. "But I think it is every bit as vast and promising a frontier as the New World was some centuries ago...."

Earning money in space is an exciting prospect for a far-right, pro-business, anti-regulation politician like Cruz, and he explicitly associated it with European countries having colonized the Americas.

Starting in the late 1400s, Great Britain, Spain, and Portugal funded missions to the Americas in order to gather natural resources that would power up their economies. By stealing the land that made this resource extraction possible, colonizers used genocide, enslavement, biological weaponry, and warfare and that resulted in the deaths of tens of millions of indigenous people living in the "New World." The concept of race, and therefore racism, was invented as a way of justifying their violence and legitimizing a hierarchy of race-divided labor.

Based off of what we know right

now, the Moon and Mars are devoid of life, so this colonizing language is not actually putting other beings at risk. But, there is the risk that the same racist mythology used to justify violence and inequality on earth—such as the use of frontier, "cowboy" mythology to condone and promote the murder and displacement of indigenous people in the American West—will be used to justify missions to space. In a future where humans potentially do live on non-earth planets, that same racist mythology would carry through to who is allowed to exist on, and benefit from, extraterrestrial spaces.



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Thursday, August 23, 2018 | B1

Record number of hedge funds and speculative investors bet on lower prices

BY DANIEL KRUGER

A robust August rally in the Treasury market is foiling one of Wall Street's most popular trades, a bet that solid U.S. economic growth, rising inflation and eroding government finances will compel global investors to sell bonds.

A record number of hedge funds and other speculative investors are betting on lower U.S. government bond prices and higher yields, in part because the math behind such a wager appears too good to pass up.

The bets on lower prices, or "shorts" in traders' parlance, however, have been squeezed by this month's price rise in Treasurys, which has pushed the yield on the 10-year note to 2.83%. That's well below the 3% level that many investors have viewed as the current

floor for a rate that stands at the center of financial markets and factors into trillions of dollars in outstanding mortgages and other loans.

The move has hurt investors who bet on a bond-price decline. Many have been doing so based in large part on a U.S. economy that grew at a 4.1% pace in the second quarter, its fastest pace since 2014. The unemployment rate is at 4%, its lowest in decades. U.S. tax cuts have lifted corporate profits, potentially further boosting activity and increasing

the government's borrowing needs. The S&P 500 on Wednesday entered its longest-ever bull market, a day after setting its first new intraday high since January.

As of last week, speculators had a record net short position of 698,194 Treasury futures contracts, according to the most recent data available from the Commodity Futures Trading Commission. That is up from a net short of 75,840 on Jan. 2. Short sellers borrow securities and sell them, planning to profitably repurchase

and return them at a lower price later.

Predictions that bond yields should rise have found favor Goldman Sachs Group economists, DoubleLine Chief Executive Jeffrey Gundlach and James Dimon, CEO of JPMorgan Chase & Co., who said 10-year yields could reach 5%.

"We see the ingredients across the board for general upward pressure on yields," said Bill Merz, head of fixed-income research at U.S. Bank Wealth Management, whose

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KKR Has Talks on Acquiring Fiat Unit

BY BEN DUMMETT

U.S. buyout firm KKR & Co. is in talks to acquire Fiat Chrysler Automobiles NV's global auto-parts business Magneti Marelli, said people familiar with the matter.

The potential sale price couldn't immediately be learned. Magneti has been valued between €3.23 billion (\$3.74 billion) and as much as €6 billion or more by some analysts, suggesting the sale price could reach or exceed the top end of that range. Talks could still collapse before a final agreement is reached.

FCA's newly appointed chief executive, Mike Manley, is tasked with managing the auto maker's lower-margin businesses in Europe after the death last month of his predecessor, Sergio Marchionne.

FCA said that it is pursuing a plan to separate Magneti, subject to final approval by the board and shareholders. But meanwhile, and as it has previously indicated, it will evaluate proposals for alternative transactions.

"The company does not intend to comment on market rumors with respect to any such proposals," FCA said.

Under Mr. Marchionne, FCA has for several years identified Magneti as a potential sale candidate, but price has been a sticking point, people familiar with the matter have said.

In April, the Italian-American auto maker signaled a plan to spin off the business to FCA's shareholders and list the stock by the end of this year or early next on the Milan stock exchange.

Typically, companies pursue a spinoff in conjunction with a separate sale process to try to generate the highest value by increasing competition for potential buyers.

An outright sale suggests Mr. Manley expects to generate more value than he would from a spinoff. It is unclear, however, whether the executive has had to lower previous price expectations.

A sale could also prove to be a more efficient solution to help Mr. Manley focus his attention on investing in FCA's core portfolio of Jeep, Ram and other car brands.

Investors have also questioned what would be the best route for separating Magneti, with many saying an outright sale would be "cleaner" if a desirable price could be

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Water Gusher

Companies are hoping to reap profits from wastewater generated by the fracking industry.

Top Permian water producers

In barrels a day

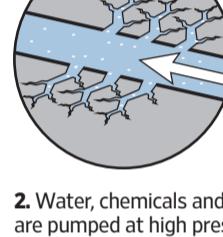
Occidental	3.5 million
ExxonMobil	1.2
Apache	1.0
Chevron	0.7
Concho/RSPP	0.6
Kinder Morgan	0.6
Sheridan	0.5
Cimarex	0.4
Pioneer	0.4
Anadarko	0.4

Note: Drawing is schematic; Occidental uses an enhanced oil-recovery method that is water-intensive.

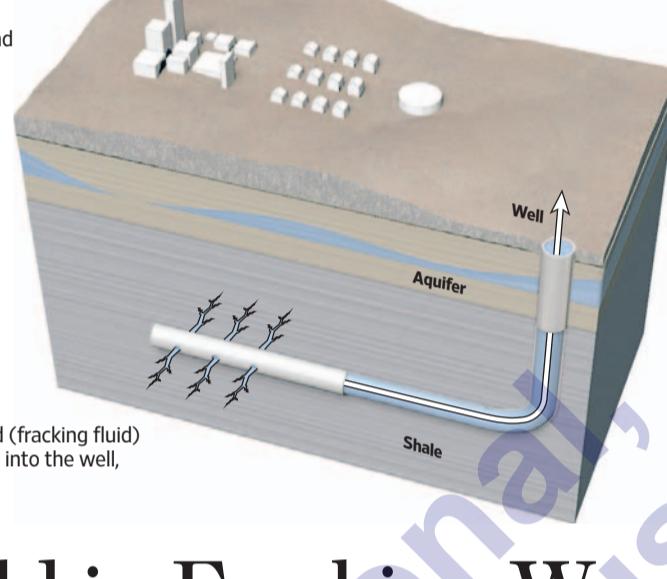
Sources: Bernstein analysis of Drillinginfo data (production); EPA (explainer)

How fracking works

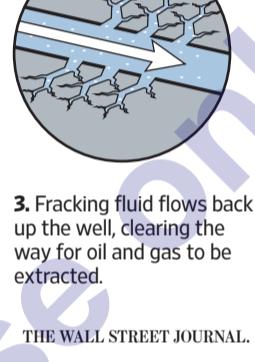
1. A rig drills down into oil-and-gas-bearing rock. Gun charges blast holes through the well casing and into the surrounding rock.



2. Water, chemicals and sand (fracking fluid) are pumped at high pressure into the well, further fracturing the rock.



4. Fluid that reaches the surface is taken away for disposal or treated and reused.



3. Fracking fluid flows back up the well, clearing the way for oil and gas to be extracted.

THE WALL STREET JOURNAL.

Companies See Gold in Fracking Wastewater

BY CHRISTOPHER M. MATTHEWS

Some investors see fortunes to be made in the U.S.'s hottest oil field—by speculating in water, not crude.

Fledgling companies, many backed by private equity, are rushing to help shale drillers deal with one of their trickiest problems: what to do with the vast volumes of wastewater that are a byproduct of fracking wells.

When producers blast a mix of water, sand and chemicals to release oil and gas from rock formations miles underground, they not only unlock oil and gas, but also massive quantities of briny water long buried beneath the surface. Drillers in the Permian Basin in New Mexico and Texas currently generate more than 1,000 Olympic-size swimming pools full of this murky, salty water every day. Handling it amounts to up to 25% of a well's lease operating expense, according to analysts.

Investors have expressed interest in this corner of the U.S. shale industry as oil production in the Permian soars to record levels. Analysts said the region



Private-equity firms have invested over \$500 million in Permian Basin wastewater-disposal businesses.

nounced plans for an initial public offering, and others are expected to follow suit.

"The math on this is really, really easy," said Christopher Manning, a managing partner of Trilantic Capital Management LP, which has invested in Solaris Water Midstream and committed as much as \$100 million to the company. "If the Permian goes up by one million barrels per day in oil production, it's going up six million barrels in water. That's an opportunity."

Larger pools of capital are looking for a way into the game, and Mr. Manning and others expect the companies to attract billions of dollars in investment.

KKR & Co., one of the world's largest private-equity firms, has begun approaching companies in the space in recent months, according to people familiar with the matter. A KKR spokeswoman declined to comment.

Finding a long-term solution to the wastewater problem is essential for Permian producers. A single shale well can produce more than a million of barrels of oil over its lifetime, and many times that

Please turn to page B2

Sensodyne Pitch Takes Bite Out Of Crest

BY SHARON TERLEP

The giants of toothpaste are wrestling with an unlikely foe.

Sensodyne, a 60-year-old brand that long occupied a specialized niche of the dental-care world, has cut into Crest's and Colgate's lead in the U.S. market, capitalizing on shoppers' growing preference for toothpastes that do more than clean.

Sensodyne's share of the U.S. market has more than doubled over the past decade while Crest's and Colgate's has shrunk, according to Euromonitor.

For decades, Sensodyne was a low-profile player in the toothpaste aisle, promising relief for painful teeth, while Crest, Colgate and others lured buyers with the promise of fresh breath, a white smile or appealing flavors. As consumers in recent years have

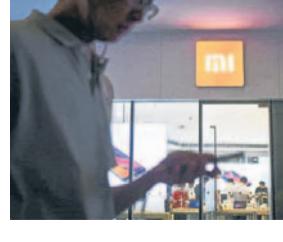
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STREETWISE | By James Mackintosh

Sorry for Quibble, but This Record Is Bull

 Investors in big U.S. stocks will have no trouble believing that we are in the longest bull market ever, with Wednesday setting a new "record" of 3,453 days. Quibbles about exactly what happened in 1990, 1998 or 2011 won't matter for those who had the foresight and luck to hold the S&P 500 during its 320%-plus run from the low of March 9, 2009.

What truly matters for investors is that the market has gone up a lot—really, a lot—over a long period. But given how much attention bull markets and new records get, it is worth spending a bit of time on the quibbles.

The widely accepted definition of a bear market is a drop of 20% from the last peak in this cycle, while bull markets are usually measured from the lowest point reached until the peak before the next bear market.

On this basis, the broad

American Bulls Run Faster

U.S. stocks have outpaced the rest of the world since the March 2009 low, in dollar terms.



Note: Weekly data through Tuesday; Indexes are MSCI Emerging Markets, Topix, MSCI EMU, FTSE 100

Source: Thomson Reuters

THE WALL STREET JOURNAL.

U.S. market has only been in a bull phase since October 2011, when most stock gauges were back in a bear market, down 20% from their postcrisis highs hit earlier that year.

The S&P 1500, Russell 1000, Russell 3000 and Wilshire 5000 were hurt by their holdings of smaller companies, which fell fast as the market plummeted after the U.S. credit-rating down-

grade and eurozone implosion.

The S&P 500 itself fell 19.4% from its postcrisis closing high to the closing low of October 2011, although even here we can split hairs. Use intraday highs and lows and the index was down 21.6%, for a new bear market. Certainly to many investors it felt like a renewed panic and nothing like a bull market.

Whether today marks a record is open to doubt either way. Based on closing prices, there was no bear market from 1987 until 2000 in the S&P 500, making that by far the longest bull run. Based on intraday prices, there were bear markets in 1990 and 1998, but that run was still longer than the run since 2011.

This is the financial historian's equivalent of counting angels on the head of a pin. Who cares how long this bull market has been going, so long as you are making money? And U.S. stocks have been making big money. From 2009 to 2011 they re-

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Sensodyne Wins Over Brushers

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begun to seek out toothpastes that offer benefits other than cleaning or brightening, Sensodyne has seen a jump in sales.

The company has built on that trend by introducing new lines that don't just soothe a sensitive mouth but also promise protection against cavities and extra-fresh breath.

Sensodyne, created in 1961 by New Jersey-based Block Drug and acquired in 2000 by London-based GlaxoSmithKline PLC, was well positioned to capitalize on the changing consumer mind-set.

In 2007, the company came out with a toothpaste that, according to independent research, appeared to limit sensitivity-causing erosion of the teeth. It also overhauled its marketing with the goal of raising awareness about sensitive teeth and persuading consumers that Sensodyne was

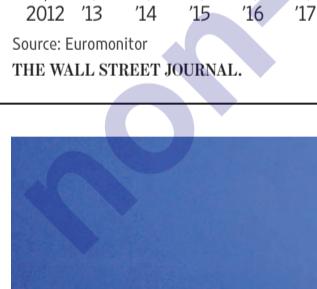
the best solution, according to Colin Mackenzie, GlaxoSmithKline's president of North America Consumer Healthcare.

In 2012, Sensodyne's U.S. sales were one-third of Crest's. Last year, they were roughly half. Where Crest and Colgate have lost market share, Sensodyne continues to gain. Sensodyne, with U.S. sales of \$556 million in 2017, had roughly 18% of the market, up from 12% in 2012, according to Euromonitor. Crest had 35% market share and Colgate has 33%, compared with shares of 36% and 34%, respectively, in 2012.

Showing Teeth

Sensodyne has made inroads in the U.S.

U.S. toothpaste market share



THE WALL STREET JOURNAL.

KKR Seeks Deal to Buy Fiat Unit

Continued from page B1
reached, analysts with Evercore Partners wrote in a recent note.

Mr. Marchionne had also talked about potentially spinning off Comau, a subsidiary based in Turin, Italy, that makes robots and other automated systems for use in manufacturing.

The potential deal also underscores the growing appetite among the largest private-equity firms to do bigger deals after efforts to raise record amounts of new cash.

Last year, KKR closed a \$9.3 billion fund targeting investments across Asia Pacific, the largest such fund in the region.

Magneti employs more than 40,000 people, making a range of auto components. It generated revenue of €7.9 billion in 2016 according to the company's website.

FCA's latest annual report said 34% of Magneti's revenue came from business within the group.

KKR is expected to acquire

Magneti through Japan-based Calsonic Kansai Corp., according to the people familiar with the matter, creating an auto-parts giant that could cut costs by eliminating overlapping operations. The New York-based private-equity firm acquired Calsonic last year from Nissan Motor Co. and other shareholders for about \$4.5 billion.

The companies are similar in size, each generating a total of more than \$9 billion in annual revenue.

Together the combined entity would manufacture a wider range of auto parts, including air conditioning, ducts and other products for a car's interior, exhaust

and lighting systems, compressors and powertrains. That broader portfolio would allow Magneti and Calsonic to address a bigger customer base and reduce their historic reliance on FCA and Nissan, respectively, for a big part of their sales.

Customers would include

FCA, Mazda Motor Corp.,

The sale, if executed, would inject some much-needed cash into Fiat Chrysler.

Geely Automobile Holdings Ltd., General Motors Co. and Daimler AG among others. It would also oversee a network of production plants and research-and-development facilities across Europe, North and South America and Asia.

Meanwhile, a more competitive auto-parts company

would place KKR in a better position to capitalize on its investment when it decides to sell the new combined company holding.

The sale, if executed, would inject some much-needed cash into Fiat Chrysler at the same time it is working to pay down debt and fund a costly five-year plan that includes developing electric vehicles and boosting sales globally. The Italian-American auto maker's €45 billion spending plan over the next five years will focus on four core brands: Jeep sport-utility vehicles, Ram pickups and Alfa Romeo and Maserati luxury cars.

The company in a presentation in June, led by Mr. Marchionne, told analysts and investors it expects to double operating profit to €16 billion by 2022 and hit double-digit profit margins, up from 6.8% today.

—Mike Colias
and Christina Rogers
in Detroit
contributed to this article.

anywhere from 60 cents to \$1.50 a barrel compared with more than \$2 by truck, said Mr. Capobianco, who previously headed Vulcan Capital, Microsoft Corp. co-founder Paul Allen's investment firm.

Apache Corp., one of the largest producers in the Permian, wants to reuse more water to reduce the millions of barrels it must dispose of and limit the freshwater it purchases for fracking, according to a company presentation earlier this year. Apache recycled more than 22 million barrels of water from 2013 to 2016 in just one subsection of the Permian.

"Prudent water management is critical to our success. It's good for communities, it's good for the environment and it's good for business," said Apache spokesman Phil West.

That potentially means a new business opportunity for water-disposal players. Historically, producers have mostly used freshwater for fracking, but water companies are setting up their networks with an eye on treating produced water so it can be reused for fracking and resold to the shale drillers who paid them to take it away in the first place.

"You can flare gas," said Mr. Capobianco. "You can't flare water. Once the water stops flowing you have to shut in a well. When we began looking at this sector seven years ago, that was really an epiphany."

—Miriam Gottfried
contributed to this article.

BUSINESS & FINANCE

Car-Parts Supplier Raises an Alert

By WILLIAM BOSTON

BERLIN—Continental AG's shares plunged nearly 15% on Wednesday after the world's second-largest automotive parts supplier by sales issued a fresh profit warning, blaming softer demand for cars in Europe and China as well as higher costs.

Continental lowered its forecast for revenue for the year to €45 billion (\$52 billion) after exchange-rate effects, a reduction of €1 billion from previous forecasts. The auto supplier based in Germany also slashed its profit-margin outlook to 9% from 10%, its second profit warning this year.

The news surprised the market despite demand for cars in Europe softening this year, partly in reaction to fears about possible city bans on diesel engines and fallout from Britain's expected exit from the European Union. In China—locked in a trade dispute with the U.S. that has seen Beijing raise import tariffs on American cars—auto sales fell 4% in July from a year earlier, according to the government-backed China Association of Automobile Manufacturers on Aug. 10.

The warning, which followed another downward revision in April, sent Continental's shares as low as €159.10 before they recovered slightly to close off 13% at €160.85 in Frankfurt. Shares in fellow auto suppliers Michelin, Pirelli and Valeo SA fell 4%, 4.6% and 4.9%, respectively. Shares in Schaeffler AG, the industrial group whose controlling family is Continental's largest shareholder, declined 6% in Frankfurt.

The deterioration of Continental's business outlook for



A Continental technology factory in Ingolstadt, Germany. The auto supplier cut its revenue forecast.

Warning Sign

Continental's daily share price



invested heavily in software development as technology companies emerge as challengers to their business.

The company said in a writ-

ten statement that development costs for new technology reached a record €20 billion during the first half of the year. It also said there were additional costs related to starting new businesses in its ContiTech division and in its powertrain division as the industry moves from combustion engines to hybrid and plug-in electric vehicles.

Under pressure to shift the company's business as the entire industry is in the throes of change, Continental last month unveiled a reorganization to focus more on new technology trends.

Part of the plan involves a partial listing of the company's powertrain business next year.

Continental said it no longer believes the powertrain business will meet its 2019 targets of achieving €10 billion in revenue and €850 million in pretax profit.

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—Mike Colias
and Christina Rogers
in Detroit
contributed to this article.



JAMES DURBIN FOR THE WALL STREET JOURNAL

A water pool surrounds a drilling rig in Midland County, Texas. Producers must dispose of vast amounts of water that come out of a well.

anywhere from 60 cents to \$1.50 a barrel compared with more than \$2 by truck, said Mr. Capobianco, who previously headed Vulcan Capital, Microsoft Corp. co-founder Paul Allen's investment firm.

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—Miriam Gottfried
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pipelines that are scalable. Outside of Pecos, Texas, WaterBridge is building a network of pipelines to take away wastewater from some of the area's biggest producers—Occidental Petroleum Corp., Concho Resources Inc., Anadarko Petroleum Corp. and Noble Energy Inc. The company said it would have 125 miles of pipelines built by the end of the year capable of han-

BUSINESS NEWS

'Big Bang Theory' To End Its Long, Successful Run

By JOE FLINT

The long-running CBS hit "The Big Bang Theory," the most-watched comedy on television, is coming to an end.

Warner Bros. Television, which produces the show, said Wednesday it would end next May after 12 seasons and 279 episodes.

The show, about a group of geeky physicists and their friendship with a beautiful next-door neighbor, averaged 18.9 million viewers last season. Its absence will leave a big hole in CBS's prime-time lineup.

The show's viewership has declined from five years ago, when it averaged more than 23 million viewers, but the program is still expected to go out near the top of the ratings. The final season will make its debut on Sept. 24.

As recently as a few weeks ago, CBS was trying to coax at least one more season out of the show's cast. CBS Entertainment President Kelly Kahl told reporters earlier this month that the network didn't believe the show was in its final year and that there were preliminary discussions with Warner Bros. for a renewal.

"The Big Bang Theory" had become one of the most expensive shows on television. The show's five stars and its two co-stars all earn close to \$1 million an episode, people close to the show said. The show costs about \$10 million an episode to produce and CBS

pays the majority of that in its license fee to Warner Bros., a person close to the show said. If the show were to return, both CBS and Warner Bros. would likely face significantly higher costs for the cast and producers.

The departure of "The Big Bang Theory" will put extra pressure on the network to find a hit during the development period for the 2019-2020 TV season. CBS has struggled launching new comedies over the past few seasons. Last season's bright spot was a "Big Bang Theory" prequel of sorts called "Young Sheldon." The show averaged a strong 17 million viewers, according to Nielsen.

This fall CBS is launching three new comedies, including a revival of the 1990s show "Murphy Brown."

For Warner Bros., "The Big Bang Theory" has been a cash cow. The show has generated more than \$1.5 billion in revenue for domestic reruns alone, a person familiar with the matter said.

Several episodes air on the TBS cable channel every night and still generate strong ratings. With close to 300 episodes at the end of the coming season, Warner Bros. doesn't need to make additional episodes to sell. Warner Bros. is a unit of AT&T Inc.

Besides having its own big audience, the show has brought viewers to other CBS programs, making it even more valuable.



The 37-year-old tennis star's endorsement deal with Uniqlo will cost the apparel giant about \$30 million a year over the next decade.

Uniqlo Sees a Federer Match

Japanese company signs player to big deal, though sports attire isn't its thing

By KHADEEJA SAFDAR

Weeks after it signed Roger Federer to a \$300 million endorsement deal, **Uniqlo** is explaining why a company not known for sports attire is making such a big commitment to a tennis player in the twilight of his career.

The Japanese apparel giant said the tennis player will provide input on product designs, appear in ads and dress in the brand's clothes both during matches and at charity and

other public events off the court. He will don their latest collaboration, a line of polo shirts and shorts, at the U.S. Open.

"The collaboration is much bigger than sports," said John Jay, Uniqlo's global creative director. "We develop high-performance clothes for everyone off the court, and we'd like to think the technology is good enough for an athlete."

The deal will cost Uniqlo roughly \$30 million a year for the next decade, raising questions around why the Japanese brand picked Mr. Federer as an ambassador. He just turned 37 and is widely considered to be near retirement, though he recently won his 20th Grand Slam title this

year at the Australian Open.

Uniqlo is mostly known for basics, not sports attire. It previously outfitted tennis player Novak Djokovic, who is now with Lacoste.

Mr. Federer ended weeks of speculation about his deal with Nike Inc. this summer when he stepped onto the court at Wimbledon wearing a white shirt that bore a little red square reading "Uniqlo" instead of Nike's swoosh. The tennis star has been representing Nike for about 20 years, collaborating on shoe designs and wearing the brand's gear at matches. A plaza at Nike's Oregon headquarters is named after him.

Signing the athlete as an off-the-court representative

could present some complications for Uniqlo because he is a relatively private person outside of tennis.

Mr. Jay said that was part of the attraction. "There's a certain level of being discreet and private that we cherish," he said. "Of course, we're running a business, but we very much respect that part of his life."

Besides, Mr. Jay said, the company doesn't expect Mr. Federer to disappear. "One day he will retire from tennis, but he's not retiring from life," he said.

Mr. Federer said his love of fashion and travel, and his affinity for Asia, position him to be a global ambassador for the brand.

Lowe's CEO Takes Aim at Home Depot

By KIMBERLY CHIN
AND SARAH NASSAUER

Marvin Ellison is stepping up efforts to close **Lowe's** Cos.'s performance gap with its larger rival Home Depot Inc.

Lowe's is planning to shut down Orchard Supply Hardware stores, a small regional hardware chain it acquired five years ago. Mr. Ellison, chief executive of the world's second-largest home-improvement retailer, said Wednesday a portfolio review is under

way to determine the future of other nonretail investments.

Mr. Ellison, who left **J.C. Penney** Co.'s CEO post earlier this year and previously spent more than a dozen years at Home Depot, joined Lowe's in early July and is working to put his stamp on the retailer.

On Wednesday, Lowe's said it recruited David Denton, **CVS Health** Corp.'s finance chief, to join the company as its new chief financial officer. Mr. Denton announced plans to leave CVS once it completes its ac-

quisition of health insurer Aetna Inc.

Mr. Ellison, 53 years old, said the company needs to reduce its inventory of low-performing products and increase stocks of faster-selling items.

He said in an interview that some fundamental retail tactics had been lost at Lowe's in recent years and key executives didn't have enough on-the-ground experience.

Shares of Lowe's rose 5.8% to \$105.52 in trading Wednesday as the retailer posted

stronger sales and profit in its latest quarter.

Lowe's said second-quarter sales rose 7.1% from a year earlier to \$20.89 billion.

Comparable sales for Lowe's rose 5.2%. Home Depot reported last week that sales jumped 8.4% in its latest quarter and its U.S. comparable-store sales rose 8.1%.

Net income for Lowe's was \$1.52 billion, or \$1.86 a share, compared with \$1.42 billion, or \$1.68 cents a share, a year earlier.

The comedy has been a cash cow for Warner Bros. Television

Battle Simmers in Fiercely Competitive Options Market

By GUNJAN BANERJI

Craig Donohue's turnaround plan for the nation's options clearinghouse has hit a road-block.

Mr. Donohue has boosted the prominence of **Options Clearing Corp.**, which acts as a guarantor for every trade in the U.S. listed options market.

Clearinghouses—critical parts of the financial system—came under greater scrutiny after the last financial crisis and are responsible for preventing potential defaults from rippling through markets.

But after four years at the helm, OCC's executive chairman and chief is locked in a battle with options traders who oppose his plan to boost income for OCC shareholders—three publicly listed exchange-operators—while trimming returns to traders.

A group of trading firms and smaller, competing exchanges, including **Susquehanna International Group LLP** and **Virtu Financial Inc.**, made the unusual move of suing the Securities and Exchange Commission in 2016 for approving the OCC proposal early that year, throwing the plan's fate up in the air. The SEC is currently re-reviewing it on the order of a U.S. appeals court. A spokesman for the SEC declined to comment.

Though the plan remains in place and has been paying dividends to shareholders, its future is unknown. Shareholder payouts have been climbing since their inception in 2015, hitting a high in 2017, according to OCC financial statements and comments to the SEC.

Mr. Donohue defended his actions in an interview last November. "I'm confident that we did a professional and thorough job," he said. "We think this is the right plan."

Mr. Donohue made a name for himself leading exchange giant CME Group Inc., where he helped oversee \$20 billion in acquisitions and the company went through an initial public offering—the first U.S. exchange to go public.

Now the OCC is mired in uncertainty over the capital plan Mr. Donohue helped devise years ago. In a separate pressure point, the SEC is investigating how the OCC handled a bout of market volatility this year.

Just before Mr. Donohue became chief in 2014, the SEC hit OCC with a range of criticisms on how it manages risk. After the 2008 financial crisis, OCC was deemed one of a handful of financial institutions considered "systemically important." This designation led to Mr. Donohue's overhaul. When he joined the OCC, the clearinghouse had only enough cash to operate for about six weeks, he said in November. He helped raise its cash stockpiles to \$247 million from \$25 million.

Mr. Donohue also raised the OCC's visibility. In late 2017, the firm's executives rang the closing bell at Nasdaq Inc. in Times Square—the first time in its four-decade existence that the clearinghouse participated in the tradition.

"He's taking his CME reinvention hat over to OCC," said Craig Pirrong, a professor at the University of Houston who has consulted for exchanges.

For decades, OCC's potential to generate cash sat untapped. It essentially operated as a nonprofit utility for the industry. Money made from clearing fees was spent mostly on bare-bone expenses, and leftover cash was returned to members, like banks and other firms that give traders access to clearing.

Under the new plan spearheaded by Mr. Donohue, money is paid to the share-

Options Middleman

The OCC, the options market's only clearinghouse, started paying dividends to owners in 2015—a move opposed by traders who pay clearing fees.

Old Method

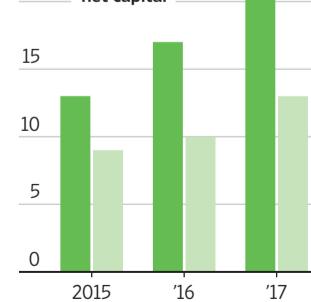
- 1) Clearing members pay fees.
- 2) OCC spends money on operating expenses.
- 3) OCC refunds excess fees to its clearing members.

New Method

- 1) Clearing members pay fees.
- 2) OCC spends money on expenses, restores reserves.
- 3) Roughly half of remainder goes to shareholders.
- 4) Roughly half is refunded to clearing members.

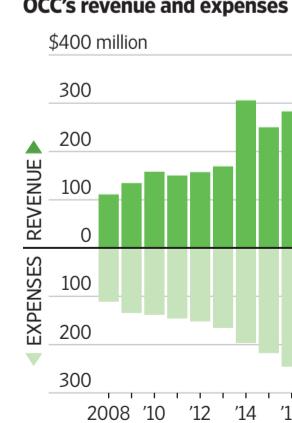
Returns*

25% Return on shareholder cash infusion
20% Return on net capital



Sources: Court documents, SEC comment letters, OCC financial statements (methods); SEC comment letters, OCC (returns); OCC (revenue and expenses),

OCC's revenue and expenses



*Shareholders contributed \$150 million.

through the central entity. Smaller exchange competitors have argued it gives the owner exchanges an additional stream of revenue and an unfair advantage in the fiercely competitive options market.

The shareholder returns "create a 'golden goose'" that produces "outsized returns into perpetuity to the sole benefit of those shareholder exchanges," wrote David Thompson, a lawyer representing Susquehanna, Virtu and smaller exchanges at Cooper & Kirk PLLC in January.

A spokesman said the OCC is committed to a structure as an industry utility and still gives refunds to clearing members.

In a blow to the OCC, Chief Judge Merrick Garland of the U.S. Court of Appeals ordered the SEC to re-evaluate OCC's proposal last year, saying it didn't do a rigorous job of determining whether the shareholder payouts hurt investors. "That is a central issue: if the dividend rate represents an unnecessary windfall for shareholders," he wrote.

If the SEC rejects the proposal, Mr. Donohue will have to devise a new plan.

Potentially adding uncertainty, the NYSE recently considered selling its stake in OCC, according to people with knowledge of the matter. The **Depository Trust & Clearing Corp.**, a clearinghouse for stocks and bonds, approached OCC about a potential merger, but those talks have since cooled, according to the people.

The DTCC is "continually assessing opportunities to enhance our support of clients, improve operational efficiencies and strengthen risk management across the industry," a spokesman said. "There is nothing specific to report at this time." The NYSE and OCC declined to comment.

holders, which are the three biggest options-exchange operators—**Intercontinental Exchange Inc.**'s New York Stock Exchange, Nasdaq and **Cboe Global Markets Inc.**—in re-

turn for cash posted by the exchanges to OCC.

Options traders say the plan could hurt investors by making it more onerous to trade and potentially crimp liquidity

TECHNOLOGY

Facebook Cuts Security App From Apple Store

BY DEEPA SEETHARAMAN

Facebook Inc. pulled its data-security app from **Apple** Inc.'s app store after the iPhone maker ruled that the service violated its data-collection policies, according to a person familiar with the matter.

Apple's decision widens the schism between the tech giants over privacy and is a blow to Facebook, which has used data gathered through the app to track rivals and scope out new product categories, The Wall Street Journal reported last year. The app, Onavo Protect, has been available free through Apple's app store for years.

Onavo allows users to create a virtual private network that redirects traffic to a private server managed by Facebook. Facebook is able to analyze Onavo users' activity to get a picture of how people use their phones beyond Facebook's apps.

Earlier this month, Apple officials informed Facebook that the app violated new rules outlined in June designed to limit data collection by app developers, the person familiar with the situation said. Apple informed

Facebook that Onavo also violated a part of its developer agreement that prevents apps from using data in ways that go beyond what is directly relevant to the app or to provide advertising, the person added.

Apple officials suggested that Facebook voluntarily take down the app and Facebook agreed, said the person, who described the discussions as cordial. The app won't vanish from the phones of users who already downloaded the app, but Facebook will no longer be able to push updates. Onavo will still be available on Android devices, the person said.

Apple said its updated guidelines made clear that apps shouldn't collect information about other apps installed on a user's device for analysis or marketing.

"We've always been clear when people download Onavo about the information that is collected and how it is used," a Facebook spokesman said. "As a developer on Apple's platform we follow the rules they've put in place."

—Tripp Mickle contributed to this article.

Social-Media Site Bans Quiz App

Facebook Inc. on Wednesday banned from its platform a quiz app that could have exposed the data of as many as four million users, after the developers declined to be audited by the social-media giant as part of its effort to track down potential abuses.

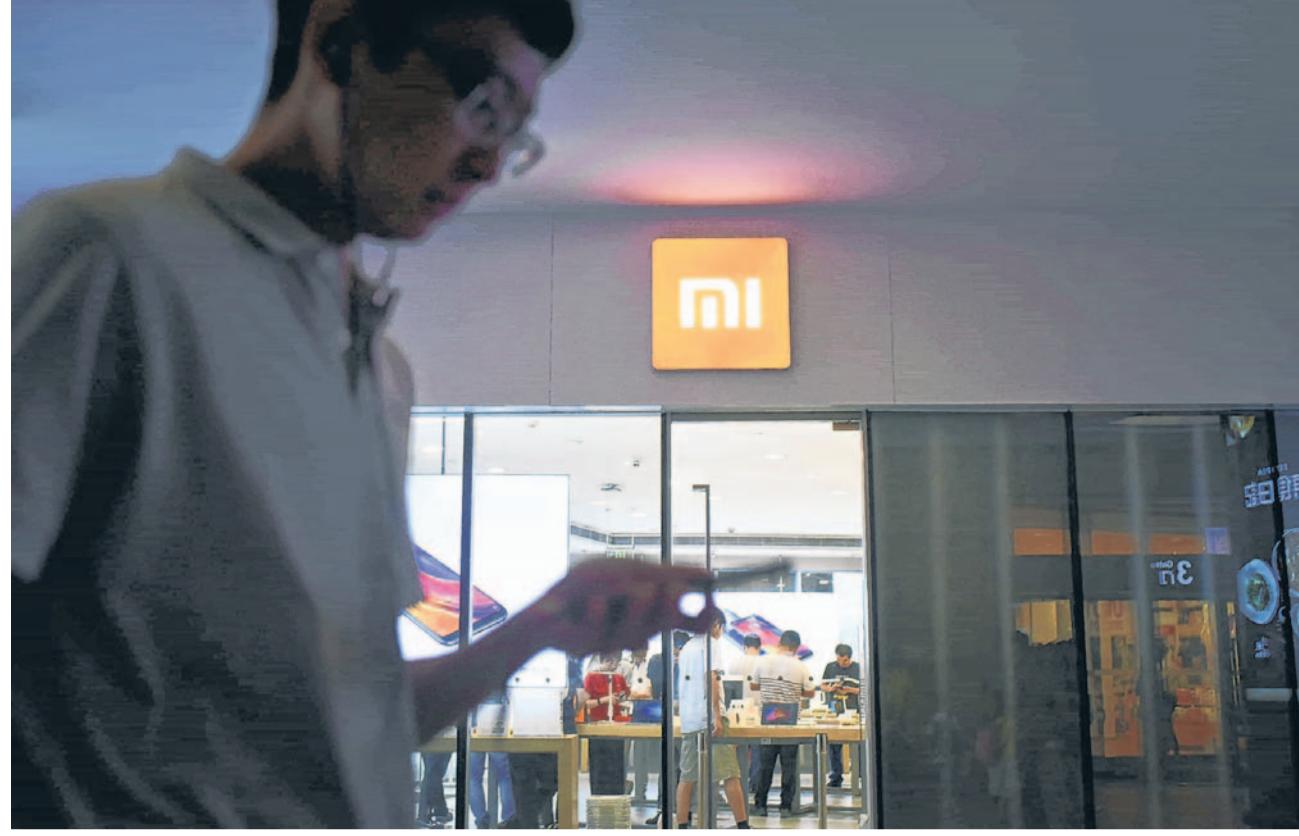
Facebook said it banned the app, called myPersonality, "for failing to agree to our request to audit and because it's clear that they shared information with researchers as well as companies with only limited protections in place."

The move comes almost five

months after the app was initially suspended by Facebook and four months after the company was alerted to the fact that user data gathered by myPersonality could be accessed relatively easily online, according to a Facebook spokeswoman. The app hasn't been used much since 2012.

One researcher behind the app, David Stillwell, called the ban "nonsensical and purely for PR reasons." Facebook said it had no evidence that myPersonality accessed records about its users' Facebook friends.

—Deepa Seetharaman



The Chinese company is one of the few big smartphone vendors to post rising sales in the increasingly cutthroat handset market.

Xiaomi Gets Back to Profit

Smartphone maker issues first earnings report since its IPO; revenue rises by 68%

BY DAN STRUMPF

HONG KONG—Chinese smartphone maker **Xiaomi** Corp. swung to a profit in the second quarter as smartphone sales rose sharply, but the results were weighed down by a big bonus payment for its chief executive.

The results marked the first quarterly earnings report for Xiaomi since its \$4.7 billion initial public offering of stock in Hong Kong last month.

The Beijing-based company posted a profit during the second quarter of 14.63 billion yuan (\$2.14 billion), compared with a loss of 12 billion yuan a year earlier. Revenue rose 68% to 45.24 billion yuan.

Xiaomi's results were skewed by a number of unusual factors, including 9.9 billion yuan worth of stock-based compensation to executives, accounting for a payout to Chief Executive Lei Jun.

The Wall Street Journal reported in June that Xiaomi was awarding Mr. Lei one of the biggest executive payouts in history—about \$1.5 billion—as the company was preparing to go public.

The company didn't break out Mr. Lei's compensation in the report.

Smartphone and other gadget sales rose sharply during the quarter, the company said.

Shipments of the company's smartphones increased 44% to 32 million during the period. Those gains helped it pull ahead of rivals like **Samsung Electronics** Co. in key markets such as India, where it is the top-ranked vendor, according to industry tracker IDC.

"Our performance is on track and exceeds market expectations," Chew Shou Zi, the company's chief financial officer, told investors.

Xiaomi faced a rocky path leading up to its IPO last month. Though the company is best known for internet-connected gadgets such as smartphones, rice cookers and air purifiers, it sold itself to investors as an internet stock—akin to **Facebook** Inc. or China's **Tencent Holdings** Ltd.—to try to get a higher valuation, according to people familiar with the matter.

Though Xiaomi offers internet services that it uses to push out advertisements and other services to its gadget users, the company still made 67% of its revenue from smartphones in the latest quarter. It said it has built a supply network across China that reached more than 360 stores, stepping up its efforts to reach more rural parts of the country.

Still, the \$54 billion valuation the company earned in its IPO was well below the \$100-billion-plus it originally sought in the lead-up to the stock sale.

Xiaomi shares are up 4% since its \$4.7 billion Hong Kong offering on July 9, though they are down 18% from their post-IPO highs. Shares of tech companies have broadly sold off in recent weeks, with the Hang Seng Internet and Information Technology Index down 7% since the Xiaomi IPO.

Still, the company remains one of the few big smartphone vendors to post rising sales in the increasingly cutthroat handset market.

The company also said sales of its "internet and lifestyle products" more than doubled to 10.4 billion yuan.

Digital-Lock Startup Discovers Opportunity Swinging Open

BY SARAH NASSAUER AND ESTHER FUNG

Doors are opening for makers of keyless locks.

Companies that manufacture smart locks—which can be opened with a cellphone app or code and sometimes include cameras and intercoms—are battling to edge out traditional locks.

Growth is being pushed by online retailers, delivery companies and real-estate firms seeking to make residences more easily accessible for maintenance staff, package carriers and tenants.

In the latest sign of interest in the sector, **Latchable** Inc., which sells Latch digital-lock systems for multiunit buildings, has raised \$70 million as part of a fundraising round that values the company at more than \$250 million, ac-

cording to a person familiar with the deal. Much of the investment came from Brookfield Ventures, a unit of Toronto-based real-estate firm **Brookfield Asset Management** Inc.

As part of the deal, Latchable, widely known as Latch, will have its products installed in Brookfield's multifamily properties, said CEO Luke Schoenfelder. Latch raised \$26.1 million in previous rounds of funding at a \$50 million valuation, according to PitchBook Data Inc. Several early investors were also real-estate companies.

Much of the growth in the digital-lock sector has been fueled by online retailers and apartment owners seeking to lower the cost of delivering packages or offer an amenity to tenants.

For homes, smart-lock sales

are being driven in large part by integration with digital-security systems, but locks still accounted for less than 3% of total U.S. digital home-device shipments in 2017, according to data from International Data Corp., a technology research firm.

Last fall, **Amazon.com** Inc. started offering a connected door-lock and security-camera system to let package carriers and guests into homes via an app called Amazon Key. The \$249.99 system, for now, allows only Amazon delivery workers to drop packages inside customers' homes. This spring Amazon said it would join with **General Motors** Co. and **Volvo Car Group** to enable in-car product deliveries.

Latch last year joined with **Walmart** Inc. to start installing its smart locks in 1,000 New York City buildings.

Millennium Sapphire Shows Its 134 Faces

The Millennium Sapphire, out of the public eye for more than a decade, has resurfaced in one of the least likely of places.

Yulong Eco-Materials Ltd., a producer of fly-ash bricks based in the city of Pingdingshan in Henan province, China, said Wednesday it has agreed to acquire the gem for \$50 million in restricted stock. The company's market capitalization was \$3.3 million as of Tuesday's close.

The sapphire, which weighed in at roughly 90,000 carats when a miner discovered it in Madagascar in 1995, has been owned by a consortium led by retired investment banker Daniel McKinney since 1998.

The group commissioned Italian designer Alessio Boschi to carve the stone into an artwork depicting more than 134 historical figures. The stone now weighs about 61,500 carats. (At right, the sapphire with a test design of Queen Elizabeth I on lapis lazuli.)

Yulong said it plans to take the sapphire on a world tour of museums, to develop documentaries, and to include the gem in the plots of feature films.

—Colin Kellaher



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DANIEL MCKINNEY

MANAGEMENT

How to Cope When Undermined at Work

Mistreatment of women by female colleagues still happens and can range from putdowns to intentional sabotage, experts say

BY JOANN S. LUBLIN

Do some women undermine other women? It is one of the trickiest workplace issues.

Managerial women often hesitate to speak openly

YOUR EXECUTIVE CAREER about female colleagues undercutting each other—and not just because doing so seems to reinforce a negative stereotype. Even those who have clashed with female colleagues say broader gender bias in pay and promotions pose bigger career obstacles. And such undermining appears less common than it used to be as more women reach higher management and actively mentor less experienced women.

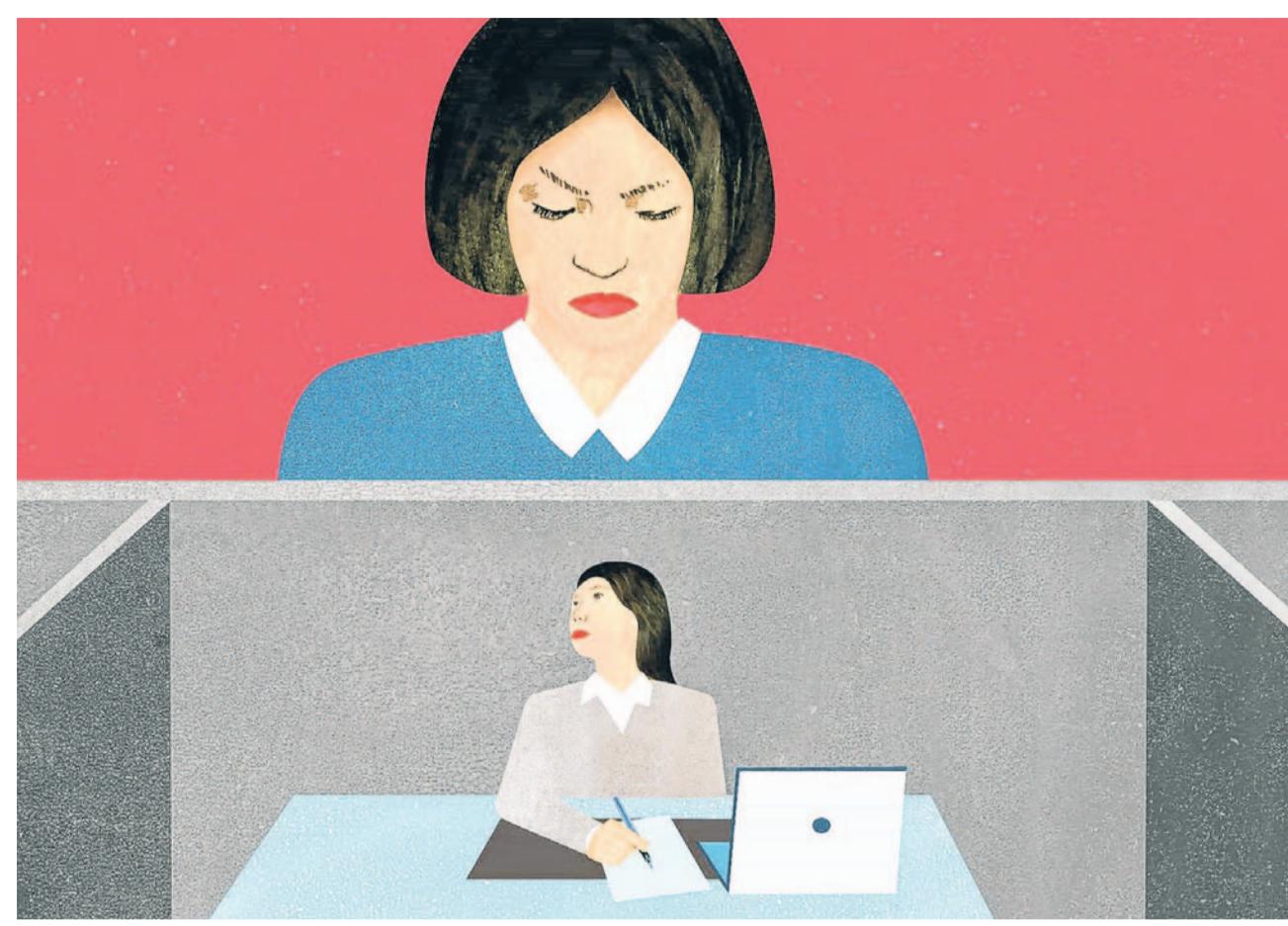
Nevertheless, run-ins with undermining women at work can still happen, career advisers and recruiters say, and there are ways of coping. Among them: Find allies in the office who support you, said Gail R. Meneley, co-founder of Shields Meneley Partners, a career-transition firm for top executives.

"You must forge close enough ties that those allies can judge you and your work themselves," she said.

Women who undermine other women sometimes do so when they feel precarious about their own position and view the other woman as a competitive threat, experts say. This attitude can stem from the belief that there are limited avenues for women to advance in an organization.

Mistreatment can range from humiliating putdowns to intentional sabotage, and targeted women tend to be outspoken and are often chided for making their voices heard, career advisers and researchers say.

Leadership coach Perry



ELLEN WEINSTEIN

Yeatman advises the female chief executive officer of a family-owned consulting firm whose board chairwoman belittles her in front of her management team.

"My client's boss makes her feel like she's underperforming, and so she wonders if she really is as good as she believed and her results indicate," Ms. Yeatman said.

"Women shouldn't tolerate bad behavior just because it comes from another woman."

Workplaces, of course, abound with examples of supportive women helping other women succeed. Mary Barra became the first woman to head a major car company in 2014 when she was named chief executive at General Motors Co. Ms. Barra has sev-

eral female executives reporting to her and is expanding that pool.

There remains little agreement on the extent of the problem of women undermining other women, but recent research sheds some light on such misbehavior. Women are 14% to 21% more likely than men to report experiencing uncivil treatment from female co-workers, according to a study led by Allison S. Gabriel, an associate professor at University of Arizona's Eller College of Management.

The study, which reflects three surveys covering 1,340 male and female employees in the U.S. in a variety of occupations and industries, defined incivility as being ignored, interrupted, mocked or

treated disrespectfully. It found that women mistreated by female counterparts reported lower job satisfaction.

"We are the first to help clarify that it [incivility] seems to be more of an experience women are experiencing from other women than from men," Ms. Gabriel said.

Most women at a 2016 program on female rivalry hosted by the National Association for Female Executives reported that other women had undermined them, yet only a handful admitted to acting that way themselves, said Betty Spence, president of NAFE.

"Women don't see themselves as undermining other women," she said.

For some women who feel

undermined, the only recourse is to change jobs.

Kerry Jordan, a financial-services industry veteran, said a female executive she reported to in a past position repeatedly undermined her, including criticizing her public-speaking skills to their colleagues behind her back.

When the female supervisor nixed Ms. Jordan's request to accept an outside directorship, she left the company.

Rayona Sharpnack, an organizational consultant, said she counseled a vice president at a Fortune 500 health-care company who told the consultant that another female VP stole customers and territory from her.

Ms. Sharpnack persuaded her client to signal the other

woman's importance by occasionally praising her competitive prowess during meetings. The complimented vice president subsequently approached her colleague and "created a couple of things that they could collaborate on," Ms. Sharpnack said.

Such moves don't always work. An executive recruiter tried—and failed—to mend a strained relationship through respectful chats after placing a longtime friend in the highest human-resources job at an East Coast hedge fund. The friend soon turned on her, lambasting the recruiter's judgment and fees in front of the fund's CEO.

"I was being betrayed and undermined by the very person I had introduced to the firm," the recruiter said. During one face-to-face encounter about her mistreatment, the recruiter said the HR chief blamed work-related stress and said, "Don't take it personally."

A New York lawyer at an Asian bank curbed her female mentor's unsupportive behavior by divulging less. In 2013, the lawyer told her mentor that she planned to take advantage of their company's policy and work from home one day a week once she returned from maternity leave. Her mentor cautioned that "you really are giving up your career plans," she said, and mocked the altered schedule, joking sarcastically that she would "love to work in my pajamas once in a while."

The lawyer stopped discussing her personal life with the executive. "I don't want to share things that can be used against me," she said.

—Ms. Lublin, former management news editor at *The Wall Street Journal*, is the author of *"Earning It: Hard-Won Lessons from Trailblazing Women at the Top of the Business World."* (HarperCollins).

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BUSINESS NEWS

Santos Boosts Gas Business

By RHIANNON HOYLE

SYDNEY—Santos Ltd. said it would buy **Quadrant Energy**, the natural-gas company whose owners include **Brookfield Business Partners**, the publicly traded arm of Toronto-based Brookfield Asset Management Inc., for \$2.15 billion as it seeks to build its Australian gas business.

Santos, one of the largest independent oil-and-gas producers in the Asia-Pacific region, has been chasing growth close to home, pledging to expand near existing infrastructure and diversify its mainly oil-linked revenue. The company over the past few years has rebuffed several takeover offers, the latest from private-equity-backed **Harbour Energy** Ltd. valued at more than \$10 billion that Santos in May said was too low given the re-

Quadrant holds more than 20,077 square miles of natural-gas and oil acreage.

Brookfield Business Partners and its institutional partners control roughly 48% of Quadrant, while Macquarie Capital, part of the financial-services company **Macquarie Group**, and its institutional

partners control about 22%. The rest is held directly or indirectly by **Wesfarmers Ltd., AMB Holdings** and Quadrant management.

Quadrant holds more than 20,077 square miles of natural-gas and oil acreage, mainly in the Carnarvon Basin offshore of Western Australia state. Santos estimated savings of \$30 million to \$50 million a year from merging the businesses.

The deal will include possible royalty payments tied to future production from the Bedout Basin off Western Australia, where Quadrant recently reported the sizable Doro-1 oil discovery.

Quadrant Energy was established in 2015 following the \$2.1 billion sale of Apache Energy's Western Australian oil and gas assets to the Brookfield and Macquarie-led consortium.

Santos said its purchase will be funded by existing cash resources and new committed debt. Since taking the helm in early 2016, Mr. Gallagher had tailed Santos's future to the **GLNG** gas-export operation in east Australia that counts **Total SA** among its partners, the **PNG LNG** operation in Papua New Guinea, the **Darwin LNG** project in northern Australia and assets including in the Cooper Basin straddling South Australia and Queensland states.

"This acquisition delivers increased ownership and operatorship of a high-quality portfolio of low-cost, long-life conventional Western Australian natural-gas assets which are well known to Santos, and importantly significantly strengthens Santos's offshore operating capability," Mr. Gallagher said.

NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Wednesday, August 22, 2018			
Stock	52-Wk Sym Hi/Lo Chg	Stock	52-Wk Sym Hi/Lo Chg
Highs		Highs	
AMC Ent	AMC 19.55 -0.1	GlobalBrass	BRSS 38.40 0.4
ANGI Homesvcs	ANGI 21.10 4.3	GlobalPfrsPfdA	GDPF 26.24 -0.3
AT&T Nts 2007	TBC 24.95 1.3	GrandCanyonDecl	L0PE 123.30 ...
AT&T Int'l	ATM 75.94 -1.1	GreenDot	GDOT 66.44 1.2
Aaron's	AAN 51.19 -0.1	HD Supply	HDS 46.02 0.3
AcerTherap	ACER 34.10 6.7	HackettGroup	HCKT 19.72 1.0
AdvanceAuto	AAP 161.97 0.4	Harsco	HSC 27.10 1.7
AdvDrainageSys	WMS 32.15 -0.8	HawkerAcqWt	HYACW 1.25 4.2
AdvMicroDevices	AMD 20.92 2.5	HealthInnov	HIIQ 56.95 3.6
AgreeRealty	ADC 57.04 -0.1	HealthStream	HSTM 31.01 0.7
AirT	AIRT 35.74 -1.1	Heico	HEI 89.06 -0.6
Alarm.com	ALRM 57.92 -1.7	Heidrick&Strug	HSGI 44.55 2.3
AllegroMrged	ALGR 9.59 ...	HersheyHospitality	HT 22.59 0.8
AltSourcePort	ASPS 37.86 -0.7	Hill-Rom	HRC 97.61 0.6
AmalgamBank	AMAL 17.05 -2.4	HomeFedBnplA	HFB 35.98 -1.6
Amedsys	AMED 122.00 -0.7	InfraEnerAltern	IEA 10.86 3.4
AmerEagle	AEO 29.88 -0.8	Inseego	INSG 2.94 11.1
AmerExpress	AXP 106.26 1.0	IntelligenSys	IPAR 74.98 12.5
AmerSoftware	AMWSA 17.41 -0.1	InterParfums	IPAR 66.05 0.3
ApolloGlpRdb	APOPb 25.33 -1.1	IntSeawayNts23	ISNPWA 11.85 4.4
AquaVenture	WAAS 18.72 1.6	KalVistaPharma	KALV 18.47 7.4
Arborealty	ABR 11.82 -0.7	Kar	KAR 97.61 0.6
ArersCommRealEst	ARE 14.47 -0.7	KaryoSouthern	KSU 11.49 4.4
ArloTech	ARLO 23.14 -4.0	Kellogg	KEL 12.25 -0.1
AscenaRetail	ASNA 5.29 ...	KelloggCo	KELW 70.21 1.7
AspenTech	AZPN 110.55 -0.1	KeySightTechn	KEYS 10.86 3.4
Atkorent	ATKR 28.34 -1.1	Koss	KOSS 4.69 5.9
Atricure	ATRK 33.61 3.3	Kroger	KR 31.99 1.2
Attuny	ATTU 20.19 3.3	KrogerKor	KR 75.15 7.8
ADP	ADP 143.62 0.2	LHC Group	LHCG 99.30 1.3
AvanosMedical	AVNS 71.84 -2.7	LRAD	LRAD 3.28 0.6
Avnet	AVT 49.33 -1.0	La-Z-Boy	LZB 39.15 13.1
B.RileyNts2023	RILYH 25.73 0.1	LadderCapital	LAD 17.38 -0.3
Belman	BEL 16.55 -1.7	LindbladExpedWr	LINDW 4.33 3.2
BioLifeSols	BBLF 24.98 -2.7	Lowe's	LOW 109.96 5.8
BioTelemetry	BEAT 58.90 -2.7	MagnoliaOilW	MGYG 14.09 1.5
BlueHillsBnpl	BHBK 23.65 2.0	MagnoliaOil	MGYG 5.52 1.1
BoozAllen	BAH 50.72 0.3	ManhattanAssoc	MANNH 116.75 0.9
BrookfieldBusPr	BBU 42.50 2.4	MatrixService	MTRX 21.75 2.1
Brown&Brown	BRO 30.39 -0.3	Medtronic	MDT 96.14 0.4
CACI Intl	CACI 194.95 -0.1	Mesira	MESA 12.55 0.9
Curo	CUR0 30.21 1.6	Methanex	MEOH 75.10 2.9
CalavoGrowers	CVGW 104.95 3.8	MichaelKors	KORS 75.96 -1.6
Caleres	CAL 39.13 -0.8	MinervaNeurosci	NERV 9.75 8.4
CanPacRlw	CP 206.96 0.6	MolinaHealthcare	MOH 140.75 0.5
CanopyGrowth	CGC 40.40 3.6	MongoDB	MDB 66.64 2.2
Carbonite	CARB 41.80 -1.7	MonolithicPower	MPWR 146.72 0.6
Cardtronics	CATM 38.15 1.9	MyriadGenetics	MYGN 48.87 12.5
CareDx	CONA 20.26 15.6	Natera	NTRA 26.65 2.4
Catays	CATS 8.92 0.2	NatlBanksHoldings	NBHB 41.44 0.5
CavcoIndustries	CVCO 242.50 -0.1	NatlPrestoInds	NPK 140.30 -0.1
Chegg	CHGG 31.44 -0.1	NaturalHlthTrends	NHTC 26.85 1.7
ChesapeakeLodging	CHSP 33.09 0.3	NavitatorsGroup	NAV 70.13 8.8
CitiTrends	CTRN 32.95 -1.7	NEogen	NEOG 87.01 4.9
CleanHarbors	CLH 66.50 -1.1	NextPointResident	NXRT 33.04 0.8
Control4	CTRL 36.39 2.9	NextEraEnergy	NEP 50.66 -2.6
Copart	CPRT 63.25 0.8	Nike	NKE 83.68 -0.4
Core-Mark	CORE 35.17 -0.7	NoMadFood	NOMD 20.67 -0.3
Costco	COST 230.23 1.3	NothrmnBanCorp	NRIN 45.15 0.6
Crocs	CROX 20.71 1.1	Novanta	NOVA 77.53 3.1
CrossTimbers	CRT 15.75 -1.7	OaktreeCapPfdA	OAKGA 25.95 0.2
CryoLife	CRY 34.45 3.6	OldRepublic	ORI 22.37 -0.2
DexCom	DXCM 139.24 1.6	PennyMacTr	PMT 20.07 -0.1
DiscoveryC	DISCK 27.48 -1.8	PetriQ	PETQ 39.05 6.2
DollarGeneral	DG 109.05 -0.3	PhibroAnimal	PAHC 51.09 -1.3
EPAM Systems	EPAM 139.90 1.0	Pluralsight	PS 33.00 1.8
EtnVncGlbIncBlrd	EVGBC 100.02 -0.1	PDT Innovations	PDTI 25.95 -1.0
EldoradoRes	ERI 49.20 -1.3	PacerCFRAStylw	SZNE 25.84 0.3
EmergentBiolos	EBS 60.91 -1.1	ParkHotels	PI 33.40 0.6
EncompassHealth	EHC 82.46 -1.1	PaycomSoftware	PAYC 145.74 0.9
Energen	EGN 79.73 -1.3	PennyMacTr	PMT 20.07 -0.1
EnstarPfd	ESGP 26.19 1.3	PetriQ	PETQ 39.05 6.2
EnviroPartners	EVA 32.45 0.8	PhibroAnimal	PAHC 51.09 -1.3
EssentialProp	EPRT 14.40 0.4	Pluralsight	PS 33.00 1.8
Everbridge	EVBG 58.76 -2.6	PreciseStorage	PSTG 26.30 14.3
F5Networks	FFIV 185.00 -1.1	QTSL RealityPfdB	QTSB 19.95 0.1
FairIsaac	FICO 222.49 1.6	Qiagen	QGEN 39.34 2.8
FirstBanCorp	FBP 9.00 1.2	RPM	RPM 66.08 -2.7
FirstCitizBscsA	FCNCA 474.63 1.1	Regis	RGS 22.40 3.4
FiveBelow	FIVE 114.71 1.1	Roblox	ROBLOX 25.74 1.1
Five9	FIVN 45.37 0.4	RenewableEnergy	REGEI 26.20 3.8
Fortinet	FTNT 78.01 -1.4	Rollins	ROL 51.79 0.7
ForwardAir	FWRD 65.11 -1.1	S&T Bancorp	STBA 46.74 6.4
Funko	FNKO 23.67 -6.7	SIGA Tech	SIGA 8.47 -0.8
Genesco	GCO 47.40 -0.2	SM Energy	SM 30.10 2.3
GlacierBancorp	GBCI 45.52 0.3	SPS Commerce	SPSC 96.58 0.4

NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.



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MARKETS DIGEST

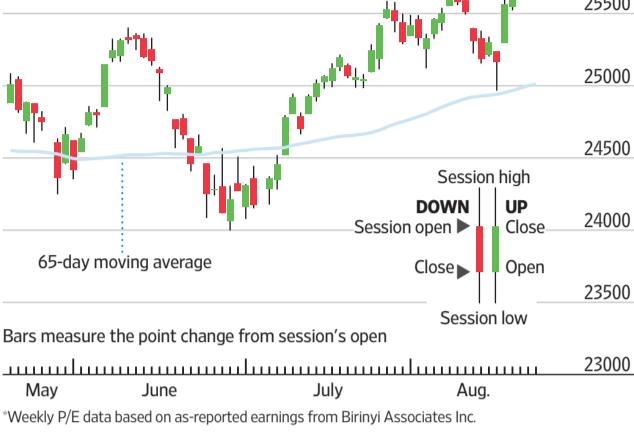
EQUITIES

Dow Jones Industrial Average

25733.60 ▼88.69, or 0.34%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.27 20.02
P/E estimate * 16.48 18.30
Dividend yield 2.12 2.24
All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open
May June July Aug.

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2861.82 ▼1.14, or 0.04%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.79 23.49
P/E estimate * 17.62 18.69
Dividend yield 1.83 2.00
All-time high 2872.87, 01/26/18



Bars measure the point change from session's open
May June July Aug.

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Nasdaq Composite Index

7889.10 ▲29.92, or 0.38%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.02 23.33
P/E estimate * 21.22 21.20
Dividend yield 0.97 1.12
All-time high: 7932.24, 07/25/18



Bars measure the point change from session's open
May June July Aug.

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	25836.16	25722.43	25733.60	-88.69	-0.34	26616.71	21753.31	18.0	4.1	16.1
Transportation Avg	11435.79	11319.13	11322.24	-114.12	-1.00	11436.36	9021.12	24.6	6.7	12.9
Utility Average	735.65	726.86	729.14	-5.58	-0.76	774.47	647.90	-2.0	0.8	6.9
Total Stock Market	29830.41	29717.98	29781.45	1.11	0.004	29781.45	25191.28	18.1	7.6	13.1
Barron's 400	781.34	778.69	780.50	0.42	0.05	780.50	633.34	23.2	9.8	14.1

Nasdaq Stock Market

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Nasdaq Composite	7897.63	7840.84	7889.10	29.92	0.38	7932.24	6265.64	25.7	14.3	18.8
Nasdaq 100	7434.48	7374.69	7424.60	27.37	0.37	7508.59	5817.69	26.9	16.1	20.9

S&P

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
500 Index	2867.54	2856.05	2861.82	-1.14	-0.04	2872.87	2438.97	17.1	7.0	13.2
MidCap 400	2037.82	2031.72	2034.49	-0.18	-0.01	2034.67	1701.47	19.5	7.0	12.6
SmallCap 600	1091.49	1086.60	1091.20	1.79	0.16	1091.20	822.85	32.6	16.5	17.3

Other Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Russell 2000	1723.01	1715.80	1722.54	4.50	0.26	1722.54	1369.74	25.8	12.2	14.2
NYSE Composite	13013.06	12983.02	12990.51	-6.25	-0.05	13637.02	11773.80	10.2	1.4	8.4
Value Line	589.56	587.91	588.93	0.17	0.03	589.69	507.06	16.1	4.7	8.5
NYSE Arca Biotech	5196.49	5131.99	5189.98	43.87	0.85	5189.98	3856.62	34.6	22.9	11.3
NYSE Arca Pharma	583.49	581.37	581.60	-0.85	-0.15	593.12	516.32	12.2	6.7	1.1
KBW Bank	111.36	110.62	110.95	-0.24	-0.21	116.52	89.71	18.2	4.0	15.0
PHLX® Gold/Silver	67.52	67.03	67.42	0.64	0.96	93.26	64.27	-21.3	-20.9	8.9
PHLX® Oil Service	146.23	144.51	145.58	2.43	1.69	170.18	119.76	21.0	-2.7	-3.8
PHLX® Semiconductor	1355.75	1336.89	1354.53	6.24	0.46	1449.90	1080.50	24.7	8.1	32.8
Cboe Volatility	13.29	11.97	12.25	-0.61	-4.74	37.32	9.14	unch.	11.0	-24.1

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	3,593.3	286.28	0.11	0.04	286.28	285.95	
First Data Cl A	FDC	3,201.6	25.08	...	unch.	25.10	25.00	
JD.com ADR	JD	2,271.0	32.37	0.03	0.09	32.58	32.30	
Altaba	AABA	2,004.1	70.32	...	unch.	70.71	70.28	
iShares MSCI Brazil ETF	EWZ	1,984.6	32.61	...	unch.	32.65	32.56	
Intel	INTC	1,860.1	47.04	-0.01	-0.02	47.08	47.01	
21st Century Fox Cl A	FOXA	1,736.4	45.01	-0.34	-0.75	45.35	44.68	
Williams-Sonoma	WSM	1,708.6	66.47	3.86	6.17	69.40	62.00	

Percentage gainers...

Company	Symbol	Volume	Latest	Session	High	Low
Synopsys	SNPS	136.1	100.95	6.28	6.63	101.00
Williams-Sonoma	WSM	1,708.6	66.47	3.86	6.17	69.40
Huazhu Group ADR	HTHT	101.8	34.64	1.56	4.72	35.20
Ball Corp	BLL	92.8	42.00	1.34		

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.	101.30	102.30	99.35	100.90	.90	175,480						
Aug 2.6755 2,6770 2,6645 2,6685 -0,0210 864	Oct 10.10 10.23 9.91 10.18 .01 517,859											
Dec 2,7040 2,7100 2,6700 2,6935 -0,0180 109,579	March'19 10.99 11.10 10.83 11.07 .02 319,133											
Gold (CMX)-100 troy oz.; \$ per troy oz.	1194.70 1196.20 1194.70 1196.30 3.70 210	Sugar-World (ICE-US)-112,000 lbs.; cents per lb.	25.50 25.50 25.45 25.45 -.05 1,923									
Aug 1198.70 1203.70 1194.80 1198.70 3.20 56,913	Nov 19.50 25.60 25.60 25.50 25.55 -.08 1,640											
Dec 1203.00 1208.40 1199.20 1203.30 3.30 366,706	Jan'19 25.60 25.60 25.50 25.55 -.08 1,640											
Feb'19 1208.50 1213.80 1205.60 1208.80 3.30 33,738	Cotton (ICE-US)-50,000 lbs.; cents per lb.	83.74 83.74 83.23 82.52 -.98 179										
June 1219.10 1224.30 1218.50 1220.20 3.30 7,224	Oct 13.10 83.62 82.00 82.29 -.06 147,974											
Dec 1229.20 1239.20 1237.40 1238.20 3.30 3,969	Sept 154.80 156.50 154.80 155.85 1.00 2,011											
Palladium (NYM)-50 troy oz.; \$ per troy oz.	155.10 156.35 155.00 155.45 .30 9,748	Nov 155.10 156.35 155.00 155.45 .30 9,748										
Sept 903.20 920.50 900.20 918.20 8.20 12,140												
Dec 894.50 910.40 890.70 908.60 8.40 10,396												
Platinum (NYM)-50 troy oz.; \$ per troy oz.	14.70 14.865 14.770 14.850 -.010 118,028											
Sept 795.20 796.70 792.80 792.30 0.70 38												
Oct 797.10 801.50 788.40 793.70 0.70 76,212												
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	14.700 14.700 14.700 14.735 -.016 22											
Aug 14.700 14.965 14.770 14.850 -.010 118,028												
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	119.40 120.70 119.40 119.30 3.70 210											
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BIGGEST 1,000 STOCKS

How to Read the Stock Tables
 The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq Global Select.
 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.

BIGGERST 1,000 STOCKS																											
Wednesday, August 22, 2018																											
A B C			D E F			G H I			J K L			M N			O P Q			R S			T U V			W X Y Z			
Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
BanColombia	CIB	44.55	-0.03	Comcast A	CMSA	35.48	-0.26	KLA Tencor	KLAC	114.01	0.72	NordForskSouthern	NSC	174.11	-1.97	OGE Energy	OGE	36.88	-0.26	Verizon	VZ	54.14	-0.77	Ericsson	ERIC	8.16	0.07
BankAmericorp	BAC	30.98	-0.04	Comerica	CMA	99.26	-0.17	KT	KT	13.37	-0.07	NorthernTrust	NTRS	108.38	-0.55	VortexPharm	VTRX	17.72	-0.86	Arca	ARCA	9.00	-0.05				
BankNY Mellon	BK	52.50	-0.04	CommerceBchs	CBSH	71.76	-0.23	KSCitySouthern	KSU	116.14	-1.93	NorthropGrum	NOC	297.24	-0.94	Viacom B	VIAB	31.93	-0.01	ShawComm	B.SJR	20.78	0.04				
BankofMontreal	BMO	82.08	1.03	CommScope	COMM	30.65	-0.42	Kellogg	K	72.14	-0.08	NortheastCrus	NCLH	52.59	-0.77	TelekInonesia	TEF	8.57	0.03	SherwinWilliams	SHW	439.08	-5.72				
BarrickGold	ABX	10.38	-0.20	ConocoPhillips	COP	72.00	1.11	FleetCorTech	FLT	217.57	1.56	Novartis	NVS	83.69	-0.12	Tesla	TSLA	321.64	-0.26	TechnoFischer	TEFO	15.27	-0.04				
BauschHealth	BHC	32.30	0.93	CorEd	ED	78.93	-0.69	Flex	FLEX	14.07	-0.27	NovoNordisk	NVO	48.98	-0.20	TevaPharm	TEVA	24.51	-0.66	Verizon	VZ	54.14	-0.77				
BaxterIntl	BAX	72.14	0.50	ConstBrands	STZB	203.46	2.46	GilroyRealty	KRC	72.65	0.19	Nutanix	NTNX	55.26	1.70	VornadoRealty	VNO	75.93	0.08	ShawComm	B.SJR	20.78	0.04				
BerkshireHathaway	BKRA	312.00	13.00	Costar	CSGP	430.82	0.93	H-52-week high.				OccidentalPetrol	OXY	79.33	0.44	Viacom	VIAC	36.85	-0.05	ShinhanFin	SHG	38.08	-2.19				
BerkshireHathaway	BKR	207.33	-1.16	Cooper	CPRT	63.00	0.53	D-First day of trading.				Okta	OKTA	57.26	-1.18	Tenaris	TS	33.84	0.53	Shopify	SHOP	137.63	4.19				
BethGen	BGE	167.97	4.64	Corporation	CTA	203.36	2.87	E-Does not meet continued listing standards.				OldDomFlight	ODFL	148.93	-0.65	Teradyne	TER	39.93	0.05	SignatureBank	SBNY	119.19	-0.55				
BethGen	BGE	77.11	-0.99	Cookson	COP	259.53	2.77	F-Final filing.				Oracle	ORCL	48.80	-0.20	Tesla	TSLA	321.64	-0.26	Smith&Neppel	SNN	36.18	0.52				
Bio-Brands	BBL	14.30	-0.21	Craig	CGR	136.29	1.26	G-Foreign exemption from Nasdaq requirements.				Polycom	PRCN	19.49	-0.07	TevaPharm	TEVA	24.51	-0.66	Smurcke	SJM	105.40	-2.80				
Bio-MarinPharm	BMRN	136.79	1.73	CreditAcceptance	CACC	461.16	-3.75	G-Temporary exemption from Nasdaq requirements.				Q-P				Vision	VZ	54.14	-0.77	WABCO	WBC	122.17	-2.45				
Bio-Brands	BBL	14.30	-0.21	CreditSuisse	CSS	14.95	-0.11	H-Trading halted on primary market.				R-Q				Viacom B	VIAB	31.93	-0.01	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	I-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.				S-Q				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	J-Previous day's quotation.				T-Q				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	K-Footnotes x and s apply.				U-Q				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	L-Footnotes e and s apply.				V-Q				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	M-Footnotes x and e apply.				W-X				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	N-Footnotes x and e apply.				Y-Z				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	O-Footnotes x and s apply.				W-X				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	P-Footnotes x and s apply.				Y-Z				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	Q-Footnotes x and s apply.				W-X				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	R-Footnotes x and s apply.				Y-Z				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
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Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	U-Footnotes x and s apply.				W-X				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	V-Footnotes x and s apply.				Y-Z				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	W-Footnotes x and s apply.				W-X				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	X-Footnotes x and s apply.				Y-Z				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	Z-Footnotes x and s apply.				W-X				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	A-Footnotes x and s apply.				Y-Z				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14	-0.77				
Bio-Brands	BBL	14.30	-0.21	CrossMark	CRM	116.66	-0.03	B-Footnotes x and s apply.				W-X				Verizon	VZ	54.14	-0.77	Verizon	VZ	54.14</					

BANKING & FINANCE

Hartford to Buy Navigators

Insurer expects the \$2.1 billion purchase to add to its earnings starting next year

BY KIMBERLY CHIN

Hartford Financial Services Group Inc. agreed to buy insurance underwriter **Navigators Group** Inc. for \$2.1 billion, as the firm looks to specialty lines of business for growth.

The purchase of Navigators, which will bring its global marine, construction and energy liability lines of business to Hartford, comes less than a year after the company agreed to acquire an Aetna Inc. unit that provides insurance products to U.S. employers' benefits programs.

Insurers such as Hartford have been under significant pressure in recent years, with many choosing to either be-

come leaner organizations or find transactions to improve their bottom lines.

A decade of ultralow interest rates hurt insurance companies' ability to earn interest income on premiums that they receive.

The Hartford, Conn., insurance company was also hard hit during the financial crisis, when it had to take \$3.4 billion in U.S. government aid, which it has since repaid. The firm was particularly vulnerable due to its long market-leading position in sales of a stock-market-linked retirement-income product that proved riskier than anticipated.

Shares of Hartford fell \$2.18, or 4.2%, to \$50.16 in Wednesday trading, while shares of Navigators rose \$5.65, or 8.8%, to \$69.90.

Wells Fargo analyst Elyse Greenspan said in a note that Hartford shares were likely to trade lower as some investors express doubt the deal will re-



Hartford CEO Christopher Swift

sult in earnings growth over time.

"For HIG, shareholders had hoped for capital return as opposed to M&A," Ms. Greenspan said.

During a second-quarter earnings call last month, Hartford Chief Executive Christopher Swift said the company was seeking deals in commercial specialty lines and industry verticals. He previously said Hartford was targeting deals in the \$1 billion-to-\$2 billion range.

In the deal announced Wednesday, Navigators shareholders would receive \$70 a share in cash, an 8.9% premium to Tuesday's closing price.

Hartford expects the purchase to add to its profits starting in 2019 and \$200 million to annual core profits over four to five years.

Stamford, Conn.-based Navigators, founded in 1974, also serves the U.S. excess casualty and surplus insurance markets. It has 820 employees at 22 locations in the U.S. and eight locations internationally.

—Bowdye Tweh contributed to this article.

JPMorgan Lays Off 100 In Asset Management

BY EMILY GLAZER

JPMorgan spokeswoman Kristen Chambers said. "Any reductions will be relatively small and will not impact our continued investment in client coverage and our business."

In the quarter ended June 30, JPMorgan reported revenue of \$1.8 billion from its asset-management business, a 2% increase from a year earlier.

During a mid-June investor presentation, asset and wealth management head Mary Callahan Erdoes said JPMorgan is constantly evaluating its strategies.

"There are funds that need to be shut, there are funds that need to be consolidated, there are fees that need to be cut and there are funds that need to be started, and there are funds that need to be invented, and there are things that need to be changed," she said.

A Bull Record, for Now

BY MICHAEL WURSTHORN

The debate about the longest-ever S&P 500 rally is alive and well.

The S&P 500 has been in a "bull market" for 3,453 days, meaning it is at least 20% above a previous low and hasn't suffered a 20% decline from a record in almost 10 years.

For now, that is a day longer than the previous record bull market—the one that ended in March 2000 with the collapse of the tech bubble—according to S&P Dow Jones Indices.

But the case isn't quite closed yet. In the argot of the stock market, the latest bull market hasn't yet been "confirmed" by a record closing high. The S&P 500 hit a new all-time intraday record on Tuesday at 2873.23, but many analysts view a closing record as the relevant standard. That

would be the Jan. 26 close of 2872.87, about 10 points north of where the index closed on both Tuesday and Wednesday.

This all might seem impossibly arcane, but there is some small part of financial history at stake. In the (for now) unlikely event that the S&P 500 drops 20% before it reaches a new closing high, the current bull market that started in March 2009 will be rolled back and judged retrospectively to have ended with the last record close, said Howard Silverblatt, a senior index analyst with S&P Dow Jones Indices. That would shave 208 days from the current bull and restore 1990-2000 as the longest bull run in history.

Other market participants view intraday data as sufficient for settling these sorts of debates, reasoning that the longstanding reliance on closing data is a relic of the past,

when few had access to real-time data and powerful computers weren't widely available to quickly spit out factoids and comparisons with previous periods.

They contend the S&P 500 intraday record Tuesday stands and that even if the index now drops 20% over coming days, months and years, it would be tied for first with the bull run of the 1990s.

It isn't unusual for the index hit several intraday records and fail to clinch a new closing high before sliding into bear-market territory. In 2007, the S&P 500 reached a closing high of 1565.27 on Oct. 9, and proceeded to hit two more intraday records in the ensuing days. But the index went on to fall 56% over the next year-and-a-half as the financial crisis deepened, and the S&P 500 wouldn't hit another closing record until March 28, 2013.



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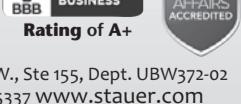
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Outside Appeal

Japanese mom-and-pop investors have snapped up bonds known as Uridashi, often denominated in foreign currencies.

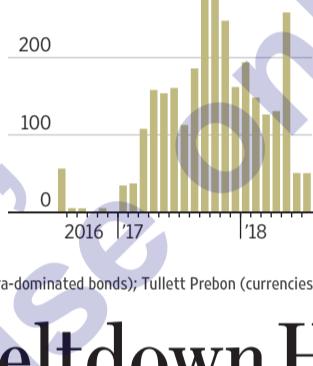
Biggest overseas Uridashi markets*

Australian dollar	\$16.5 billion
U.S. dollar	13.3
Brazilian real	10.7
Turkish lira	7.6
Mexican peso	3.8

*Estimated total outstanding

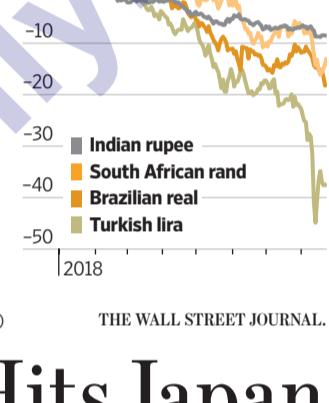
Sources: Thomson Reuters (Uridashi markets, lira-dominated bonds); Tullett Prebon (currencies)

Monthly issuance of Turkish lira-denominated Uridashi bonds for Japanese investors



Currencies in developing economies have dropped, particularly Turkey's lira.

Change against the U.S. dollar



THE WALL STREET JOURNAL.

Turkey Meltdown Hits Japan

Turkey's financial trouble has claimed some distant victims: small investors in Japan, who have dabbled in emerging-market assets to escape superlow domestic returns.

By Suryatapa Bhattacharya in Tokyo and Saumya Vaishampayan in Hong Kong

The upset illustrates the appetite for risk among an army of punters often dubbed "Mrs. Watanabe," after the stereotypical Japanese homemaker. Last year, Deutsche Bank researchers said these buyers had fueled a rally in bitcoin and made up half of global foreign-exchange trading using borrowed money.

Individuals have snapped up Uridashi, high-yielding bonds marketed to households that are frequently denominated in foreign currencies such as the lira, Brazilian real and South African rand. These aren't highly leveraged instruments, but usually regular bonds. However, they offer juicy returns thanks to elevated interest rates in emerging markets.

The appeal is obvious after years of rock-bottom rates. A recent offer from Rakuten Securities touted a 23.1% yield on lira debt issued by the European Investment Bank. That echoes the 10-year yield on Turkish government bonds of 20.9%, and is far above the 0.1% available on benchmark Japanese government debt.

Now, some of these individuals are sitting on large paper losses. The lira has slid nearly 20% this month against the dollar, and 21% against the yen. Other currencies such as

I made a mistake in failing to hedge currency risk, said a Japanese investor.

inal outlay including commissions. "I've learned a lesson," said this investor, who declined to be named.

"It was stupid of me to invest in a single emerging-market bond."

Uridashi are typically issued by outfits with high credit ratings like the World Bank and mature within five years, so currency declines—rather than bond defaults—are the main risk.

Based on exchange rates at issuance, there is about \$155.3 billion outstanding, Thomson Reuters estimates, including \$10.74 billion in Brazilian real and \$7.64 billion in lira.

Flora Chao, global head of

among economists about the prospect for an economic slowdown.

So far, there is no reason to doubt that the U.S. economy will continue growing some nine years into a tepid but steady expansion. Instead, investors and portfolio managers said, this month's decline in 10-year yields stems from a host of factors.

The recent decline in yields also defies the Federal Reserve's tightening campaign, which is pushing up the rate on shorter-term bonds. Together, the long-term Treasury rally and the Fed's rate increases have narrowed the spread between short- and long-term debt to its lowest level in years, raising concern

tion, as tariffs lift prices of imported goods.

And, in a typical bit of financial markets justice, the size of the short position likely is itself contributing to the Treasury rally, as those who had wagered prices would fall respond to bad news by closing out bets—a decision that forces them to buy the securities they were betting against.

"It's definitely been a factor," said Wan-Chong Kung, a bond fund manager at Nuveen Asset Management.

Some of the speculative short bets may reflect investors hedging other positions or may be parts of multifaceted trades involving other securities, analysts cautioned.

MARKETS

World Stocks Are Outrun by the U.S. Bull

By STEVEN RUSSOLILLO
AND MIKE BIRD

U.S. stocks are on the verge of the longest bull market in history. Investors elsewhere have not had it nearly so good.

Most major stock markets have fallen short of the S&P 500 since it bottomed on March 9, 2009, during the financial crisis.

Indexes in Japan, China and Europe have lagged behind the U.S. Markets in Portugal and Greece are lower from where they were 9½ years ago. And the rise in a broad gauge of emerging markets is less than half that managed by the S&P 500.

The gulf is partly a testimony to U.S. economic dynamism. For a start, the country and its banks rebounded faster from the financial crisis than Europe, while Japan is still emerging from decades of stagnation. And although technology is reshaping the world, no market has benefited more from the rise of tech giants such as **Amazon.com** Inc. and **Facebook** Inc.

The rally also cuts against the conventional notion that investors should enjoy outsized returns for the risks they assume by venturing into riskier countries in earlier stages of development.

"The U.S. was the first to get hit in the financial crisis, and also the first to start recovering," said Hannah Anderson, global market strategist at J.P. Morgan Asset Management. "Other markets were still going through a lot of pain when the U.S. bull market was already ongoing."

The divergence between the U.S. and the rest of the world has grown more stark this year. U.S. economic growth hit its fastest pace in nearly four years in the second quarter, and earnings are soaring.

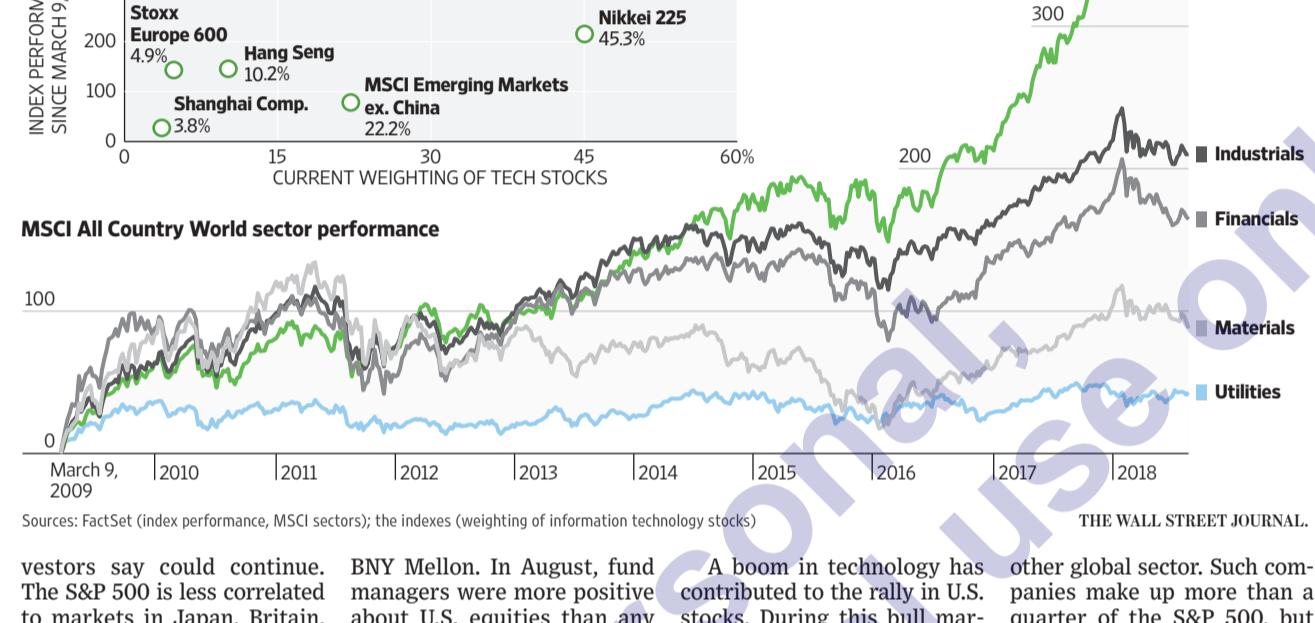
"This has been a period of rapid profit growth that has pretty much outstripped any other period in U.S. economic history," Ms. Anderson said.

That has helped U.S. markets pull away from the rest of the world, something many in-



Tourists pose with the Wall Street bull statue in New York's Financial District this week. U.S. stocks are on a long-running tear.

Tech stocks have outperformed globally, offering a boost to countries where they make up a large portion of the market.



Sources: FactSet (index performance, MSCI sectors); the indexes (weighting of information technology stocks)

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vestors say could continue. The S&P 500 is less correlated to markets in Japan, Britain, Germany and France than in all but two instances over the past 20 years, according to Simon Derrick, a strategist at

BNY Mellon. In August, fund managers were more positive about U.S. equities than any other region for the first time in five years, according to a monthly survey by Bank of America Merrill Lynch.

A boom in technology has contributed to the rally in U.S. stocks. During this bull market, usually defined as an upward run unbroken by a sell-off of 20% or more, tech stocks have outperformed every

other global sector. Such companies make up more than a quarter of the S&P 500, but slightly less than 5% of the Stoxx Europe 600.

In the U.S., the S&P 500 has gained 320% since the market

Treasuries Fluctuate After Fed Minutes

By AKANE OTANI

U.S. government bond prices edged higher Wednesday as stocks drifted lower after the S&P 500 closed just shy of an all-time high.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.823%, compared with 2.846% Tuesday.

CREDIT MARKETS Yields fall as bond prices rise.

Bond yields fell overnight after President Trump's former lawyer, Michael Cohen, said Mr. Trump directed him to pay off women who said they had affairs with him. Separately, former Trump campaign chairman Paul Manafort was convicted Tuesday of eight charges related to tax and bank fraud.

"Investors found the safe-haven trade more preferable than the risk-on trade...at least for now," said Kevin Giddis, head of fixed-income capital markets at Raymond James, in an email. "In the absence of

confidence, uncertainty is the Treasury market's best friend."

Treasury yields then bounced off their session lows and hovered in a narrow range after the Federal Reserve released minutes from its July 31-Aug. 1 meeting.

Analysts and investors had been looking for clues on how the Fed intends to steer policy in the second half of the year. Wednesday's minutes largely reaffirmed what many had expected: that the central bank is acknowledging potential risks posed by trade disputes and the housing market, but it is still likely to raise short-term interest rates next month.

The move would be the Fed's third interest-rate increase of the year.

A strong U.S. economy has driven many investors to bet that the central bank will raise rates a total of four times in 2018. Federal-funds futures, which traders use to place bets on the course of interest rates, recently pointed to a 63% probability of the Fed raising interest rates four times by year-end, according to CME Group.

The minutes show "the Fed believes we're not as late in the business cycle as some may think," said Mike Loewengart, vice president of investment strategy at E*Trade, in an email.

Light, sweet crude for October delivery gained 3.1% to \$67.86 a barrel on the New York Mercantile Exchange, the highest close since Aug. 7. Brent, the global benchmark, advanced 3.0% to \$74.78.

On Wednesday, the U.S. Energy Information Administration reported that the amount of crude in storage fell

S&P 500 Rally Hits a Milestone

By MICHAEL WURSTHORN

The S&P 500 edged slightly lower Wednesday, even as the index extended its bull run from the depths of the financial crisis to become the longest ever.

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Speed Bump

Wednesday's minor loss dashed a four-session winning streak for the S&P 500.



Source: SIX

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they tried to gauge the impact of news related to two former associates of President Trump. Michael Cohen, the president's former personal lawyer, pleaded guilty Tuesday to eight criminal charges, including campaign-finance violations. Meanwhile, former Trump campaign manager Paul Manafort was convicted of eight charges related to tax and bank fraud.

While those developments shouldn't substantially alter

the stock market's outlook, money managers and analysts said they raise the likelihood of further turbulence ahead for Mr. Trump heading into the midterm elections, and could cause volatility to come roaring back into the market.

"If it starts looking more like the president is in jeopardy, that is a clear negative for the market, but ex that, the market will continue to follow earnings," said Matt Lockridge, senior portfolio manager at Westwood Hold-

ings Group. "That uncertainty is what's going to give the market a little bit of heartburn today and maybe the next couple of days."

The S&P 500 fell 1.14 points, or less than 0.1%, to 2861.82, dashing a four-session winning streak. The Dow Jones Industrial Average fell 88.69 points, or 0.3%, to 25733.60 to also snap a four-day run of gains, while the Nasdaq Composite rose for a fifth consecutive session, adding 29.92 points, or 0.4%, to 7889.10.

The S&P 500's bull-run milestone isn't concrete just yet. Some analysts contend a new closing high is needed to ensure the index's run is in fact the longest ever.

The S&P is 0.4% away from its previous closing high set on Jan. 26, and if the index suffered a 20% drawdown before notching a new record close, several analysts would consider Jan. 26, the last S&P 500 closing record, as the final day of the rally.

Elsewhere, the Stoxx Europe 600 fell less than 0.1%. In Asia early Thursday, the Shanghai Composite Index was up 0.3%, while Japan's Nikkei Stock Average was up 0.2% but Hong Kong's Hang Seng Index was down 0.3%.

stocks priced in that currency—just look at the Caracas stock exchange's 17,266% gain this year, before Venezuela's bolivar was abolished to try to deal with hyperinflation. But the dollar has strengthened from its 2009 lows against most currencies and barely had any inflation.

After the financial crisis a focus on the recent trouble helped keep investors cautious, but that restraint is long gone. Investors again are relying on hope when they part with their money, and signs of excess are easy to find. But for all the excess, it is still hard to identify a true bubble.

Booms don't have to end in unsustainable exuberance and froth, but history suggests they often do.

Oil Prices Rise on Decline in U.S. Inventories

By STEPHANIE YANG

Oil prices rose to a two-week high on Wednesday after government data showed that crude stockpiles fell by more than analysts expected last week.

COMMODITIES Light, sweet crude for October delivery gained 3.1% to \$67.86 a barrel on the New York Mercantile Exchange, the highest close since Aug. 7. Brent, the global benchmark, advanced 3.0% to \$74.78.

On Wednesday, the U.S. Energy Information Administration reported that the amount of crude in storage fell

by 5.8 million barrels, exceeding average analyst forecasts for a 2-million-barrel drop. The American Petroleum Institute, an industry group, estimated Tuesday that stockpiles fell by 5.2 million barrels.

Prices have risen for five straight sessions, as the market has rebounded from bearish inventory data a week earlier.

Analysts said prices have also been supported by a weaker U.S. dollar. Commodities like crude oil are priced in dollars and become cheaper for foreign buyers when the U.S. currency falls.

"After taking a break from each other for most of the year, energy prices have been

reacting to moves in the dollar on an hour-by-hour basis the past few weeks, so we can go back to becoming amateur currency traders as we did for much of the early part of this decade," fuel marketer TAC Energy said Wednesday.

Looming U.S. sanctions on Iran's oil industry have boosted market sentiment as well.

President Donald Trump pulled the U.S. out of a 2015 international agreement to curb Iran's nuclear program in May, setting the stage for the reimposition of economic sanctions on the Islamic Republic.

Some sanctions took effect this month, while measures

specifically targeting the Islamic Republic's oil industry are set to be implemented by November.

The move helped push Brent temporarily above the \$80-a-barrel threshold this past spring. But prices have come down since then in the wake of plans by the Organization of the Petroleum Exporting Countries and partner producers like Russia to begin ramping up crude output after more than a year of holding back production.

Gasoline futures rose 2.5% to \$2.0680 a gallon and diesel futures gained 2.1% to \$2.1683 a gallon.

—Christopher Alessi contributed to this article.

Quibbles Over Streak In Market

Continued from page B1

bounded with the rest of the world, but since then they have soared. Measured in dollars, British, eurozone, Japanese and emerging-market equities have all roughly doubled from the 2009 lows (emerging stocks bottomed out a few months earlier),

while U.S. stocks have quadrupled.

This isn't about a weaker dollar, at least against other major currencies. A weak currency can certainly help

MARKETS

Fed Rate Ticks Up Ahead of Jackson Hole

BY SAM GOLDFARB

An uptick in the Federal Reserve's benchmark interest rate is putting more pressure on the central bank to clarify plans for its \$4 trillion bond portfolio just as Fed officials prepare to convene at their annual Jackson Hole symposium, which kicks off Thursday.

The effective federal-funds rate, the rate on overnight loans between banks that is the Fed's primary means of influencing the U.S. economy, inched back up to 1.92% last week—and remained there this week—after spending nearly two months at 1.91%.

That put the rate just 0.08 percentage point from the top of the Fed's targeted range of 1.75% to 2%. If the rate knocks up against the top of the range, investors and traders may take it as a sign that the central bank is losing control of the rate.

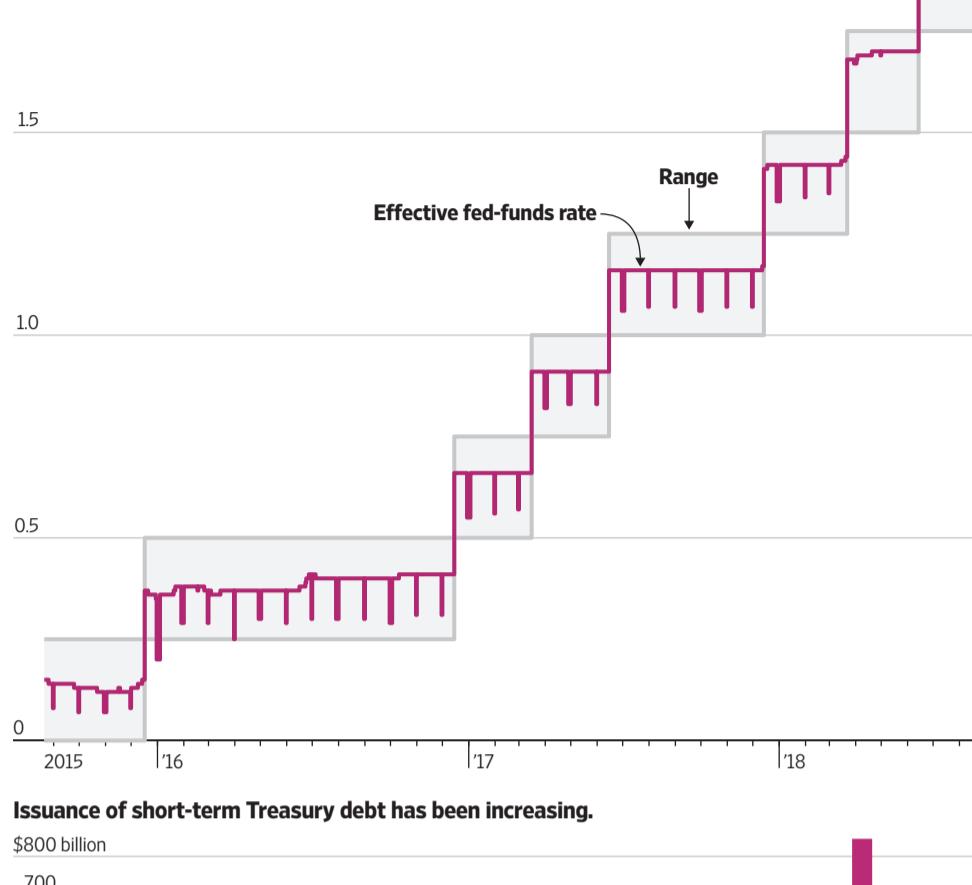
A major reason why analysts say the fed-funds rate has been rising within the Fed's target range is that the Treasury Department has been ramping up its issuance of debt, particularly short-term bonds, to fund a growing federal budget deficit.

The deluge of short-term bonds has increased the amount of collateral that can be used in the repurchase-agreement, or repo, market, which is the primary alternative to the fed-funds market for overnight lending.

As the volume of collateral increases, borrowing in the repo market also tends to increase. That allows repo lenders, such as Federal Home Loan Banks, to charge higher interest rates, which in turn encourages them to also increase rates in the fed-funds market.

One concern is that the fed-funds rate could also move higher as the Fed continues to wind down its bond portfolio,

The Fed's key interest rate has moved closer to the top of its targeted range.



Issuance of short-term Treasury debt has been increasing.



Sources: Federal Reserve (rate, trading volume, holdings); Securities Industry and Financial Markets Association (issuance); DTCC Solutions LLC (repo rate)

which ballooned after the financial crisis.

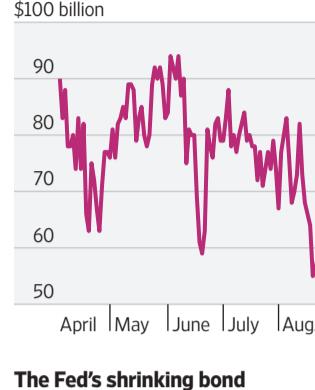
Shrinking the portfolio by not replacing maturing bonds with new debt forces the Treasury to sell even more bonds to the private market as buying from the Fed diminishes. It

could also cause the rate to rise by draining the reserves of banks and creating more demand for overnight loans.

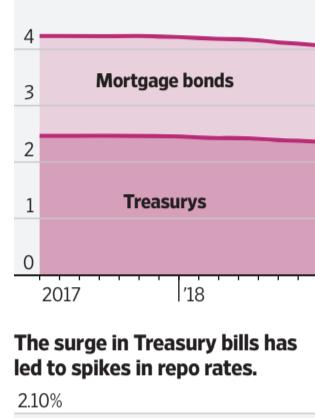
Just how small the Fed's bond portfolio needs to get to have a significant impact on the fed-funds rate is a matter

of debate among analysts. But there is agreement that it would be helpful for Fed officials to give further insight into their thinking on the topic. This week's symposium in Wyoming seems like the ideal setting for that to happen,

Low fed-funds trading volumes suggest lenders prefer the repo market.



The Fed's shrinking bond portfolio could also eventually push up the fed-funds rate.



The surge in Treasury bills has led to spikes in repo rates.



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something you need to get out and be talking about a little bit more," he said.

Last week, volumes of fed-fund contracts fell to the lowest level since December 2016, a possible sign that the rate nudged higher more because of the absence of lenders than a surge of borrowers needing to replenish reserves.

Estimates of when banks might need to borrow more in the fed-funds market vary in part because of the complexities of rules governing how much in high-quality, liquid assets they must hold and the different ways they can meet those requirements.

Before last week, the fed-funds rate had already spent several days at 1.92% shortly after the Fed had raised its target range by 0.25 percentage point at its June policy meeting. The gap between the rate and the top end of the Fed's target range had shrunk to as little as 0.05 percentage points in the spring, before the June increase.

For now, analysts say there is little cause for alarm because 0.08 percentage point is still a reasonable cushion.

The central bank at its June meeting sought to address the problem by setting the so-called IOER rate—which it uses to try to cap the fed-funds rate—0.05 percentage points below the top of its target, a technical adjustment meant to ease concerns if the fed-funds rate bumps against the IOER rate.

Minutes of the Fed's July 31-Aug. 1 meeting released Wednesday noted that the fed-funds rate had "traded well within its target range" in the period after the June meeting.

Fed Chairman Jerome Powell said at the latest meeting that officials would "likely resume a discussion" in the fall about how they implement their rate-setting decisions, according to the minutes.

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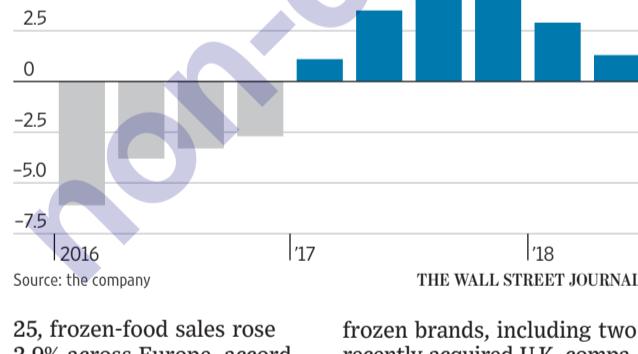
Email: heard@wsj.com

Nomad Wins as Frozen Food Is Hot

OVERHEARD

Reheating

Nomad Foods' quarterly organic sales, change from a year earlier



25, frozen-food sales rose 2.9% across Europe, according to data provider Nielsen, accelerating from 1% growth the prior annual period.

Nomad was formed in 2014 and quickly began to consolidate the European frozen-food sector. In 2015 it acquired the Iglo and Findus brands, which sell frozen fish sticks, vegetables and so on across the Continent.

The company has since built up a broad portfolio of

frozen brands, including two recently acquired U.K. companies—frozen-pizza maker Goodfella's and Aunt Bessie's. Last year, Nomad had a 14% share of the savory frozen-food market in Western Europe, nearly triple that of their closest competitor, according to Wells Fargo Securities analyst John Baumgartner.

The company initially struggled to stabilize sales of aging frozen brands. Since then, Nomad has updated packaging

and marketing and now sells trendy, updated products like fish with gluten-free or whole-grain coatings, new pea-based proteins and such. Organic net sales growth has been positive for six straight quarters.

Investors have noticed: Nomad shares are up 33% over the past year and jumped 5.4% in a single day earlier this month on strong earnings and higher guidance.

Nonetheless, Nomad remains cheap. It is trading at just 14.6 times forward earnings, according to FactSet, compared with an average of 17.2 times for a dozen other U.S. and European food companies. Its valuation is more in line with growth-challenged giants such as **General Mills** and **J.M. Smucker**, at 15 and 13.2 times, respectively, than rapidly growing frozen players Conagra and Pinnacle, whose merger hasn't yet closed, at 16.5 and 21.7 times.

That means Nomad shares have room to rise as investors come around to its growth story. It isn't too late to jump onto the frozen-food trend.

—Aaron Back

At Target, Good News Isn't Over

Target added to retailers' winning streak, posting second-quarter results that beat expectations, including a 41% surge in digital sales. Target's success is partly due to a strong consumer economy:

Rising wages and low unemployment are helping retailers across the board. But it is also a sign that the company's \$7 billion investment to revamp its business is paying off.

Target on Wednesday reported earnings of \$1.47 a share, above estimates of \$1.40 a share, and revenue of \$17.78 billion, over estimates of \$17.28 billion. That is a year-over-year increase of 7%. Sales increased 6.5%, over estimates of 4%; that is the strongest same-store sales growth the company has seen in 13 years. Much of it was thanks to the surge in digital sales, which were helped by Target's one-day sale in July, held in partnership with Amazon Prime Day.

Target is drawing consumers into its stores, too. "Traffic continues to exceed market expectations, and the bear thesis has succumbed to the fundamental reality that Target is a relevant brand in the digital age," said Abhay Deshpande, chief investment officer at Centerstone Investors, which owns Target shares. The shares climbed 3.2% on Wednesday.

The company raised its outlook for the year. It now expects earnings between \$5.30 and \$5.50 a share. Going into the holiday season, it is looking to take advantage of the void in the toys-and-babies market left by the closure of Toys "R" Us. Analysts expect it to capture a large market share for items such as diapers and games.

The company's brightest days may still be ahead.

—Elizabeth Winkler

Groupe Casino Risks Making a Simple Business Complex

Short Interest

Groupe Casino's share price



likely to win investors' trust longer term.

Analysts at Bernstein set off the latest doubts with a report on the way Casino has sold stakes in some French stores

to franchisees, shifting losses off the balance sheet. There is nothing hidden about the transactions, which are detailed in notes to the accounts, but the brokerage said their impact was greater than it previously realized.

To its credit, Casino has responded openly. Over the past three years it has sold majority stakes in loss-making stores to franchisees, sweetening the deals by packaging them with minority stakes in profitable stores, a spokesman said. The company detailed the extent and profit impact of majority-stake sales, though it gave no information regarding minority-stake sales.

The problem with such an

swers is that they address some of the detail but not the substance of the underlying concern, which is the disconnect between Casino's key profit numbers and the money due to shareholders.

Casino's web of majority and minority stakes in emerging-market retailers was criticized by a short seller in 2015. But investors previously thought the fully owned French business was free from this problem. Now it turns out that Casino's key French profit numbers understate shareholders' exposure to loss-making stores, which are part-owned but not consolidated, and overstate their exposure to profitable stores, which are

consolidated but not fully owned.

The earlier short seller also questioned the company's treatment of profits from real-estate development as recurring earnings. Casino eventually revealed that property sales accounted for roughly half of French operating profit in 2015. This shone a much brighter light on the deterioration of the underlying grocery business.

One lesson is that bad things happen when a company's accounts are much more complex than its operating business. Complexity is a problem no amount of extra disclosures can resolve.

—Stephen Wilmot

Casino shares are down 9% this month following a fresh set of revelations suggesting its headline profit numbers don't tell the whole story. The company's answer—to report more numbers—is a necessary short-term fix but seems un-

something unconvincing.