THE WALL STREET JOURNAL.

DOW JONES | News Corp ★★★★★ TUESDAY, AUGUST 7, 2018 ~ VOL. CCLXXII NO. 31 WSJ.com ★★★★ $4.00

DJIA 25502.18 ▲ 39.60 0.2% NASDAQ 7859.68 ▲ 0.6% STOXX 600 388.66 ▼ 0.1% 10-YR. TREAS. ▲ 5/32, yield 2.936% OIL $69.01 ▲ $0.52 GOLD $1,208.60 ▼ $5.60 EURO $1.1555 YEN 111.40

What's News

Business & Finance

Facebook has asked large U.S. banks to share detailed financial information about their customers as part of an effort to offer new services to users. **A1**

◆ **PepsiCo's Nooyi** will step aside as CEO this year, handing the future of the soda and snacks maker to Laguarta, a 22-year veteran of the firm. **A1**

◆ **The Justice Department** argued that a judge ignored "fundamental principles of economics" in allowing the AT&T-Time Warner deal. **B1**

◆ **GM struck a deal** with a Detroit-based hospital system to offer a new coverage option to employees, aiming to cut costs and improve care. **B1**

◆ **Alcoa asked** the Trump administration for an exemption from tariffs on aluminum imported from Canada. **B2**

◆ **Icahn is going public** with his campaign to scuttle Cigna's $54 billion plan to buy Express Scripts. **B3**

◆ **Several big tech** companies, including Apple, removed links to content from far-right website Infowars. **B4**

◆ **MoviePass sharply** scaled back how many new films customers can see for its monthly fee. **B1**

◆ **The FDIC's new chief** said that she is ready to re-evaluate a range of banking regulations. **B10**

◆ **The S&P 500 rose** 0.4% and hit its highest level since January. The Dow gained 39.60 points to 25502.18. **B11**

◆ **Amcor agreed** to buy packaging rival Bemis in an all-stock deal that the companies valued at $6.8 billion. **B6**

World-Wide

◆ **The U.S. moved** to reimpose punishing sanctions on Iran and threatened even tougher measures for later this year as the administration sought to increase pressure on the Tehran regime to negotiate or step aside. **A1, A6**

◆ **Longtime Manafort** associate Richard Gates said the two men committed tax and bank fraud together, as he testified at the trial of the ex-Trump campaign chairman. **A4**

◆ **Trump endorsed** Kobach in the Kansas gubernatorial race, boosting the Republican in his primary challenge to GOP incumbent Colyer. **A3**

◆ **Saudi Arabia's** diplomatic rift with Canada risks complicating the kingdom's efforts to woo foreign investors. **A7**

◆ **Crews fought blazes** across California, including what was described as the largest wildfire in the state's history. **A3**

◆ **The U.S. corporate** tax cut will likely reduce other countries' tax receipts from multinational firms, a paper by IMF economists says. **A2**

◆ **Sen. Rand Paul** met with Russian lawmakers during a visit to Moscow and invited them to Washington. **A7**

◆ **A planned talk** by the leader of a tiny political party promoting Hong Kong's independence is becoming a test of the city's autonomy. **A16**

◆ **Tourists fled** the Indonesian island of Lombok after a powerful earthquake that killed around 100 people. **A16**

◆ **Died: Paul Laxalt**, 96, former U.S. senator and Nevada governor. **A2**

CONTENTS

Sprawling Wildfires Grip California as Communities Evacuate

PAUL KITAGAKI JR./SACRAMENTO BEE/ZUMA PRESS

FRONTLINE: A California Department of Corrections fire crew extinguished a hot spot Monday in fighting part of the Mendocino Complex, which officials described as the largest wildfire in the state's history. As of Monday, 16 major fires were burning across the state. A3

PepsiCo Leader to Step Down

MICHAEL NAGLE/BLOOMBERG NEWS

Indra Nooyi pushed the company to embrace healthful products.

By Jennifer Maloney

PepsiCo Inc.'s longtime leader, Indra Nooyi, will step aside as chief executive this year, handing the future of the soda-and-snacks company to one of her lieutenants at a time when shifting consumer tastes are roiling its markets.

Ms. Nooyi, 62 years old, steered the maker of Mountain Dew, Gatorade and Doritos chips for a dozen years through the changing landscape, defeating an activist investor's attempt to break up the company. She pushed PepsiCo far beyond its cola roots, expanding with mixed results into hummus, kombucha and other healthful products.

PepsiCo's annual revenue increased 81% during her tenure to $63.5 billion last year, but recently executives have pledged to ramp up advertising as its core soda brands lost market share.

She plans to leave the CEO role on Oct 3. and the position of chairman early in 2019. Ramon Laguarta, a 22-year PepsiCo veteran who was promoted to president last year, will take over as CEO, the company said Monday. When Mr. Laguarta was elevated to the No. 2 role last September, Ms. Nooyi said

Please turn to page A2

Facebook Asks Banks for Customer Data

By Emily Glazer, Deepa Seetharaman and AnnaMaria Andriotis

Facebook Inc. wants your financial data.

The social-media giant has asked large U.S. banks to share detailed financial information about their customers, including card transactions and checking-account balances, as part of an effort to offer new services to users.

Facebook increasingly wants to be a platform where people buy and sell goods and services, besides connecting with friends. The company over the past year asked JPMorgan Chase & Co., Wells Fargo & Co., Citigroup Inc. and U.S. Bancorp to discuss potential offerings it could host for bank customers on Facebook Messenger, people familiar with the matter said.

Facebook has talked about a feature that would show its users their checking-account balances, the people said. It has also pitched fraud alerts, some of the people said.

Data privacy is a sticking point in the banks' conversations with Facebook, said people familiar with the matter. The talks are taking place as Facebook faces several investigations over its ties to political analytics firm Cambridge Analytica, which accessed data on as many as 87 million Facebook users without their consent.

One large U.S. bank pulled away from the talks due to privacy concerns, some of the people said.

Facebook has told banks that the additional customer information could be used to offer services that might entice users to spend more time on Messenger, a person familiar with the discussions said. The company is trying to deepen user engagement: Investors shaved more than $120 billion from its market

Please turn to page A4

◆ Big tech wants to shape federal privacy bill.............. A4

U.S. Hits Iran With Renewed Sanctions

Administration aims to use weakened economy to increase pressure on Tehran's leadership

By Michael R. Gordon

WASHINGTON—The U.S. moved to reimpose punishing sanctions on Iran and threatened even-tougher measures for later this year as the Trump administration sought to increase pressure on the Tehran regime to negotiate or step aside.

Trump administration officials publicly maintain that the campaign isn't aimed at regime change, even as thousands of Iranians protest a deteriorating economy. But senior U.S. officials have repeatedly depicted Iranian leaders as corrupt ideologues and declared that Iranians should have the right to pick their own government.

President Trump signed on Monday the executive order restoring the sanctions, the broadest economic action the U.S. has taken against Tehran since the president in May said the U.S. would withdraw from the 2015 Iran nuclear accord, which had lifted them.

The sanctions will remain in effect, U.S. officials said, unless Tehran meets a dozen stringent demands, including that it cease its support for militant groups in the Middle East and end its enrichment of uranium.

Whether the administration's calculation—that it can, in effect, drive a hard bargain with Iran or weaken the regime so it retrenches—pays off will depend on how vigorously the sanctions are enforced and whether Iran is able to circumvent them.

Hours after Monday's announcement, European officials registered their opposition to the new sanctions. They said the remaining parties to the Iran agreement—Russia, China, Britain, France, Germany and the EU—would work to maintain financial channels with Tehran and facilitate Iran's continued exports of oil and gas.

"Preserving the nuclear deal with Iran is a matter of re-

Please turn to page A6

◆ Iran protesters point fingers at regime.................... A6
◆ Oil buyers weigh response to new curbs.................. A6

John Thornton Finds Gold's Rules Are Hard to Break

Investors sour on bid by former Goldman executive to fix Barrick, the giant miner

By Jacquie McNish

Mining is famously boom and bust. Money and patience are mandatory. In bad times, companies sell assets and close mines. In booms they buy up all they can.

John Thornton threw that rulebook out when he took over struggling Barrick Gold Corp., the world's largest gold producer. The former Goldman Sachs Group Inc. president was an industry amateur, as were most of his top hires. He followed Goldman as a model for company compensation. Instead of buying when prices recovered, he cut costs and sold assets.

Mr. Thornton, 64 years old, spends only two or three days a month at Barrick's Toronto headquarters. He communicates constantly with his team by email, sometimes firing off requests late at night or when executives are on vacation, according to people familiar with the matter. If he doesn't receive a quick response, Mr. Thornton repeats the request with the new subject line: "resending," these people said.

At one point, he grew so frustrated about the lack of progress with a messy mining dispute in Tanzania that he intervened to strike a settlement without telling many of the company's executives and directors.

The former banker's turnaround plan has succeeded in reining in Barrick's debt. It has also eroded the company's gold production and reserves. Investor uncertainty about the miner's plans has contributed to a 33% share price decline in the past 12 months.

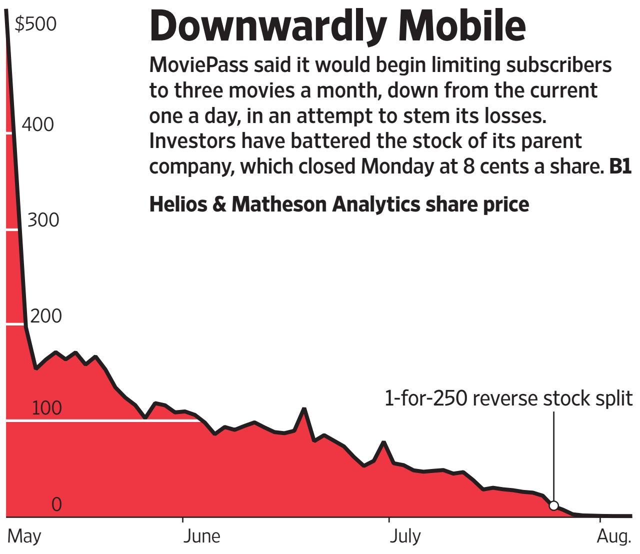
The stock price of Newmont Mining Corp., Barrick's closest rival, trades at more than three times Barrick's, reflecting investor confidence that it is on course to sur-

Please turn to page A8

Downwardly Mobile

MoviePass said it would begin limiting subscribers to three movies a month, down from the current one a day, in an attempt to stem its losses. Investors have battered the stock of its parent company, which closed Monday at 8 cents a share. **B1**

Helios & Matheson Analytics share price



Note: Share prices are split-adjusted Source: SIX

INSIDE

MILLENNIALS BECOME CAREGIVERS

LIFE & ARTS, A9

KAREN SCHIELY/AP

WHAT BIKES MEAN TO LEBRON JAMES

JASON GAY, A12

Who's Stoked For Spikeball? Mennonites

* * *

Beach game played before Bible study; 'Hand of God' goal

By Andrew Beaton and Ben Cohen

Sunday school at Deep Run West Mennonite Church, right outside Lancaster County, Pa., is a time for Bible study, prayer and children meeting their parents for a worship service with the congregation.

But first they play Spikeball.

The relatively new two-on-two sport has rules that are similar to volleyball. Instead of spiking a large ball over a net, players smash a smaller ball down into a trampoline-like net.

The sport is a beach favorite. It's so popular among bros in board shorts that when the official governing body of Spikeball released a video to explain the rules, it featured a shirts vs. skins game in Huntington Beach, Calif., that pitted guys named Buddy and Bryce against their pals Shaun and Skyler. (Spoiler alert: They're all shirtless by the end, and they're super stoked about Spikeball.)

But the global hub of Spike-

Please turn to page A8

U.S. NEWS

Tax Cuts May Hit Other Nations' Coffers

By Richard Rubin

WASHINGTON—Last year's corporate tax cut is reducing U.S. tax collections, as expected. But that change is likely to ripple far beyond the country's borders in the years ahead, shrinking other countries' tax revenue, according to a recent paper by economists at the International Monetary Fund.

The U.S. tax law will reduce what other countries collect from multinational corporations by 1.6% to 13.5%, according to the new estimates.

Companies will be more likely to put profits and real investment in the U.S. than they were before the U.S. lowered its corporate tax rate to 21% from 35%, according to the paper. That will leave less corporate profits for other countries to tax.

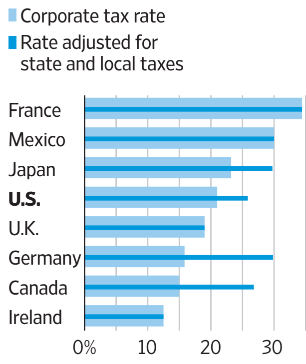
And as that happens, other countries are likely to chase the U.S. by lowering their corporate tax rates, too, creating the potential for what critics have called a race to the bottom. The wide range of estimates in the paper stems from different ways of measuring the change and from whether to assume that countries respond with rate cuts.

"When one country cuts tax rates, usually other countries follow," said Alexander Klemm, deputy division chief of the IMF's tax policy division and one of the paper's authors. Countries with significant activity by multinational corporations and close economic ties to the U.S. will likely experience the biggest revenue losses, Mr. Klemm said.

Mexico, Japan and the U.K. rank near the top of the paper's list of countries likely to lose revenue, while Estonia, Poland and Pakistan should be less directly affected. The paper says the estimates of revenue losses in specific countries—over 20% of corporate tax revenue from multinationals in several cases—should be viewed as particularly uncertain.

Middle of the Pack

The U.S. tax-rate cut last year followed other countries' actions over the past few decades.



Source: Organization for Economic Cooperation and Development
THE WALL STREET JOURNAL.

Some of those revenue losses may not be that big, said Kimberly Clausing, an economics professor at Reed College, in Portland, Ore. That is because the U.S. rate of 21% isn't nearly as attractive as the rates available in tax havens. "It's not like you want to get the money from Japan to Canada," she said. "That's not the game these companies are playing. They want to get the Japanese and Canadian income to Bermuda."

Corporate tax rates steadily declined over the past few decades as countries competed to attract investment and as companies found more creative ways to shift profits to low-tax jurisdictions. Corporate taxes were 3.2% of gross domestic product in major countries in 2000, climbed to 3.6% in 2007 and then fell to 2.8% by 2015, according to the Organization for Economic Co-operation and Development.

"In most of these countries, they have for years now been relying less and less on the corporate income tax," said Republican economist Douglas Holtz-Eakin. The U.S., without a value-added tax to lean on, is an outlier.

Corporate profits, unlike personal income or consumption, are particularly mobile across borders, and governments have been struggling to chase them and tax them.

Although the marginal tax rate doesn't describe the actual rate that companies pay, it does affect corporate decisions about where to put profits and investment and how aggressively to avoid taxes.

The U.S. left its 35% rate alone from 1993 through 2017 and watched that rate move from the middle of the pack to the top among major economies as other countries dropped their rates.

U.S. lawmakers repeatedly cited the corporate tax rate cuts in the U.K., Japan and other countries as they wrote and debated last year's tax cut. Rep. Kevin Brady (R., Texas), the chairman of the House Ways and Means Committee, said a deep rate cut was a primary goal, as a way to "leapfrog" other countries.

That leapfrogging will continue, with other countries likely to follow the U.S. rate downward, according to the IMF paper.

The paper looks largely at the corporate rate cut and doesn't attempt to assess other pieces of the new U.S. tax law, some of which will encourage more investment and profits in the U.S. and some of which cut in the other direction. "For many of these very innovative measures that have been taken," Mr. Klemm said, "there are no precedents."

Boston Swears In Its First Black Police Commissioner

KEITH SRAKOCIC/ASSOCIATED PRESS

ALL SMILES: William Gross, right, who joined Boston's police department in 1985, after being sworn in by Mayor Marty Walsh, left.

School Shooting Suspect Says He Heard Voices

By Arian Campo-Flores

School shooting suspect Nikolas Cruz said he heard voices in his head that urged him to hurt people and had earlier considered shooting people in a park, according to his statement to investigators hours after the massacre in Parkland, Fla.

The 216-page transcript of the statement, which his defense attorneys had sought to suppress, was released Monday by the state attorney's office overseeing the case, under a state judge's order. In more than 11 hours of a videotaped interview with a Broward County Sheriff's Office detective, the 19-year-old Mr. Cruz expressed suicidal urges and described deeply troubled thoughts.

"Kill me. Just f---ing kill me," he said at a moment when the detective briefly stepped out, according to the transcript.

Mr. Cruz said he first began hearing voices in his head after his father died more than a decade ago and they intensified after his mother died last year. Referring to them as his "demons," he said they told him to "Burn. Kill. Destroy." As a result, he said, he set fires and killed animals like birds.

A week or longer before the Feb. 14 school shooting that left 17 people dead, Mr. Cruz said, he considered shooting people at a park, but didn't follow through with the plan. "I didn't want to do it," he told the detective. Asked what stopped him, he replied, "I don't know."

The transcript was heavily redacted in parts. Under the terms of its release, comments that appeared to be a substantive confession were suppressed.

U.S. WATCH

WHITE HOUSE

Enforcement Official Eyed for SEC Slot

The White House is considering a former enforcement attorney for a Democratic slot on the Securities and Exchange Commission, according to people familiar with the matter.

The White House is vetting Allison H. Lee for the role after she was recommended by Senate Minority Leader Chuck Schumer (D., N.Y.), these people said. Ms. Lee would succeed Kara Stein, who has served on the commission since 2013 and who must step down at the end of the year.

Ms. Lee worked at the SEC for over a decade, including as a lawyer overseeing enforcement cases based in the commission's Denver office. She also worked in Washington as a legal adviser to Ms. Stein from 2013 to 2015, according to her LinkedIn bio. She now lists herself as a corporate governance consultant.

A spokesman for Mr. Schumer declined to comment. Ms. Lee didn't return a message seeking comment.

Ms. Lee's probable nomination was earlier reported by Bloomberg News.

—Dave Michaels

OBITUARY

Former Sen. Laxalt Of Nevada Dies at 96

Paul Laxalt, the son of Basque immigrants who rose to political power as a Nevada governor, U.S. senator and close ally to Ronald Reagan, has died. He was 96 years old.

Mr. Laxalt died Monday at a health-care facility in Virginia, according to the public relations firm the Ferraro Group.

The conservative Republican had a storied political career, including a brief run for president in 1987. As Nevada governor, Mr. Laxalt was credited with repairing damaged ties between state and federal governments over Nevada's gambling industry. He also helped to launch the state's community college system, medical school, and Lake Tahoe preservation efforts.

—Associated Press

BUSINESS LOANS

Banks Eased Some Lending Standards

Banks in the U.S. eased their lending standards to businesses in the second quarter while tightening them on real-estate loans and credit-card applications, the Federal Reserve said Monday.

Senior loan officers at 94 domestic and foreign banks were surveyed by the Fed in late June and early July. Firms reported easing their standards on commercial and industrial loans, particularly for larger firms with more than $50 million in annual revenue. Banks accepted narrower spreads over their cost of funds when making loans, loosened standards for the maximum size and cost of credit lines and eased loan covenants.

Banks' most-cited reason for easing credit conditions to businesses was more aggressive competition from other lenders, followed by a more favorable or less uncertain economic outlook.

—Paul Kiernan

PepsiCo CEO to Step Down

Continued from Page One

she intended to remain CEO "for the foreseeable future."

Ms. Nooyi's exit is the latest in a series of high-profile CEO departures in the food-and-beverage industry, as big brands lose shelf space to smaller, trendier entrants and established players scramble for growth. Rival Coca-Cola Co. and Oreo maker Mondelez International Inc. switched leaders last year while Campbell Soup Co. changed its CEO earlier this year. Still, Ms. Nooyi's tenure was twice as long as the average for S&P 500 CEOs, which was five years as of the end of 2017, according to Equilar.

Ms. Nooyi joins several other prominent women CEOs, including Campbell Soup's Denise Morrison, Hewlett Packard's Meg Whitman and Mondelez's Irene Rosenfeld, who have left their roles recently. Currently, 25 women run an S&P 500 company, according to research group Catalyst, a level that hasn't changed much in the past decade even though women are half of the U.S. workforce.

In an interview, Ms. Nooyi said she had asked PepsiCo's board a year ago to plan for her departure. "Twelve years is a long time, and I'd like to do something different with my life," she said she told the board. "This wasn't a discussion out of emotion or anything of that sort." She said she would decide early next year what to do next.

Ms. Nooyi said she had succeeded in diversifying the company's portfolio away from a reliance on sugary sodas and salty snacks. Her biggest disappointment, she said, was not being able to move more quickly, which she attributed to the 2008 recession and the distraction of activist investors. "I would have loved to have done things faster," she said.

At the start of trading Monday, PepsiCo's total shareholder return was 149% since Ms. Nooyi took over as CEO on Oct. 1, 2006, according to FactSet, compared with 197% at Coca-Cola and 173% for the S&P 500 index. Total return includes share price appreciation plus dividends.

PepsiCo's market capitalization was $165 billion based on Friday's closing price, compared with $200 billion for Coca-Cola. When Ms. Nooyi took over, PepsiCo's market cap of $106 billion was slightly larger than Coca-Cola's, at $104 billion.

Ms. Nooyi's departure opens up the possibility of a company restructuring, some analysts said Monday. Shares of PepsiCo rose nearly 1% to $117.38 on Monday.

"We wonder—with new leadership at the helm—will [Pepsi] begin to consider more strategic options? We think the answer could be yes," Wells Fargo analyst Bonnie Herzog wrote in a note Monday. Potential moves include selling off bottling operations, as Coca-Cola recently did, or spinning off the beverage business, she said.

"Consumer staples is hard. They're in a space where margins are squeezed and squeezed," said Jenny Van Leeuwen Harrington, CEO and portfolio manager at Gilman Hill Asset Management. "She has done a good job of moving away—to the degree that it's possible—from soda and salty snacks."

Board members praised Ms. Nooyi's tenure, which led the company to embrace more healthful products before rival Coca-Cola, and they highlighted Mr. Laguarta's experience in international markets.

Mr. Laguarta, 54, a native of Barcelona, rose through the ranks and previously ran PepsiCo's Europe business. "We'll continue to be a company that reacts in a proactive way on the forefront of all these trends, be it consumers moving to healthier spaces or...e-commerce and this new way of shopping, or geopolitics," Mr. Laguarta said in an interview.

Ms. Nooyi said investors should give Mr. Laguarta time to set his own course. "He should do whatever he thinks is right for the company," Ms. Nooyi said. "Whatever he chooses to do, I will support him."

Ms. Nooyi grew up in Chennai, India, where during food shortages in the 1960s her middle-class family stood in line for rice rations studded with stones. She came to the U.S. in 1978 on a scholarship to the Yale School of Management, and worked at several companies before joining PepsiCo in 1994 as head of strategy.

After becoming CEO in 2006, Ms. Nooyi led a push into more nutritious products, arguing that a more diverse product portfolio would be good for business, too. For example, she bought a 50% stake in U.S. hummus maker Sabra in 2008 and in 2010 oversaw the $5.4 billion acquisition of Russian dairy and fruit-juice maker Wimm-Bill-Dann.

PepsiCo cut its profit forecasts twice in 2011. Investors accused Ms. Nooyi of neglecting core brands. The problems attracted Nelson Peltz, the activist investor behind Trian Fund Management LP who dismissed the nutrition push as a distraction and accumulated stock in a campaign to split up PepsiCo.

Nooyi's Successor Hails From Europe

Ramon Laguarta took away an important lesson in 2015 when **PepsiCo** Inc. ended a failed joint venture to sell yogurt in the U.S.: You need to go small before you go big.

"We need to think [carefully] about moving into a new space where we're probably not as competent as our core categories," said Mr. Laguarta, who is set to become CEO in October, succeeding Indra Nooyi.

"We're trying to do multiple testings in countries around the world," he said in an interview. "When we see if something is working, then we scale it up."

Mr. Laguarta, 54 years of age, is a native of Barcelona who speaks English, Spanish, French, German, Greek and Catalan. He has an M.B.A. from Spain's ESADE business school and worked at Chupa Chups SA, a candy company based in Spain, before joining PepsiCo in 1996.

He rose through the ranks of the European operations, becoming head of PepsiCo's Europe and sub-Saharan Africa business. Last year he was tapped as Ms. Nooyi's No. 2 and relocated to the U.S. from Geneva with his wife, Maria. They have three sons.

Mr. Laguarta broadened the company's beverage portfolio in Europe, promoting a sugar-free version of Pepsi called Pepsi Max, as consumers moved away from sugary sodas. It is now a billion-dollar brand, and his favorite cola.

He also played a key role in closing a $5.4 billion deal in 2010 for the Russian dairy products and fruit-juice maker Wimm-Bill-Dann, marking PepsiCo's second-largest acquisition after its 2001 purchase of Quaker Oats Co. Blair Effron, an investment banker at Centerview Partners who worked with Mr. Laguarta on that deal, said Mr. Laguarta has a global outlook, much like his predecessor.

Mr. Laguarta said he aims to accelerate PepsiCo's growth while achieving the company's goal for sales growth of nutritious products to outpace the rest of the portfolio by 2025.

CORRECTIONS & AMPLIFICATIONS

The byline for Rico Gagliano was incorrectly omitted from an Off Duty article Saturday about day trips from Los Angeles.

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

THE WALL STREET JOURNAL
(USPS 664-880)
(Eastern Edition ISSN 0099-9660)
(Central Edition ISSN 1092-0935)
(Western Edition ISSN 0193-2241)

Editorial and publication headquarters:
1211 Avenue of the Americas,
New York, N.Y. 10036

Published daily except Sundays and general legal holidays. Periodicals postage paid at New York, N.Y., and other mailing offices.

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

All Advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, N.Y. 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor:
Fax: 212-416-2891; email: wsj.ltrs@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?
By web: customercenter.wsj.com;
By email: wsjsupport@wsj.com
By phone: 1-800-JOURNAL (1-800-568-7625);
Or by live chat at wsj.com/livechat

REPRINTS & LICENSING
By email: customreprints@dowjones.com
By phone: 1-800-843-0008

GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS

Trump Endorses Kobach In Kansas

By Andrew Duehren

President Trump endorsed Kris Kobach in the Kansas gubernatorial race, boosting the Republican as he challenges the state's incumbent GOP governor, Jeff Colyer, in Tuesday's primary election.

Mr. Kobach, the Kansas secretary of state, has built a national profile for his hard-line views on illegal immigration, and he was quick to embrace Mr. Trump during the 2016 presidential primary.

Mr. Kobach helped lead a since-disbanded presidential commission tasked with investigating Mr. Trump's unproven claim that millions of people voted illegally in the 2016 presidential election.

"Kris Kobach, a strong and early supporter of mine, is running for Governor of the Great State of Kansas," Mr. Trump tweeted on Monday. "VOTE TUESDAY!"

Throughout his campaign, Mr. Kobach had touted his relationship with the Trump White House, hosting fundraisers with Donald Trump Jr. and receiving endorsements from national media figures like Sean Hannity. But Mr. Kobach hadn't received an endorsement from the president himself until Monday, an 11th-hour move that could help swing the primary in Mr. Kobach's favor.

Mr. Colyer inherited his position when former Gov. Sam Brownback stepped down in January to take a position in the Trump administration.

The governor, who has repeatedly stressed his support for Mr. Trump throughout the crowded GOP primary, has presented himself as the pragmatic alternative to Mr. Kobach's fiery brand of anti-immigration politics.

Democrats in Kansas see Mr. Kobach as a more beatable candidate in the November general election, and his campaign could provide a national fundraising boon for whomever the Democrats nominate on Tuesday.

Persistent budget shortfalls under Mr. Brownback's steep tax-cutting policies left him deeply unpopular when he left office, which had already created an opportunity for Democrats even in the conservative state.

At the same time, a bid by independent candidate Greg Orman, a businessman, could complicate the race for Democrats.

While Mr. Trump won Kansas by more than 20 points in the 2016 election, the state has a history of electing Democrats to statewide office.

Mr. Colyer has won endorsements from the National Rifle Association, the Kansas Farm Bureau and former Sen. Bob Dole, pitting the influence of more traditional Republican gatekeepers against Mr. Trump's tweeted support.

The president's tweet on Monday is the latest in a string of endorsements that have reshaped Republican primaries, including in the gubernatorial races in Florida and Georgia.

California Combats 16 Wildfires

Relentless succession of blazes prompts soul-searching about development choices

By Alejandro Lazo

SAN FRANCISCO—No end was in sight for California's summer of fires as crews battled what officials described as the largest wildfire in the state's history.

The Mendocino Complex—an inferno combining two fires burning just north of Napa County's wine-growing region—had scorched more than 283,000 acres as of Monday, said officials with the California Department of Forestry and Fire Protection.

The fires forced new evacuations over the weekend amid high winds, high temperatures and low humidity. Thousands of structures remained under threat.

As of Monday, 16 major fires were burning across California, with more than 14,000 firefighters deployed to battle them.

The summer fires have claimed seven lives and prompted discussions among top leaders about how and where California builds its communities.

"We have to re-examine the way we manage our forests, the way we build our houses—how we build them, where we build them—and how much we invest in our fire protection services," California Gov. Jerry Brown said over the weekend after touring devastated regions in Shasta County.

The Mendocino Complex is composed of two fires in Colusa, Lake and Mendocino counties, and has surrounded communities around Clear Lake, one of the state's largest natural freshwater lakes.

The Mendocino Complex has worsened just as officials were beginning to get a handle on the Carr Fire blaze threatening Shasta County, another rural portion of the state.

President Trump approved a request for a major disaster declaration there over the weekend.

California officials said they were also requesting major disaster declarations for Lake, Mendocino and Napa counties on an expedited basis.

Char Miller, professor of environmental analysis at Pomona College in Claremont said the fires were underscoring that California communities were encroaching into areas of the state that were once not as densely populated.

Communities in California and the West should consider incentives to leave "fire hazard zones" undeveloped—by purchasing land and setting it aside, he said.

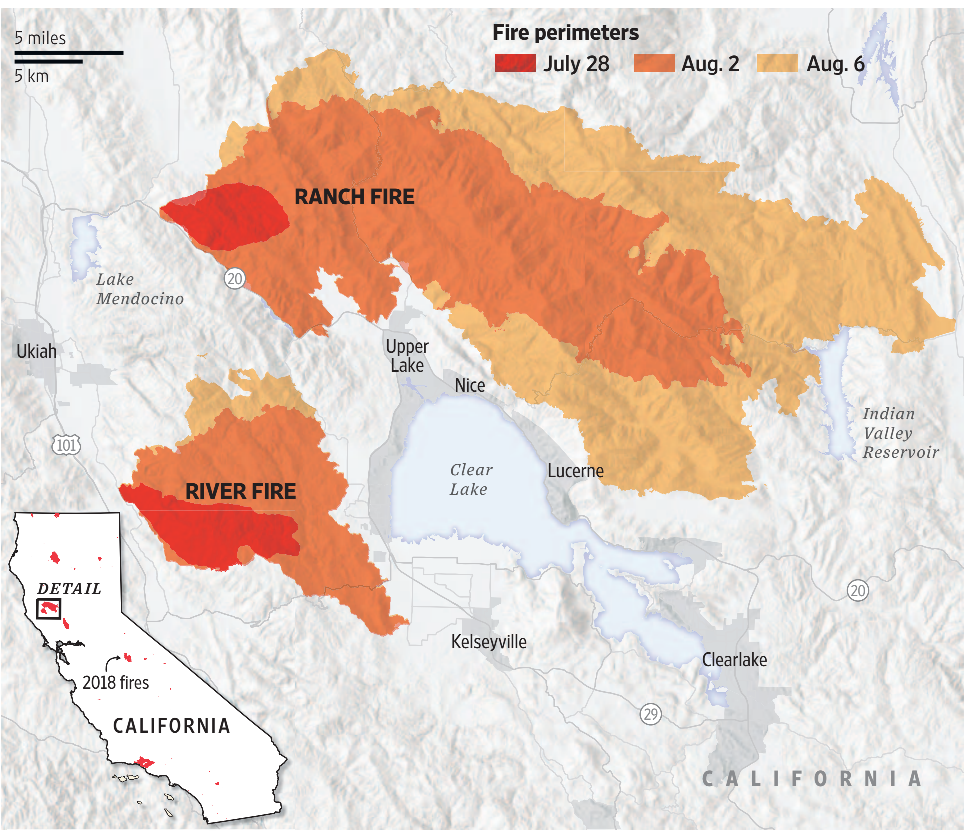
"There is a correlation between when we move into chaparral or into sagebrush...we bring fire with us," Mr. Miller said. "Add to our presence all of these other climatic issues that are going in the state and we are setting the conditions for the very harm we are now experiencing."

Mendocino Complex surpassed the state's largest fire on record, the Thomas Fire in Ventura County last year, which burned about 282,000 acres.

Cal-Fire said 629,531 acres had burned in California as of Aug. 5 this year, compared with 223,238 acres during the same period last year.

On the March

The Mendocino Complex Fire, which consists of the Ranch Fire and the River Fire, continues to grow in Northern California.



Source: GeoMAC

Renée Rigdon and Dylan Moriarty/THE WALL STREET JOURNAL.

Unions Push to Overturn Law in Missouri Vote

By Kris Maher And Eric Morath

Unions are outspending opponents in a bid to overturn a right-to-work law in Missouri in a referendum that will serve as a barometer of popular support for organized labor.

A union-backed group in the state has spent $15.2 million ahead of Tuesday's vote to undo the law passed by the Republican-led legislature in 2017, according to the latest filings with the Missouri Ethics Commission.

That is nearly five times the $3.2 million spent by two groups that support the law, which allows private-sector workers to opt out of paying union dues or fees.

The fight in Missouri has risen to prominence following a U.S. Supreme Court ruling in June that struck down mandatory union fees for public-sector workers. That decision already is cutting into union coffers. If Missouri adopts right-to-work, it would be another blow for unions.

If the ballot initiative succeeds, it would be the first time a right-to-work law is overturned by popular vote, according to the AFL-CIO, the nation's largest federation of labor unions.

Indiana is the only state ever to flip, according to the AFL-CIO. Legislators there overturned a right-to-work law in 1965, but the state eventually passed another one in 2012.

Since then, Michigan, Wisconsin, West Virginia and Kentucky have also passed right-to-work laws. Currently, 28 states, including Missouri, have such laws. Most were enacted in the 1940s and '50s.

Labor groups collected more than 300,000 signatures to put the issue on the ballot, more than the 120,000 required. AFL-CIO President Richard Trumka said unions knocked on more than half a million doors to persuade voters to undo the law.

"I'll make a prediction: We're going to win," Mr. Trumka told reporters in Washington last week. "We're going to win because it's what workers want and because making our voices heard is what we do best."

At its convention in St. Louis last year, the AFL-CIO mobilized many of the 2,000 attendees from around the country to campaign door-to-door throughout Missouri.

Quiema Spencer, a 39-year-old pipe fitter in Kansas City, Mo., has collected signatures and now regularly knocks on doors and works phone banks. A 14-year member of Pipefitters Local 533, she said the law weakens collective-bargaining power.

"Without collective bargaining we're at risk of losing our health benefits, our retirement savings and being forced to take a pay cut," Ms. Spencer said. "I can't afford that with the cost of living going up."

Republican state lawmakers and business leaders say Missouri should keep its right-to-work law to aid the state's economy.

Dan Mehan, president of the Missouri Chamber of Commerce, said a right-to-work law would make the state more competitive by attracting employers, including manufacturers, and would eventually lift wages and overall growth.

"If you want to compete with not just 49 other states but other countries, it is a critical factor," Mr. Mehan said.

Greg Hoberock, the owner of a contracting business and treasurer of one of the groups campaigning to uphold the law, said he put $100,000 of his own money into the fight.

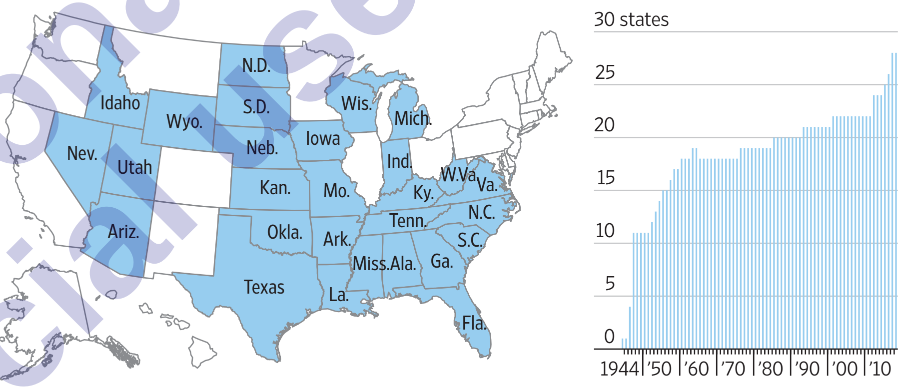
Republican state Sen. Bob Onder said he believed that workers shouldn't have to join a union or pay fees as a condition of employment. He said he was cautiously optimistic that voters will vote in favor of the law, but is also worried about the level of union spending.

"They're really trying to buy this election, and that concerns me," he said.

State of Labor

The majority of U.S. states now have right-to-work laws, and the number of states with such laws has grown in recent decades.

Right-to-work states in 2018 | Number of states with laws



Sources: National Conference of State Legislatures; AFL-CIO

THE WALL STREET JOURNAL.

CHARLIE RIEDEL/ASSOCIATED PRESS

Opponents of a right-to-work law at a rally in Kansas City, Mo.

Worries Mount Over Drone Safety After Venezuela Attack

By Andy Pasztor And Dustin Volz

Drone industry and law-enforcement officials are struggling to find common ground over expanding flights and protecting public safety, a debate thrust into the public spotlight by a reported assassination attempt on Venezuelan President Nicolás Maduro.

The Federal Aviation Administration is projecting a fourfold increase, from more than 110,000 currently, in the number of commercial drones flying in U.S. skies in the next five years. U.S. law-enforcement officials, however, want to delay widespread operations until reliable defensive systems are developed.

Saturday's attack with unmanned aircraft in Caracas was a reminder for the drone industry and U.S. government officials over the potential security threats even readily available commercial drones can pose.

Venezuelan authorities said a pair of explosive-laden drones carrying a total of about 4 pounds of plastic explosives were part of an unsuccessful assassination attempt during an outdoor ceremony in Caracas, with one of the vehicles detonating after government jamming devices knocked it off course. Mr. Maduro was unharmed, but seven soldiers were injured.

The incident is believed to be "the first time, outside of a war zone, that some group has weaponized a drone" to attempt an attack, said London-based consultant Pete Cooper, a former British government cyber expert who has published research in affiliation with the Atlantic Council, a think tank focused on international affairs. Mr. Cooper said it could serve as a catalyst for "other groups that may have considered, but then dismissed" such an attack, and now "may again pick up" the idea.

"Regulations will help, to a degree," Mr. Cooper said, but more proactive systems designed to target and neutralize drones are essential to guard against individuals or groups determined to conduct an airborne attack.

Brendan Schulman, vice president of policy and legal affairs for Chinese-based SZ DJI Technology Co., the world's largest consumer-drone maker, said the Venezuela attack was a clear warning for the industry on the need for safety measures.

"I don't think it will impede the progress of commercial drones," Mr. Schulman said of the attack. But he said "it should enhance the speed" and "highlight the importance of implementing remote identification solutions," which would give authorities greater abilities to track drones in the air, and trace them back to their owners on the ground.

Remote identification technology is one of many safety measures under consideration for drones. But the industry and the government have yet to reach a consensus on the best ways to identify and counter suspicious or hostile drones.

Debate over identification and defensive systems—which are technologically challenging and still in development—has been the major impediment to the expansion of commercial-drone operations nationwide.

But company and government officials said on Monday that the Venezuela attack exposed the urgency over developing effective safety measures, both to allow the burgeoning drone industry to continue to grow and to protect the public from potential threats.

Proposed rules for remote identification systems initially were slated to be released by the end of this year. But last month, FAA officials said they were expected to be delayed until the spring of 2019. Completing them will take at least several additional months.

Until then, the debate will continue over proposed drone operations beyond the current 400-foot altitude and other strict limits.

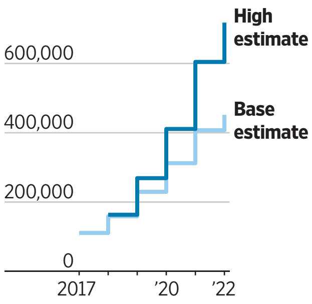
The Trump administration has been asking Congress for months to grant expanded authority to shoot down or otherwise disable potentially dangerous drones.

As an intermediary step, federal agencies have unilaterally declared swaths of airspace off-limits for drones, including around and over military installations, power plants, nuclear-weapons facilities and certain government buildings.

At the same time, drone manufacturers are incorporating digital no-fly zones—referred to as "geo-fences"— in the navigation systems of their machines. That means operators simply can't command the drones to fly into prohibited areas.

Soaring High

Projections of overall commercial drone fleet in the U.S.



Source: Federal Aviation Administration

THE WALL STREET JOURNAL.

Team Devoted to Letting Trump Be Trump

CAPITAL JOURNAL
By Gerald F. Seib

It's fair to say that the most important people around President Trump these days are his White House chief of staff John Kelly, his national security adviser John Bolton, his economic council chief Larry Kudlow and his outside legal counsel, Rudy Giuliani.

Those four top advisers come from quite different backgrounds, but here's one thing they have in common: They are contemporaries of the 72-year-old president. The ages of Messrs. Kelly, Bolton, Kudlow and Giuliani are 68, 69, 70 and 74, respectively.

The point here isn't so much the ages of these men atop the Trump world, but rather how they collectively represent a significant change in how the White House is staffed and run.

The model isn't merely different from the one Mr. Trump started with; it's radically different from the previous norm.

These aren't young people on the rise, as is often the case with White House advisers, but rather veterans near the end of their career arcs.

LEON NEAL/GETTY IMAGES

President Trump, his chief of staff John Kelly, left, and national security adviser John Bolton leaving a meeting in June.

More important, they are content not to try to maneuver Mr. Trump so much as to follow his impulses—even if those impulses are at odds with their own positions.

Mr. Bolton is defending policies on Russia and North Korea that seem in conflict with his long-held positions; Mr. Kudlow is doing the same on tariffs and trade.

As a result, whether you love the president or hate him, this alignment helps explain why you increasingly see the unfiltered Donald Trump, freely using his Twitter feed and public pronouncements to attack special counsel Robert Mueller, Democrats, China, the press.

Not by coincidence, this may be the first staff structure with which Mr. Trump, after a year and a half of churn, is really comfortable, White House officials say.

One sign of this dynamic came last week when The Wall Street Journal broke the news that Mr. Kelly told his staff, after months of speculation about his departure, that he had accepted a request from the president to stay in his job through the 2020 general election.

It's uncertain that Mr. Kelly actually will make it that long; some insiders think Mr. Trump will want someone with more political experience when the time comes to mount a re-election campaign.

Still, the point is that Mr. Kelly is surviving. And he is surviving in large measure because he has learned to function as something other than a traditional chief of staff.

No longer does he try to manage Mr. Trump as he did when he first arrived, nor is he really fully in charge of the White House staff as his title implies.

Indeed, Trump associates note, Messrs. Kudlow, Bolton and Giuliani all report directly to the president rather than to the chief of staff.

Nor does Mr. Kelly now stop the access of some outside Trump advisers trying to reach the president. Former campaign manager Corey Lewandowski, once blocked from presidential access, traveled alongside the president to a rally last week.

Some question whether this model of a weak chief of staff and a decentralized structure can really work in the long run.

Yet it seems increasingly clear that Mr. Trump prefers precisely such a decentralized structure. In effect, he functions as his own chief of staff.

One Trump insider goes so far as to call Mr. Kelly “irrelevant.”

Perhaps more accurately, another adviser says, Mr. Kelly spends more of his energy these days managing down—that is, focusing on the staff aides below him—rather than managing up by trying to control the president.

Meantime, Mr. Trump appears to like being surrounded by men like him who have long careers and accomplishments already under their belts.

His most significant recent staff addition has been Bill Shine, who arrived as communications director after serving as co-president of Fox News Channel and Fox Business Network.

In another time and under another president, the path might be reversed: an aide might aspire to go from the White House to such high-powered jobs.

One outside skeptic, who knows Mr. Trump well, contends that it is simply harder to get rising young figures to work in this White House, because working in Trump world is a career inhibitor rather than a career enhancer.

In any case, in the middle of year two of the Trump term, the president has a team that seems devoted to letting Trump be Trump.

Gates Says He, Manafort Broke Law

By Aruna Viswanatha

Paul Manafort's longtime associate, Richard Gates, testified Monday at the criminal trial of the former Trump campaign chairman that the two men committed tax and bank fraud together.

“Did you commit crimes with Mr. Manafort?” prosecutor Greg Andres asked Mr. Gates, as Mr. Manafort stared at him from his defense table.

“I did,” Mr. Gates said.

In much-anticipated testimony, Mr. Gates said he had made wire transfers from offshore accounts controlled by Mr. Manafort in Cyprus and other countries, but hid that information from Mr. Manafort's accountants and bookkeepers, which he said he did “at Mr. Manafort's request.”

Mr. Gates was on the stand for about 90 minutes, but is expected to continue his testimony for much of Tuesday, which is expected to be key for the prosecution's case in Mr. Manafort's trial.

His cross-examination is also likely to be a crucial moment for the defense, as Mr. Manafort's legal team has blamed Mr. Gates for the misdeeds, saying he misled and embezzled from his former employer.

On Monday, Mr. Gates admitted he had added money to his expense reports over the course of his employment at Mr. Manafort's firm, receiving “several hundred thousand” dollars in money he didn't earn.

Mr. Gates's testimony echoed several days of testimony from Mr. Manafort's bookkeeper and accountant who said they weren't told of any foreign accounts or payments from them. That, in turn, followed accounts from multiple high-end vendors who said Mr. Manafort paid them often through international wire transfers from Cypriot accounts.

Mr. Manafort's former tax preparer also testified last week that she used documents Mr. Gates had given her, despite believing them to be fraudulent, to help reduce Mr. Manafort's firm's tax bill or help Mr. Manafort obtain mortgage loans from U.S. banks.

On Monday, Mr. Gates admitted he had provided the forged documents, and said he did not benefit from them.

Mr. Gates pleaded guilty earlier this year in connection with the case against Mr. Manafort and agreed to cooperate with prosecutors.

He could face around five years in prison, but potentially will be able to request a sentence of probation based on his cooperation, according to his plea agreement.

Mr. Manafort has pleaded not guilty to the charges of bank and tax fraud.

Earlier in the afternoon, Mr. Manafort's tax preparer read aloud from a document that showed Mr. Manafort had reported around $31 million in income on his taxes between 2010 through 2014, around half of the $60 million prosecutors alleged he made over that time.

Big Tech Wants to Shape Privacy Bill

By John D. McKinnon And Marc Vartabedian

WASHINGTON—U.S. tech companies, battered over their handling of consumers' personal data, are hoping to get ahead of the public and legal fallout by working with policy makers to help shape potential new federal privacy legislation.

The effort by tech coalitions such as the Information Technology Industry Council—representing internet giants such as **Facebook** Inc., **Amazon.com** Inc., **Alphabet** Inc. unit Google and **Salesforce.com**—comes after the industry has fended off many types of federal action on privacy for years.

“There's been such a shift” in industry views “that I really think the time is now,” Karen Zacharia, chief privacy officer at **Verizon Communications** Inc., said at a Brookings Institution conference on privacy legislation late last month. “We need to go forward and do it.”

The likely elements of the legislation, which are taking shape in talks among industry representatives, Trump administration officials and lawmakers, would include several features that politically powerful tech companies are urging.

CHIP SOMODEVILLA/GETTY IMAGES

Facebook, led by Mark Zuckerberg, is among firms on alert about potential federal privacy rules.

The legislation would almost certainly pre-empt state regulation of online privacy, by states such as California, which recently adopted its own tough new privacy law.

Compared with that law and new privacy rules in the European Union, the U.S. legislation is likely to be less stringent. Amid opposition from Republicans and many in the industry, federal rules probably wouldn't offer many opportunities for consumers to file private lawsuits over violations, although that might change if Democrats take over one or both chambers of Congress as a result of the fall elections.

Federal legislation likely would hand much of the work of writing detailed privacy rules to the Federal Trade Commission.

It also appears unlikely that the bill could include some related but highly controversial items, such as legislation to set new legal standards for preventing consumer-data breaches or federal internet regulation. Existing laws affecting sensitive medical and educational data likely would remain unchanged.

In a statement, Facebook said it is “working with policy makers to craft privacy legislation that protects consumers, ensures people are in control of their information and promotes responsible innovation.”

The tech industry “is recognizing that doing nothing is not an option,” said Christopher Padilla, a vice president at **International Business Machines**. “Business is playing a more active role in the dialogue. That's crucial because if we don't do something in collaboration with government, none of us will like what's done to us.”

Google declined to comment.

A senior administration official said Commerce Department officials have been meeting on privacy principles with a range of industries as well as consumer groups and others. “The goal of this outreach is to formulate a set of principles that enjoy broad support, with the objective of setting high level goals for protecting privacy while promoting prosperity,” the official said.

Facebook Seeks Data From Banks

Continued from Page One

value in one day last month after it said its growth is starting to slow.

Facebook said it wouldn't use the bank data for ad-targeting purposes or share it with third parties.

“We don't use purchase data from banks or credit-card companies for ads,” spokeswoman Elisabeth Diana said. “We also don't have special relationships, partnerships or contracts with banks or credit-card companies to use their customers' purchase data for ads.”

Facebook shares climbed sharply Monday on the news, rising 4.45%, marking the biggest one-day gain since last month's historic drop.

Banks face pressure to build relationships with big online platforms, which reach billions of users and drive a growing share of commerce. They also are trying to reach more users digitally. Many struggle to gain traction in mobile payments.

Yet banks are hesitant to hand too much control to third-party platforms such as Facebook. They prefer to keep customers on their own websites and apps.

As part of the proposed deals, Facebook asked banks for information about where their users are shopping with their debit and credit cards outside of purchases they make using Facebook Messenger, the people said. Messenger has some 1.3 billion monthly active users, Chief Operating Officer Sheryl Sandberg said on the company's second-quarter earnings call last month.

Alphabet Inc.'s Google and Amazon.com Inc. also have asked banks to share data if they join with them, in order to provide basic banking services on applications such as Google Assistant and Alexa, according to people familiar with the conversations.

“Like many online companies, we routinely talk to financial institutions about how we can improve people's commerce experiences, like enabling better customer service,” Facebook's Ms. Diana said. “An essential part of these efforts is keeping people's information safe and secure.”

Facebook has taken a harder public line on privacy since the Cambridge Analytica uproar. A product privacy team has announced new features such as “clear history,” which would allow users to prevent the service from collecting their off-Facebook browsing details. It also is making efforts to alert users to its privacy settings.

That hasn't assuaged concerns over Facebook's privacy practices. Bank executives are worried about the breadth of information being sought, even if it means their bank might not being available on certain platforms their customers use. Bank customers would need to opt-in to the proposed Facebook services, the company said in a statement Monday.

JPMorgan isn't “sharing our customers' off-platform transaction data with these platforms, and have had to say no to some things as a result,” spokeswoman Trish Wexler said.

Banks view mobile commerce as one of their biggest opportunities but are still running behind technology firms such as **PayPal Holdings** Inc. and **Square** Inc. Customers

Facebook said it wouldn't use the bank data for ad-targeting purposes.

have moved slowly, too; many Americans still prefer using credit or debit cards, along with cash and checks.

In an effort to compete with PayPal's Venmo, a group of large banks last year connected their smartphone apps to money-transfer network Zelle. Results are mixed so far: While usage has risen, many banks still aren't on the platform.

In recent years, Facebook has tried to transform Messenger into a hub for customer service and commerce, in keeping with a broader trend among mobile messaging services.

A partnership with **American Express** Co. allows Facebook users to contact the card company's representatives. Last year, Facebook struck a deal with PayPal that allows users of that payment service to send money through Messenger. And **Mastercard** Inc. cardholders can place online orders with certain merchants through Messenger using the card company's Masterpass digital wallet. (A Mastercard spokesman said Facebook doesn't see the card users' information.)

—Douglas MacMillan and Laura Stevens contributed to this article.

We make prescription opioids. And we want to limit their use.

For more than 25 years, Purdue Pharma has developed opioid medications. While opioid analgesics may help patients with acute and chronic pain when other treatment options are inadequate, earlier this year we decided that our sales representatives will no longer promote opioids to prescribers.

We are acutely aware of the public health risk opioid analgesics can create. And we are deeply concerned about the toll the opioid crisis is having on individuals and communities across the nation, and as a company now led by a physician, we believe the country needs a new approach to prescribing opioids.

This approach includes supporting patient access to multi-modal pharmacologic and non-pharmacologic treatment options; ensuring opioids are only used when alternative treatment options are inadequate; and adopting public policies aimed at reducing addiction, abuse, diversion, and overdose related to opioids.

To help limit a patient's unnecessary exposure to opioids and reduce the number of unused opioids that might end up in the wrong hands, we support initiatives to limit initial opioid prescriptions to no more than seven days.

To help reduce prescription drug abuse and diversion, we advocate that prescribers and pharmacists consult state Prescription Drug Monitoring Program (PDMP) databases before writing or dispensing any opioid prescription. Studies suggest that PDMPs can help reduce the number of prescriptions written for opioids and that PDMP use is associated with a reduction in pain medications received for nonmedical use from multiple doctors.[1,2]

To support communities that have been affected by the crisis, we've provided funding to the National Sheriffs' Association to help law enforcement distribute the overdose rescue drug naloxone. In addition, we're helping to bring prescription abuse prevention education to high school students across the country.

America's opioid crisis is the result of multiple factors. We believe that all stakeholders — healthcare leaders, drug manufacturers, policymakers, and public health officials — need to come together to drive meaningful solutions forward. While no single intervention alone will solve this crisis, partnerships, determination, and innovative approaches are steps in the right direction.

PURDUE

www.purduepharma.com

[1] Bao Y, Pan Y, Taylor A. Prescription drug monitoring programs are associated with sustained reductions in opioid prescribing by physicians. *Health Affairs* (Project Hope). 35(2016)1045–1051. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5336205/.

[2] Ali MM, Dowd W, Classen T. Prescription drug monitoring programs, nonmedical use of prescription drugs, and heroin use: evidence from the National Survey of Drug Use and Health. *Addictive Behaviors.* 69(2017)65–77.

WORLD NEWS

Iran Protesters Point Fingers at Regime

Demonstrations focus on economic missteps, widening disparity, not renewed U.S. curbs

Thousands of protesters have taken to Iran's streets in recent days in the biggest wave of unrest since January, appealing for financial help and calling for leadership changes as the U.S. prepares to impose new sanctions.

*By **Asa Fitch** in Dubai and **Aresu Eqbali** in Tehran*

Protesters have focused on high prices and a lack of jobs, blaming Iranian leaders—but not the U.S. The unrest underlines growing trouble for a regime that has struggled to respond to months of economic turmoil.

"Death to inflation! Death to unemployment!" crowds chanted in one video shared on social media, adapting the "Death to America!" refrain popularized in the 1980s by Iran's first supreme leader, Ayatollah Ruhollah Khomeini.

In another video showing protests Sunday night in Kazerun, a city in southern Iran, a crowd chanted insults about security forces. On Monday, videos showed a large demonstration in Mashhad, Iran's second-largest city, after a prominent cleric there urged people to protest when the government didn't fulfill its promises.

The protests have simmered since last week, although their precise extent was unclear. Iran restricts the foreign press's access to the country.

While the unrest poses challenges for Iran's leaders, experts who watch Iran say it is unlikely to undermine the regime.

Barbara Slavin, the director of the Future of Iran Initiative at the Atlantic Council, said U.S. pressure was having a major impact on Iran's economy, especially on the currency, which has weakened sharply against the dollar this year. But she said history has shown unilateral U.S. sanctions don't often topple the regimes they target.

"If you look at the impact of sanctions on authoritarian governments, usually it just entrenches them because people become more dependent on the central government for resources," she said. "If it gets bad enough, they have to start rationing goods, and people—particularly poor people—become totally dependent on the government."

NASIM NEWS AGENCY/AGENCE FRANCE-PRESSE/GETTY IMAGES

An Islamic cleric addressed protesters in Mashhad, Iran's second-largest city, on Friday.

In his first public discussion of the recent protests, President Hassan Rouhani on Monday acknowledged people's complaints, including with electricity and water supplies and the currency. People had the right to demonstrate, he said, but not if they are being guided by foreign opposition groups or the U.S. He played down the scale of the protests.

"Look how many calls are out there in cyberspace to come out for riots or protests," he said in a televised speech. "Only a small number come. This shows people's patience and awareness. I do not have any national security concern."

Mr. Rouhani also appeared to rule out negotiations with the U.S. as long as its sanctions stay in place, suggesting a recent offer of talks from President Trump wouldn't be accepted.

"Can someone stab you in the arm and at the same time ask for negotiations?" he said.

Karim Sadjadpour, a senior fellow at the Carnegie Endowment for International Peace, said sanctions accentuated challenges within Iran's economy, but the country's malaise long predated Mr. Trump, suggesting internal challenges, and not sanctions, were driving the protests.

In a country where the wealthy and well-connected enjoy fast cars and luxury hotels and the underclass toils to afford rice, bread and sugar, the social fabric is being strained by the economic threat posed by new U.S. sanctions, which will take effect on Tuesday just after midnight U.S. Eastern time.

"The nation is begging while the master lives like God," people chanted in one video, which, like others shared on social media in recent days, couldn't be independently verified.

The protests, which have shaken the capital Tehran, the central city of Isfahan, the southern city of Shiraz and other scattered cities and towns across the country, resemble a leaderless wave of unrest that rocked more than 100 cities in Iran in December and January.

While food-price rises are driving the unrest in some areas, a brackish water supply has stoked discontent in the southwest. Labor unrest has also spiraled across Iran. Women this year protested restrictions on their dress and behavior in public.

Plenty of protesters have also called for the downfall of Iran's regime. In a video shared on social media on Friday, soccer fans leaving Tehran's Azadi Stadium after a match are seen chanting "Death to the dictator!"—a rejection of Iran's current supreme leader, Ayatollah Ali Khamenei.

Mr. Rouhani's remarks on Monday were similar to what he said when protests flared in December, promising to take steps to right an economy where both inflation and unemployment are projected as in double digits this year.

Instead of recovering, however, the economic outlook has worsened. Analysts at BMI Research expect the economy to contract by 4.3% next year.

ALI MOHAMMADI/BLOOMBERG NEWS

Women shopped for fabrics inside Tehran's Grand Bazaar on Monday. Recent protests have focused on high prices and a lack of jobs.

Oil Buyers Weigh Response to Curbs

By Benoit Faucon

LONDON—The Trump administration says it expects Iran's oil buyers to begin winding down their purchases on Tuesday in response to sanctions being reimposed by the U.S. Some are seeking alternatives, but countries including China, India and France are considering creative measures to keep importing Iranian crude.

Starting this week, U.S. sanctions against Tehran on sectors like automotive and aircraft are set to return following President Trump's decision in May to pull out of the nuclear agreement with Iran.

Oil companies will have until Nov. 4 to adjust to the returning U.S. ban on buying Iranian oil.

"The three-month wind-down period is starting," Dario Scaffardi, chief executive of Italian refiner **Saras** SpA—a buyer of Iranian oil—told analysts last week. "So, we expect to see the effects sort of now."

The threat of dwindling oil sales is forcing Tehran and its oil buyers to react. Petroleum is a main export, accounting for nearly a fifth of Iran's gross domestic product.

But overall oil exports declined in July by 300,000 barrels a day, to 2.3 million barrels, according to Paris-based shipping-data tracker Kpler, as European refiners cut purchases ahead of returning sanctions. The country's losses could amount to one million barrels a day, said Richard Nephew, who helped enforce U.S. sanctions five years ago as deputy coordinator for sanctions policy at the State Department.

In recent months, U.S. officials have said they expect Iran's oil exports to either disappear completely or to decline significantly. The Treasury Department has carried roadshows with State Department and other government counterparts over the past 90 days explaining that sanctions will snap back when all the wind-down periods end in November, a U.S. official said.

Saras has decided to reduce Iranian oil purchases before November because of the difficulty of finding payment channels, executives said.

Nations that regularly do business with Iran are in a difficult position. "We have informed our oil customers that we will only buy their commodities if they buy our crude," Asadollah Gharekhani, spokesman for the Iranian parliament's energy commission told Iranian state media in July. It is unclear how mandatory such practice will be. An Iran oil-ministry spokeswoman didn't return a request to comment.

The European Union, China and India have said they won't enforce sanctions—unlike their response to restrictions against Iran oil in 2012. But they may still bow to the pressure as their oil companies would risk being blocked from the U.S. financial and oil markets. Banks and shippers are stopping trade with Iran because their businesses are exposed to the U.S. Oil companies in those nations are considering following suit because they have assets in the U.S. or are exposed to the U.S. financial system.

Iranian Vice President Eshaq Jahangiri in July said the country would privatize the sale of its crude, a workaround that could be effective by putting the onus on private businessmen to sell the commodity.

Tehran has begun to increase reliance on the privately owned National Iranian Tanker Co. to replace foreign tankers in deliveries to India, according to data from shipping website Fleetmon.com, which gives access to data on tanker movements.

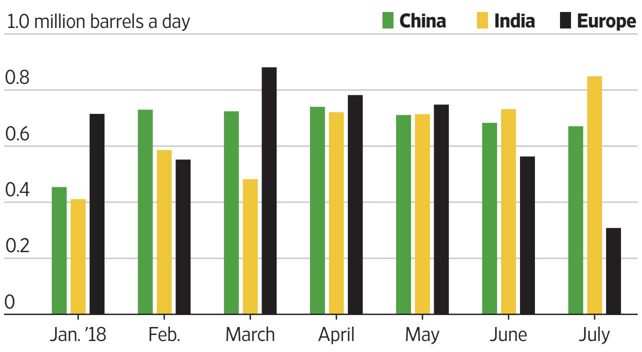
Most importantly, Iran plans to use a barter system—which avoids sanctionable transfers to the nation—through which oil payments are deposited into accounts in oil-importing countries and used by Tehran to buy goods.

On Monday, a senior U.S. administration official said "it is our policy to get as many countries as possible to zero [Iran oil exports] as quickly as possible." The official said, however, that "we are going to talk to countries on a case-per-case basis" to assess if waivers could be granted.

Hunkering Down

Ahead of returning U.S. sanctions, China and India kept their appetite for Iranian oil but the European Union has sharply cut imports.

Average monthly exports from Iran to:



Source: Kpler

THE WALL STREET JOURNAL.

U.S. Sets Sanctions For Tehran

Continued from Page One

specting international agreements and a matter of international security," said the statement, which was issued by Federica Mogherini, the top foreign-policy official for the European Union, and the foreign ministers of Britain, France and Germany.

While the threat of sanctions is prompting many European companies to withdraw from the Iranian market, China is likely to remain a major importer of Iranian oil.

"Trying to enforce a strangulating sanctions regime on Iran without even a de facto cooperative relationship with China is going to be very, very difficult," said Jarrett Blanc, who worked at the State Department on implementing the 2015 deal during the Obama administration.

The new measures, which will take effect just after midnight on Tuesday, bar the sale of U.S. currency to Iran's government, sanction Iran's trade in gold and precious metals, outlaw the purchase of Iran's sovereign debt and sanction Iran's automotive sector.

Iran will also be banned from selling or acquiring aluminum, steel and other industrial materials. Imports of Persian carpets and pistachio nuts to the U.S. are also prohibited.

Unless Iran complies with the U.S. demands, far-tougher steps will take effect on Nov. 5, when the U.S. would aim to cut off Iran's oil exports and impose sanctions on Iran's shipping, among other measures.

While U.S. intelligence says the 2015 agreement has extended the time it would take Iran to produce enough fissile material for a nuclear bomb to a year from a few months, the Trump administration asserts the agreement was insufficient in limiting Tehran's nuclear ambitions.

The Trump administration has also zeroed in on the country's destabilizing activities in Syria and other countries in the Middle East as cause for its decision to withdraw from the agreement. Those activities weren't covered by the 2015 deal, and it is unclear whether

> *Iran faces far-tougher steps on Nov. 5 if it fails to comply with the U.S. demands.*

the sanctions will compel Iran to pull back or merely add to the hardship of the Iranian people and prompt the regime to double down on its repression at home.

Mr. Trump has said he is willing to meet with Iranian President Hassan Rouhani to see if they can strike another, more comprehensive deal.

IRANIAN PRESIDENCY/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Hassan Rouhani railed against new U.S. sanctions in a televised speech in Tehran and said the U.S. owed Iran an apology.

But some senior U.S. officials appear to have little expectation that sanctions will lead to a new round of diplomacy. Instead, they seem to be calculating that the economic pressure will undermine the Iranian government and encourage the Iranian public to seek new leaders.

"Hey, we're happy to talk if there's an arrangement that is appropriate," Secretary of State Mike Pompeo said Sunday. "But there's no evidence to date of their desire to change and behave in a more normal way....We want the Iranian people to have a strong voice in who their leadership will be."

Mr. Rouhani railed against the new sanctions in a televised speech on Monday, saying the U.S. owed Iran an apology for pulling out of the multilateral nuclear accord.

He said Iran would emerge from the sanctions in good health, and would continue to seek peace and better relations with its neighbors. "The more we are united, the shorter the sanctions will be and the quicker they will break," he said.

Mr. Rouhani dismissed the idea of talks with the U.S., saying the U.S. had to rebuild trust and remove sanctions before political negotiations were possible.

Petroleum exports account for nearly a fifth of Iran's gross domestic product, and the November sanctions will prohibit oil and natural-gas trade with the country, unless the U.S. grants waivers.

Those measures are also to be combined that month with sanctions against Iran's shipping industry, ports, its central bank, insurance industry and the financial-messaging services that connect Iran's banking system to the world.

The Trump administration has said it expected Iran's oil buyers to begin winding down purchases on Tuesday in response to the looming sanctions.

While the new sanctions are less severe than the planned November round, they will offer an early test of the administration's determination to enforce a new sanctions regime and on Iran's ability to evade it.

"I think it's going to just breed loopholes, even amongst some of our closest allies," said Richard Nephew, a former deputy coordinator for sanctions policy at the State Department during the Obama administration.

Despite the Europeans' tough words, some expect them to move cautiously in challenging the White House.

"They want to maintain trade, especially fuel, and to keep some semblance of the nuclear deal, which they see as key to security, said Rachel Ziemba, adjunct fellow at the Center for a New American Security think tank. "However, they are also reluctant to punish companies for business decisions that are being made by private-sector actors."

—Ian Talley, Jessica Donati and Vivian Salama contributed to this article.

Paul Invites Russia Lawmakers to Visit

By Thomas Grove

MOSCOW—Sen. Rand Paul met with Russian lawmakers Monday and invited them to Washington as part of a growing outreach to the Kremlin, days after a bipartisan group of U.S. senators proposed tightening sanctions against Russia over findings of election interference.

“Russia shouldn’t be considered our friend, but we have certain shared interests—regarding Syria, terrorism and energy,” said Mr. Paul (R., Ky.) after meeting with lawmakers from the Federation Council, the upper house of parliament.

The meetings marked the second U.S. Republican congressional trip to Moscow this summer and gave Russian officials a chance to promote their position on a number of issues that strain already tense relations between Washington and Moscow, from interference in elections to cybersecurity.

“We will continue this dialogue,” Mr. Paul said on Russian state television, adding that a visit would likely happen by the end of the year.

Following President Trump’s summit with Vladimir Putin in Helsinki, the U.S. president invited his Russian counterpart to Washington, though the trip has been pushed back from the fall to sometime next year. A previous Republican delegation to Moscow last month included Sen. Richard Shelby, Sen. John Kennedy and Rep. Kay Granger.

Russian state television, which characterizes most U.S. lawmakers as “the Washington establishment” and “anti-Russian,” praised Mr. Paul as an independent thinker in Congress. The senator had supported the summit between Messrs. Trump and Putin and called for better relations between Washington and Moscow.

Moscow is now watching for signals that progress can be made to improve relations, even as U.S. lawmakers look to harden punitive measures against Russia and consider imposing sanctions on Russian debt and energy projects.

While few in Moscow believe Mr. Trump can deliver on promises to reset the relationship, Russian officials are still hopeful there can be individual gains. Russia analysts say the Kremlin is watching the course of the talks between officials from the two countries to see where gains can be made.

“The visit to Russia at this important juncture, is received as a positive step that for now could have an effect on promoting dialogue,” said Victor Olevich of the Center for Actual Politics, a Moscow-based independent research center.

Talks covered subjects including the risk of a military accident in Syria—where both U.S. and Russian forces operate—and North Korea.

Russian lawmaker Leonid Slutsky said he asked Mr. Paul to speak out in defense of Russian citizen Maria Butina, a gun-rights activist, who was arrested in the U.S. last month on charges of failing to register as an agent of a foreign power.

“If you, Sen. Paul, are able to raise your voice in defense of Maria Butina, to help at least change her pretrial detention…you would show yourself to be a real man,” Interfax reported Mr. Slutsky as saying. Ms. Butina has pleaded not guilty to the charges, which her lawyer has characterized as “overblown.”

Another Russian lawmaker, Konstantin Kosachyov, reiterated the Russian response to findings by U.S. intelligence agencies that Moscow interfered in the presidential election that brought Mr. Trump to power, and said there would be no such interference in the coming midterm elections.

“There was no interference in 2016 and it makes sense that there won’t be any during the current electoral campaign,” said Mr. Kosachyov.

Saudi Ire at Canada Risks Backlash

By Margherita Stancati

ALBERTO PEZZALI/NURPHOTO/ZUMA PRESS

Crown Prince Mohammed bin Salman, pictured here in March, has made clear he won’t brook outside criticism of key decisions.

Saudi Arabia’s diplomatic rupture with Canada risks complicating the kingdom’s efforts to woo foreign investors as it seeks to overhaul its economy.

Saudi Arabia on Monday declared Canada’s ambassador persona non grata, and gave him 24 hours to leave the country. The decision to expel the Canadian ambassador, Dennis Horak, came after Canada’s Foreign Ministry criticized Saudi Arabia for arresting human-rights activists.

In pushing back against what it described as an unacceptable attempt by Canada to interfere in its domestic affairs, the Saudi Foreign Ministry announced it “will put on hold all new business and investment transactions with Canada.”

The diplomatic spat with Canada will also affect 7,000 Saudi students who are currently in Canada on government-sponsored scholarships. The spokesman for Saudi Arabia’s Ministry of Education, Mubarak al-Osaimi, said that the kingdom would stop funding scholarships and training programs in Canada, and that it would help transfer Saudis affected by the decision to other countries.

Separately, Saudia airlines, the national carrier, announced it would suspend flights to Canada from Aug. 13.

Canada’s Foreign Minister Chrystia Freeland said the government was “deeply concerned” by Saudi Arabia’s move to expel Canada’s ambassador on the basis of statements “in defence of human-rights activists detained in the kingdom.”

At a press conference in Vancouver, she said officials were waiting to hear from Saudi Arabia about the relationship between Canada and the kingdom unfolds given this diplomatic row. “We stand by what we have said,” she said. “We will always speak up for human rights and women’s rights.”

The eruption in tensions between allies risks fueling concerns among investors during a tumultuous period of change for the kingdom.

Crown Prince Mohammed bin Salman has launched a reform plan, called Vision 2030, that aims to transform the kingdom from a staunchly conservative petrostate to a more socially liberal country less dependent on oil. But Prince Mohammed has also made it clear he won’t brook outside criticism of key decisions—a stance that analysts say could threaten capital flows that Saudi Arabia needs.

> *The diplomatic spat will affect 7,000 Saudi students currently in Canada.*

“Branding Saudi Arabia as an attractive destination for investment and trade is one of the underlying assumptions of Saudi Vision 2030,” said Thomas Juneau, an assistant professor and Middle East expert at the University of Ottawa. “Impulsive foreign-policy decisions like this have the exact opposite effect.”

Despite the recent rebound in oil prices, Saudi leaders have struggled to persuade businesses to come to the kingdom. Foreign direct investment plunged to $1.4 billion in 2017 from $7.4 billion the previous year, according to United Nations figures released in June. The slide marked a 14-year low.

Saudi Arabia has been rolling out other measures—such as a new value-added tax, cuts to energy subsidies and restrictions on hiring foreign workers—that have made the kingdom less attractive to overseas capital. The arrest of prominent businessmen last year as part of a corruption crackdown also spooked investors.

The kingdom’s aggressive foreign-policy posture is now a significant concern, analysts said, because it reflects a sensitivity among top leaders that is likely to deepen uncertainty among investors.

“For businesses, these actions underline the risk of offending the ruling family and state on a number of issues where red lines and clear rules are absent,” said Karen Young, a political economist at the Washington-based Arab Gulf States Institute.

Canada isn’t alone. Diplomatic ties between Saudi Arabia and Germany have been strained since November, when Germany’s then-foreign minister criticized the kingdom for having pressured Lebanon’s prime minister to resign. After that, the Saudi government ordered that no new contracts be awarded to German companies, according to people familiar with the matter.

“Expelling an ambassador over criticism of human-rights issues is the worst thing you can do,” a Gulf-based diplomat said. “It confirms prejudices about Saudi Arabia that exist among businessmen in Europe.”

Saudi Arabia’s freeze on trade with Canada isn’t expected to affect the Canadian economy. Two-way trade between the countries was small, totaling roughly 4 billion Canadian dollars (US$3.08 billion) in 2017, according to Canadian government data.

Since May, at least 18 activists have been arrested, of which four have been temporarily released. Many of them had campaigned for women’s rights.

—Rory Jones in Dubai and Paul Vieira in Ottawa contributed to this article.

WORLD WATCH

ZINYANGE AUNTONY/AGENCE FRANCE-PRESSE/GETTY IMAGES

ELECTION FALLOUT: A supporter of Zimbabwe’s opposition Movement for Democratic Change is escorted from court in Harare, where soldiers last week clashed with protesters after a disputed presidential vote.

GERMANY

Trade Rift Takes Toll On Manufacturing

German manufacturing orders plunged in June, led by a sharp drop in demand from outside the eurozone—a sign that mounting trade tensions between the U.S. and the EU are weighing on corporate investments.

The economics ministry said Monday that total manufacturing orders dropped 4.0% compared with May. Economists polled by The Wall Street Journal had forecast a 0.5% decline.

Foreign orders declined 4.7% in June compared with May, with a 5.9% drop in demand from outside the eurozone. Domestic orders fell 2.8%.

“Today’s new orders data do not bode well for German industry going into the second half of the year,” said Carsten Brzeski, an economist at ING.

German manufacturing orders were down 0.8% from June 2017.

—Nina Adam

BRAZIL

Measles Vaccination Program Launched

Brazil’s health ministry launched a nationwide vaccination campaign Monday to protect children from measles and poliomyelitis.

The initiative follows a measles outbreak that has affected more than 1,000 people and killed five children.

Health officials also worry that polio may return to Latin America’s largest nation.

The measles cases are mostly concentrated in northern states of Amazonas and Roraima where thousands of Venezuelan refugees are crossing the border to flee economic and political hardships, as well as a failing health system.

Many of them are sick and haven’t been immunized.

In the states with the most critical situation, the Ministry of Health has already been giving out free shots in clinics and home visits since July. Now it wants to go back to full coverage on a national level: The goal is to vaccinate at least 95% of children ages 1 to 5 by the end of the month.

—Associated Press

ITALY

Van Accident Kills 12 Farmworkers

Italian firefighters say 12 people were killed and three injured after a van accident in a town in southern Italy.

The ANSA news agency reported that the victims were immigrant farmworkers returning from work Monday. The van they were driving hit a truck carrying tomatoes head-on, causing the van to overturn near the town of Foggia.

The nationalities of the victims haven’t been released.

—Associated Press

PORTUGAL

Major Wildfire Threatens a Town

Emergency services in Portugal kept up their fight against a four-day wildfire on the south coast that threatened to engulf a hillside town overnight, as sweltering weather continued in Europe.

The Civil Protection Agency said 44 people required medical assistance as the blaze passed by the outskirts of Monchique, approximately 150 miles south of Lisbon, in the dark. A 72-year-old woman was seriously hurt.

Authorities said that more than 1,100 firefighters with 327 vehicles and eight aircraft were battling the blaze that erupted amid a heatwave caused by a mass of hot air from North Africa.

The rest of Europe has also felt the torrid recent weather.

In France, where four nuclear reactors have been temporarily closed due to the heat, three cities banned the most polluting cars from the roads because of heat-linked ozone pollution.

—Associated Press

Mennonites Stoked for Spikeball

Continued from Page One

ball is not exactly a beach town. The best players in the world live near Lancaster and belong to the Amish and Mennonite communities.

"You get a lot of fraternity guys," said Peter Jon Showalter, a member of the reigning national champion Spikeball team. "And then you have a lot of conservative Mennonite guys."

Amish and Mennonites have roots in the same church but split in the 17th century. Both religious groups settled in America and concentrated in Lancaster County, which is home to the largest number of Amish in the country, according to the Young Center for Anabaptist and Pietist Studies.

How in the heck did Lancaster become a hotbed of Spikeball? The Hecks.

To be more specific, a now-20-year-old employee of a Christian nonprofit named Corey Heck went in 2013 to "Creation," a Christian music festival, where he first encountered the game. He took it back to Lancaster and taught his brother Caleb. They started a Facebook group to organize a regular Tuesday game. He added local tournaments—the first had 36 teams, and later ones had more than double that. Soon, there were hordes of players every night of the week in parks all over the city.

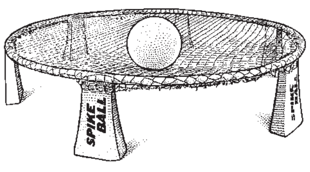
The competitive Spikeball national tour came to Lancaster in 2015 and returned in 2016. But as the sport became more popular, organizers set their sights on a more prominent Pennsylvania location in 2017. They chose Philadelphia. But the reception wasn't what they were expecting, and they asked for suggestions for 2018 tour stops. "It was overwhelming," Caleb Heck said. "People picked Lancaster."

Lancaster became the first stop on the Spikeball tour's East Coast swing this summer, before continuing on to places where they dress much less modestly: Dewey Beach in Delaware, Coney Island in Brooklyn and the Jersey Shore.

Spikeball players who make the pilgrimage to Lancaster know they won't have to book hotel rooms. They just stay with the Hecks, who abide by a strict open-door policy. As many as 30 guests have crashed on sofas and floors in their four-bedroom home, and they have pulled up an RV in the driveway. In the morning, there is casserole and french toast in the kitchen.

Spikeball has become such an obsession among Mennonites that some churches are making time for children to play before morning services. "We get complaints from some of the other congregation members," said Beth Friesen, youth director at Deep Run West, "because they can get pretty loud."

There are nightly pickup games in Lancaster County. And regulars in the local Spikeball scene say it isn't unusual to see Amish children in traditional attire playing. "I thought maybe they were there to watch," said Spikeball international operations manager Joel Graham. "And then they ran out there in dresses and long pants and started diving around."



Righteous game

Perhaps there was always something ordained about the Mennonite takeover of Spikeball. On a rainy day at Coney Island in 2015, a California team called Chico Spikes was the heavy favorite against a half-Mennonite team called Moist. Chico Spikes was considered to be one of the best Spikeball teams ever. Its two members, Shaun Boyer and Skyler Boles, were two of the beach players in the sport's official instructional video. (They now work for the company.) They were so dominant that Spikeball's executives put a bounty on their heads: a $2,500 prize to any team that could upset Chico Spikes.

Mr. Showalter, who is Mennonite, and Tyler Cisek, who isn't, lost the first game in the best-of-three match and found themselves down big in the second game.

What happened next was nothing short of divine intervention.

Chico Spikes spiked the ball, and Mr. Showalter realized that he would have no chance to chase it down. He did the only thing he could: He stuck out his hand deceptively hoping for a deflection. It worked. The point gave Moist a surprising lead on its way to a stunning upset that was immediately memorialized with an unforgettable name.

"Someone called it 'The Hand of God,'" Mr. Showalter said. "I'm getting chills just thinking about it," said his friend Josiah Zimmerman.

Mr. Showalter is an alumnus of Rosedale Bible College, a tiny Mennonite school with fewer than 100 students in central Ohio where his father is the school president and professor of theology. Rosedale Bible College is the Alabama football of Spikeball. Mr. Showalter's team won last year's national championship. His younger brother, Jesse Showalter, placed second for this year's college title. "We would play for three, four, sometimes five hours a day," said Mr. Zimmerman.

Holmes County, Ohio, is home to the second-largest population of Amish in the country. Gospel Haven Mennonite Church was the site of an epic Spikeball tournament earlier this year with 40 teams, including several from Lancaster, six hours away. The fundraiser for his church's youth group was successful beyond event organizer Seth Yoder's wildest imagination.

"Everyone got to play a crap ton of Spikeball," he said.

Banker Attempts Mine Rescue

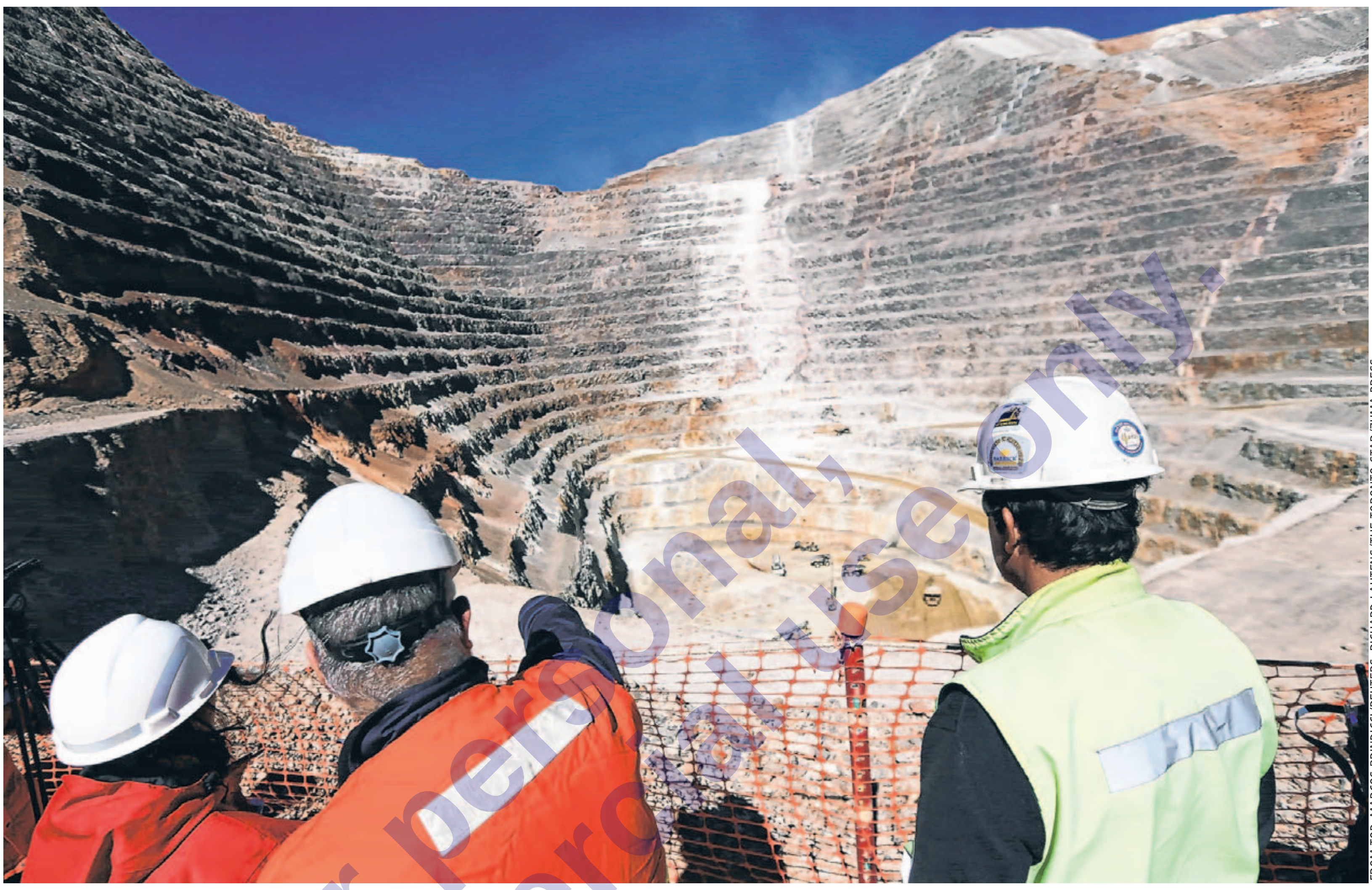
Continued from Page One

pass Barrick as the world's largest gold producer as soon as next year.

Last year Barrick sold a large stake in an Argentine gold mine that ranks as one of the world's largest.

"You can't replace a quality asset like that," said Pierre Lassonde, a Canadian gold mining entrepreneur and retired Newmont vice chairman. "Financial discipline is important, but if you don't invest money to explore or acquire quality gold reserves you are shrinking to oblivion."

Mr. Thornton is approaching Barrick more like an activist investor. He said he was influenced by William N. Thorndike's 2012 book, "The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success," a favorite among that crowd. He has given copies of the book to dozens of Barrick executives, even though none of the companies profiled are miners.



Barrick sold a stake in its Veladero gold mine in Argentina, above, one of the moves by Executive Chairman John Thornton, below, to get the troubled miner on track.

FROM TOP: MARCOS BRINDICCI/REUTERS; RICHARD LAUTENS/THE TORONTO STAR/ZUMA PRESS

Cash flow is king

"'The Outsiders' argued that the most successful companies in history all emphasized free cash flow as their single most important metric. We do not accept that gold mining deserves some special kind of exemption," Mr. Thornton said in an written response to questions.

Free cash flow is a measure of how much cash is generated by a business after accounting for big purchases such as equipment or property. Having low or negative cash flow could restrict Barrick's ability to make acquisitions without adding debt. Mr. Thornton said the company recently rejected buying some mines because the deals didn't meet his investment criteria.

After pushing Barrick to cut costs and get rid of less productive mines, Mr. Thornton has more than halved Barrick's approximately $13 billion in debt. The company has become more profitable, reporting an adjusted profit of $876 million last year, compared with a loss of more than $10 billion in 2013.

It is also a much smaller company. Today Barrick owns large stakes in about a third of the nearly 30 mines it held when Mr. Thornton was appointed. Some of the remaining mines are plagued with operating and political problems, while others have shrinking reserves of ore for future production.

Barrick's gold production has fallen more than 25% since 2013 to 5.32 million ounces last year. Rivals such as Newmont have built or invested in new mines in recent years. Barrick expects to produce 4.5 million to 5 million ounces of gold this year, and that output could fall substantially within a decade—assuming no large gold price increases—if Barrick doesn't acquire new mines or further invest in existing properties, said Chris Mancini, an analyst with Gabelli Gold Fund, an asset manager that owns Barrick stock.

As Barrick's mining footprint has shrunk, production costs have risen and the free cash flow Mr. Thornton prizes has dipped to a loss. In July, the company reported negative free cash flow of $172 million in the second quarter, a sharp drop from a positive cash flow of $43 million in the prior-year quarter.

Mr. Thornton said Barrick is falling short of its operating performance goals largely because of declining gold production and mining interruptions in Tanzania and Argentina. "We are nowhere near where we want to be," he said.

He acknowledges shareholder pressure to expand, but said he continues to insist on a 15% long-term return on invested capital, assuming gold remains at about $1,200 per ounce. He blames reckless buying by mining companies in the past decade for significant stock price declines.

Mr. Thornton has discussed a number of strategies with Barrick's board, including retreating as a global player to focus mostly on U.S. gold mines, people familiar with the matter said. That could include the sale or spinoff of less profitable gold and copper mines in a number of countries and continents, including Australia, Africa, South America and Canada, these people said. Variations on this plan are still under discussion, they said.

Tizzy over Tanzania

Several of Barrick's experienced senior mining executives have left the company in recent years. Its president, Kelvin Dushnisky, said he is leaving at the end of August. No replacement has been named, and the company hasn't had a CEO since 2014.

Mr. Dushnisky, who declined to comment, found himself in an awkward position in October when he joined the directors of Barrick's 64%-owned Acacia Mining PLC at its London headquarters for a board meeting.

The session was interrupted when an employee burst into the room with news that Mr. Thornton was at a press conference in Tanzania discussing Acacia, people familiar with the meeting said. The proposed agreement he was unveiling would see Tanzania lift a ban on gold concentrate exports in return for a payment of $300 million, or nearly 40% of Acacia's 2017 revenue, plus joint ownership in Acacia's three Tanzanian gold mines.

Acacia's stunned directors, including Mr. Dushnisky, had not been consulted, according to people familiar with the matter. They learned about the details watching Mr. Thornton's Dar es Salaam appearance.

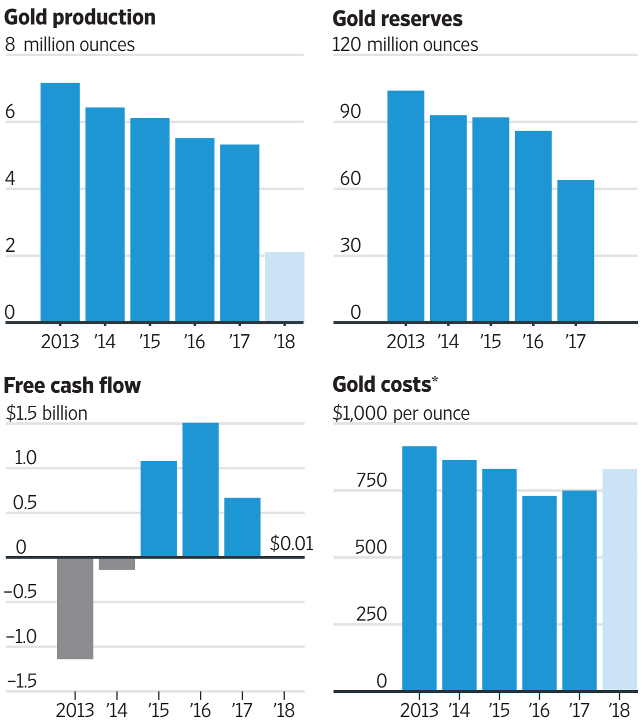
Mr. Thornton declined to discuss his reasons for proposing such a large payment. He said he decided to intervene personally after he grew frustrated with the lack of progress between Acacia and Tanzanian officials.

Mr. Thornton's steady refrain about financial discipline left investors unprepared for the move.

Since Barrick confirmed Acacia would be on the hook for the $300 million payment, Acacia's shares have fallen by more than 40%. Its CEO and CFO have resigned. Two of Acacia's three gold mines in Tanzania, all of which historically accounted for about 10% of Barrick's total production, remain idle.

Where's The Gold?

Barrick Gold is facing declines in production, reserves and free cash flow at a time of rising costs.



*All-in sustaining costs largely reflect exploration, mine development and production Note: 2018 data are for first half.

Source: the company

THE WALL STREET JOURNAL.

View from outside

Mr. Thornton is a latecomer to the mining industry. He retired as president of Goldman in 2003, after a 23-year career with the firm as a deal maker and head of European and Asian expansion. He parlayed his Asian experience into a career as an adviser and teacher with the business school at Tsinghua University, one of China's top schools.

His China connections attracted the attention of Barrick's founder, the late Canadian mining magnate Peter Munk, who invited Mr. Thornton in 2011 to be a member of the company's advisory board. By 2012, he was promoted to co-chairman of its board of directors.

When swooning gold prices in 2013 threatened to unravel Mr. Munk's ambitious global strategy, Mr. Thornton tapped his experience as a Wall Street banker to try to negotiate a potential merger with Colorado-based Newmont.

The two companies discussed combining mining assets in the Americas and spinning off less lucrative international properties into a separate company, people familiar with the discussions said. Mr. Thornton's abrasive negotiating style contributed to a rift between the two companies, these people said.

Even though the deal failed, Mr. Thornton was appointed Barrick's executive chairman, with a mandate to shrink the debt-laden company. The problems facing Barrick were the outcome of its "lack of strategic focus, poor capital allocation and weak execution," Mr. Thornton said in his written response.

Members of Mr. Thornton's executive team have backgrounds in Silicon Valley, fund management and the British military. Only two of the 12 senior executives at Barrick have overseen mining operations, reflecting Mr. Thornton's move to hand more authority to regional mining executives.

Mr. Thornton described his focus on talent as an "obsession," and said he believes executives with technical and other nonmining skills are essential to bringing modern practices to the costly and time-consuming business of mining. He hired a private-equity investor two years ago to oversee the company's corporate investments and last year hired a chief digital officer who would use high-tech analysis in cost-cutting.

Borrowing from the partnership model Goldman employed before it went public, Mr. Thornton installed a new compensation plan that has made all of Barrick's 10,000 employees company shareholders. He currently owns more than 2.7 million company shares through personal investments and compensation and has exhorted senior executives to follow his lead and make additional stock purchases. In an effort to further align his staffers' interests with that of shareholders, he discouraged the word "employee" in company communications, a person familiar with the matter said.

Since Mr. Thornton took the helm at Barrick in 2014, employees and investors alike have seen the company's stock price fall by about 37%.

—Ben Dummett contributed to this article.

GREATER NEW YORK

Getting a Sweet Treat to Beat the Heat

SPENCER PLATT/GETTY IMAGES

SUMMER IN THE CITY: An ice-cream truck was a welcome sight Monday afternoon in Manhattan, as temperatures climbed into the 90s. More steamy weather is on tap for Tuesday, and then highs are expected to be in the upper 80s for the rest of the workweek.

Ex-Lawmaker's Conviction Upheld

BY CORINNE RAMEY

A federal appeals court on Monday upheld the conviction of former New York state Sen. John Sampson and gave prosecutors the chance to pursue embezzlement charges against the longtime Brooklyn politician.

In 2015, a federal jury convicted Mr. Sampson, a Democrat, of one count of obstruction of justice and two counts of making false statements to federal agents. Those three counts were a fraction of the federal crimes Mr. Sampson was charged with in 2013, which included allegations he abused his position as a court-appointed foreclosure attorney and embezzled money from escrow accounts. At the time, a lawyer for Mr. Sampson noted the charges didn't involve his conduct as a state senator and said the case had been given "an official corruption coat of paint."

On Monday, the Second U.S. Circuit Court of Appeals reinstated two embezzlement counts that had been dismissed by the trial judge, saying it was possible those fell within the five-year statute of limitations. At issue is when the supposed embezzlement was technically "complete."

"We do not know if the government will be able to prove that Sampson completed the alleged embezzlements within the statute of limitations," the appeals panel wrote. "But that fact alone is not enough to mandate dismissal of Sampson's embezzlement counts."

Asked whether prosecutors would seek to try Mr. Sampson on the embezzlement counts, a spokesman for the U.S. attorney's office in Brooklyn said the office was reviewing the decision.

A lawyer for Mr. Sampson declined to comment.

Prosecutors had accused Mr. Sampson of stealing $440,000 from escrow accounts connected to the sales of foreclosed properties. In 2005, he used some of that money to pay for his unsuccessful bid for Brooklyn district attorney, they said. Mr. Sampson wasn't convicted of these crimes.

The appeals panel noted that Mr. Sampson transferred money from the alleged embezzled funds in 2008, which would fall within the statute of limitations.

Last year, Mr. Sampson, 53 years old, was sentenced to five years in prison. He is incarcerated at a federal prison in Fairton, N.J., and is expected to be released in 2021, records show.

Mr. Sampson was a member of the New York state Senate from 1997 to 2015. He has served as Senate minority leader and chairman of the Senate Ethics Committee.

'Heels' Ticket Sales Keep Dragging

JOAN MARCUS

Taylor Iman Jones as Mopsa, center, and the company in 'Head Over Heels' at the Hudson Theatre.

Top 10 Shows At the Box Office

Grosses for week ended Aug. 5

- 'Hamilton,' $3,150,942
- 'The Lion King,' $2,476,144
- 'Harry Potter and the Cursed Child,' $2,267,293
- 'Frozen,' $2,068,943
- 'Hello, Dolly!,' $2,051,393
- 'Wicked,' $1,921,398
- 'Dear Evan Hansen,' $1,640,842
- 'Aladdin,' $1,610,757
- 'Mean Girls,' $1,592,807
- 'My Fair Lady,' $1,269,449

Source: The Broadway League

BY CHARLES PASSY

Broadway shows posted a strong week, but "Head Over Heels," the gender-bending musical that features songs from the '80s all-female group the Go-Go's, continues to struggle.

For the seven-day period ended this past Sunday, "Head Over Heels" grossed $297,421, according to the Broadway League, the trade group that tracks the industry.

The figure represents just 34% of the show's potential at the box office. By contrast, Broadway hits, such as "Hamilton" and "Harry Potter and the Cursed Child," regularly surpass 100% of their potential gross, factoring in premium tickets.

Even at its peak, for the week ended July 1, "Head Over Heels," grossed $348,117—or 40% of its potential. Producers said grosses were partially affected in recent weeks because several complimentary tickets were made available to press and others.

Overall, the show has been challenged by the fact it is so hard to peg, say theater professionals. It is a jukebox musical that plays out like a Shakespearean romp, but one with characters whose sexuality is all over the map, gay, straight or transgender. And while the show states a message of inclusiveness loud and clear, it aims to be a frothy summer entertainment as well.

Producers behind the show, which is playing at the Hudson Theatre, say they aren't giving up and hope to build an audience.

"I think this is a word-of-mouth show," said lead producer Christine Russell.

Stacey Udell, a regular Broadway theatergoer who lives in the Long Island hamlet of Melville, saw the show early in its run and has sent other theatergoers to see it since.

"There has been nothing like it" on Broadway, said Ms. Udell, 51 years old, of the musical.

The challenge for "Head Over Heels" producers, who include the actress and lifestyle guru Gwyneth Paltrow, is whether they have the money to keep the show going as they try to cultivate an audience that has yet to materialize.

Ms. Russell said producers are "very committed" to seeing the show continue.

Lines Drawn In Fight Over Commuters

Uber, Lyft say halting new licenses will hurt outer boroughs most; city wary of congestion

BY PAUL BERGER

Ride-hailing companies warn that a one-year freeze on new licenses, expected to pass the New York City Council Wednesday, will hit outer borough riders hardest.

Uber and Lyft say their drivers will abandon those areas for more lucrative parts of Manhattan, resulting in longer wait times and higher fares for everyone.

More New Yorkers are using ride-hailing services, in particular shared trips, to commute to work, pick up groceries or meet up with friends.

Kimberly Lucas, a 24-year-old student from Queens, uses the ride-hailing service regularly even though she owns a 30-day unlimited MetroCard. "It's quick, extremely convenient, affordable and when you're done after a long day at work, you don't want to take the MTA," said Ms. Lucas, referring to the authority that runs the city's subway and bus systems.

New York City wants to freeze distribution of new ride-hailing licenses while it studies policies that could limit the amount of time ride-hailing cars spend empty, circling for fares. City officials believe it will reduce congestion and raise driver wages.

The City Council is expected to vote on a package of bills on Wednesday that would enforce the freeze and establish a new category of for-hire vehicle that would enable the city to more closely regulate ride-hailing. If they pass, they would need to be approved by Mayor Bill de Blasio, who has voiced support.

Over the past five years, ride-hailing companies have flooded the city with 80,000 vehicles, aggravating congestion and driving down earnings for the city's fleet of about 45,000 taxis, liveries and black cars.

About 2,000 new ride-hailing vehicles enter the city's streets every month, according the Taxi and Limousine Commission. In a recent radio interview Mr. de Blasio said the economic pressure on drivers "alone is a reason to call a timeout and assess what's going on here."

The Metropolitan Transportation Authority, meanwhile, says it is losing riders to ride-hailing services. Subway ridership fell 1.7% last year and is expected to fall 2% this year, according to the MTA. Bus ridership fell 5.1% last year and is expected to fall by 4.4% this year.

MTA officials say the biggest declines in ridership are during off-peak hours and within and between the outer boroughs. Between May 2017 and May 2018, subway ridership within the Bronx and Queens fell by 8.2% and 6.6%, respectively.

Uber, which dominates the ride-hailing market in New York, has seen its fastest rate of passenger growth in the outer boroughs.

An Uber spokeswoman said that trips in the Bronx have nearly tripled over the past year, while rides in Queens, Brooklyn and Staten Island have nearly doubled. More than half of those trips are in UberPool, the spokeswoman said, a service that allows passengers to share rides with strangers, lowering the cost of the fare.

Ms. Lucas uses UberPool up to 10 times a week, mostly to commute across Queens between her apartment in Briarwood and a part-time job at a doctor's office in Bayside. With a coupon, she can ride for between $6 and $9 each way.

The New York City Council is expected to vote on the issue Wednesday.

Her journey on public transit—either two bus rides, or a subway and a bus—takes about an hour, she said. In a car, the journey takes about 20 minutes.

Yvonne Ortiz, a case worker with New York City Administration for Children's Services, uses UberPool most days to commute between Wakefield and Mott Haven in the Bronx.

Ms. Ortiz said that depending upon traffic the ride takes between 30 and 45 minutes and costs $7.99 with a discount program called "ride pass." She said the same commute on the bus and the subway takes one hour, on a good day.

Khalid Weir, a 28-year-old production assistant from East Flatbush in Brooklyn, takes Lyft Line, a ride-share service similar to UberPool, to Long Island City in Queens several times a week.

The rides cost between $20 and $25. "It just takes a lot of stress off my mind knowing I can still get there on time," he said.

—Lara Korte and Katie Honan contributed to this article.

SPENCER PLATT/GETTY IMAGES

Over the past five years, ride-hailing companies have flooded New York City with 80,000 vehicles, aggravating congestion.

GREATER NEW YORK WATCH

NEW JERSEY

Road Treatment Fails After a Year

The state Department of Transportation is investigating why a $2.8 million project to enhance wet-weather safety on Passaic County roads has gone so wrong.

In the summer of 2017, the county covered 16 miles of county-maintained curves in Bloomingdale, Ringwood, Wanaque and West Milford with a high-friction surface treatment. That sandpaper-like treatment has already chipped and flaked off, leaving behind a patchwork of shallow craters.

A forensic investigation is being conducted in cooperation with the Rutgers Center for Advanced Infrastructure and Transportation, said state transportation department spokesman Daniel Triana.

The results are expected in mid-August.

—Associated Press

CONNECTICUT

Bear Enters Home With Woman Inside

A woman woke up to an unlikely visitor when a bear broke into her home.

The woman says the 400-pound bear broke through a screen door and entered her home while she was in bed around 7 a.m. on Monday morning in Canton.

She played dead on her bed as the bear roved around, pushing her dresser. She called the police as soon as it left the room.

Police say officers arrived to find the bear exiting the kitchen, and shot one round as it lumbered into the woods.

Department of Energy and Environmental Protection officials say they plan to set a trap near the woman's house.

Police say this is the fourth bear to enter a home in Canton in the past week.

—Associated Press

Little Progress Made in Fixing Pay Disparity

By Kate King

The wage gap between black women and white men in New York City widened in recent years, while white women inched a bit closer to pay equity, according to a report by the comptroller's office.

Black women in New York City made 57 cents for every dollar paid to white men in 2016, a difference of roughly $32,000 in annual earnings. The gap grew slightly, to 43 cents in 2016 from 42 cents in 2010, according to the report, which compared the median earnings of full-time working men and women.

White women, by contrast, made 82 cents for every dollar, or $13,600 less in annual earnings, compared with white men in 2016, the most recent year for which data were available. This marked a slight improvement from 2010, when the median earnings for white women was 81 cents on the dollar.

"We haven't created a real plan in the city to address this," said New York City Comptroller Scott Stringer, a Democrat and potential mayoral candidate. "It's time that we look at this data and then figure out a way to create profound change, and do it sooner rather than later."

Several factors are behind the gender-wage gap, including the fact that black women are underrepresented in higher-paying professions such as finance, law and engineering. But even women who work in higher-paying fields contend with wage disparities, according to the comptroller's office, which has found that black female financial managers make 39 cents for every dollar paid to their white male counterparts.

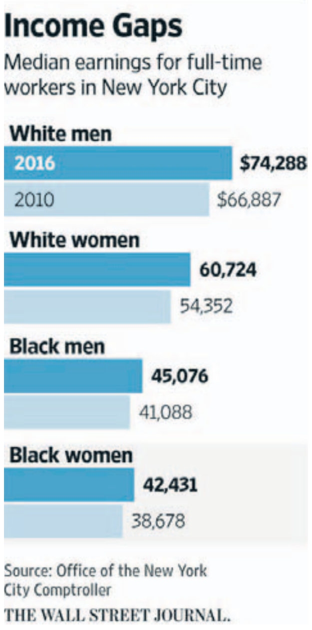
Tanya Blocker, president of the New York City-based nonprofit Association of Black Women Attorneys, said more discussion needs to focus on the "double-barreled bias" women of color face even in higher-paid professions.

"I would argue that some of the white males may not even have the same credentials as some of the black women, but they are still getting these opportunities and paid more," Ms. Blocker said.

The 43-cent wage disparity between black women and white men was higher in New York City compared with the statewide wage gap of 34 cents, and nationwide gap of 37 cents, the comptroller's office said. This is largely because white men in New York City earn more, with their median annual earnings topping $74,000 compared with $62,500 earned by white men statewide and $55,000 nationally.

Still, the report found that white men in New York City saw their median annual earnings grow at a faster pace, 11.1% between 2016 and 2010, compared with black women, whose median pay increased 8.8% over the same period to about $42,400.

The comptroller's office made several recommendations to address the gender wage gap, including protecting collective bargaining, expanding access to child care and strengthening antidiscrimination enforcement.



Man in Restaurant Freezer Faced Murder Charges

By Zolan Kanno-Youngs And Melanie Grayce West

The man who sprang from a walk-in freezer in a Manhattan restaurant and threatened staffers with a kitchen knife was indicted last year in the 1988 shooting deaths of two men in Boston, law-enforcement officials said Monday.

Carlton Henderson, 54 years old, died Sunday from cardiac arrest after employees at Sarabeth's restaurant on the Upper West Side tried to restrain him, New York Police Department officials said.

The restaurant was open for brunch Sunday morning when an employee found the Arizona man in the freezer, police said. Officials said the man shouted, "Away, Satan!"

"One staffer goes into the walk-in freezer," Sgt. Lee Jones said. "And there's this guy in there. He has no connection to the restaurant whatsoever."

Mr. Henderson picked up a kitchen knife as other staffers ran to the area, Sgt. Jones said. As they restrained him, he went into cardiac arrest. He was later pronounced dead at a hospital.


METROPOLITAN POLICE DEPT., CITY OF ST. LOUIS, MO.

Carlton Henderson

The NYPD was gathering evidence to find out how Mr. Henderson got into the freezer and how long he was there.

"Our team handled this incident bravely and effectively and we are grateful that none of our employees or guests were injured," the restaurant's management said in a statement Monday. The restaurant was closed while police investigated but "we are currently open and have gratitude to be able to serve our guests again."

MARK KAUZLARICH FOR THE WALL STREET JOURNAL

Police said workers at Sarabeth's on the Upper West Side found the man in a walk-in freezer.

Mr. Henderson was arrested by St. Louis police in April of last year after he was caught on a marijuana violation, St. Louis police said.

He was then moved to Boston, where in June 2017 he was indicted on murder charges in the deaths 30 years ago of William Medina, 26, and Antonio Dos Reis, 22. Prosecutors cited statements he made to federal prosecutors in July 1993, according to court documents provided to The Wall Street Journal by the Suffolk County district attorney's office in Massachusetts.

Mr. Henderson last year filed a motion to suppress that evidence, saying he spoke to federal prosecutors with the understanding that his statement couldn't be used against him, an arrangement known as a "proffer agreement."

The judge in the Boston case, Janet Sanders, allowed the motion and in August of last year released Mr. Henderson on his own recognizance. He was due back in court later this month.

The NYPD said Mr. Henderson had no connection to New York City but was staying at a hotel on the Upper West Side.

LIFE & ARTS

JAYME GERSHEN FOR THE WALL STREET JOURNAL (2); AMBER SNYDER

TURNING POINTS | By Clare Ansberry

The Millennial Caregiver

More young people are taking care of their parents and grandparents, sometimes putting their lives and careers on hold

ADRIENNE GLUSMAN was 29, single and carefree when she became her mother's caregiver.

The only child of divorced parents, Ms. Glusman was living in New York City at the time, working, traveling, and going out with friends. Her mother, Hetty, in her mid-60s, was retired and living in Florida when she was diagnosed with Parkinson's disease. It seemed manageable, until she fell, hit her head and wasn't discovered for 12 hours.

"My life was uprooted in the blink of an eye," says Ms. Glusman. In the eight years since, Ms. Glusman, now 37, left New York and moved to Florida to take care of her mother, who now lives in an assisted-living community. Ms. Glusman oversees her mother's finances and medical care, consults with her doctors, nurses and aides, and takes her to medical appointments and therapy, bringing along her laptop so she can work.

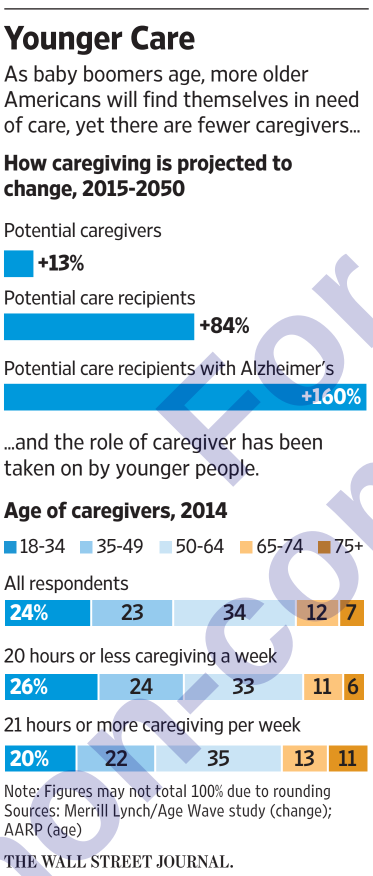
"There comes a point in time where everyone has to care for a parent. It just happened 30 years sooner than I ever anticipated it," she says.

As the country grows older, its caregivers are growing younger and more squeezed. Millennials now make up 24% of the nation's unpaid caregivers, up from 22% of young adult caregivers in 2009, according to the National Alliance for Caregiving. An estimated 6.2 million millennials provide care for a parent, parent-in-law or grandparent, according to a 2018 AARP Public Policy Report. Their numbers are expected to grow and so, too, are their challenges.

Maria Aranda, an associate professor of Social Work and Gerontology at the University of Southern California, says caregiving responsibilities can come at pivotal times in the lives of millennials and threaten to derail expected milestones, like starting families and buying a house. "Those things are being eclipsed," says Dr. Aranda, who conducted a study of millennials—those born between 1981 and 1996—who are caring for those with dementia. Plus they are expected to start making decisions about another's life when they are still trying to figure out their own.

There are also considerable financial strains, says Scott Williams, who is working with Embracing Carers, a global initiative, launched by Merck KGaA, to promote services and programs for unpaid caregivers. Millennials spend a greater share of their incomes—27%—on caregiving than older caregivers and their incomes are on average lower, too. One-third of employed millennial caregivers have an average household income of less than $30,000. Most are working full time and devoting, on average, 21 hours a week to caregiving.

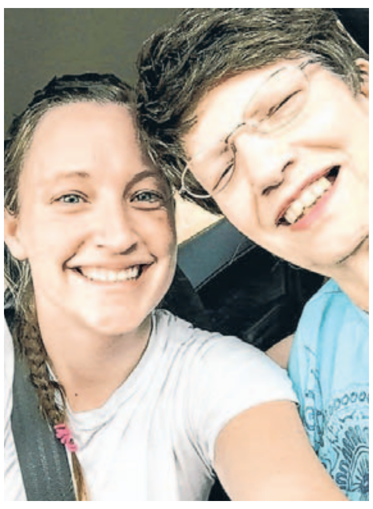
"That's a pretty substantial time commitment that impacts their lives and abilities to do things that other people their age do," says Mr. Williams, head of global patient advocacy for Merck's EMD Serono unit.



It can also affect their jobs. About one in three millennials who are taking care of someone with dementia, which is the most demanding type of family caregiving, said they have cut back hours, lost benefits or been fired because of caregiving demands, according to a 2017 report by UsAgainst Alzheimer's and USC Edward R. Roybal Institute on Aging. Fourteen percent stopped working entirely because they couldn't handle both work and care, which means loss of contributions to Social Security and 401(k) plans.

> 'Everyone has to care for a parent. It just happened 30 years sooner than I anticipated.'

Araceli Garcia, 31, is the medical and financial power of attorney for her maternal grandparents, both with Alzheimer's and other chronic illnesses like diabetes. Her grandfather, 90, speaks little English. Her grandmother, 89, speaks none at all. Ms. Garcia's mother, 56, provides the hands-on care, dressing and bathing, cooking, but doesn't drive or speak English well.



Adrienne Glusman, above left, cares for her mother, Hetty, at an assisted-living facility in Florida. Left, Amber Snyder, a 29-year-old certified nursing assistant cares for her 84-year-old grandmother, Charlene, while raising her 6-year-old son.

"That leaves me," says Ms. Garcia, who is single and lives with her mother in Los Angeles. Ms. Garcia confers with the doctors, the pharmacist, the insurance company and landlord.

She often gets interrupted at work with calls regarding incontinence diapers, prescriptions or follow-up care. If the faucet leaks in her grandparents' apartment, she's on the phone with the building manager. Thankfully, she says, her boss at Blue Shield of California, where she works, is understanding if she needs to work from home or go in early to make up for lost time. She figures she spends more than 20 hours a week devoted to her grandparents' care and about $100 a week to help pay expenses that her grandparents can't afford as well as gasoline.

When her friends invite her out, she often turns them down. "I don't feel like going anywhere. All I want is to go to bed," she says.

Some millennial caregivers are not only taking care of infirm parents and aging grandparents, but also young children. Amber Snyder, a 29-year-old certified nursing assistant, works two jobs and also cares for her 6-year-old son and 84-year-old grandmother, Charlene. She works the overnight shift at a nursing home and rehabilitation center in Omaha where she lives, goes home, gets her son ready for day care, and sleeps a few hours. Four days a week, she goes to the assisted-living facility where her grandmother lives, picks out her clothes, gives her a shower, helps her eat and takes her outside, if it's nice. She lives with her mother and doesn't have time to socialize. "I barely have time to watch TV. It's either working, taking care of her, my son or sleeping," says Ms. Snyder. But she is committed. "I think, 'If that was me, how would I want to be treated?'"

Ms. Glusman in Florida says she is fortunate in many ways. Her mother has a long-term care policy that covers her $5,500 a month assisted-living costs. Her mother's pension and Social Security cover the cost of a private aide who gets her mother up, dressed and bathed, and prescription co-pays, which can add another $1,000 to $2,000 a month. Her mother, she says, is confined largely to a wheelchair. She can talk, but rarely does.

In January, Ms. Glusman decided to start her own business, doing project management for small online businesses. Sometimes, she thinks she is crazy for trying to start a business while caring for her mom, trying to date and have a social life. "I'm caring for my mom, but I'm still very young and trying to fulfill my own goals and dreams," she says.

She remembers how lonely it felt when she first became responsible for her mom and didn't know anyone the same age in a similar situation who could provide support or guidance. "It was really tough trying to figure that out while trying to figure out my own life." Grace Whiting, CEO of the National Alliance for Caregiving, called the lack of resources and support for millennial caregivers a "huge gap."

Now, Ms. Glusman wants to help other millennial caregivers. She completed courses to become a caregiving consultant, but has yet to be certified, and has been involved in LeadingAge's #CarryTheConvo, a social-media campaign organized by LeadingAge, which represents nonprofit providers of care for older adults.

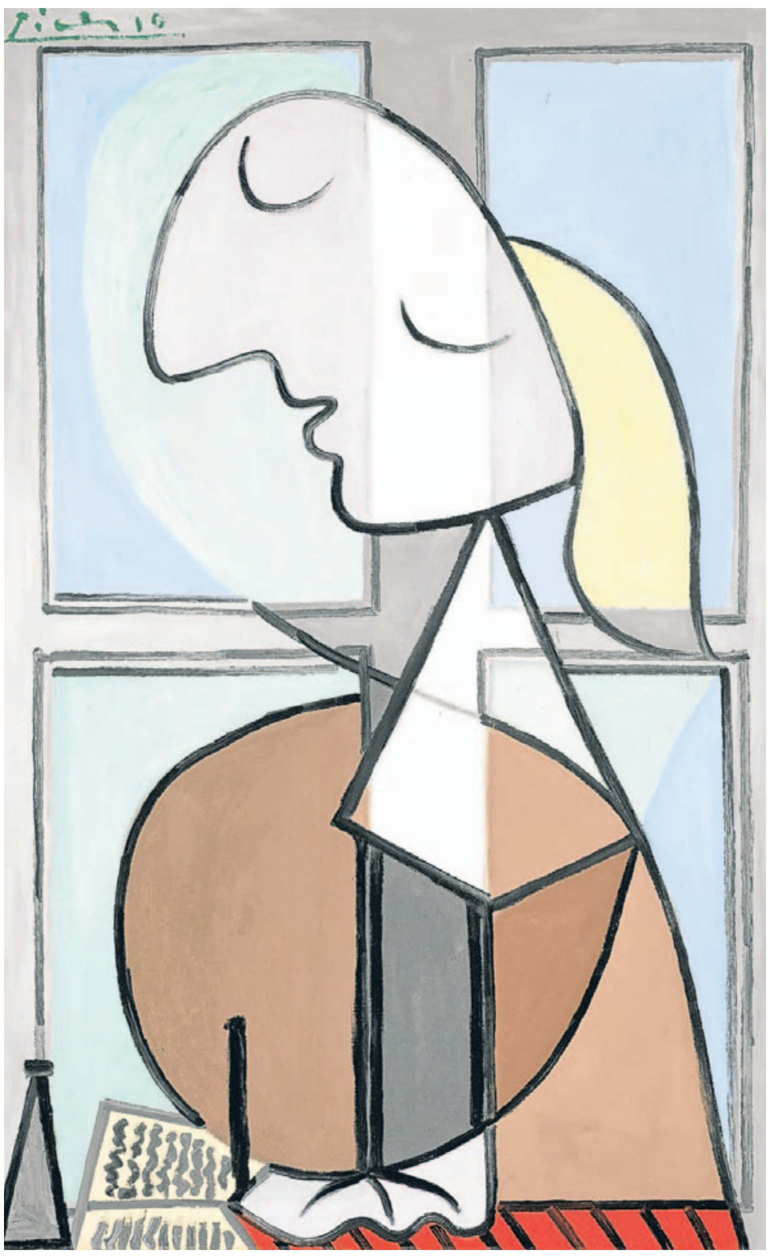
Ms. Glusman would like to marry and have kids while her mother is still around and understands what is happening. She doesn't have dementia, but her short-term memory is failing. "She wants nothing more than to see me taken care of and happy," she says. In the meantime, she says, "I think I am where I'm at—not married and without children—for a reason."

Be the first to read new installments in our coverage of the coming retirement crisis. Subscribe by going to WSJ.com/unprepared.

ART & AUCTIONS

Sotheby's Sales Climb

Lacking an event like Christie's Rockefeller auction, Sotheby's focused on private and online sales and saw gains in both



Picasso's 'Female Bust in Profile (Woman Writing),' left, went for $36 million at a Sotheby's auction in June. The auction house fetched over $150 million in May for Modigliani's 'Reclining Nude,' above, but some expected it to sell for more. David Hockney's 'Pacific Coast Highway and Santa Monica,' below, sold for $28.5 million.

CLOCKWISE FROM LEFT: © ESTATE OF PABLO PICASSO/ARS, NY; SOTHEBY'S (2)

BY KELLY CROW

SOTHEBY'S SOLD $3.45 billion of art during the first half of 2018, a 22% increase from the year-earlier period and another sign of the art market's health.

The total includes $542.6 million in private art sales, up 63% from a year ago, the New York-based company said on Monday, as well as $2.85 billion in art auction sales, up 19%.

Sotheby's rival Christie's said last month that it sold $4 billion in art during the first half of the year, including private sales of $390.3 million.

Both houses said their six-month totals represented sales through June 30.

Christie's got a boost this spring auctioning off the $833 million estate of banker David Rockefeller. Sotheby's lacked an estate sale of similar heft and instead focused on its private and online sales as well as unloading $56.3 million in art that was sitting in its inventory, Sotheby's president and chief executive Tad Smith said during a call with investors on Monday.

Online sales benefited from the attention, climbing 30% to $100 million for the first half of 2018.

> Private art sales rose 63% in the first half of 2018, while online sales grew 30%.

Of the more than 23,000 artworks that Sotheby's offered up online and in its sale rooms, 80% found buyers, a solid performance by auction-industry standards. Christie's said it sold 84% of its goods.

Among individual categories in the first half of the year, Sotheby's sold $937 million in contemporary art, up 22% from a year earlier and exceeding Christie's $877 million in contemporary-art sales over the same period. Sotheby's sold $738.5 million in impressionist and modern art, up 5.4%, and $68.3 million in American art, up 83%.

In Asia, Sotheby's auction sales rose 15% to $488 million, with 90% of its Hong Kong offerings finding buyers. It said its Asian clients won eight of the priciest 20 works it sold anywhere so far this year.

Competition between Sotheby's and Christie's to wrangle high-profile art trophies also continues to eat into their profits. Sotheby's said its overall auction commission margin—or the fees it charges, as a percentage of sales—fell to 15% from 16.7% during the first half, largely because of two disappointing sales.

In May, it sold Amedeo Modigliani's "Reclining Nude" for $157.2 million, but dealers said the house expected to sell it for far more. In June it sold a $36 million painting by Pablo Picasso, "Female Bust in Profile (Woman Writing)," that had been expected to go for at least $45 million.

Sotheby's declined to specify the details of the sales but said the deals cut to secure these works largely accounted for its lower commission margin.

Thin bidding at the top of the art market proved a trend across auction houses this spring, but Mr. Smith said on the call that sellers aren't pulling back from offering up heavyweight artworks for the fall.

He added that buyers are still competing fiercely for pieces priced between $25,000 and $1 million, noting that Sotheby's sales in this segment grew 9% in the first half of the year.

"We're not seeing any shortage of supply," Mr. Smith said.

© SUSAN MEISELAS/MAGNUM PHOTOS (3)

ART REVIEW

Turning Subjects Into Collaborators

BY RICHARD B. WOODWARD

San Francisco

TAKING A PICTURE can be a complex moral act for Susan Meiselas. Over more than four decades, the 70-year-old American photojournalist has used her camera to report on the lives of ordinary people in ways that seek to involve them in their own representation, and that heighten awareness of photography as an unpredictable human transaction.

"Susan Meiselas: Mediations," the traveling retrospective now at the San Francisco Museum of Modern Art, is a concise and forceful summary of her stellar career. The co-curators Marta Gili of the Jeu de Paume in Paris and Carles Guerra of the Fundació Antoni Tàpies in Barcelona have selected roughly a dozen projects—done in the U.S., Central America, the Middle East, the U.K.—that span the years 1971-2018.

The five galleries here contain about 140 works—prints, projected images and installations, as well as press passes, notebooks, tearsheets and other memorabilia from a photojournalist's life. Video monitors play clips from some of the films on which Ms. Meiselas has collaborated.

Her curiosity about the social dynamics of photography was evident early on; "44 Irving Place" (1971) is named for the address of the boardinghouse in Cambridge, Mass., where she stayed as a Harvard graduate student in visual education. The series pairs portraits of the inhabitants with their written reactions to her pictures of them. As she discovered, "more often than not their words told a tale that the images alone did not relay."

Another of the show's through-lines is Ms. Meiselas's rapport with women from many backgrounds. "The Prince Street Girls" (1975-92) is an affectionate portrait of her neighbors in New York's Little Italy, as they matured from children to teenagers to adults. Shot in black-and-white, mainly on the streets, it may be her most traditional work of photojournalism.

When she began the Prince Street project, she was completing a less winsome group portrait. For three summers (1972-75), she had followed the young strippers who worked the carnival circuit in towns around New England. Her skeevy, low-light photographs of these amateur ecdysiasts on makeshift stages, naked in front of boys as well as men, were supplemented by recordings in which the women opened up about their lives while relaxing alone or with clients.

The result was "Carnival Strippers," a raunchy, poignant study of sex and class, audiences and performers that is among the great photo essays of the late 20th century. The series so impressed members of the esteemed photo collective Magnum that in 1976 Ms. Meiselas was invited to join. (She has been president of the Magnum Foundation since 2007.)

But it was her even tougher work in the cities and fields of Central America during the civil wars of the late '70s and early '80s that brought her wide recognition. Her photographs of bodies exhumed after the El Mozote massacre in El Salvador, in which an estimated 1,000 civilians were killed by the army, are still used as evidence in trials of war crimes. The vibrancy of the color in her 1981 book "Nicaragua," and its candid portrayal of daily violence, influenced how wars were photographed around the world.

Several projects that evolved from these experiences are here. The installation "Mediations" (1978-82) tracks how her images were reproduced in international publications. More fun is "The Life of an Image: Molotov Man" (1979-2018). On repeat visits to Nicaragua, Ms. Meiselas observed that one of her published photographs, of a young rebel hurling a Molotov cocktail, had become an icon, printed as posters and stenciled on walls. (Long before the internet, images floated free of their original context.)

She explored her contradictory thoughts about the Sandinista regime in the superb 1991 film "Pictures From a Revolution," which she co-directed with Alfred Guzzetti and Richard P. Rogers. (Although sadly missing from the show, the 90-minute documentary will be screened at the museum on Sept. 8.)

As Ms. Meiselas has questioned whether images can adequately describe political events, her own photography has receded, a process that accelerated soon after she was awarded a MacArthur Fellowship in 1992.

"Kurdistan" (1991-2007) began when she was asked to document the burial sites of Kurds gassed by Saddam Hussein in 1988. To reflect the history of this brutalized, stateless people, she chose to emphasize photographs they had taken of themselves over decades, or that other outsiders like herself had made. Her main function in this continuing landmark internet project has been as archivist. Projected images and texts on one wall of a room here articulate her doubts about her compromised role.

"I can't escape the tradition of the colonial foreigner," she writes next to a 1930s portrait of a Kurdish family in Kazakhstan. "I travel and collect, take and treasure."

Two recent projects on battered women, "Archives of Abuse" (1992) and "A Room of Their Own" (2015-17), are also collaborative but lack the emotional directness of her earlier work.

Is it wrong to hope that she will devote less time to theoretical explorations and more to the hard job of making indelible photographs again?

Susan Meiselas's 'Roseann on the way to Manhattan Beach, New York' (1978), from the series 'Prince Street Girls' (1975-92), left; 'Widow at Mass Grave Found in Koreme, Northern Iraq' (1992), above; and 'Youths Practice Throwing Contact Bombs in Forest Surrounding Monimbo,' from the series 'Nicaragua' (1978), above left

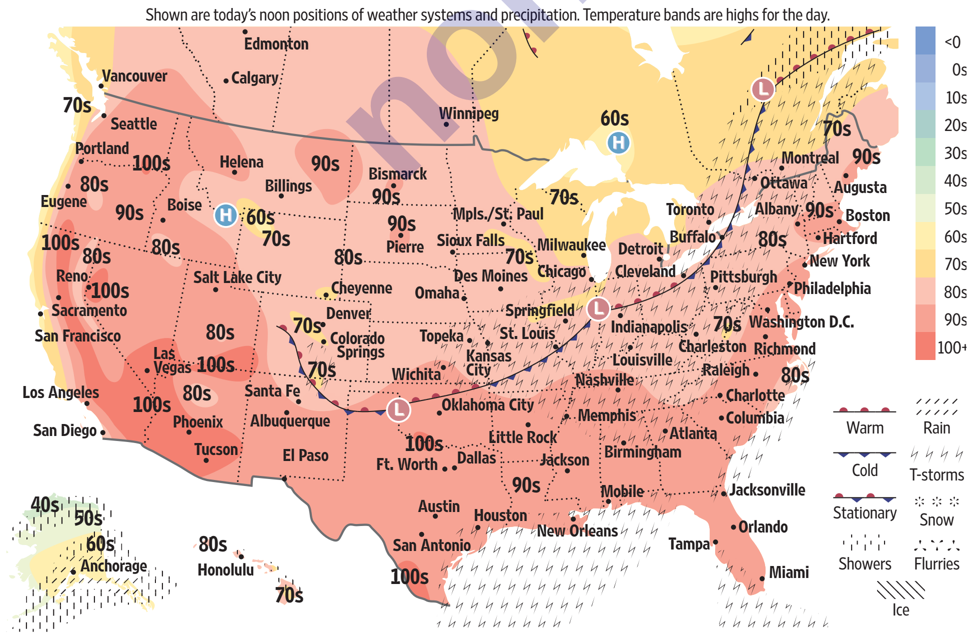
Susan Meiselas: Mediations
San Francisco Museum of Modern Art, through Oct. 21

Mr. Woodward is an arts critic in New York.

Weather

AccuWeather DOWNLOAD THE FREE APP

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



U.S. Forecasts

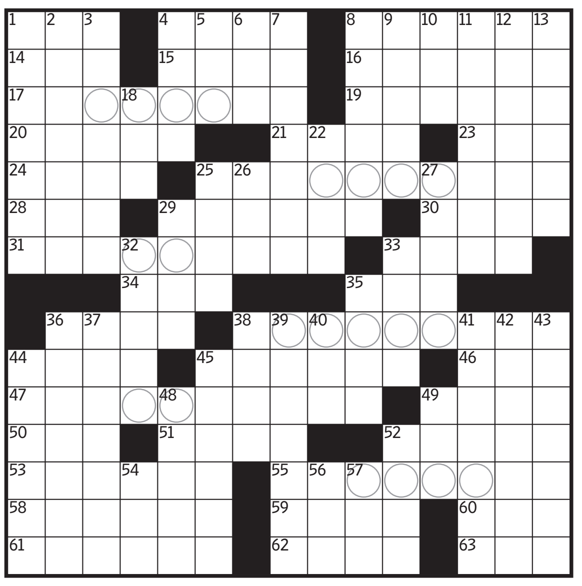
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Anchorage	64	51	r	65	52	c
Atlanta	92	75	pc	91	73	t
Austin	97	73	s	98	74	pc
Baltimore	91	73	pc	92	69	t
Boise	97	65	s	102	69	s
Boston	93	75	pc	87	74	t
Burlington	86	68	t	84	67	t
Charlotte	93	72	pc	95	73	t
Chicago	81	67	t	85	69	s
Cleveland	83	71	t	81	68	t
Dallas	98	79	s	95	76	t
Denver	82	59	t	84	60	pc
Detroit	83	68	t	84	65	pc
Honolulu	87	74	pc	88	78	pc
Houston	91	75	t	92	74	t
Indianapolis	85	68	t	83	67	pc
Kansas City	81	66	t	88	66	pc
Las Vegas	111	85	s	107	84	s
Little Rock	93	74	pc	87	71	t
Los Angeles	96	72	s	95	69	s
Miami	90	80	t	90	79	pc
Milwaukee	76	65	pc	84	70	s
Minneapolis	82	68	s	89	69	s
Nashville	96	74	c	86	71	t
New Orleans	91	77	pc	90	74	t
New York City	90	76	pc	88	74	t
Oklahoma City	93	71	t	84	68	t
Omaha	86	66	s	90	68	s
Orlando	90	75	t	92	76	t
Philadelphia	91	77	pc	90	74	t
Phoenix	111	88	pc	104	84	pc
Pittsburgh	84	68	t	78	64	t
Portland, Maine	89	71	s	84	70	t
Portland, Ore.	96	67	s	98	68	pc
Sacramento	96	58	pc	97	59	s
St. Louis	86	72	t	87	72	pc
Salt Lake City	91	63	s	94	66	s
San Francisco	69	55	pc	68	54	pc
Santa Fe	89	60	pc	91	60	pc
Seattle	89	63	s	93	63	s
Sioux Falls	83	62	s	89	62	s
Wash., D.C.	93	77	pc	93	74	t

International

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	90	67	pc	76	59	pc
Athens	93	76	s	94	77	s
Baghdad	109	82	s	110	84	s
Bangkok	89	79	t	90	78	sh
Beijing	88	77	t	85	76	c
Berlin	93	72	s	94	72	pc
Brussels	94	66	t	80	59	pc
Buenos Aires	65	46	pc	53	38	r
Dubai	105	93	pc	111	90	pc
Dublin	65	49	c	65	47	sh
Edinburgh	66	51	c	65	48	pc
Frankfurt	96	72	pc	91	66	t
Geneva	89	63	t	86	63	t
Havana	89	71	t	90	73	pc
Hong Kong	93	83	t	93	82	pc
Istanbul	90	76	s	87	77	pc
Jakarta	89	76	pc	90	74	pc
Jerusalem	84	70	s	84	69	s
Johannesburg	76	43	s	74	44	s
London	88	58	t	75	58	pc
Madrid	100	64	s	96	64	s
Manila	86	78	t	84	78	t
Melbourne	56	49	pc	58	43	sh
Mexico City	73	56	t	74	53	t
Milan	93	70	t	92	69	t
Moscow	72	54	c	70	51	pc
Mumbai	86	81	sh	86	79	sh
Paris	96	65	t	81	64	pc
Rio de Janeiro	72	66	r	79	68	s
Riyadh	109	85	pc	109	84	pc
Rome	88	71	pc	89	71	pc
San Juan	89	78	s	88	78	s
Seoul	95	81	pc	95	81	s
Shanghai	95	81	s	95	81	pc
Singapore	87	77	t	86	79	t
Sydney	65	49	s	70	48	s
Taipei City	96	78	s	96	78	pc
Tokyo	85	78	sh	85	80	r
Toronto	84	66	t	83	66	sh
Vancouver	79	61	s	81	62	s
Warsaw	84	61	s	87	66	pc
Zurich	92	64	t	90	62	t

The WSJ Daily Crossword | Edited by Mike Shenk



GAME PLAN | By Dan Fisher

Across

1 Superman logo shape
4 Bit of smoke
8 Pot additions
14 Back muscle
15 Square footage
16 Protective charm
17 2008 album from R&B singer Ray J
19 City east of San Diego
20 Falling off a horse, say
21 Really long times
23 Historic Russian space station
24 Pushpin's kin
25 Evaluation based on a single deciding issue
28 Sundial numeral
29 Suggest
30 Miniature workers
31 Antarctic seal
33 Quantities: Abbr.
34 Do the wrong thing
35 Drink cooler
36 River to the Mediterranean
38 Color of WWII army uniforms
44 Brief social visit
45 Campfire treats
46 Jargon ending
47 Grassy garments
49 Flying colors?
50 Finished off
51 Oscar winner Blanchett
52 Speaker of the quote found in this puzzle's circled letters
53 Official seal
55 Earth's crust, e.g.
58 "The Graduate" girl
59 Scarlett's home
60 Hoop setting, at times
61 Funny Phyllis
62 Heaps
63 Letters following Elizabeth Warren's name

Down

1 Waistband makeup
2 Sailor's intake
3 Caribbean island south of Martinique
4 Float on the breeze
5 Intense anger
6 "Now do you understand?"
7 Range of colors
8 Hickory's cousin
9 Gather over time
10 Orbit, e.g.
11 Silver or silicon
12 Fends off
13 Gets going
18 Tattoos, informally
22 Sharif of "Lawrence of Arabia"
25 Teller of tales
26 Bank acct. addition
27 Broken, in a way
29 On this spot
32 "Twilight" heroine
33 Deck quartet
35 Folk singer Burl
36 Mollusks with spiral shells
37 Like contraband
38 Leave out
39 Obama attorney general Lynch
40 NYC subway line
41 Passed on
42 Working together
43 Irish exclamation
44 Went after
45 One who works with figures?
48 Act part
49 Everglades Natl. Pk. setting
52 Map out
54 Zero, in cricket scores
56 Granola bit
57 Debate position

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

Previous Puzzle's Solution

SPORTS

CYCLING | By Jason Gay

What Bikes Mean to LeBron James

I spoke to LeBron James about bicycles on Friday.

This was a few hours before President Trump decided to go onto Twitter to challenge James's intellect, which was more than a little absurd. James is not a Trump fan—to say the least—but this was a week in which the NBA superstar helped open a brand-new public school for at-risk children in his Akron, Ohio, hometown, pledging a University of Akron scholarship to every student who graduates.

I mean, I guess we could talk more about the tweet. But I'd rather eat a bag of rocks. Let's talk about bikes, shall we?

I'd wanted to talk to James for a long time about cycling. Readers of this column know I am a massive bike dork, and I've known the three-time NBA champion likes to ride—James has been spied commuting to games on his mountain bike, and in summers past, he's hosted bike-a-thons in Ohio. At one point he even owned a stake in the bicycle maker Cannondale.

But last week's school opening was perhaps the biggest signal of what bikes mean to James's life. In the announcement for The "I Promise" School—which will admit 240 third- and fourth-grade students and expand until it stretches from first to eighth grade—was this detail: James's family foundation has pledged to provide a free bicycle and helmet to every student.

(T-B) ASSOCIATED PRESS; JOE ROBBINS/GETTY IMAGES

LeBron James, here riding during the 'King for Kids Bikeathon' in Akron, Ohio, in 2009, is giving every student at his new school his or her own bike.

It was an impressive gesture, clearly personal—and I wanted to know more.

"Everything I do comes from my childhood, from my growing up, and what I feel was part of my success," James, 33, told me in a telephone conversation.

"A bicycle, for me, was the only way to get around the city. If I wanted to meet some of my friends, travel across the city, go to school, play basketball—anything—the bicycle was the way I got around."

But that was just part of it. A bicycle also represented freedom, James said.

"Me and my friends, when we got on our bikes, we would just ride," he recalled. "Sometimes we would even get lost, because we'd be gone for so long. But there was a sense of joy and comfort. There was nothing that really could stop us. We felt like we were on top of the world."

"It was a way of life. If you had a bike, it was a way to kind of let go and be free."

James couldn't remember the make of his first bike, which he said his mother, Gloria, got for him.

"I wish I could," he said. "I used to love those Mongoose bikes with the pegs on the back, and people used to ride [the pegs]. I loved those. And then a 10-speed that came out by Huffy—I remember that, being able to start changing gears. There were a lot of hills we used to ride [in Akron]—especially one hill called North Hill. It was a massive hill, and if you didn't have any gears, it was going to take you a long time."

As he got older, James said he began to turn to cycling as a way to maintain his fitness. This has continued into his NBA career, which is about to enter its 16th season.

You may remember seeing photos of James pedaling the streets of Miami on his way to Heat games at American Airlines Arena. James—along with his Heat teammate, Dwyane Wade—also participated in local Critical Mass rides, where hundreds of cyclists took over the roads in a show of group unity.

"We loved Critical Mass," James said of the event, which occurs in cities throughout the U.S., as well as globally. "It was the last Friday of the month."

(A quick bike-dork aside: It is pretty hardcore that LeBron James knows that Critical Mass is always the last Friday of the month.)

All right. I'm sure my fellow dorks want to know what is in James's bicycle inventory. I regret to tell you he doesn't possess a serious stable—yet. James still owns the burgundy-colored mountain bike he got from Cannondale during his first go-round with the Cavaliers. He also said he has a hybrid-style Cannondale that works well both on and off-road. "It's suited for anything," he said.

(That's a nice start, LeBron. From the sound of it, you could probably also use a road bike, a cyclocross bike, a gravel bike, a single speed, a folding bike and maybe a time-trial bike. You know, just to get started. Every cyclist knows the proper number of bikes to own is n+1.)

Here's some news: James is not afraid of spandex—he prefers to call them "tights"—but he has yet to discover the click-in magic of clipless pedals.

LeBron!

"I know," he said, almost regretfully. "A lot of friends have told me how cool it is, how much easier it is to pedal. But I've never done [it] before, not even on stationary bikes."

James said he's fired up about the cycling in his new home base of Los Angeles, where he will be joining the Lakers this season. (This was in the news, you can look it up.) L.A. sometimes gets a bad rap as a cycling city, but there's a lot of good riding in town, and tons of high-level cyclists.

"I've seen a few bike paths around Los Angeles," James said. "I know Santa Monica has a great bike path down there on the beach...I'm looking forward to that."

Would he consider riding to home games at Staples Center? "Oh my goodness," James said. "That would be a hump. I would be able to avoid the highway traffic, though."

Of course, he is LeBron James, one of the most famous people on the planet. I was curious: Can he still get on a bike and go for a ride without it becoming a giant scene?

"I can," he said. "Sometimes, it becomes a scene, but for the most part, I am able to enjoy it, to smell the air and kick back and remember the days when I was much younger, and there wasn't much of a scene, and it was just me and my friends."

That's what it's about, folks. He may be the best basketball player on the planet, but LeBron James also gets bikes.

FOOTBALL

THE NFL'S HELMET RULE RESULTS IN IDENTITY CRISIS

BY ANDREW BEATON

THE PIECE OF HEADWEAR that captures the melodrama surrounding the NFL's new helmet rule isn't a football helmet. It's a hat that belongs to Vikings safety Andrew Sendejo and carries a message that cuts to the core of the problem the league faces:

"Make football violent again."

The NFL, this off-season, imposed a new helmet rule aimed at protecting players by discouraging them from leading with their helmets. And since training camps began last month, the rule has been the focus of exasperation from players and coaches alike.

The backlash presents a peculiar reality for the NFL. The league has been assailed for years over safety issues, particularly pertaining to head injuries. These issues have cost the league big bucks: The league committed an estimated billion dollars to an ongoing settlement with former players over neurocognitive issues. They also have also created a headwind for the game's long-term future, with concerns beginning at the youth levels of the sport.

In response to those concerns, the league has taken various steps over the years to fund research, strengthen safety protocols and tweak the rulebook. This latest overhaul marks arguably the strongest measure yet in terms of affecting how the game of football is played.

The new rule penalizes players for lowering their heads to make contact with any part of an opponent's body, not just the head. The rule theoretically can be applied to the offense or defense, although using the helmet as a weapon has traditionally been a concern for defensive players and their tackling.

The reaction, however—including from the people the rule is designed to protect—has been at times severe.

If the penalty is called too

The Baltimore Ravens were called for two illegal helmet hits during last week's Hall of Fame game against the Bears.

much, star cornerback Richard Sherman said, it could "ruin the game."

"You just hope it's not called as frequently," Sherman said early in training camp. "They're trying to overcompensate for public opinion."

This is nothing short of an existential crisis for football. Everyone from parents to former players have clamored to make the game safer. But there's only so much that can be done without radically changing the sport.

To put it another way: Not everybody wants football to go soft.

"Nobody wants people getting hurt and people putting themselves in a risky position. There's a fine line to it," said 49ers coach Kyle Shanahan. "[The] thing is: It is a violent game, there's no doubt about it. That's why it's not for everyone. And I think it's also why people, America, loves it too."

The rule also is in one way reminiscent of the targeting rule that college football uses: Players can be ejected for these types of hits. But unlike in college, where targeting results in the automatic ejection of a player, ejection will be contingent on various criteria such as whether there was an "unobstructed path to his opponent" and whether the contact was "clearly avoidable."

This NFL rule, approved in March, comes after a year with a record number of recorded concussions. There were 281 concussions including the preseason and regular season in 2017, according to the league. (The higher number may be due to more vigilant protocols identifying concussions and not the fact that they are actually becoming more prevalent.)

The rule change doesn't only affect the type of jarring hits that fans typically associate with using the helmet as a weapon, such as a safety slamming a wide receiver over the middle of the field. It could reconstruct what it means to play offensive and defensive line.

According to the league's official fact sheet on the rule change: "Violations of the rule will be easier to see and officiate when they occur in open space—as opposed to close line play—but this rule applies anywhere on the field at anytime."

While the most violent hits may occur in the defensive backfield, basic line play in football frequently involves players—on both sides—ramming their heads into one another on every single play. And health experts have long pointed to repeated subconcussive hits, the type experienced by linemen in these situations, as a major point of health and safety concern. If enforced to the letter, this change could alter football's fundamentals so dramatically that trench play could look totally foreign—albeit safer.

There are players and coaches who have voiced support for the new rule. Others have said they're going to wait to evaluate it until they can see it play out practically.

There has been only one game so far for fans, players and coaches to do just that. In last week's Hall of Fame game, the Baltimore Ravens were whistled for two of these penalties. The strict enforcement left people wondering if this is how the penalty will be called during the regular season, or if the league is sending a message in preseason to get a point across.

Ravens coach John Harbaugh was one of the people who praised the rule when it was passed. After seeing it in action, he said he'd have to study the calls more closely before he made a proper evaluation. "I really don't know," he said.

The Return of James Monroe

GLOBAL VIEW
By Walter Russell Mead

"The era of the Monroe Doctrine is over," then-Secretary of State John Kerry told the Organization of American States in 2013. It was, like many foreign-policy declarations of the Obama years, gloriously optimistic and utterly wrong.

President James Monroe's declaration in 1823 that the U.S. would not permit the establishment of hostile powers in the Western Hemisphere has become the most famous idea in American foreign policy. The so-called Roosevelt Corollary of 1904 adds that if other nations in the Western Hemisphere default on their international obligations or endanger their neighbors through misgovernance, the U.S. has a "police power" to intervene.

Monroe's original doctrine and Roosevelt's extension have never been popular in Latin America, but U.S. presidents from Thomas Jefferson to Bill Clinton have taken an activist role in the region when they saw fit.

Latin America policy has set off one firestorm after another in U.S. politics, especially during the Cold War. Notable examples include the Eisenhower-backed coup in Guatemala; the Kennedy administration's Bay of Pigs fiasco; President Lyndon Johnson's deployment of troops to the Dominican Republic; the Nixon administration's opposition to Chile's Marxist government ahead of the 1973 coup; and President Reagan's Iran-Contra scandal.

Yet after the Cold War it seemed that U.S.-Latin American relations could relax. The fall of the Soviet Union reduced American concerns about Latin American leftism. Radical governments took power in countries like Ecuador, Bolivia and even Venezuela, but this didn't prompt a vigorous American response.

Meanwhile, some Latin American nations—most notably the regional giants of Mexico and Brazil—seemed to be completing a swift transition to modern democracy and stable growth. When Mr. Kerry proclaimed the death of the Monroe Doctrine in 2013, he did so on the belief that the U.S. not only faced no great-power competition in the region, but that the leading Latin American states had achieved such stability and prosperity as to make "policing" concerns obsolete.

The situation looks less rosy now. The main problem isn't Washington's Cold War nightmare of a triumphant Latin left spreading communism in the Western Hemisphere. It's precisely the opposite: The implosion of Venezuela's leftist government is driving a regional crisis. As waves of refugees flee the socialist utopia, bad actors ranging from Vladimir Putin to Hezbollah are nosing around in the ruins of the Bolivarian republic. This weekend's alleged assassination attempt against Venezuelan President Nicolás Maduro is a harbinger of more violence to come.

In better times, Venezuela's oil wealth allowed it to lavish aid on its neighbors. Now that aid is drying up. Choices are narrowing for

Latin America's crisis turns Washington's Cold War nightmare on its head.

countries like Nicaragua, where near-civil-war conditions exist, and Cuba. Farther north in Guatemala, where some of the world's highest homicide rates coincide with severe food shortages, asylum seekers stream toward the U.S. Washington can't ignore so much instability so close to home.

The growing interest in the region by revisionist powers like China, Russia and Iran adds another dimension to American concerns. With China seeking political influence through strategic investments in Argentina and elsewhere, and Hezbollah cutting deals with Venezuelan drug lords and politicians, the U.S. has to think once again about geopolitical competition in the Western Hemisphere.

The only practical alternative to increased American activism in the region is stronger leadership from Latin American powers. But the prospects for this are bleak. Mexico's new president appears determined to return to his country's traditional foreign policy of committed non-interventionism, verbal sympathy for the left, and measured distance from the U.S. Brazil is paralyzed by the implosion of its political class in a series of corruption scandals and spiraling polarization.

Mr. Kerry's post-Monrovian moment did not last. In February then-Secretary of State Rex Tillerson said the Monroe Doctrine is "as important today as it has ever been." That viewpoint has not changed under Secretary Mike Pompeo. If anything, the urgency of Latin American problems has increased.

A return to a more Monrovian hemispheric policy may be necessary at a time of intensifying geopolitical competition, but it will likely be costly. Many U.S. interventions, military and political, have exacerbated rather than solved the problems Washington sought to address while the polarizing domestic controversies they produced embittered American politics. The Trump administration faces stiff challenges in the region even as the global scene remains threatening; the return of James Monroe is not a sign that things are going well.

Bring Pastor Andrew Brunson Home

MAIN STREET
By William McGurn

When the Wicked Witch meets Dorothy in "The Wizard of Oz," she demands the ruby red slippers the Kansas farm girl is wearing. The Good Witch advises Dorothy otherwise. "Their magic must be very powerful or she wouldn't want them so badly," she says.

The Magnitsky Act is something like those ruby red slippers. Originally passed by Congress in 2012 and named for the Russian accountant found dead in his jail cell after exposing fraud involving Russian officials, it authorized the president to block travel visas and freeze bank accounts of individual Russians deemed guilty of human-rights abuses. In 2016 it was expanded so it could be applied to other human-rights abusers anywhere in the world. We know its power the same way we know about the power of Dorothy's red slippers: The bad guys obsess about it.

Plainly Vladimir Putin hates it. His representatives bring it up to American officials or would-be American officials any chance they get. This includes the infamous election-year Trump Tower meeting Donald Trump Jr. attended in expectation of getting dirt on Hillary Clinton.

Now it's the president of Turkey, Recep Tayyip Erdogan, who's howling. This past weekend he declared the Magnitsky sanctions "disrespectful." He did so after Donald Trump ordered them slapped on two senior Erdogan officials—his justice and interior ministers—for their roles in the arrest and detention of American pastor Andrew Brunson, who is no longer in prison but remains under house arrest.

Unlike previous presidents, Mr. Trump has elevated the cases of Americans unfairly locked up abroad. For the moment, Mr. Erdogan is resisting. Turkey, he says, has never "bowed our heads to such pressure" and never will.

On Saturday, Mr. Erdogan announced Turkey would be retaliating with sanctions on two unnamed Turkey officials, probably the attorney general and the secretary of homeland security. This gesture is all but meaningless unless Jeff Sessions or Kirstjen Nielsen have financial assets in Turkey or are itching to travel there.

We'll see whether Mr. Erdogan changes his mind, but it's encouraging to see the Magnitsky Act invoked on behalf of our fellow citizens. For today it isn't just American trade that is global, it's the American people. Though there are no hard figures on how many Americans live abroad, in 2016 the State Department reckoned it was at least nine million.

Add to this the millions more Americans who travel. Simply by being abroad, American citizens are more vulnerable to attack by terrorists or arbitrary arrest and detention by rogue regimes. The best way the U.S. government can help keep them safe is to make clear through word and deed that messing with the liberty of an American carries a high price.

Unfortunately, up to now apprehending and mistreating Americans has cost most nations very little. Iran is one of the worst offenders. Though most of the U.S. citizens detained in Iran were freed after

Trump's Americans First policy prioritizes freeing our citizens held hostage abroad.

the 2015 nuclear deal with the Obama administration, there was a notable exception: Robert Levinson. Secretary of State John Kerry failed to force Tehran to fess up about what happened to Mr. Levinson, a former FBI agent who went missing in Iran in 2007 while on a mission for the CIA.

When there are no consequences for arbitrarily throwing an American in jail, it creates an incentive for rogue regimes simply to take another American hostage whenever a new bargaining chip is needed. So even as five hostages were freed after the nuke deal, Iran now has in custody Iranian-American businessman Siamak Namazi and his ailing, 81-year-old father, Baquer Namazi, a former Unicef representative. The elder Mr. Namazi was arrested when he returned to Iran to try to secure his son's release. The family is hoping Mr. Trump will make good on his campaign promise not to allow Iran to get away with such outrageous behavior.

The most notorious case was North Korea's detention of student Otto Warmbier. Mr. Warmbier had been sentenced to 15 years of hard labor for trying to steal a propaganda poster. He was returned to the U.S. unconscious and unresponsive in June 2017 and died six days later. Since then, three other Americans held hostage in North Korea have been freed.

Amid the give and take of foreign policy, the plight of a single American can seem small and personal. Look at Turkey, a North Atlantic Treaty Organization ally whose help and cooperation the U.S. needs in Syria, Afghanistan, Iraq and Iran. There are legitimate reasons to work toward good relations with Turkey.

But not if it means abandoning a fellow American held overseas to the tender mercies of some thug government. So good for President Trump for using the tools given to him by the Magnitsky Act on behalf of Pastor Brunson. If America First means anything, surely it means a recognition that insisting on consequences for anyone who harms an innocent American abroad isn't an act of charity. It's the foundation for a healthy U.S. foreign policy—and a much safer world.

Write to mcgurn@wsj.com.

The Enemy of the T-Shirt

By Tunku Varadarajan

It took less than 24 hours for the Newseum, a Washington-based museum of news and free speech, to capitulate. Its crime, according to finger-wagging journalists? Lending support to Donald Trump in a tawdry quest for dollars.

On Friday the Poynter Institute, which describes itself as "the world's leading instructor . . . for anyone who aspires to engage and inform citizens in 21st century democracies," published an item on its website reporting that the Newseum's gift shop was selling T-shirts with the words "Fake News." That phrase has become a presidential shibboleth, used by Mr. Trump to disparage news that's unhelpful to him. The Poynter report was intended to elicit outrage from readers, who were told "you don't have to look very far to see how Trump's favorite catchphrases are being used to delegitimize the press."

The Poynter story was picked up by the New York Times, whose own reporter repeated that "fake news" had become "a rallying cry for President Trump and his supporters" to heap scorn on journalists. "So the idea that

In the name of free speech, journalists suppress a slogan.

the shirt would be sold at a museum that honors journalists seemed a bit confusing to some in Washington who practice that craft."

The Times proceeded to quote CNN's Jim Acosta, "a frequent target of the president," who said that if the Newseum was "that strapped for cash, I'm happy to make a donation." The Times also quoted the chairwoman for journalism ethics at the Poynter Institute: "I think it's very off message for a museum dedicated to press freedom to sell 'fake news' merchandise."

The Newseum abased itself the next day. In a press release titled "Statement on Store Merchandise," it said it had removed the T-shirts: "We made a mistake and we apologize. A free press is an essential part of our democracy and journalists are not the enemy of the people."

This sweeping mea culpa leads one to wonder how well the folks at the Newseum know their history. "Fake news" isn't Mr. Trump's own coinage. He first tweeted the phrase on Dec. 10, 2016, several months after his media detractors had used it as a barb against him. The modern paternity of the phrase, in other words, lies with the people who wanted to kill off the T-shirt.

But its first recorded use predates the Trump presidency by some distance. On June 7, 1890, the Cincinnati Commercial Tribune headlined a story thus: "Secretary Brunnel declares that fake news about his people is being telegraphed over the country."

That said, the main objection to the Newseum's decision isn't pedantic. It has misunderstood completely the semiotics of the T-shirt. Who takes a T-shirt's text literally? Wearers put them on for all sorts of reasons, frequently in pursuit of irony. Donning a T-shirt that blares "Fake News" on its front can just as easily be a subversion of the idea—a slap at Mr. Trump—as an endorsement of it.

You'd think the guardians of journalism would get that—even as they strong-arm a museum dedicated to free speech to pull a T-shirt whose message they dislike.

Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.

BOOKSHELF | By Marc Levinson

The Trouble Is Trans-Atlantic

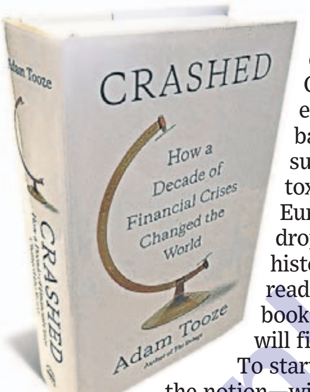
Crashed: How a Decade of Financial Crises Changed the World

By Adam Tooze
(Viking, 706 pages, $35)

In American eyes, the financial crisis that began in 2007 is old news. Our banking system is strong, General Motors is back in the black and the Federal Reserve is easing its way out of quantitative easing. With home prices soaring and employers desperate for workers, America's crisis is over—or so it seems.

But such a conclusion, Adam Tooze argues, is both simplistic and short-sighted. In "Crashed: How a Decade of Financial Crises Changed the World," he undertakes a sweeping examination of the global effects of America's enthusiasm for subprime mortgages. In the process, he rewrites the conventional history of a tumultuous decade and reconsiders the roots of a crisis that is still under way.

There have been many, many books about the financial crisis, but few, if any, have treated it as a world-wide event. Mr. Tooze, a Columbia University historian well versed in finance and economics, moves seamlessly from discussing the domestic pressures on German Chancellor Angela Merkel to explaining why Japan, whose banks owned little of the subprime paper that proved so toxic in the United States and Europe, suffered a far sharper drop in exports. This is economic history on an epic scale, and readers who persevere through the book's roughly 600 pages of text will find many surprises.



To start with, Mr. Tooze takes aim at the notion—widely accepted on this side of the Atlantic—that the subprime crisis has been vanquished and that some separate crisis, attributable to spendthrift governments and intra-European squabbles, still burdens Europe. Instead, he insists, the crisis has been a single and continuous event, caused not only by subprime mortgages but by the excesses of an undercapitalized international banking system abetted by weak regulation.

The irresponsible lending to homeowners who couldn't possibly repay was an American problem, Mr. Tooze notes, but much of the demand for the mortgage-backed securities into which those loans were bundled came from Europe, and the funds to purchase them came from deposits denominated in euros. When the underlying loans went bad and the securities cratered, U.S. banks could seek help from the Fed, but the European banks had no source of dollar-denominated funding. "In case of emergency, where would they get the dollars they needed?" Mr. Tooze asks.

The answer, he says, was the United States, which in effect bailed out Europe. Europe's central banks collectively held only a fraction of the dollars that they would have required to resolve their banking systems' problems. Enter "quantitative easing": Between 2008 and 2010, as the Fed purchased massive quantities of mortgage-backed securities, 52% of its purchases were from foreign banks, mainly European, which desperately needed the Fed's dollars to meet their commitments. The Fed also signed swap agreements that gave foreign central banks almost unlimited access to dollars that they could then use to aid troubled commercial banks. "The Fed, without public consultation of any kind, made itself into a lender of last resort for the world," Mr. Tooze writes.

The financial crisis was caused, in part, by the excesses of an undercapitalized international banking system—and it is not yet fixed.

Mr. Tooze's disappointment with Europe's inability to cope with the crisis is palpable as he takes us through seemingly endless negotiations that fail to resolve underlying problems. Years later, this "extend-and-pretend" approach to decision making has left Europe's financial institutions no stronger and its troubled economies no healthier than before. He is particularly critical of Germany's failure to take the lead in restoring economic growth as the crisis devastated Eastern Europe and tore Ukraine apart. The hard-nosed German response to Ukraine's plea for financial help in 2013, Mr. Tooze asserts, drove that country's government closer to Russia, contributing to the pro-Europe revolt that brought the overthrow of the government in Kiev in early 2014 and the Russian military intervention in Crimea that followed.

The world-wide economic crisis, Mr. Tooze argues, would have been far less severe had governments raced to pump money into their economies. It was China, he notes, that first acted in such a way to forestall an economic downturn in the autumn of 2008. Other countries that had no responsibility for the financial crisis, from Russia and Argentina to South Korea and Australia, followed with timely stimulus. Meanwhile, Republicans in Washington and Christian Socialists in Berlin insisted on limiting budget deficits at precisely the wrong time. "Earlier and more sharply than in any other recession in recent history, the fiscal screw was turned," Mr. Tooze asserts. "On both sides of the Atlantic the result was to stunt the recovery."

At times, Mr. Tooze lets his outrage get the better of him. He suggests that the United States might have shortened the crisis by nationalizing sick banks, but he fails to note that Britain and Germany achieved little by doing just that. His attempt to link the financial crisis to negotiations over a trans-Pacific free-trade area that would exclude China—viewing the proposal as the Obama administration's effort to restore the geopolitical power of an economically weakened America—is a stretch. At one point, he claims that the U.S. "pressured" Canada and Mexico to join in such an effort; at another, he says the U.S. "inveigled" them. Neither claim is supported by the sources that Mr. Tooze cites. Both countries, it is worth noting, recently signed such an agreement despite the withdrawal of the United States.

Nonetheless, Mr. Tooze has written a valuable book about the challenges of managing a tightly connected world economy. The questions he raises resonate in the Age of Trump. On July 15, the president told an interviewer, "I think we have a lot of foes. I think the European Union is a foe, what they do to us in trade." So ask yourself: If financial crisis strikes again, will we stand ready to bail out our foes? And if we don't, who will be better off?

Mr. Levinson's most recent book is "An Extraordinary Time: The End of the Postwar Boom and the Return of the Ordinary Economy."

OPINION

REVIEW & OUTLOOK

The New Tariff Bureaucracy

Tariffs are taxes, which distort investment and limit growth. And like taxes, when tariffs are high they create a political incentive for exemptions and favoritism. Behold the Commerce Department's new and tortuous process for reviewing exemptions to steel and aluminum tariffs. This is everything Republicans typically claim to hate.

* * *

First, companies must submit a request attesting that their imports aren't made in the U.S. in "a satisfactory quality" or "sufficient and reasonably available amount." Companies must state the uses for their steel product, their average annual consumption of the product, as well as the number of days required to take delivery, manufacture and ship the product. They must also estimate the maximum and minimum composition of 24 chemical elements in their products including molybdenum, antimony and vanadium. There are dozens of other queries, but we'll spare you.

Oh, and a separate request is required for *each* width, length, grade shape, and form of steel or aluminum product. A single company, Primrose Alloys, has submitted more than 1,200 steel product requests, according to Commerce's database. All 14 that have been reviewed so far were denied.

Businesses may also submit statements to support their requests, which naturally turn political. California Steel Industries writes that "our workforce is made up of about 50 percent minorities and 20 percent U.S. veterans. We pay excellent wages and benefits (annual average above $100,000), plus profit-sharing that has averaged more than $7,000 annually over the past five years. We offer outstanding benefits, including an onsite Family Health Center staffed with excellent doctors and nurses." Is it trying to recruit employees or persuade the bureaucracy?

Seneca Foods Corp., the largest vegetable canner in the U.S., highlights that it contracts with 2,000 agriculture producers and its primary facility is in Baraboo, Wisconsin—i.e., a swing state that voted for Mr. Trump. Seneca, like many U.S. steel consumers, has complained about the inferior quality of domestic supplies. Its customer product rejection rate for domestic suppliers was 32 times higher than for imports. Auto-parts maker O&K American says its reject rate for Japanese steel is 0.001% compared to 0.174% for U.S. supplies.

Product quality can be a matter of life-or-death. Autoliv, the world's largest manufacturer of seat-belt and air-bag components, notes that it requires a particular type of tubing involving "a specialized quenching and tempering operation to yield the desired [sic] microstructure" that ensures its pressure vessel "will work for 25 years under a variety of temperatures and humidity conditions."

Want a steel exemption? Meet your Commerce Department overlords.

Once exemption requests are filed, they are subject to a 30-comment period so U.S. steel and aluminum suppliers can object. Commerce had to provide a crash-course for four dozen or so workers tasked with reviewing the more than 21,000 requests. Many have no expertise in metals, so they rely on the not-unbiased counsel of domestic suppliers.

Commerce has granted more than 1,300 steel exemptions—about twice as many as it has rejected—but it has yet to approve a request challenged by U.S. Steel, Nucor or AK Steel Holding Corp., which have the ear of Commerce Secretary Wilbur Ross and U.S. Trade Representative Robert Lighthizer.

Domestic steel manufacturers say that they have the capacity to produce the steel products that are being imported. But as California Steel Industries noted in its exemption request, domestic mills "can and do choke off the supply of slab and thus can largely eliminate the competition."

Turkish steel-pipe manufacturer Borusan Mannesmann had pledged to invest up to $75 million in expanding production in Texas if it won an exemption. The new factory would have allowed the company to produce the products it now imports. But Commerce rejected its applications after U.S. Steel and a domestic tube manufacturer complained that the imports would endanger "the precarious U.S. industry situation."

Due to a huge backlog of applications, there's often a long lag between the filing of the request and its public posting. The review process is supposed to take only 90 days, but companies have to pay the tariff while bureaucrats sift through the paperwork. California Steel Industries requested an exemption in March. The request wasn't published until mid-May, with no decision posted to date.

* * *

This Commerce mess illustrates that in addition to the harm tariffs do economically, they also create new opportunities for crony capitalism and corruption. Far from draining the swamp, tariffs feed the swamp.

South Africa's Slide

South Africa needs another enlightened leader like Nelson Mandela, but it keeps electing imitations of Robert Mugabe. President Cyril Ramaphosa confirmed recently that his government plans to expropriate private property without compensation, following the examples of Zimbabwe and Venezuela.

President Ramaphosa tries the Zimbabwe and Venezuela way.

Mr. Ramaphosa says he wants "land reform" to "unlock economic growth, by bringing more land in South Africa to full use, and enable the productive participation of millions more South Africans in the economy." In his telling, South Africa's ills are related to the proportion of whites and blacks tilling the soil, not the economic mismanagement of predecessor Jacob Zuma or the ruling African National Congress (ANC).

Supporters of expropriation claim black South Africans own less than 2% of rural land, and less than 7% of urban land, thanks to apartheid-era policies. But the government's 2017 land audit used questionable data and underestimated land returned to blacks since the ANC won power in 1994. The Institute of Race Relations estimates black South Africans control 30% to 50% of the country's land.

Mandela insisted that land reform is best achieved through a "willing buyer, willing seller" principle, as it is in other democracies with a strong rule of law. When polled, the vast majority of blacks prefer cash instead of titles. Many black South Africans have streamed into cities to find jobs and better schools for their children.

But the ANC's Zuma-era economic follies left many of these migrants jobless, and sent crime rates rising. South Africa's economy shrank 2.2% in the first quarter, as investors and capital fled. The opposition Democratic Alliance now governs Cape Town, Johannesburg and Pretoria. Mr. Ramaphosa is promising more government spending to regain public support, but snatching private property is about as destructive a policy as there is. The ANC was founded as a revolutionary party, and the tragedy is that it won't let the revolution end.

Donald and the Di-Spy

Donald Trump couldn't resist commenting on the news that Democratic Senator Dianne Feinstein was the target of Chinese spying, but he missed the main point.

"I like Dianne Feinstein, I have to tell you, but I don't like the fact she had a Chinese spy driving her, and she didn't know it," Mr. Trump averred at a Saturday rally in Ohio, adding: "Then she says to me: 'Well, what did you know about this and that [Russia collusion]?' I mean, give me a break, c'mon folks."

But the issue here isn't what Mrs. Feinstein says about Mr. Trump; it's what the FBI told Mrs. Feinstein but didn't tell Mr. Trump.

Foreign countries are always trying to steal U.S. secrets, and they sometimes succeed. In this case Mrs. Feinstein tweeted over the weekend that the FBI approached her five years ago with concerns about an "administrative" staffer in her San Francisco office with "no access to sensitive information." She said she "learned the facts and made sure the employee left my office immediately."

This is what the FBI should do, and the question Mr. Trump should ask is why the bureau didn't treat him as a potential President with the same customary courtesy. The FBI claims it had concerns beginning in spring 2016 that low-level Trump campaign staffers Carter Page and George Papadopoulos were colluding with Russians. Yet rather than give the Trump campaign the usual defensive briefing, the FBI launched an unprecedented counterintelligence investigation into a presidential campaign, running informants against it and obtaining surveillance warrants.

The point Trump should have made about Sen. Feinstein and the FBI.

The country is still enduring the polarizing fallout from that decision through special counsel Robert Mueller's probe.

This disparate treatment is evidence that the FBI abused its authority in 2016, whether or not it acted with political bias. The bureau routinely warns politicians, campaigns and others about espionage threats. In Mrs. Feinstein's case, the bureau had located an actual spy—and then went directly and discreetly to the Senator.

In Mr. Trump's case, the FBI by its own admission was operating on nothing more than suspicions (many from the Clinton campaign-financed Steele dossier), and to this day the bureau has never presented definitive evidence of the campaign's collusion with Russia. Yet it launched a full investigation that it didn't disclose to Congress.

Mrs. Feinstein is also doing nobody a favor by downplaying this breach. She claims the driver never had access to "sensitive" information, but the infiltration of the staff of a Senator who serves on the Senate Intelligence Committee is no small matter. Who knows what the spying staffer was able to hear and report to China over the years?

The Russia probe has become such a partisan Beltway fixation that it obscures larger issues of governance that will outlast Donald Trump and Dianne Feinstein.

LETTERS TO THE EDITOR

Does Health Care Need to Cost This Much?

In "Why We Spend So Much on Health Care" (U.S. News, Aug. 1) the graphic comparison of health-care spending and life expectancy between the U.S. and selected OECD nations represents a massive wake-up call. Our nation's health care is the most important threat to our nation's autonomy. Our current strategy for health-care reform is unlikely to solve its cost and quality problems. As a result, the increasing portion of our nation's economy allocated to health-care spending will eventually, if not reversed, bankrupt our federal government.

We should all take a deep breathe and acknowledge our nation's long-term, future predicament. Our preoccupation with its cause is drowning out the reality of its future occurrence.

Paul J. Nelson, M.D.
Omaha, Neb.

Your timely article misses three key points on why the U.S. spends so much more on health care than other developed nations. First, our administrative costs are a much higher percent of spending owing to the multitude of payment systems for health-care costs from self-pay, to multiple insurance companies, to multiple government payment systems. Second, our physicians earn more than peers in other nations and our hospitals charge more, leading to much higher procedure costs. For example, the average cost of hip replacements in the U.S. ($29,000) was nearly double that of the U.K. ($16,300) in 2014 (Kaiser Family Foundation). Finally, unlike most other OECD nations, our government doesn't negotiate pricing with drug companies. Had your charts included these factors, readers would have an even better sense of why our health-care bills and share of GDP spent on health care exceeds that of other nations.

Kay Plantes, Ph.D.
La Jolla, Calif.

I will keep this article on health costs because of the density of information it contains regarding the financing of health care. One graph that I didn't see is the suicide and burnout rate of doctors, which I believe mirrors the unhappiness of patients. The other trend I didn't see documented is the increasing number of physicians employed by hospitals, which apparently has had no effect on decreasing health-care costs. The last graph does explain why health care will only deteriorate in the years ahead, documenting the increase in lobbying spending by the health-care industry.

Brian Kent, M.D.
Tulsa, Okla.

The most instructive point in your analysis of health-care costs is with respect to consolidation and how that drives up prices. True enough, but the entire system is rigged to let the hospitals avoid competition. States adopted certificate-of-need laws starting in the 1960s and that limited the availability of beds and other hospital services. That regulatory burden protected the hospitals from competitive forces by prohibiting new hospitals and services unless they could demonstrate a need, of course, adopted with good intentions. The assumption was that unlimited access would drive up costs for care. It had the opposite effect—the limitation on new hospitals and services entrenched the current providers and permitted them monopoly (or at least oligopoly) pricing power. The added consolidation is only heightening the impact.

The irony is we know (and your article implies it) that increased competition, not reduced competition, will have a damping effect on pricing. So eliminate the certificate-of-need requirements and we'll see how the market will work to reduce pricing.

Jay Kirschbaum
Chesterfield, Mo.

Fertility Issue? U.S. Population Is Growing

Leonard M. Lopoo and Kerri Raissian suggest "Washington is Biased Against Babies" (op-ed, July 26) and "Government Subsidies Won't Raise Fertility" (Letters, Aug. 2) ignore a fundamental demographic reality. The U.S. population is increasing, not decreasing. According to the U.S. Census Bureau, America is now the third most populous country in the world.

The U.S. population in 1970 was 203 million according to the U.S. Census Bureau. On Aug. 2, 2018, the population exceeded 328 million according to the U.S. Census Population Clock. This large population increase occurred despite a decrease in total fertility rate to less than 2.1.

The discrepancy is explained by considering migration. Although fertility versus mortality is fundamental in determining population dynamics, this basic calculation does not consider immigration versus emigration. The U.S. population is increasing because of net immigration. As a result, it is unlikely that the country's vitality will be threatened by underpopulation. Instead it will be threatened by unsustainable overpopulation.

This is apparent to anyone who now lives in the Denver metroplex which is growing by 10,000 new arrivals monthly. The associated degraded quality of life becomes obvious to everyone sitting in stalled traffic on I-25 or I-225, just one unfortunate 24/7 reality of Denver's staggering overpopulation.

Paul Russ
Englewood, Colo.

Will This Time Be Different for Yield Curve?

Regarding Burton G. Malkiel's "An Inverted Yield Curve May Not Portend Doom" (op-ed, July 31): Perhaps the shape of the yield curve is less important than the area under it, as in integral calculus. Borrowers use the whole yield curve, and other things being equal, higher rates at any point of the yield curve represent more restrictive conditions. In the past, with central banks controlling just short-term rates, a flat or inverted curve generally only signified higher short-term borrowing costs, which restricted growth. If long rates were falling it was because the Fed had overdone it on the short end, causing a slow down. In contrast, today, the Fed could, for instance, increase the pace of long-dated securities sales, raising long-term rates and steepening the yield curve, but this would be negative factor for future economic growth, not a positive sign as a steep yield curve had formerly suggested.

Regarding the level of interest rates, I am not sure if Prof. Malkiel appreciates the underlying fragility of the U.S. economy, which is burdened by a large and growing federal debt, high levels of corporate debt and many unfunded pensions. His reliance on real rates of return was a reasonable approach when government debt was at lower levels in proportion to GDP. Today, for first-world countries, as government debt ratios have risen markedly, fair real rates of return are less applicable and take a back seat to debt service parameters. With inordinate debt levels and minuscule rates, Japan is the epitome of this situation. Higher rates on government borrowing simply become unsustainable. Unfortunately, with high and rising debt, the U.S. is on a similar, though less extreme, path.

With a double dose of continued contractionary Fed monetary policy under way (short-term rate increases and Fed balance-sheet portfolio sales raising intermediate and long-term rates), this time may well be different—worse, that is, as the area under the yield curve grows even faster.

Paul Matten
Naples, Fla.

Even if this time is different, investors won't perceive it as different. Even if this time is really different, it may be not be different enough, that is, the inverted yield curve may not herald a full recession but may put in motion recessionary pressures on the economy and push investors to reduce their investments.

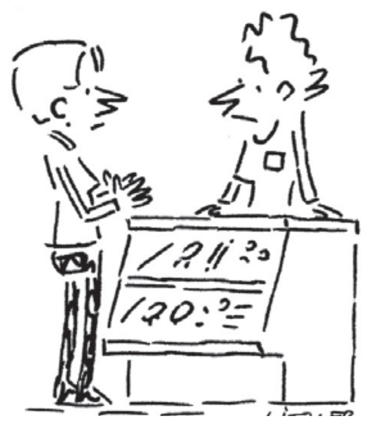
Either way, an inverted yield curve, real or perceived, doesn't bode well for investors and the U.S. economy.

Avarahm Shama
Albuquerque, N.M.

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.

Pepper ... And Salt

THE WALL STREET JOURNAL



"She's a dear friend. I'd like to give her something she'd be proud to re-gift."

A Moment of Honesty From Chuck Schumer

By Chuck Grassley

Americans trust politicians about as much as they trust used-car salesmen, and it's understandable that voters view what my colleagues and I say and do through a skeptical lens. But elected officials can also exhibit moments of exceeding honesty.

On July 10, the morning after President Trump nominated Judge Brett Kavanaugh to the Supreme Court, Senate Minority Leader Chuck Schumer said he'd oppose the nomination "with everything I've got." If the weeks since are any indicator, we should believe him.

He admits his mind is made up on Kavanaugh. That means his document demands are in bad faith.

Immediately after news broke that Justice Anthony Kennedy was retiring, Democrats demanded that the president wait until the next Congress to appoint a replacement. They cited the "Biden rule," a precedent based on then-Senate Judiciary Committee Chairman Joe Biden's 1992 pronouncement that his committee would wait until after the heated presidential election season to consider any Supreme Court nomination. This year is a midterm election year, not a presidential one. Most Democrats have abandoned the talking point, but they haven't abandoned the goal of delaying the process.

Presumably, Mr. Schumer announced that he would oppose Judge Kavanaugh's nomination before he read the judge's 307 written opinions and the many other opinions he joined. Certainly, it was before he reviewed the more than 17,000 pages Judge Kavanaugh provided to the committee in response to our bipartisan questionnaire and an estimated one million pages of documents the committee has requested from the Bush White House, where Judge Kavanaugh once worked.

Democratic leaders are demanding access to every page from every email and every paper record from every one of the hundreds of White House aides who came and went during the entire eight years of President Bush's time in office. This includes records that merely mention Judge Kavanaugh's name and records he's never seen. That is not reasonable. As I have made clear, I will not put taxpayers on the hook for a fishing expedition.

These documents include those from Judge Kavanaugh's time as White House staff secretary, a post that manages the paper flow into and out of the Oval Office. They are both the least relevant documents to the nomination and the most sensitive to the executive branch, two

GETTY IMAGES

Schumer flanked by Sens. Sheldon Whitehouse and Patrick Leahy, July 24.

considerations that have guided previous review processes. They're extremely sensitive because they contain policy advice that went directly to President Bush, and the policy directives that came directly from him, on the full range of presidential responsibilities, including national security.

The staff secretary is an important position, but it's decidedly less revealing of Judge Kavanaugh's legal thinking than his 12 years as a judge on the U.S. Circuit Court of Appeals for the District of Columbia and his legal service in the White House Counsel's Office and the Office of Independent Counsel—roles in which he acted as a lawyer.

The staff secretary documents consist largely of materials Judge Kavanaugh didn't write. They were prepared by policy advisers across the executive branch. The materials are also saturated with irrelevant documents—including miscellaneous news clippings, the daily schedule, and even the White House lunch menu.

The number of pages would range in the millions, an unprecedented document dump that would take well into next year to review. And that's exactly what Democratic leaders want and have wanted all along. Within hours after Justice Kennedy announced his retirement, Democrats telegraphed their strategy to block Mr. Trump from appointing a replacement. Their objective is to delay the confirmation process until after the midterm elections, with the hope of taking control of the Senate. My Democratic counterpart on the Judiciary Committee's hometown newspaper, the San Francisco Chronicle, put it quite succinctly: "Feinstein, other Senate Dems have plan on Brett Kavanaugh nomination: Stall."

So recent complaints from Mr. Schumer and other Democrats about the scope of records requests ring hollow, especially coming from senators who have already declared their opposition to Judge Kavanaugh and initially refused even to meet with him.

Democrats' arguments have changed, but their goal hasn't. First, it was a misrepresentation of the Biden rule—whose existence they denied in 2016. Now, it's a manufactured document fight. Both arguments have been made with the aim of stalling the confirmation process until after midterms.

The next time you hear complaints about the Senate Judiciary Committee's vetting process—the most extensive and transparent in history—remember Mr. Schumer's pledge to oppose Judge Kavanaugh with everything he's got. How much more do Democratic leaders need to know when they're already voting no?

Mr. Grassley, an Iowa Republican, is chairman of the Senate Judiciary Committee.

Arab Leaders Need to Step Up to Avert War in Gaza

By David Makovsky And Ghaith al-Omari

Diplomatic efforts continue to reach a cease-fire and end the current clashes between Israel and the Palestinians in Gaza. The hope is to avert what would be the fourth Israel-Hamas war in the past 10 years.

Even if a cease-fire is reached, the resumption of significant international aid to Gaza will probably require a return of the Palestinian Authority, which was violently expelled by Hamas in 2007. Yahya al-Sinwar, who has been the leader of Hamas in Gaza since 2017, has said he would like the PA to come back. The catch? He wants Hamas to keep its weapons.

The Palestinian Authority's President Mahmoud Abbas sees a trap. He fears the PA will be stuck with all of the responsibility in Gaza while Hamas retains all of the authority—as with Hezbollah in Lebanon. Thus, he has been willing to call publicly on Hamas to surrender its weapons. An official with the Israel Defense Forces tells us Mr. Abbas has slashed the monthly funds sent to Gaza from $112 million to $84 million. This has generated some backlash, including rare demonstrations in the West Bank city of Ramallah urging Mr. Abbas to transfer more money.

The situation in Gaza is bleak. The territory gets only about four hours of electricity a day, and its economy hardly functions. United Nations officials tell us Gazans earn less than

Hamas refuses to disarm, but pressure from outside could help strengthen the Palestinian Authority.

$3.50 a day on average, one-third of West Bank wages. Israel, which sees Hamas as sworn to its destruction and has had to defend against frequent rocket fire on its cities, maintains many restrictions on Gaza. Egypt does as well, given that Hamas is part of the banned Muslim Brotherhood network and has ties to jihadists operating in Sinai.

Egypt has been spearheading the effort to bring the Palestinian Authority back to Gaza. Having concluded that the immediate disarmament of Hamas is unrealistic, Cairo is focused on restoring the PA as the legitimate address for substantial aid, hoping that will alter the political dynamic. Mr. Abbas is abysmally unpopular in Gaza because residents believe he is indifferent to their suffering, but returning at the head of aid convoys could change that perception. Once sentiment turns in his favor, Egypt believes Mr. Abbas may have greater success in calling for disarmament.

Yet Mr. Abbas, 83, may not have time for such long-term political maneuvers. He also has every reason to be skeptical that Hamas will be more willing to disarm down the road. How to square the circle? The answer may be to apply pressure on both sides.

Egypt, with backing from the Arab League or countries such as Saudi Arabia, the United Arab Emirates and Jordan, could make a clear statement declaring Hamas's weapons to be illegitimate, echoing publicly what Mr. Abbas has repeatedly urged for Gaza: "One authority, one gun, one law." This would make clear that Arab leaders will not legitimize a perpetually armed Hamas, in keeping with the sentiment that led the Arab League in 2016 to designate Hezbollah as a terrorist entity. Explicit Arab condemnation of Hamas would have far wider resonance than American and Israeli denunciations. It would also isolate countries that support Hamas, including Qatar.

Meanwhile, Arab states should remind Mr. Abbas that he does not have the luxury of staying out of Gaza, since Hamas cannot effectively be delegitimized unless the PA returns. Accordingly, they should signal their willingness to bypass him and Hamas altogether by helping international bodies provide direct aid to Gaza. This is not the ideal path, but the message needs to be clear: Arab leaders will keep pressuring Hamas indefinitely to disarm, but only if Mr. Abbas returns.

If the PA resumes control in Gaza, donor countries will need to make good on aid pledges they made years ago, and Egypt will have to be more open about the Rafah border crossing. Yet this effort cannot succeed unless Israel finds a way to loosen its restrictions significantly on the movement of goods and people without endangering its security. A more stable Gaza is certainly in Israel's interest, both to avert war and to halt a public-health crisis. At one point last year, Gaza was dumping an estimated 25 million gallons of raw sewage into the Mediterranean each day, forcing Israel to close beaches and desalination facilities in the adjacent city of Ashkelon temporarily.

Arabs and Israelis alike want to prevent another war in Gaza. But success will require many parties—Arab states, Mr. Abbas, international donors, Hamas and Israel—all to realize that they have a vital role to play in alleviating the territory's misery.

Mr. Makovsky was on the U.S. Middle East peace team in 2013-14. Mr. al-Omari served as adviser to the Palestinian negotiating team in 1999-2001. They are senior fellows at the Washington Institute for Near East Policy.

Hardly Anyone Wants to Admit America Is Beating Poverty

By Bruce D. Meyer And James X. Sullivan

'Based on historical standards of material well-being and the terms of engagement, our War on Poverty is largely over and a success." This statement—from a recent report of the White House Council of Economic Advisers, advocating work requirements to benefits for some able-bodied, working-age adults receiving economic assistance—has attracted much media attention. Unfortunately, most commentators have focused on the "largely over" phrase, neglecting the CEA's important insight about the success of U.S. welfare programs.

As authors of much of the research on which the CEA statement was based, we are not surprised by this reaction. Most liberal pundits argue that poverty is still a huge problem and that current programs are insufficient. Their conclusion: We shouldn't change our welfare programs, except possibly to expand them. Those on the right, meanwhile, have argued that the U.S. has spent trillions to no effect.

In fact, poverty has declined significantly over the past 50 years, but neither side has recognized the major progress that has been made. So it is heartening to see that the White House, through the CEA, has taken the step of recognizing that progress—and recommending that the existing safety net be adapted and improved in light of it.

Why has this progress been ignored for so long? A key reason is that our main measuring stick for assessing the effect of government programs, the "official poverty measure," indicates very little improvement since the early 1970s. But this measure is misleading for three reasons.

First, the official income measure does not count in-kind benefits, like the Supplemental Nutrition Assistance Program (food stamps) and housing benefits, or tax benefits, like the earned-income tax credit, which allocated $65 billion to low income workers last year. Over the past 40 years America's safety net has shifted substantially toward programs such as these and away from traditional cash-transfer ones. Excluding them misses the impact of some of the most successful antipoverty tools.

Second, the official poverty measure relies on incomplete survey data. Americans are less willing today to take the time to respond accurately to government interviewers, probably for the same reasons

The White House tells the truth, but partisans on both sides are wedded to the idea of failure.

that fewer than 1 in 10 answers opinion pollsters. In recent years the official poverty survey registered only half of the cash welfare the government paid out.

Third, the official measure accounts for inflation using the Consumer Price Index for all Urban Consumers, or CPI-U, a benchmark that does not accurately reflect the influence of new consumer products, changes in the quality of goods, or the shift to low-cost stores. While such errors in accounting for inflation have only a small effect on changes from one year to the next, they accumulate over decades and substantially alter long-term trends.

Instead of focusing on reported incomes, our work measures poverty based on consumption: what food, housing, transportation and other goods and services people are able to purchase. This approach, which captures the effect of noncash programs and accounts for the known bias in the CPI-U, demonstrates clearly that there is much less material deprivation than there was decades ago.

Other indicators support this finding. According to the American Housing Survey, the poorest 20% of Americans live as the middle class did a generation ago as measured by the square footage of their homes, the number of rooms per person, and the presence of air conditioning, dishwashers and other amenities. In terms of housing problems like peeling paint, leaks and plumbing issues, today's poor haven't quite matched the living standards of the 1980s middle class, but they are getting close.

Fighting poverty requires knowing its extent and among whom it is most severe. Modern antipoverty efforts should promote self-sufficiency. This can be accomplished through work requirements, as well as by helping low-skilled individuals find jobs, offering public employment in targeted cases and helping low-income parents secure child care.

At the same time, the safety net should ensure that those who are unable to work have access to sufficient resources to meet their basic needs. Encouraging self-sufficiency used to be a bipartisan issue; it can be again.

Mr. Meyer is a professor of public policy at the University of Chicago and a visiting scholar at the American Enterprise Institute. Mr. Sullivan is a professor of economics at the University of Notre Dame and director of the Wilson Sheehan Lab for Economic Opportunities.

THE WALL STREET JOURNAL.
PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch, *Executive Chairman, News Corp*
Robert Thomson, *Chief Executive Officer, News Corp*
Matt Murray, *Editor in Chief*
William Lewis, *Chief Executive Officer and Publisher*

Karen Miller Pensiero, *Managing Editor*

Jason Anders, *Chief News Editor;* Thorold Barker, *Europe;* Elena Cherney, *Coverage Planning;* Andrew Dowell, *Asia;* Neal Lipschutz, *Standards;* Meg Marco, *Digital Content Strategy;* Alex Martin, *Writing;* Michael W. Miller, *Features & Weekend;* Shazna Nessa, *Visuals;* Rajiv Pant, *Product & Technology;* Ann Podd, *News Production;* Matthew Rose, *Enterprise;* Michael Siconolfi, *Investigations;* Nikki Waller, *Live Journalism;* Stephen Wisnefski, *Professional News;* Carla Zanoni, *Audience & Analytics*

Gerard Baker, *Editor at Large*

Paul A. Gigot, *Editor of the Editorial Page;* Daniel Henninger, *Deputy Editor, Editorial Page*

WALL STREET JOURNAL MANAGEMENT:
Joseph B. Vincent, *Operations;*
Larry L. Hoffman, *Production*

DOW JONES MANAGEMENT:
Mark Musgrave, *Chief People Officer;* Edward Roussel, *Chief Innovation Officer;* Anna Sedgley, *Chief Operating Officer*

OPERATING EXECUTIVES:
Ramin Beheshti, *Product & Technology;* Kenneth Breen, *Commercial;* Jason P. Conti, *General Counsel;* Tracy Corrigan, *Chief Strategy Officer;* Frank Filippo, *Print Products & Services;* Steve Grycuk, *Customer Service;* Kristin Heitmann, *Chief Commercial Officer;* Nancy McNeill, *Advertising & Corporate Sales;* Christina Van Tassell, *Chief Financial Officer;* Suzi Watford, *Chief Marketing Officer;* Jonathan Wright, *International*

DJ Media Group: Almar Latour, *Publisher*
Professional Information Business: Christopher Lloyd, *Head;* Ingrid Verschuren, *Deputy Head*

EDITORIAL AND CORPORATE HEADQUARTERS:
1211 Avenue of the Americas, New York, N.Y., 10036
Telephone 1-800-DOWJONES

DOW JONES News Corp

Notable & Quotable: A Liberal for Kavanaugh

Lisa Blatt writing at Politico.com, Aug. 2:

Sometimes a superstar is just a superstar. That is the case with Judge Brett Kavanaugh, who had long been considered the most qualified nominee for the Supreme Court if Republicans secured the White House. The Senate should confirm him.

I have argued 35 cases before the Supreme Court, more than any other woman. I worked in the Solicitor General's Office for 13 years during the Clinton, Bush and Obama administrations. Because I am a liberal Democrat and feminist, I expect my friends on the left will criticize me for speaking up for Kavanaugh. But we all benefit from having smart, qualified and engaged judges on our highest court, regardless of the administration that nominates them.

What happened to Merrick Garland was a disgrace. His nomination was the Democratic equivalent of Kavanaugh's. Garland, too, is brilliant, admired, experienced, sober and humane. Indeed, Kavanaugh himself called Garland "supremely qualified" for the Supreme Court. . . .

But unless the Democrats want to stand on the principle of an eye for an eye—and I don't think they should—folks should stop pretending that Kavanaugh or his record is the issue. He is supremely qualified. Although this fact is distressing, Republicans control both the White House and Senate. In comparable circumstances, when President Barack Obama was in office, our party appointed two justices to the Supreme Court. . . .

It's easy to forget that the 41 Republican senators who voted to confirm [Ruth Bader] Ginsburg knew she was a solid vote in favor of Roe, but nonetheless voted for her because of her overwhelming qualifications. Just as a Democratic nominee with similar credentials and mainstream legal views deserves to be confirmed, so too does Kavanaugh—not because he will come out the way I want in each case or even most cases, but because he will do the job with dignity, intelligence, empathy and integrity.

INDONESIA WATER POLICE/AGENCE FRANCE-PRESSE/GETTY IMAGES

ZABUR KARURU/ANTARA FOTO/REUTERS

People on Monday evacuated Indonesian communities near Lombok island, where a deadly earthquake hit Sunday. A man, right, plucked a bicycle from the ruins.

Tourists Flee Indonesian Island

BY BEN OTTO AND I MADE SENTANA

TANJUNG, Indonesia—Thousands of tourists fled the island of Lombok while emergency crews evacuated local people from flattened areas following a powerful earthquake that killed around 100 people and cut electricity across a wide swath of the Indonesian island.

Airlines added 18 flights Monday, and officials said that the island's international airport would be open nonstop for 72 hours. Hundreds of people were waiting in lines at the airport during the afternoon, and many travelers were told flights were booked out for the next week.

Sutopo Purwo Nugroho, spokesman for Indonesia's disaster mitigation agency, said that hundreds of aftershocks could be expected and that search-and-rescue workers hadn't yet reached some areas hardest hit by the 7.0 magnitude quake that struck Sunday evening. "The number of victims and damage from Sunday's quake will likely continue to grow," he said.

The quakes deal a fresh blow to Indonesia's attempts to build up a tourism industry, which lags behind neighbors like Thailand and Singapore. Efforts have focused in part on Lombok as a less-crowded, cleaner version of neighboring Bali, and a new airport and roads have been built. But the area has taken a hit recently with earthquakes and eruptions from a volcano in Bali.

When the quake struck, homes collapsed, cracks fractured the walls of hotels, and glass from shattered windowpanes littered popular areas along Lombok's scenic northwestern coast. In several sections of the coastal highway, deep cracks stretched across both lanes.

Authorities declared emergency status for the hardest-hit northern and eastern parts of the island, with officials estimating that more than 3,000 people had been displaced. A 6.4-magnitude quake July 29 caused landslides, killed at least 20 people and displaced thousands while temporarily trapping hundreds of hikers near the island's highest peak.

In the town of Tanjung, local residents lined up by the hundreds for government trucks and buses to take them to evacuation centers in Mataram, the capital of West Nusa Tenggara province. A police chief said people inland were running out of clean water. Electricity and cellular services were out in many areas.

On the scenic Gili islands—low-lying islets just off Lombok's northwest coast—2,700 tourists were taken by boat in a daylong ferrying effort to the main island. After reaching Lombok, tanned and tired Gili travelers, many of them young and with backpacks, told their stories while trying to book flights and ferries to Bali and overseas.

After earthquake, officials say searchers haven't yet reached hardest-hit areas.

Daniel Carnegie, a British tourist, had been on a beach on the island of Gili Air talking to friends after sunset. "Then all the bugs and crickets went quiet, and about five seconds later the quake hit," he said. The power then went out.

Solyne Riou, from France, was in a bungalow and could scarcely find her balance to get out of the room. "It took 10 seconds to get the door unlocked and open," she said.

Outside, Ms. Riou collapsed on the ground as the bungalow swayed behind her. She joined dozens of guests and hotel staff in running inland when they learned a tsunami warning had been issued. She ran away from the shore barefoot, her shoes still in the bungalow.

"The scariest part was waiting for the tsunami," Ms. Riou said. "We'd survived the earthquake, but the tsunami was worse because if there was a wave we would just die.

"We didn't know when it was coming, or how big it would be," she said. The warning was eventually withdrawn.

The group spent the night outside on chair cushions, sleeping fitfully amid aftershocks and mosquito bites. They were unwilling to return to buildings they couldn't check for damage in the dark. The next morning, hotel staff said the island was being evacuated.

Many people had a difficult time making it to the airport; people coming from the Gilis said some taxi drivers tried charging hundreds of dollars per person, about 10 times the usual $20 for an entire taxi. Some waited hours or walked until they found taxis willing to go for a lesser price.

On Monday night, Lombok's north coast was dark. Most hotels were closed, citing damage to buildings and a lack of electricity.

One open five-star hotel served only fried rice to guests and cordoned off a dining area because ceiling artwork had come loose.

Thousands of tourists decided to cut their stays short given the lack of facilities.

Frederik Söderberg of Sweden was spending his first night at a small hotel in the beachside town of Senggigi when the quake hit. A hotel generator powered on even as the village lights below went black.

The hotel cut the generator Monday to save fuel. Mr. Söderberg booked a flight to Malaysia and said he planned to extend his travel there or in Thailand.

Aftershocks weren't a big problem, he said, but "it's kind of hard to relax when the power's out."

Politician's Talk Tests Hong Kong Autonomy

BY NATASHA KHAN

HONG KONG—A planned talk by the leader of a tiny political group promoting Hong Kong's independence from China is becoming a test of the city's autonomy from Beijing.

The Foreign Correspondents' Club, Hong Kong invited Andy Chan to speak after police recommended his two-year-old Hong Kong National Party be disbanded under laws that are also applied to organized criminal gangs. Local officials criticized the invitation as offering a platform to separatist ideas, and the club says China's Foreign Ministry sent a representative to urge cancellation.

The ministry said Friday that it "resolutely opposes any external forces that provide a platform for those advocating 'Hong Kong independence.' "

The club has defended the talk citing freedom of speech, which is enshrined in the mini-constitution that guarantees rights and freedoms in the former British colony until 2047, half a century after China regained sovereignty.

On a visit to Hong Kong last year, Chinese President Xi Jinping said promoting independence crosses a "red line."

Hong Kong's chief executive, Carrie Lam, said Sunday that her government won't tolerate advocating independence. On the club's decision to host Mr. Chan on Aug. 14, she took a more moderate line than Beijing, though she called the club's action "inappropriate."

Mr. Chan said he is fighting for "freedom, dignity and human rights," adding that he cofounded the party to protect the identity, language and culture of Hong Kong.

His party has until Sept. 4 to respond to a dossier compiled by police, which has recommended it be dissolved.

TECHNOLOGY: SILICON VALLEY UNLINKS FAR-RIGHT WEBSITE B4

BUSINESS & FINANCE

S&P 2850.40 ▲ 0.35% S&P FIN ▲ 0.43% S&P IT ▲ 0.59% DJ TRANS ▲ 0.58% WSJ $ IDX ▲ 0.30% LIBOR 3M 2.343 NIKKEI (Midday) 22562.10 ▲ 0.24% See more at WSJMarkets.com

DOJ Scorns Judge in AT&T Case

By Brent Kendall

WASHINGTON—The Justice Department argued Monday that a trial judge ignored "fundamental principles of economics and common sense" when he allowed **AT&T** Inc.'s acquisition of **Time Warner** Inc., as a host of new details about the antitrust trial became public for the first time.

The government's arguments came in a brief filed in federal appeals court, where the Justice Department continues to challenge the more than $80 billion cash-and-stock deal—even after the companies completed the transaction in June upon winning a six-week trial.

U.S. District Judge Richard Leon had ruled for the companies, saying the government didn't come close to proving its claims that the deal would yield higher prices and less competition in the pay-TV industry. But the Justice Department called the decision erroneous in its brief filed Monday with the U.S. Court of Appeals for the District of Columbia Circuit.

The department said the judge ignored the fact that corporations will do what they can to maximize profits and instead accepted without reservation the testimony of defendants' executives.

AT&T responded quickly. "Appeals aren't 'do-overs,'" AT&T general counsel David McAtee said in a statement. "After a long trial, Judge Leon weighed the evidence and rendered a comprehensive 172-page decision that systematically exposed each of the many holes in the government's case. There is nothing in DOJ's brief today that should disturb that decision."

AT&T is scheduled to file its own brief by Sept. 20.

At trial, the Justice Department argued the merger would give AT&T the power to suppress competition because it would be a top distributor of pay-TV service as well as the owner of top content. That content includes channels like Time Warner's HBO and the Turner networks, which are needed by rival cable and satellite distributors, the department said.

AT&T and Time Warner argued their deal would combine complementary companies and position them to compete in an age where consumers are dropping traditional cable and satellite services to watch video over the internet. They said the merger wouldn't give them additional leverage to force higher prices on rival distributors or consumers.

AT&T completed the transaction two days after Judge Leon's June 12 ruling.

Most legal observers believe

Please turn to page B2

◆ Heard on the Street: Figuring odds in AT&T appeal........ B12

GM Steers New Path On Health Benefits

By Anna Wilde Mathews

General Motors Co. has struck a deal with a Detroit-based hospital system to offer a new coverage option to employees, upending the traditional benefits setup in an attempt to lower costs and improve care.

The auto maker's agreement with **Henry Ford Health System** covers everything from doctor visits to surgical procedures. By signing a contract directly with one health-care provider, as other companies have done, GM says it can offer a plan that costs employees less than other options while also promising special customer-service perks and quality standards.

GM's new approach is a departure from the traditional health-benefits arrangement in which companies hire insurers for access to a broader network of health-care providers. In those cases, insurers negotiate the prices with hospitals, doctors and other providers, and the employers rarely have access to the terms that govern their medical costs.

By doing a direct deal, "we are able to specifically focus on the conditions in the GM population and what we want to improve on," said Sheila Savageau, U.S. health-care leader for GM. For health-care providers, such contracts can guarantee a volume of patients and give them a chance to try a new setup—without betting their entire business on rapid transformation to perform well under new quality requirements and payment models.

GM is the latest of a growing list of employers that are choosing to negotiate their own terms with health-care providers. Some, such as Walmart Inc., have crafted limited direct deals with hospital systems to perform a particular type of procedure, such as back surgeries.

A smaller number of companies, including Walt Disney Co., Boeing Co. and Intel Corp., have taken the more ambitious approach of having the health-care provider manage nearly all of the care of enrolled employees. Such arrangements are typically complicated to administer and generally work only if an employer has a sizable employee base in one region, experts said.

Still, 11% of employers said they plan to do such broad deals with health-care providers next year, according to a survey of 170 large employers to be released Tuesday by the National Business Group on Health. That is up from 3% in last year's poll, the group said. As more high-profile compa-

Please turn to page B5

STREETWISE
By James Mackintosh

Fret About Interest Rates, Not Stimulus

More money is good, less money is bad. That's the basic principle of an increasingly popular case for being bearish: The Federal Reserve is putting quantitative easing into reverse, removing trillions of dollars it printed to support the economy.

The case doesn't stand up to close scrutiny, however. There are good reasons to worry about tighter monetary policy, but the focus should be on the price of money—interest rates—not the amount of money.

The bear case runs like this. The Fed has bought more than $3.5 trillion of Treasurys and mortgage-backed bonds since 2009. The flood of liquidity overflowed from the bond market to boost the price of stocks, speculative commodities and even art.

Now that the Fed is selling what it bought, that tide runs back out. The effects are already showing up in the riskiest places, notably emerging markets.

The theory typically gets wrong how money enters the economy, by confusing central-bank money—deposits at the Fed, held as reserves in the banking system—with the ordinary money we use every day, which is actually a credit on a commercial bank.

The only way ordinary investors and most other nonbanks can hold Fed money directly is in physical dollar bills, and the Fed hasn't been printing any more of them than usual.

The Fed's bond-buying program did boost the amount of ordinary dollars available: When the Fed pays a non-bank investor for a bond, it does so by crediting his or her bank with more reserves; the bank in turn credits the investor with more ordinary money in the form of a bigger account balance.

There's no money creation, though, if banks sell their own holdings of Treasurys to the Fed, or if investors use the proceeds to pay down existing debt.

Those offsets matter—the Bank of England estimated that about 40% of the effect of its quantitative easing, or QE, was canceled out through such "leakage." What about the rest of it?

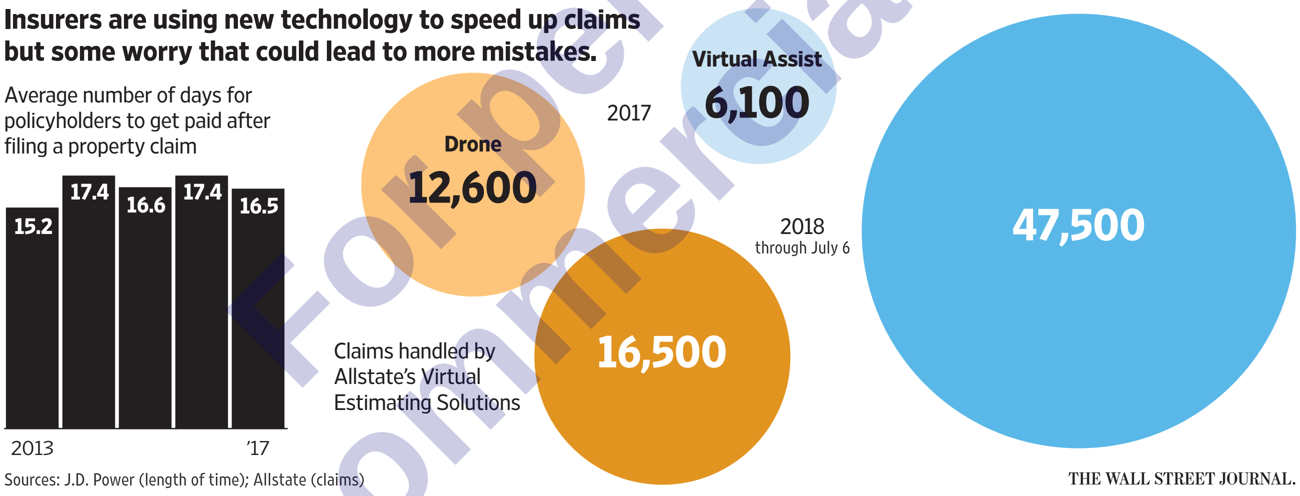
Central bankers focus on what they call "portfolio rebalancing": investors who would have owned Treasurys being pushed into riskier assets instead, such as equities and higher-yielding corporate bonds.

Critically, the reason investors take more risk in their portfolios is because the Fed's buying makes bond

Please turn to page B10

DAVID J. PHILLIP/ASSOCIATED PRESS

Last year marked insurers' first widespread use of aerial technology to quickly evaluate losses from hurricanes and wildfires.



Sources: J.D. Power (length of time); Allstate (claims)

THE WALL STREET JOURNAL.

High-Speed Adjusting Trips Insurers

By Leslie Scism And Nicole Friedman

Property insurers are relying on more drones, small aircraft and artificial intelligence to accelerate claims during 2018's hurricane season. There are signs this push for speed could pose new headaches for the industry.

Last year marked the first widespread use of aerial technology to pinpoint damages and evaluate losses quickly as insurers scrambled to keep up with back-to-back hurricanes and wildfires.

But some insurers have reopened claims from that period because initial repair estimates turned out to be too low, according to executives and regulators.

Everest Re Group Ltd., which offers insurance coverage to other insurers, said last week it increased its estimated 2017 net catastrophe losses by $400 million partly because many customers had to reopen claims in Florida and Puerto Rico.

"Settling claims quickly was initially a sound strategy, but what we now know is that this approach left our clients vulnerable when the actual repair bills came in higher than at what they originally closed their claim," Chief Executive Dominic Addesso said on a conference call last week.

Insurers are testing a number of new tools as they try to speed up what still can be a clunky, time-consuming claims process. That includes everything from drones and small airplanes to assess damage without the help of an on-site

Please turn to page B2

INSIDE

FDIC HEAD TO REVISIT REGULATIONS

SEAWORLD IS NO LONGER UNDERWATER

MoviePass Cuts Back on Your Film Habit

By Ben Fritz

The subscription service MoviePass sharply scaled back how many new films customers can see for its monthly fee, hoping to stanch the financial bleeding after a tumultuous few weeks of service outages and withering reviews that have chopped its parent company's share price to pennies.

The company, which a year ago began charging $9.95 a month to let users see movies as often as once a day at most U.S. theaters, said it would soon begin limiting customers to three a month. That new policy is in lieu of other recently announced changes, including a boost in the monthly subscription fee to $14.95, that were highly unpopular and drove away customers, adding to the company's financial strains.

Chief Executive Mitch Lowe said in an interview that the new policy, which takes effect Aug. 15, would reduce the company's cash burn rate by more than 60% and make its attempt to transition to profitability "more manageable."

As of June, MoviePass's monthly cash deficit was $45 million, parent company **Helios & Matheson Analytics** Inc. said in regulatory filings. Last month, Helios & Matheson had to borrow money at a high interest rate to stay afloat.

While the movie-a-day offer made big fans out of the die-hard moviegoers, in practice 85% of subscribers see three or fewer in a month, and Mr. Lowe said his company is now focusing on those customers.

"They will not be affected at all by this program, and even better, they'll stop hearing MoviePass is going out of business," he said.

MoviePass buys tickets at full price for its subscribers, and an 8% rise in overall do-

Please turn to page B2

LAUREN JUSTICE FOR THE WALL STREET JOURNAL

The company said 85% of its subscribers see three or fewer movies a month and it will focus on them.

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

INDEX TO PEOPLE

BUSINESS & FINANCE

Alcoa Seeks a Break From Tariffs

By Bob Tita

The largest U.S. aluminum maker wants an exemption from tariffs designed to bolster domestic metal production.

Alcoa Corp. on Monday asked the Trump administration for an exemption from tariffs on aluminum imported from Canada, where the company makes a raw form of the metal that it rolls into sheet for beverage cans at a U.S. plant.

Some smelting lines have restarted in the U.S. since the administration imposed a 10% duty on imported aluminum in March. But Pittsburgh-based Alcoa said it can't find enough specialty aluminum alloys for beverage cans in the U.S.

"Even if all the curtailed smelting capacity in the U.S. was back online and producing metal, the United States would still need to import the majority of its aluminum," said Tim Reyes, president of Alcoa's aluminum business.

U.S. companies have filed thousands of tariff-exclusion requests since the tariffs on steel and aluminum began this spring.

Alcoa is the largest producer of raw aluminum in the U.S., but the U.S. accounted for only 14% of the aluminum Alcoa produced globally last year. The company wants the Commerce Department to grant tariff relief on 40,000 metric tons a year of specialized alloys that Alcoa uses to make aluminum sheet for cans.

The alloys are cast at an Alcoa plant in Baie-Comeau, Quebec, and rolled into aluminum sheet for cans at an Alcoa plant in Warrick, Ind. Alcoa's problem stems from a shortage of casting capacity at Warrick and Alcoa's other U.S. plants. In its exemption application, Alcoa said it had tried unsuccessfully to buy more aluminum slabs from **Century Aluminum** Co., the only other smelter operator in the U.S.

"Century Aluminum has indicated that it does not have the molds to produce 24-inch thick slabs," Alcoa said.

Century didn't immediately respond to a request for comment.

Insurers Speed Up Claims

Continued from page B1

adjuster to smartphone apps that let consumers submit their own damage photos. Some insurers are identifying property damage before policyholders even reach out to report a claim.

It took 16.5 days on average in 2017 for policyholders to receive payments for residential property damage after notifying their insurers, according to a J.D. Power survey released this year. That was down from 17.4 days in 2016 but still longer than the average time earlier in the decade.

Several large insurers said they are using flights, drones and aerial imagery more frequently in 2018. **Allstate** Corp. settled 16,500 claims this way in the first half of this year, compared with 12,600 for all of 2017.

Allstate also is expanding its use of a program called "Virtual Assist" that reduces the need for an adjuster to visit a site in person. Instead a service provider broadcasts the damage to an office-based adjuster via streaming video. In the first half of 2018, Allstate resolved 47,500 claims this way, up from 6,100 in all of 2017.


MELISSA GADDISON

Hurricane Harvey flooded Stephen Dunn's Houston home last year. USAA paid a claim in two days.

Virtual Assist addresses a problem that surfaced last year: a shortage of adjusters, which contributed to claims delays. The program eliminates travel time for adjusters, according to Allstate, allowing them to be more efficient.

American International Group Inc., another property insurer, launched a system last year with data feeds, analytics and forecasting models, so loss-prevention specialists can monitor wildfires and storms and their proximity to policyholders. AIG can then dispatch teams to clear brush or transport valuables.

"The name of the game today is preparation and mitigation as much as claim response afterward," said Jerry Hourihan, president of AIG's Private Client Group.

Some customers, like Stephen Dunn in Houston, are pleased with the industry's efforts to speed things up. He said a motion sensor installed on his doorbell alerted his phone to rising water levels during the 2017 arrival of Hurricane Harvey. He was able to take pictures remotely using the doorbell and send the photos to his insurer, **USAA**. Within two days USAA declared the cars in Mr. Dunn's garage a total loss and deposited money in his bank account.

"I had no idea that they would resolve this so quickly," he said.

Older policyholders have more reservations about some speed-enhancing tools, according to a 2017 study by J.D. Power. Policyholders older than 53 years who filed an auto claim via a photo app on a smartphone, tablet or computer were less satisfied than peers going the traditional route, according to J.D. Power. Younger customers, on the other hand, were more satisfied.

"Now the insurer is saying, 'You need to do the work. Be sure you photograph the damage and send us a photo,'" said David Pieffer, a J.D. Power insurance practice leader.

DOJ Moves On AT&T Appeal

Continued from page B1

the government faces an uphill battle in its effort to overturn the ruling. A Justice Department win could lead to an unwinding of the merger.

Most of the trial took place in public view, but regularly out of public earshot, Judge Leon held hushed conferences at the bench with lawyers for both sides.

Unsealed transcripts of those bench conferences were made available Monday, providing additional information on how Justice Department lawyers lost one ruling after another.

The department was on the defensive from its first witness, the transcripts show. Cox Communications Inc. negotiator Suzanne Fenwick opened the testimony, saying a combined AT&T-Time Warner would have leverage to force Cox to pay more for the Turner networks.

When Ms. Fenwick's testimony developed too slowly for Judge Leon, he told the executive to leave the stand and called lawyers to the bench. "Why is this witness here?" he asked.


CHRISTOPHER LEE/BLOOMBERG NEWS

AT&T closed its deal for New York-based Time Warner in June.

Among the department's setbacks during the bench conferences, Judge Leon limited how it could question AT&T Chief Executive Randall Stephenson regarding a submission the company made to the Federal Communications Commission. The department argued AT&T's statements to the FCC supported its case, while AT&T said they were irrelevant.

On another day, Judge Leon chastised Justice Department lawyer Eric Welsh, who had attempted to question a Turner witness about remarks he made in a 2016 CNBC interview. The judge called Mr. Welsh to the bench and said he already indicated that he wouldn't allow the question.

"Don't pull that kind of crap again in this courtroom," he said.

The transcripts indicate Judge Leon was also unhappy with the department using younger lawyers to question some company witnesses, prompting the department to go with older attorneys later.

"I want to tell you that we've listened very carefully and appreciate your comments," Justice Department lawyer Craig Conrath told the judge. "And over the course of this week and really the rest of the trial, you'll be seeing more very gray hair, your honor."

"The object of this exercise is efficiency and completeness and effectiveness," the judge said. "So we just want to move things along and have people doing that."

A couple of days later an issue arose about contributions for the unveiling of a painting commemorating the judge.

"One of our lawyers on our team was asked to make an anonymous contribution to a fund for the unveiling of your portrait," AT&T lawyer Daniel Petrocelli told the judge. "He would like to do so and I cleared it with Mr. Conrath, but it's totally anonymous."

"I have no involvement in the collection process for the portrait, as is the standard practice of all judges," Judge Leon responded. He said he was asked to provide a committee "with names of people who are friends and I have had cases with over the years," but "I don't even know who gives anything."

MoviePass Pares Down Service

Continued from page B1

mestic box-office spending versus a year ago cost the company more than expected, Mr. Lowe said. He also said investors grew impatient with its losses and that, as public criticism mounted and Helios's stock price fell, nervous vendors began demanding faster repayment, necessitating the $6.25 million loan, which the company has since paid off.

"I should have accelerated the process of reducing the burn faster in hindsight," Mr. Lowe said. "Now I realize no matter how patient investors say they will be, they never are."

Monday's announcement sent Helios's share price above 8 cents a share, from 7 cents at Friday's close. That is down from more than $8,000 last October, after adjusting for a 1-for-250 reverse stock split on July 25.

Eager to preserve cash, MoviePass on July 27 stopped allowing its users at most theaters to see that weekend's most popular film, "Mission: Impossible—Fallout." The following Monday, MoviePass said it was raising its price to $14.95 a month and blocking customers from seeing new releases during their first two weeks on the big screen.

It also expanded a policy started in early July of adding a surcharge for certain screenings of popular films. Mr. Lowe said the "peak pricing" was supposed to be infrequent and low-cost. But as the company entered "cash constraint mode," peak pricing became common. In New York and Los Angeles, it reached as high as $8 a ticket.

Those moves helped save cash, said Mr. Lowe, but angered and confused many customers. The company's daily cancellation rate doubled, he said, though it has since "settled down."

After a week of analyzing customer responses and internal debate, Mr. Lowe said MoviePass is abandoning those changes. The price increase is being revoked, there will be no surcharges, and users will no longer have to upload photos of tickets they buy to prove they aren't committing fraud.

"We've been whipsawing people back and forth," said Mr. Lowe. "I think we've got it now."

Subscribers who see more than three films a month will get a discount of $2 to $5 a ticket, if they purchase through the MoviePass app.

Some of the 15% of current subscribers who see more than three films a month could cancel, Mr. Lowe said, particularly if they frequent an AMC Entertainment Holdings Inc. theater. The biggest cinema chain in the U.S. has attracted 175,000 subscribers so far to a subscription plan, designed to compete with MoviePass, that offers three movies a week for $19.95 a month.

As a result of the changes, MoviePass may take longer to attain 5 million subscribers than a prior target of the end of this year, said Mr. Lowe. "Ultimately, I believe this is a 20 million-subscriber business over the next three to four years," he added.

Helios bought MoviePass a year ago and slashed the price to $9.95 a month for one film a day; it had previously cost $40 to $50 a month. Helios's stock rose and then quickly fell, as short sellers bet the service couldn't stay in business long, if it continued effectively selling tickets for less than it paid for them. Mr. Lowe said he still believes the company will ultimately prosper by building a moviegoing "ecosystem" in which MoviePass profits from concession sales, rides to theaters and advertising.

MoviePass, which works at 91% of theaters in the U.S., says it has accounted for about 6% of the total domestic box office of $7.6 billion this year.

SeaWorld Earnings Emerge From Depths

Theme-park owner swings to profit on strong revenue; free beer gets results

By Nishant Mohan

JOE BURBANK/ORLANDO SENTINEL/ASSOCIATED PRESS

The 4.8% growth in attendance compares with a 3% decrease at Cedar Fair's parks and 3% growth at Six Flags' venues.

SeaWorld Entertainment Inc. reported better-than-expected revenue for the second quarter, helped in part by Sesame Street-themed events and free-beer promotions at certain locations.

SeaWorld parks attendance for the quarter hit 6.4 million, beating estimates from analysts polled by FactSet, who had forecast 6 million. The theme-park company reported revenue rose 4.9% to $391.9 million, above analysts' expectations of $371.4 million.

Shares jumped nearly 17% to $24.69 on Monday.

In a conference call, interim Chief Executive John Reilly attributed the attendance growth in part to two factors: Sesame Street-themed events in locations including San Diego and San Antonio and free-beer promotions at SeaWorld in Orlando and Busch Gardens in Tampa.

During a May conference call to discuss the first-quarter results, Mr. Reilly said the company was bringing back its beer sampling to Busch Gardens, a "wildly popular" promotion the company did in prior years. It also extended the campaign to SeaWorld Orlando.

"We brought back free beer as a summer promotion in Tampa and Orlando, and you can imagine this limited time promotion has been popular with our guests," Mr. Reilly said Monday.

SeaWorld's 4.8% attendance growth in the second quarter compares with a 3% decrease in attendance at **Cedar Fair** LP's amusement parks and 3% growth at **Six Flags Entertainment** Corp. in the same period.

SeaWorld swung to a profit in the second quarter, reporting net income of $22.7 million compared with a net loss of $175.9 million in the same period a year ago. Earnings of 26 cents a share were a penny shy of analysts' estimates.

The company also set aside $4 million in its selling, general and administrative expenses related to a proposed settlement with the Securities and Exchange Commission.

The company neither admitted nor denied the SEC's charges. In June 2017, SeaWorld received subpoenas from the SEC regarding comments made by the company and its executives in 2014 about the impact of the documentary "Blackfish" on business. In April, the company said the SEC had made a preliminary determination to recommend that a civil enforcement action be taken against the company.

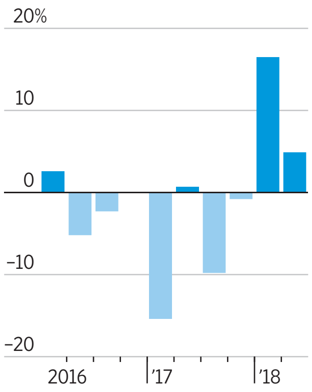
The documentary raised concerns about the company's treatment of whales and orcas. It resulted in fewer tourists entering its parks. Annual revenue fell from $1.46 billion in 2013 to $1.26 billion in 2017.

Its stock price dropped 73% between July 2013 and November 2017. The stock is up nearly 85% so far this year including Monday's rise, and analysts project the company will bring in $1.31 billion in revenue this year.

Clearer Waters

SeaWorld's sales have rebounded in 2018 after declines in recent years.

Quarterly sales, change from previous year



Source: S&P Capital IQ

THE WALL STREET JOURNAL.

Icahn Calls Cigna Deal A '$60 Billion Folly'

By Cara Lombardo

Carl Icahn is going public with his campaign to scuttle **Cigna** Corp.'s $54 billion plan to buy **Express Scripts** Holding Co.

The billionaire activist investor plans to send an open letter Tuesday urging fellow Cigna shareholders to vote against the deal, which he calls a "$60 billion folly" carrying a "ridiculous" price tag, according to a draft seen by The Wall Street Journal.

"Cigna is dramatically overpaying for a highly challenged Express Scripts that is facing existential risks on several fronts," Mr. Icahn writes.

The Journal previously reported that Mr. Icahn bought a sizable Cigna stake, plans to vote against the health insurer's proposed purchase of the pharmacy-benefit manager and was considering publicly airing his concerns to persuade other shareholders to do the same. His concerns include competitive risk from **Amazon.com** Inc. and indications from the Trump administration that it could limit the manufacturer rebates pharmacy-benefit managers get.

An Express Scripts spokesman said Monday that its second-quarter results last week, together with an improved outlook in client-retention rates and prescription volume, show the business is well positioned to grow. He also said drug manufacturers could cut prices rather than offer rebates, the majority of which Express Scripts passes onto clients. Cigna had no immediate comment.

The companies have said the deal would allow them to offer expanded health-care services and control costs.

Mr. Icahn and his affiliates own about 0.56% of Cigna, a stake worth more than $250 million as of Monday's market close, according to people familiar with the matter. But the odds are against him, some observers say, in part because he has limited time to rally other shareholders. What's more, it isn't known how much of the stake he can actually vote, because the record date has already passed. Mr. Icahn says in the letter he also holds a short position in Express Scripts.

Since the Journal reported Wednesday that Mr. Icahn was mulling action, Cigna shares have jumped 4.7% while Express Scripts stock has dropped 3.3%. "Competitive risk from Amazon, arguably the strongest competitor in the world, will be an existential threat to PBMs like Express Scripts," Mr. Icahn says.

Meat Processors Contend With Glut

By Jacob Bunge

Record levels of beef, pork and chicken coming to market are cutting into profits for the biggest U.S. meat processors.

Companies like **Tyson Foods** Inc., **Pilgrim's Pride** Corp. and **Sanderson Farms** Inc. confront declining prices and uncertain demand as rising meat production and tariffs levied by major importing countries threaten to curtail a prosperous period for the U.S. meat sector.

"Intertwined with uncertainty on trade policies and tariffs are increasing supplies of relatively low-priced beef and pork that are competing with chicken," said Tom Hayes, Tyson's chief executive, on a conference call with investors on Monday.

Tyson, the biggest U.S. meat supplier, reported a 21% increase in quarterly earnings on Monday but cut its profit forecast for the year a week earlier, and tariffs already have cut into its revenue. Pilgrim's, the second-largest U.S. chicken processor, last week reported a 54% drop in second-quarter profit. Analysts polled by Thomson Reuters expect Sanderson's quarterly profit to drop by nearly three-quarters from the prior year when the company reports results this month.

As meat piles up, investors are losing their appetite for meat-focused stocks. Shares of Tyson have declined 27% so far this year, including 6% in the week after it cut its profit outlook on July 30. Pilgrim's Pride shares have fallen 41%, and Sanderson Farms 25%. **Hormel Foods** Corp., which has a smaller business in meat processing, has gained 2%.

The meat glut has been building for years. Cheap grain encouraged U.S. farmers and meat companies to expand and meet rising demand from consumers in the U.S., Mexico, China and other countries. Cattle ranchers and turkey farmers raced to rebuild herds and flocks after drought and disease slashed populations earlier in the decade. Pork and chicken processors have built some of the industry's largest and most-efficient plants ever.

Now that meat is coming to market in pounds by the billions, pressuring prices and intensifying competition between red meat and poultry. Meat processors will produce a record 102.7 billion pounds this year, according to estimates from the U.S. Department of Agriculture.

Tariffs on U.S.-produced meat, meanwhile, threaten to erode demand. Duties implemented by Mexico and China—two major markets for U.S. pork—have forced meat companies to slash prices to prevent products from piling up.

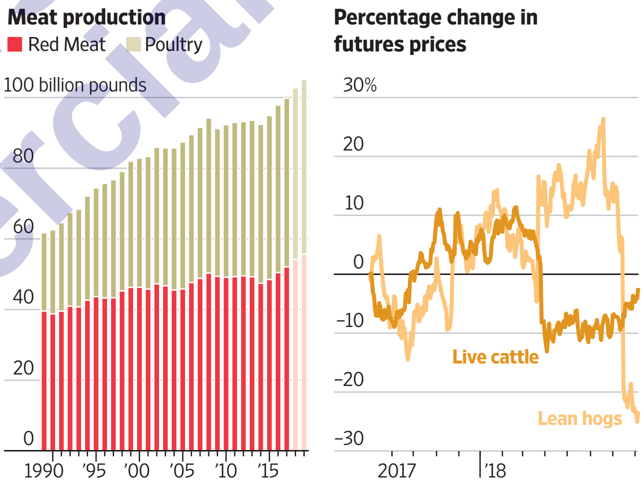
"We need to have those markets clearly open to us," said Tyson's Mr. Hayes. He estimated that declines in beef and pork prices, if they remain around current levels, will shave about $1 billion from Tyson's annual revenue this year.

Meat prices have been coming down for retailers, restaurants and food distributors. Wholesale pork prices fell 10% over the past year, according to USDA figures published in July. Wholesale beef prices declined 9% and, while chicken prices for most of 2018 were running above last year's levels, those gains nearly vanished in July, the USDA said.

In grocery stores, relatively lower prices are helping sausages and ground beef push aside chicken breasts, Pilgrim's Chief Executive Bill Lovette said last week. "We believe retailers in general were featuring less chicken in favor of more beef and pork," Mr. Lovette said. Retailers could start shifting back toward their normal chicken-featuring behaviors "as soon as late summer," Mr. Lovette said.

Protein Pressure

U.S. meat production is rising toward an all-time high, while growing supplies and threats to exports drive livestock futures prices lower.



Note: 2018-19 production data are projections

Sources: USDA (production); FactSet (prices)

THE WALL STREET JOURNAL.

Apple, Others Delete Links to Infowars

Tech firms' moves against far-right site intensify debate over handling web content

By Tripp Mickle

Several big tech companies including **Apple** Inc. removed links to content from the far-right website Infowars, deepening a debate over how internet platforms should handle divisive or offensive content.

Apple said it eliminated access to five Infowars podcasts, including "The Alex Jones Show," from its directory over the weekend, saying they didn't comply with guidelines designed to create a safe environment for users, including prohibitions on "hate themes." The Infowars podcast "Real News with David Knight" remained available Monday.

The "Infowars Official" and "Alex Jones Radio" apps also were still available for download on Apple's app store. Those apps list Infowars Magazine as their developer.

Eliminating easy access to Infowars podcasts marks a rare, prominent foray for Apple into an issue confronting many major internet companies: how to remove hateful or conspiratorial messages from their platforms without infringing on free speech. **Twitter** Inc., **Facebook** Inc. and **Alphabet** Inc.'s YouTube have all grappled with the issue in the wake of events such as the Stoneman Douglas High School shooting in Parkland, Fla., this year.

Infowars, a site that frequently promotes conspiracy theories, and its host Alex Jones have often been at the center of the debate over controversial content. Earlier this year, parents of two children killed in the 2012 Newtown, Conn., elementary-school shooting massacre sued Mr. Jones, saying he repeatedly called the shooting fake and accused them of taking part in a hoax designed to generate calls for gun-control measures. Mr. Jones described the lawsuit as frivolous.

YouTube said Monday that it terminated channels related to Infowars. A YouTube spokeswoman said the decision came after InfoWars was found to be attempting to circumvent a suspension put in place last month for posting videos that violated policies against child endangerment and hate speech.

Spotify Technology SA said Monday it had also removed "The Alex Jones Show" from its platform because of violations of the company's content policies.

Facebook also said Monday it removed four pages linked to Infowars and Mr. Jones for what it described as "repeated violations" of its policy against hate speech and content glorifying violence. That follows Facebook's decision in July to ban Mr. Jones from its platform for 30 days for posting comments that violated policies governing hate speech and bullying.

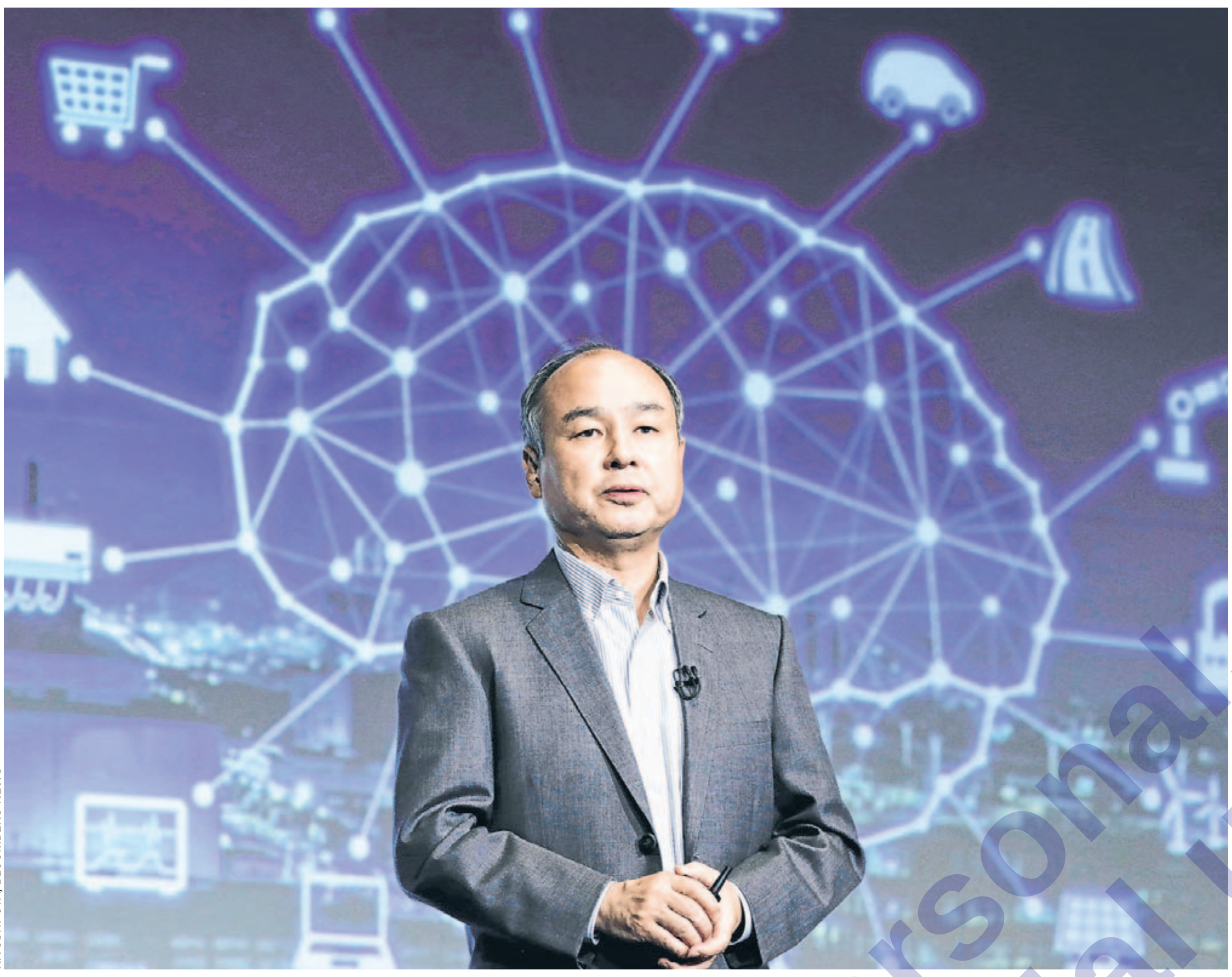
Mr. Jones, in an audio recording posted from his Twitter account, defended Infowars, calling the removal of its content a violation of the First Amendment and saying the site "knows the truth."

Infowars didn't respond to a request for comment.

BuzzFeed earlier reported Apple had removed Infowars podcast links.

Apple doesn't host podcasts. Instead, podcast creators host the media files and submit a podcast feed for inclusion in Apple's iTunes Store podcast directory. That makes the podcast easier to find on one of the 1.3 billion Apple devices world-wide. When podcasts that don't comply with Apple's rules are removed from its directory, they are no longer searchable or available for download or streaming.

—Douglas MacMillan and Sam Schechner contributed to this article.



KIYOSHI OTA/BLOOMBERG NEWS

Masayoshi Son, the company's chairman and chief executive, said 'the Vision Fund's impact on Softbank's earnings grows daily.'

Flipkart Boosts SoftBank's Profit

By Mayumi Negishi

TOKYO—**SoftBank Group** Corp.'s quarterly operating profit rose 49%, lifted by rising valuations on investments in startups such as Indian e-commerce company Flipkart Group and U.S. shared-office firm WeWork Cos.

SoftBank's $92 billion Vision Fund and a $6 billion affiliate together earned a quarterly profit of ¥240 billion ($2.16 billion), double what the fund made in the year-earlier quarter, the company said. That and a one-time gain from the sale of a majority stake in the Chinese operations of U.K. chip designer ARM Holdings PLC brought the Japanese conglomerate's overall quarterly operating profit to ¥715 billion, despite a profit decline at U.S. wireless subsidiary **Sprint** Corp.

One contributor to the Vision Fund's performance was SoftBank's agreement to sell its 20% stake in Flipkart to **Walmart** Inc. for about $4 billion. The price was 60% more than what SoftBank had paid for its stake.

SoftBank is also in talks with WeWork about an additional investment that could double WeWork's valuation to as much as $40 billion, people familiar with the matter said in June.

SoftBank Chief Executive Masayoshi Son declined to comment on the WeWork talks.

The Vision Fund, which is backed by the sovereign-wealth funds of Saudi Arabia and Abu Dhabi, and an affiliate called the Delta Fund invested $32 billion in 30 companies as of June. Those investments are now valued at $37.5 billion, SoftBank said.

The fund has taken center stage at the Japanese technology group as it moves to list its domestic telecommunications arm by the end of the year and give up control of Sprint, which is seek approval from regulators to merge with **T-Mobile US** Inc. A decision is expected by January.

"The Vision Fund's impact on SoftBank's earnings grows daily," Mr. Son said at a news conference Monday.

Didi to Expand Auto Services

By Yoko Kubota

BEIJING—**Didi Chuxing Technology** Co. will invest $1 billion in its auto-services business and break it off into a separate unit, the Chinese company said Monday, as it seeks to expand beyond ride-hailing in the world's biggest automotive market.

Didi's auto-services business includes vehicle leasing, refueling and car-maintenance programs. The move comes ahead of its plan for a multi-billion-dollar initial public offering of stock, underscoring Didi's ambition to dominate in various stages of the automotive business.

"In the future, Didi will continue a win-win collaborative network with partners throughout the automotive industry chain to build a new transportation ecosystem designed for a future of shared mobility," the company said in a written statement.

Didi, a rival of **Uber Technologies** Inc., launched the auto-services business—now known as Xiaoju Automobile Solutions Co.—in April.

Besides expanding into auto services, Didi has been beefing up its partnerships with car makers.

In April, Didi and Volkswagen AG said they were closing in on a joint venture to develop mobility services in China. Didi has also invited dozens of auto makers and component makers to jointly develop affordable electric vehicles for China.

CAITLIN OCHS FOR THE WALL STREET JOURNAL

As chief content officer, Ms. Coles was viewed as a driving force at Hearst Magazines.

Joanna Coles Steps Down at Hearst

By Jeffrey A. Trachtenberg

The shake-up continues at **Hearst Magazines**—publisher of such titles as Cosmopolitan, Elle and Esquire—as the division's high-profile chief content officer, Joanna Coles, resigned.

"It's time for a new adventure," Ms. Coles said in a video posted on Instagram. "I will have some news in the fall." Reached by phone, Ms. Coles commented, "I've got nothing to add except that I hope exit videos become a new trend."

Her departure follows Troy Young's promotion to president of Hearst Magazines on July 25. Mr. Young, who succeeded David Carey, had been president of Hearst Magazines Digital Media. News of Ms. Coles's departure was earlier reported by the New York Post. Hearst Magazines is owned by closely held Hearst, which also owns TV stations, newspapers and the Fitch Group.

Ms. Coles was a driving force at the magazine group, with a flair for forming close ties with leading technology companies. She was an early champion of Snapchat and joined the board of **Snap** Inc., its parent, in December 2015. She also built a strong relationship with senior executives at Airbnb Inc. Hearst Magazines last year debuted the travel publication Airbnbmag in partnership with Airbnb.

Ms. Coles, the author of the recently published book "Love Rules: How to Find a Real Relationship in a Digital World," joined Hearst Magazines in 2006 as editor in chief of Marie Claire.

In 2012 she was named editor in chief of Cosmopolitan, and she was promoted to chief content officer in September 2016.

"Joanna is an innovator, a connector and an inspired editor," said a spokeswoman for Hearst Magazines. "She's made the decision to start a new adventure and we thank her for her creativity and many contributions and wish her the very best."

BUSINESS NEWS

Private-Equity Firm Tied to Jack Ma Raises $2.5 Billion

BY ED BALLARD

Yunfeng Capital, the private-equity firm co-founded by Chinese billionaire Jack Ma, raised $2.5 billion for its latest investment pool, according to filings with the Securities and Exchange Commission.

The $2.5 billion raised for the main vehicle, Yunfeng Fund III LP, and a companion feeder fund matches the listed offering amount, although an Aug. 3 SEC filing doesn't state whether the fund held a final close.

The Hong Kong firm didn't respond to a request for comment.

Yunfeng was established in 2010 by Mr. Ma, the founder of Chinese online-commerce giant Alibaba Group Holding Ltd., and David Feng, who founded Chinese display advertising company Shanghai Target Media Co.

The firm closed its previous dollar-denominated fund at $1.1 billion in 2014, according to Dow Jones & Co. data provider LP Source.

Yunfeng also has yuan-denominated funds, according to the firm's website.

Yunfeng makes venture-capital, growth-equity and buyout investments in a range of sectors, from consumer goods to logistics.

As well as backing Chinese companies, the firm invests in foreign businesses that have the potential to profit by expanding in China, according to its website.

Most recently, Yunfeng participated in a $600 million Series A funding round for Suning Sports, a division of Chinese retail business Suning Holdings Group Co. Suning Sports owns various sports teams, including Italian soccer giant Football Club Internazionale Milano SpA, known as Inter Milan, as well as retail and media assets. The funding round was led by Goldman Sachs Group Inc. and Alibaba, according to a statement released by Suning.

Suning also is an investor in Yunfeng's new fund through another of its subsidiaries. Suning International agreed to contribute up to $210 million to Yunfeng Fund III, it said in a statement last month.

Yunfeng has been on a buying spree in the health-care sector.

This year alone, the firm invested in AMW GmbH, a German developer of medical patches and implants; teamed up with China's Micro-Port Scientific Corp. to buy the pacemaker-and-defibrillator unit of U.K. medical device maker LivaNova PLC for $190 million; joined with Alibaba to delist Chinese medical-center operator iKang Healthcare Group Inc. from the Nasdaq Global Select Market; and participated in venture-capital rounds for two pharmaceuticals companies.


ERIC LALMAND/BELGA/ZUMA PRESS

Mr. Ma was a co-founder of the private-equity firm Yunfeng.

GM Shifts Approach to Health Care

Continued from page B1

nies like GM try the approach, "employers will definitely take notice," said Ellen Kelsay, chief strategy officer of the employer group.

The Henry Ford plan will be offered to salaried employees in the Detroit area for next year, though not GM's large unionized workforce, which has health benefits negotiated under a labor agreement. Around 24,000 employees, as well as their dependents, would be eligible for the new plan.

Under the five-year contract, Henry Ford agreed to goals for quality, cost and customer service, such as same-day or next-day appointments with primary-care physicians. Among the objectives are reducing hospital admissions and improving management of high blood pressure. The contract includes targets for the total cost of enrollees' care.

If the six-hospital health-care system meets or beats certain goals, it can win extra payments, but if it falls short it might owe money back to GM.

"We believe we can do it," said Wright L. Lassiter III, Henry Ford's chief executive. He said the system already has participated in a Medicare program with some similarities to the GM setup. "Is it a risk? Absolutely...You might deliver less of the stuff that would traditionally generate more revenue." The industry needs to move away from models that reward the volume of medical services, he said.

The existing insurance choices offered by GM will still be available to employees, but the new Henry Ford plan, called ConnectedCare, will save them approximately $300 to $900 a year compared with the current cheapest option, depending on how many people the worker is covering. The new plan will include Henry Ford's doctors, clinics and other operations, bolstered by some other providers, such as pediatricians outside the Henry Ford system.

Other companies have seen benefits from such direct plans. Angela Mitchell, manager of U.S. health-care delivery at Intel, said the company started with one direct contract in 2013 and now has them in five markets. Health costs in the direct-contracted setups are around 17% lower than for traditional plans, she said.

Boeing began its direct contracting in 2015 and has such setups in four locations. The giant manufacturer is planning to expand the approach and is trying a deal with a primary-care practice in Arizona. Jeff White, Boeing's director of global health care and well-being, said it has been valuable for the company that's paying the bills "to sit across the table" from the system that is providing the service.

Insurers often still play a role in the direct-to-provider arrangements. In the case of GM's pact with Henry Ford, Blue Cross Blue Shield of Michigan will manage claims-processing and other functions. "We're a strategic partner with General Motors," said Helen Stojic, director of corporate affairs at Blue Cross.

Still, contracts with ambitious targets and stringent financial requirements can be difficult to manage. One system, Providence St. Joseph Health, ended its participation in the Boeing direct-contract program in 2017. Boeing said it was a "business decision" by the health system. Providence said in a statement that it was a "difficult decision" to leave and it was "grateful for Boeing partnering with us and we remain committed to working with them on other innovative health-care options."

BUSINESS NEWS

Newell Brands Trims Its Forecast

Maker of Elmer's Glue, Yankee Candles posts lower sales and profit; stock price slides 14%

By Sharon Terlep And Allison Prang

Newell Brands Inc. blamed a chilly spring and the restructuring of big office stores for unexpectedly weak sales in its latest quarter, as the maker of Sharpie markers, Yankee Candles and Elmer's Glue reduced its profit forecast for the fourth time in a year.

Newell, which overhauled its board last year and rolled out a plan to significantly retrench after a fight with activist investors, on Monday reported a decline in second-quarter sales and profit.

HAJEK ONDREJ/CTK/ZUMA PRESS

A Yankee Candle plant in the Czech Republic in 2016. Parent Newell Brands expects 'intense' change.

The company now expects sales to be between $8.7 billion and $9 billion in 2018, down from its previous guidance of between $14.4 billion and $14.8 billion. The company expects adjusted earnings of between $2.45 and $2.65 a share, down 20 cents from its previous forecasts. Most of that reduction is from the sale of brands and discontinued operations.

Shares in Newell fell 14% to $22.76 on Monday. The stock is off 26% year to date.

Chief Executive Michael Polk said on a call with analysts that Newell faces "an intense period of change" as shoppers move online and major retailers close stores. He added that the overhauled company "will be simpler, faster and stronger."

Mr. Polk said sales in the company's core units are likely to improve toward year-end.

He cited a "huge inventory shift" at office-supply retailers that are trying to remake themselves as everyday shoppers buy fewer office products and move more of their purchases online. Staples Inc. was acquired last year by a private-equity firm, and Office Depot Inc. installed a new CEO last year and is working to reposition itself as a tech-support provider less dependent on sales of pens and paper.

Newell's writing-products business is among its highest-margin units, responsible for close to one-third of the company's pretax profit, Mr. Polk said. The company last year sparred with Office Depot over the retailer's spending to market and showcase Sharpies and other Newell products, costing Newell millions of dollars in lost sales.

Another hit came in the form of an unseasonably cool spring that hurt Newell outdoor brands such as Coleman and Marmot, executives said.

The company said the liquidation of Toys "R" Us stores in the U.S. led to significant declines in its baby division. Newell also said that 2017 divestitures contributed to its difficulties.

Net sales at Newell fell 13% to $2.2 billion in the second quarter, from the comparable quarter a year earlier. Core sales, which account for impacts from things such as divestitures and foreign currency fluctuations, fell 6.2%.

Newell has missed sales goals and lost billions of dollars of market value since it closed a $15 billion deal to buy Jarden Corp. in 2016.

In late June, Newell said it had closed the sales of its Rawlings Sporting Goods Co. and the Waddington Group. Newell had said in early June it was selling Rawlings for $395 million to investment firm Seidler Equity Partners and Major League Baseball.

In early May, Newell said it also would consider brands such as Pure Fishing and its Jostens yearbook business. The company aims to divest itself of other businesses that in total made up about 35% of its net sales. Mr. Polk said Monday that the company remains on track to raise about $10 billion from those sales.

Newell has faced pressure from two activist investors, Starboard Value LP and Carl Icahn. Both activists struck deals with Newell to place directors on its board. Neither Starboard nor Mr. Icahn immediately responded to requests for comment.

Newell reported earnings of $131.7 million, or 27 cents a share, down 41% from $223 million, or 46 cents a share, a year earlier. On an adjusted basis, Newell earned 82 cents a share, off from 87 cents a share a year earlier.

—Cara Lombardo contributed to this article.

Arista Settles IP Dispute With Cisco

By Micah Maidenberg

Arista Networks Inc. agreed to pay **Cisco Systems** Inc. $400 million as part of a settlement that resolves much of the litigation between them.

The companies have been battling in court for several years over intellectual-property and antitrust claims.

"Cisco and Arista have come to an agreement which resolves existing litigation and demonstrates their commitment to the principles of IP protection," the companies said Monday.

At the heart of the dispute was whether Arista infringed on Cisco's intellectual property like programming commands used to configure Cisco networking hardware. Cisco claimed Arista could have developed its own commands, but Arista said those commands had become an industry standard used by many companies.

Heightening the drama is the fact that Arista CEO Jayshree Ullal is a former Cisco executive who was once close to John Chambers, the former top executive at San Jose, Calif.-based Cisco.

In addition to the payment Santa Clara, Calif.-based Arista will make, the companies agreed to use arbitration, at least for the next three years, to resolve patent-infringement issues connected to new products or related to new features in existing products.

For the next five years, the companies agreed that with certain exceptions for source-code claims, neither will file legal actions against the other for products that are currently on the market.

Arista's filing described this as a "stand-down period" in its filing.

Packagers Put $6.8 Billion Deal in the Bag

By Allison Prang

Amcor Ltd. agreed to buy packaging competitor **Bemis** Co. in an all-stock deal that the companies valued at $6.8 billion.

Based on Amcor's closing price Friday, the companies said that the deal comes out to $57.75 a share, giving it an equity value of $5.26 billion.

Shares of Bemis closed at $51.53 on Friday, up $5.22, after The Wall Street Journal reported that the companies were discussing a deal that could be announced as soon as this week.

Bemis shareholders are set to receive 5.1 shares of Amcor for each share of Bemis they own, the companies said Monday. About 71% of the company will be owned by Amcor shareholders, with the rest owned by Bemis shareholders.

As part of the deal, the companies will combine to form a holding company that will be primarily listed on the New York Stock Exchange, the companies said.

Amcor's head office is in Australia, while Bemis is based in Wisconsin. The new holding company will "maintain a critical presence" in Wisconsin, the companies said.

The board will have eight directors from Amcor and three from Bemis. Amcor's Chief Executive Officer Ron Delia and Chairman Graeme Liebelt will both stay in their roles when the deal is done.

Amcor makes a variety of packaging, from bags to hold produce to peelable lids. Bemis also makes packaging for consumer goods, along with the health-care industry.

The deal helps Amcor address a key initiative.

"Amcor identified flexible packaging in the Americas as a key growth priority and this transaction delivers a step change in that region," Mr. Delia said in a statement. Together, the companies have combined revenue of about $13 billion.

Goldman Sachs advised Bemis on the deal. UBS, Australia Branch and Moelis & Co. advised Amcor on the deal.

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25502.18 ▲39.60, or 0.16%

High, low, open and close for each trading day of the past three months.

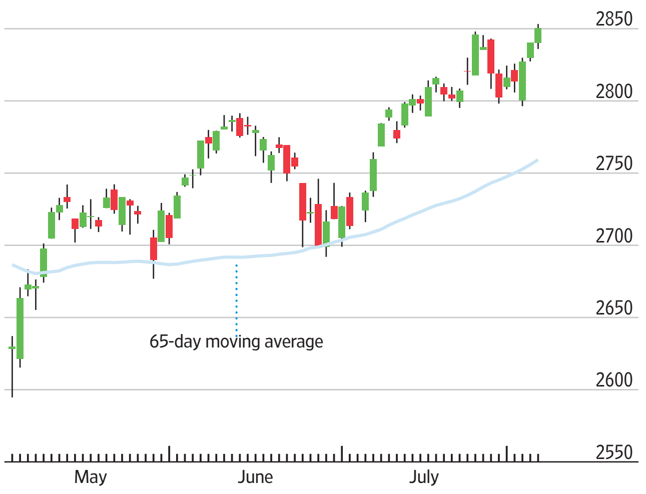
	Last	Year ago
Trailing P/E ratio	23.09	20.04
P/E estimate*	16.47	18.61
Dividend yield	2.11	2.25
All-time high	26616.71, 01/26/18	

S&P 500 Index

2850.40 ▲10.05, or 0.35%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio*	23.74	23.90
P/E estimate*	17.62	18.95
Dividend yield	1.82	1.97
All-time high	2872.87, 01/26/18	



Nasdaq Composite Index

7859.68 ▲47.66, or 0.61%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio*	25.01	25.73
P/E estimate*	21.15	21.43
Dividend yield	0.96	1.10
All-time high:	7932.24, 07/25/18	

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	Latest High	Low	Close	Net chg	% chg	52-Week High	Low	% chg	% chg YTD	3-yr. ann.
Dow Jones										
Industrial Average	25540.02	25381.38	**25502.18**	39.60	0.16	26616.71	21674.51	15.3	3.2	13.5
Transportation Avg	11180.65	11069.78	**11161.35**	64.38	0.58	11373.38	9021.12	20.2	5.2	10.1
Utility Average	734.34	728.58	**730.17**	1.36	0.19	774.47	647.90	-0.5	0.9	7.8
Total Stock Market	29621.45	29438.74	**29593.81**	119.12	0.40	29630.47	25030.26	15.4	6.9	10.8
Barron's 400	764.72	759.80	**764.59**	4.57	0.60	764.59	629.56	17.4	7.5	11.1
Nasdaq Stock Market										
Nasdaq Composite	7859.68	7801.88	**7859.68**	47.66	0.61	7932.24	6213.13	23.1	13.9	15.8
Nasdaq 100	7439.55	7381.58	**7438.99**	43.51	0.59	7508.59	5786.54	25.3	16.3	18.0
S&P										
500 Index	2853.29	2835.98	**2850.40**	10.05	0.35	2872.87	2425.55	14.9	6.6	11.0
MidCap 400	2011.35	1998.63	**2009.50**	9.46	0.47	2009.50	1691.67	14.6	5.7	10.5
SmallCap 600	1061.88	1052.70	**1061.52**	7.91	0.75	1061.52	817.25	24.2	13.4	14.6
Other Indexes										
Russell 2000	1684.80	1671.99	**1684.31**	10.94	0.65	1706.99	1356.90	19.1	9.7	11.5
NYSE Composite	12985.48	12918.81	**12964.27**	10.93	0.08	13637.02	11699.83	8.1	1.2	6.3
Value Line	583.90	580.31	**583.37**	2.50	0.43	589.69	503.24	11.3	3.7	6.4
NYSE Arca Biotech	5111.04	5037.04	**5091.80**	33.05	0.65	5134.70	3787.17	28.2	20.6	7.4
NYSE Arca Pharma	573.92	567.87	**572.00**	1.01	0.18	593.12	514.66	9.3	5.0	-1.3
KBW Bank	110.70	109.54	**110.34**	0.002	0.002	116.52	89.71	13.8	3.4	12.0
PHLX§ Gold/Silver	75.94	75.20	**75.20**	-0.89	-1.17	93.26	75.20	-8.2	-11.8	17.9
PHLX§ Oil Service	149.20	148.02	**148.30**	-0.34	-0.23	170.18	117.79	14.0	-0.8	-6.6
PHLX§ Semiconductor	1389.32	1371.09	**1389.22**	7.59	0.55	1445.90	1060.02	26.5	10.9	29.9
Cboe Volatility	12.15	11.17	**11.27**	-0.37	-3.18	37.32	9.14	13.5	2.1	-6.5

§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)	After Hours Last	Net chg	% chg	High	Low
Microsoft	MSFT	4,178.6	108.00	-0.13	-0.12	108.14	107.88
SPDR S&P 500	SPY	3,469.0	284.62	-0.02	-0.01	284.75	283.68
Altaba	AABA	2,787.1	71.10	0.21	0.30	71.27	70.62
Ambev ADR	ABEV	2,393.2	5.13	...	unch.	5.16	5.13
Invesco QQQ Trust I	QQQ	2,351.8	181.02	-0.12	-0.07	181.23	180.63
ConocoPhillips	COP	2,129.8	71.51	-0.22	-0.31	71.89	71.51
Vanguard MBS	VMBS	1,933.9	51.28	...	unch.	51.28	51.28
LendingClub	LC	1,881.0	4.04	0.08	2.02	4.04	3.95

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Twilio Cl A	TWLO	861.3	72.60	9.33	14.75	73.94	62.97
Five9	FIVN	58.3	38.21	3.17	9.05	38.62	35.04
Etsy	ETSY	1,260.0	46.10	3.67	8.65	47.80	41.00
Turtle Beach	HEAR	1,677.5	32.57	2.22	7.31	37.00	30.28
Renewable Energy Group	REGI	95.2	19.00	1.15	6.44	19.00	17.75

...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Gemphire Therapeutics	GEMP	181.1	5.65	-1.69	-23.02	6.90	5.32
Zillow Group Cl C	Z	973.2	48.75	-9.40	-16.17	58.15	46.16
Zillow Group Cl A	ZG	161.6	49.76	-9.24	-15.66	59.00	47.69
Diplomat Pharmacy	DPLO	82.7	20.30	-1.16	-5.41	21.46	20.00
Pareteum	TEUM	68.8	2.91	-0.16	-5.21	3.14	2.90

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	659,696,193	9,737,632
Adv. volume*	361,338,919	4,557,566
Decl. volume*	282,854,438	4,800,575
Issues traded	3,080	320
Advances	1,767	174
Declines	1,194	132
Unchanged	119	14
New highs	100	6
New lows	36	13
Closing tick	224	23
Closing Arms†	1.16	1.41
Block trades*	5,681	109
	Nasdaq	**NYSE Arca**
Total volume*	2,205,754,300	172,662,157
Adv. volume*	1,589,063,241	75,660,812
Decl. volume*	586,652,256	95,931,713
Issues traded	3,116	1,347
Advances	1,820	779
Declines	1,128	537
Unchanged	168	31
New highs	95	45
New lows	83	51
Closing tick	496	8
Closing Arms†	0.60	1.46
Block trades*	17,179	1,067

* Primary market NYSE, NYSE American NYSE Arca only.
†(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Latest Net chg	% chg	YTD % chg
World	**The Global Dow**	3076.14	0.35	0.01	-0.3
	DJ Global Index	401.68	0.17	0.04	1.1
	DJ Global ex U.S.	254.91	-0.83	-0.32	-4.4
Americas	**DJ Americas**	680.51	2.22	0.33	6.0
Brazil	**Sao Paulo Bovespa**	81050.76	-384.22	-0.47	6.1
Canada	**S&P/TSX Comp**	16420.24	...	Closed	1.3
Mexico	**S&P/BMV IPC**	49320.21	17.64	0.04	-0.1
Chile	**Santiago IPSA**	3971.31	-30.23	-0.76	-5.7
EMEA	**Stoxx Europe 600**	388.66	-0.50	-0.13	-0.1
Eurozone	**Euro Stoxx**	386.43	-0.13	-0.03	0.2
Belgium	**Bel-20**	3866.55	-7.56	-0.20	-2.8
Denmark	**OMX Copenhagen**	933.47	-3.85	-0.41	0.7
France	**CAC 40**	5477.18	-1.80	-0.03	3.1
Germany	**DAX**	12598.21	-17.55	-0.14	-2.5
Israel	**Tel Aviv**	1604.92	0.22	0.01	6.3
Italy	**FTSE MIB**	21580.18	-6.67	-0.03	-1.2
Netherlands	**AEX**	572.56	0.27	0.05	5.1
Russia	**RTS Index**	1138.57	-6.51	-0.57	-1.4
South Africa	**FTSE/JSE All-Share**	56861.21	-256.82	-0.45	-4.4
Spain	**IBEX 35**	9722.70	-17.10	-0.18	-3.2
Sweden	**OMX Stockholm**	595.72	-0.46	-0.08	4.7
Switzerland	**Swiss Market**	9149.36	-8.64	-0.09	-2.5
Turkey	**BIST 100**	94173.97	-1436.51	-1.50	-18.3
U.K.	**FTSE 100**	7663.78	4.68	0.06	-0.3
U.K.	**FTSE 250**	20639.38	4.05	0.02	-0.4
Asia-Pacific					
Australia	**S&P/ASX 200**	6273.00	38.20	0.61	3.4
China	**Shanghai Composite**	2705.16	-35.29	-1.29	-18.2
Hong Kong	**Hang Seng**	27819.56	143.24	0.52	-7.0
India	**S&P BSE Sensex**	37691.89	135.73	0.36	10.7
Japan	**Nikkei Stock Avg**	22507.32	-17.86	-0.08	-1.1
Singapore	**Straits Times**	3285.34	19.61	0.60	-3.5
South Korea	**Kospi**	2286.50	-1.18	-0.05	-7.3
Taiwan	**TAIEX**	11024.10	11.67	0.11	3.6
Thailand	**SET**	1696.24	-15.85	-0.93	-3.3

Sources: SIX Financial Information; Dow Jones Market Data

Percentage Gainers...

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Wins Finance Holdings	WINS	60.98	27.60	82.68	390.88	33.38	-70.3
Protagonist Therapeutics	PTGX	11.12	4.11	58.63	23.97	5.50	-4.2
Blink Charging	BLNK	4.42	1.02	30.00	33.70	1.28	-82.1
Everspin Technologies	MRAM	11.15	2.28	25.70	19.25	6.40	-37.2
Technical Communications	TCCO	4.80	0.95	24.68	15.40	3.70	-22.6
GreenSky	GSKY	21.23	3.38	18.94	27.02	17.15	...
Intercept Pharmaceuticals	ICPT	114.71	17.45	17.94	121.92	51.05	6.6
SeaWorld Entertainment	SEAS	24.69	3.56	16.85	26.00	10.42	81.4
Opera ADR	OPRA	13.41	1.91	16.61	15.62	11.49	...
Urban One Cl A	UONE	2.60	0.35	15.56	4.85	1.25	44.4
TSR	TSRI	7.91	1.01	14.70	9.40	3.80	81.9
New Concept Energy	GBR	2.93	0.37	14.45	12.75	1.16	107.8
Tel Instrument Elec	TIK	2.80	0.35	14.29	6.35	2.05	-26.8
Naked Brand Group	NAKD	4.74	0.58	13.94	11.36	1.11	256.4
T2 Biosystems	TTOO	6.10	0.74	13.81	9.98	2.80	96.8

Percentage Losers

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Orchids Paper Products	TIS	2.18	-2.05	-48.46	15.74	2.13	-75.2
Pain Therapeutics	PTIE	1.25	-1.16	-48.13	12.80	1.22	-63.0
Westmoreland Resource	WMLP	2.25	-1.92	-46.04	5.58	0.98	-28.2
Ovid Therapeutics	OVID	6.08	-3.44	-36.13	12.44	5.28	-19.3
Restoration Robotics	HAIR	2.02	-0.81	-28.62	11.95	2.00	...
Kopin	KOPN	2.41	-0.63	-20.72	4.60	2.35	-27.6
Acorn International ADR	ATV	19.02	-4.01	-17.41	38.86	9.70	52.9
Citius Pharmaceuticals	CTXR	1.79	-0.36	-16.74	5.49	1.62	-39.3
Atlanticus Holdings	ATLC	1.81	-0.31	-14.62	3.83	1.52	-29.0
Newell Brands	NWL	22.76	-3.81	-14.34	51.57	22.50	-55.6
Clementia Pharm	CMTA	8.51	-1.32	-13.43	20.15	8.38	-46.8
Zedge Cl B	ZDGE	2.39	-0.35	-12.85	4.34	1.65	29.3
Provention Bio	PRVB	3.50	-0.50	-12.50	8.00	3.50	...
Translate Bio	TBIO	9.67	-1.34	-12.17	16.60	9.21	...
Farmmi	FAMI	3.12	-0.38	-10.86	10.32	3.12	...

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Helios Matheson Analy	HMNY	466,678	7850.6	0.08	19.14	9714.38	0.06
Advanced Micro Devices	AMD	82,474	27.0	19.43	5.08	20.18	9.04
Sprint Corp.	S	54,888	404.6	6.18	9.96	8.87	4.81
Facebook Cl A	FB	48,578	113.9	185.69	4.45	218.62	149.02
Bank of America	BAC	40,017	-37.4	31.52	0.03	33.05	22.75
Neovasc	NVCN	39,301	-7.7	0.04	16.91	1.89	0.03
Finl Select Sector SPDR	XLF	37,902	-31.2	28.27	0.53	30.33	23.79
Chesapeake Energy	CHK	37,182	-6.1	4.70	5.38	5.60	2.53
SPDR S&P 500	SPY	35,844	-48.1	284.64	0.37	286.63	241.83
Newell Brands	NWL	34,530	475.6	22.76	-14.34	51.57	22.50

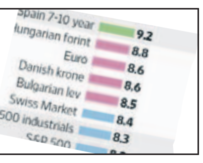
* Volumes of 100,000 shares or more are rounded to the nearest thousand

Volume Movers

Ranked by change from 65-day average*

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Allot Communications	ALLT	1,526	2832	5.35	2.10	6.09	4.74
Manchester United Cl A	MANU	735	2605	20.75	0.97	22.25	16.05
Protagonist Therapeutics	PTGX	5,179	2095	11.12	58.63	23.97	5.50
Invsc S&P SC Cons Disc	PSCD	281	2026	67.75	0.94	69.03	50.36
IQ Chaikin U.S. Large Cap	CLRG	2,815	1629	26.13	0.59	27.80	24.16
PIMCO Dyn Mult US	MFUS	114	1475	29.09	0.36	29.49	25.00
SeaWorld Entertainment	SEAS	31,772	1415	24.69	16.85	26.00	10.42
Ovid Therapeutics	OVID	516	1172	6.08	-36.13	12.44	5.28
Hunter Maritime Acqn	HUNT	251	946	9.90	...	9.90	9.68
ProShares Ultra Hlth Care	RXL	83	900	104.13	0.32	107.49	77.00

* Common stocks priced at $2 a share or more with an average volume over 65 trading days of at least 5,000 shares †Has traded fewer than 65 days

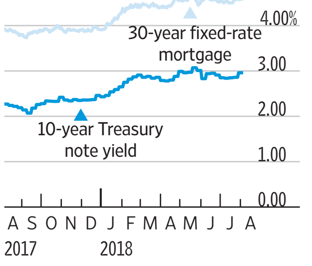


CREDIT MARKETS

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

30-year mortgage, Rate

Bankrate.com avg†:	4.58%
Cathay Bank	3.88%
Los Angeles, CA	800-922-8429
Cambridge Savings Bank	4.50%
Cambridge, MA	888-418-5626
OceanFirst Bank	4.50%
Toms River, NJ	888-623-2633
Proponent Federal Credit Union	4.50%
Nutley, NJ	973-338-1133
Rockland Federal Credit Union	4.50%
Rockland, MA	800-562-7328

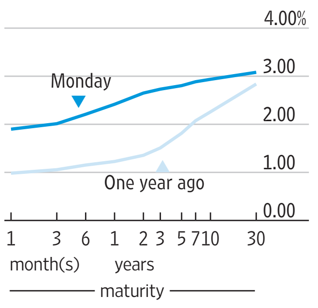
Interest rate	Yield/Rate (%) Last (●)	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	1.75-2.00	1.75-2.00	1.00	1.75	1.75
Prime rate*	5.00	5.00	4.25	5.00	1.75
Libor, 3-month	2.34	2.34	1.31	2.37	2.03
Money market, annual yield	0.49	0.49	0.25	0.53	0.20
Five-year CD, annual yield	1.81	1.80	1.43	1.81	0.32
30-year mortgage, fixed†	4.58	4.58	3.73	4.69	0.66
15-year mortgage, fixed†	4.03	4.05	2.99	4.14	0.92
Jumbo mortgages, $424,100-plus†	4.77	4.75	4.21	4.96	0.40
Five-year adj mortgage (ARM)†	4.43	4.43	3.22	4.78	1.20
New-car loan, 48-month	3.88	3.89	2.85	4.28	0.82

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks.† Excludes closing costs.

Sources: SIX Financial Information; Dow Jones Market Data; Bankrate.com

Treasury yield curve

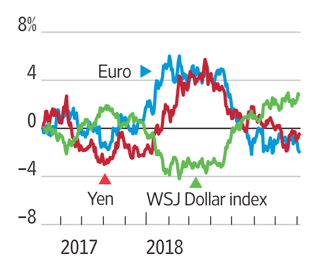
Yield to maturity of current bills, notes and bonds



Sources: Ryan ALM; Tullett Prebon; Dow Jones Market Data

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Corporate Borrowing Rates and Yields

Bond total return index	Close	Yield (%) Last	Week ago	52-Week High	Low	Total Return (%) 52-wk	3-yr
Treasury, Ryan ALM	1437.469	2.848	2.883	2.945	1.818	-1.639	0.710
10-yr Treasury, Ryan ALM	1677.546	2.936	2.975	3.109	2.058	-3.562	-0.057
DJ Corporate	374.737	3.830	3.911	3.995	2.879	-0.699	3.325
Aggregate, Barclays Capital	1917.710	3.340	3.370	3.430	2.380	-0.771	1.615
High Yield 100, Merrill Lynch	2905.215	5.824	5.927	6.319	4.977	2.270	4.965
Fixed-Rate MBS, Barclays	1971.570	3.470	3.500	3.580	2.660	-0.355	1.336
Muni Master, Merrill	522.254	2.469	2.424	2.653	1.736	0.313	2.299
EMBI Global, J.P. Morgan	778.415	6.567	6.491	6.822	5.279	-1.994	4.974

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

CURRENCIES & COMMODITIES

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Mon in US$	per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso	.0366	27.3287	46.9
Brazil real	.2676	3.7365	12.8
Canada dollar	.7690	1.3005	3.4
Chile peso	.001546	646.90	5.1
Ecuador US dollar	1	1	unch
Mexico peso	.0540	18.5248	-5.8
Uruguay peso	.03254	30.7300	6.7
Venezuela b. fuerte	.000006	172475.0001	1667638.4
Asia-Pacific			
Australian dollar	.7388	1.3535	5.7
China yuan	.1459	6.8538	5.4
Hong Kong dollar	.1274	7.8469	0.4
India rupee	.01453	68.825	7.8
Indonesia rupiah	.0000691	14470	7.3
Japan yen	.008977	111.40	-1.2
Kazakhstan tenge	.002867	348.84	4.9
Macau pataca	.1237	8.0836	0.5
Malaysia ringgit	.2450	4.0815	0.5
New Zealand dollar	.6732	1.4854	5.4
Pakistan rupee	.00813	122.995	11.2
Philippines peso	.0189	52.825	5.7
Singapore dollar	.7308	1.3683	2.3
South Korea won	.0008875	1126.70	5.6
Sri Lanka rupee	.0062598	159.75	4.1
Taiwan dollar	.03263	30.650	3.3
Thailand baht	.02999	33.350	2.3
Vietnam dong	.00004290	23308	2.6

Country/currency	Mon in US$	per US$	US$ vs, YTD chg (%)
Europe			
Czech Rep. koruna	.04506	22.194	4.3
Denmark krone	.1550	6.4503	4.0
Euro area euro	1.1555	.8655	3.9
Hungary forint	.003612	276.89	6.9
Iceland krona	.009332	107.16	3.5
Norway krone	.1212	8.2504	0.5
Poland zloty	.2713	3.6863	6.0
Russia ruble	.01568	63.760	10.5
Sweden krona	.1119	8.9389	9.2
Switzerland franc	1.0035	.9965	2.3
Turkey lira	.1876	5.3310	40.5
Ukraine hryvnia	.0369	27.0840	-3.8
UK pound	1.2942	.7727	4.4
Middle East/Africa			
Bahrain dinar	2.6470	.3778	0.2
Egypt pound	.0559	17.8825	0.6
Israel shekel	.2698	3.7060	6.5
Kuwait dinar	3.2994	.3031	0.5
Oman sul rial	2.5974	.3850	0.01
Qatar rial	.2745	3.644	-0.1
Saudi Arabia riyal	.2666	3.7505	...
South Africa rand	.0744	13.4413	8.7

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.00	0.26	0.30	3.51

Sources: Tullett Prebon, Dow Jones Market Data

Commodities

	Close	Monday Net chg	% Chg	52-Week High	Low	% Chg	YTD % chg
DJ Commodity	618.66	0.63	0.10	667.35	563.57	8.47	-1.07
TR/CC CRB Index	193.93	0.70	0.36	206.38	175.36	7.16	0.03
Crude oil, $ per barrel	69.01	0.52	0.76	74.15	45.96	39.72	14.22
Natural gas, $/MMBtu	2.86	0.007	0.25	3.63	2.55	2.11	-3.15
Gold, $ per troy oz.	1208.60	-5.60	-0.46	1362.40	1208.60	-3.94	-7.48

COMMODITIES

Futures Contracts

Metal & Petroleum Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; $ per lb.							
Aug	2.7400	2.7400		2.7005	**2.7210**	–0.0325	1,950
Sept	2.7555	2.7585		2.7065	**2.7315**	–0.0320	155,566
Gold (CMX)-100 troy oz.; $ per troy oz.							
Aug	1214.40	1214.40		1206.60	**1208.60**	–5.60	2,681
Sept	1215.20	1218.70		1207.50	**1210.60**	–5.30	2,336
Oct	1216.70	1220.70		1209.50	**1212.60**	–5.50	54,946
Dec	1222.00	1226.00		1214.40	**1217.70**	–5.50	346,005
Feb'19	1228.60	1229.30		1221.60	**1223.50**	–5.50	31,972
Dec	1260.10	1260.10		1254.00	**1254.10**	–5.60	3,727
Palladium (NYM) - 50 troy oz.; $ per troy oz.							
Sept	906.70	911.00		896.60	**903.60**	–4.30	17,621
Dec	908.20	908.20		896.10	**900.80**	–4.30	4,762
Platinum (NYM)-50 troy oz.; $ per troy oz.							
Sept	821.60	823.00		821.60	**824.50**	–10.40	28
Oct	833.40	838.80		821.30	**826.30**	–10.60	74,056
Silver (CMX)-5,000 troy oz.; $ per troy oz.							
Aug	15.455	15.455		15.455	**15.292**	–0.114	264
Sept	15.445	15.505		15.290	**15.348**	–0.114	155,841
Crude Oil, Light Sweet (NYM)-1,000 bbls.; $ per bbl.							
Sept	68.60	69.92		68.50	**69.01**	0.52	388,488
Oct	67.47	68.73		67.38	**67.94**	0.59	267,125
Dec	66.70	67.92		66.60	**67.10**	0.51	290,036
Jan'19	66.40	67.61		66.39	**66.80**	0.51	174,127
June	64.61	65.76		64.60	**64.99**	0.45	165,435
Dec	62.72	63.94		62.72	**63.15**	0.43	212,610
NY Harbor ULSD (NYM)-42,000 gal.; $ per gal.							
Sept	2.1290	2.1617		2.1263	**2.1393**	.0124	116,976
Dec	2.1402	2.1731		2.1400	**2.1516**	.0121	58,465
Gasoline-NY RBOB (NYM)-42,000 gal.; $ per gal.							
Sept	2.0663	2.0847		2.0523	**2.0651**	–.0004	155,167
Oct	1.9442	1.9657		1.9352	**1.9469**	.0018	104,841
Natural Gas (NYM)-10,000 MMBtu.; $ per MMBtu.							
Sept	2.855	2.865		2.822	**2.860**	.007	283,647
Oct	2.864	2.875		2.835	**2.866**	.004	179,040
Nov	2.901	2.912		2.876	**2.903**	.005	151,300
Jan'19	3.087	3.096		3.065	**3.090**	.008	167,619
March	2.943	2.950		2.925	**2.947**	.006	147,177
April	2.626	2.635		2.614	**2.634**	.008	132,810

Agriculture Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.							
Sept	370.00	371.75		368.25	**371.00**	1.25	514,411
Dec	384.50	386.25		382.50	**385.25**	1.00	807,913
Oats (CBT)-5,000 bu.; cents per bu.							
Sept	249.00	261.50		249.00	**261.50**	11.75	1,287
Dec	256.75	270.00		256.75	**270.00**	13.00	3,379
Soybeans (CBT)-5,000 bu.; cents per bu.							
Aug	880.50	881.00		872.50	**877.25**	–9.00	1,752
Nov	901.00	903.75		887.50	**893.50**	–8.75	420,094
Soybean Meal (CBT)-100 tons; $ per ton.							
Aug	332.10	332.20		328.30	**330.00**	–2.50	2,393
Dec	331.80	332.30		326.40	**329.50**	–2.30	197,624
Soybean Oil (CBT)-60,000 lbs.; cents per lb.							
Aug	28.37	28.38		28.21	**28.29**	–.06	1,508
Dec	28.87	29.01		28.68	**28.80**	–.06	248,333
Rough Rice (CBT)-2,000 cwt.; $ per cwt.							
Sept	1157.50	1165.50		1121.00	**1127.50**	–22.00	6,714
Nov	1153.00	1153.00		1118.00	**1126.00**	–18.00	1,854
Wheat (CBT)-5,000 bu.; cents per bu.							
Sept	555.00	576.25		551.50	**574.50**	18.25	164,828
Dec	579.50	598.75		575.25	**597.25**	17.50	189,814
Wheat (KC)-5,000 bu.; cents per bu.							
Sept	567.00	587.25		563.50	**586.00**	18.75	111,426
Dec	596.00	615.00		591.25	**614.00**	18.75	116,519
Wheat (MPLS)-5,000 bu.; cents per bu.							
Sept	610.25	629.50		610.00	**628.25**	15.50	26,240
Dec	629.50	646.75		627.50	**645.50**	15.75	25,378
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.							
Aug	152.850	153.000		151.775	**151.850**	–1.000	8,041
Sept	153.025	153.500		151.725	**151.850**	–1.175	15,213
Cattle-Live (CME)-40,000 lbs.; cents per lb.							
Aug	111.100	111.100		110.250	**110.400**	–.275	21,043
Oct	112.000	112.150	▲	111.225	**111.550**	–.450	130,721
Hogs-Lean (CME)-40,000 lbs.; cents per lb.							
Aug	58.450	58.700	▼	56.400	**56.600**	–1.900	15,115
Oct	51.000	51.975		50.000	**50.225**	–.550	118,765
Lumber (CME)-110,000 bd. ft., $ per 1,000 bd. ft.							
Sept	425.50	430.00		417.60	**422.70**	–7.80	3,655
Nov	406.10	409.90		400.50	**403.90**	–6.50	960
Milk (CME)-200,000 lbs., cents per lb.							
Aug	14.89	14.90		14.82	**14.82**	–.06	4,849
Sept	15.65	15.65	▼	15.48	**15.48**	–.20	4,295
Cocoa (ICE-US)-10 metric tons; $ per ton.							
Sept	2,036	2,127		2,035	**2,122**	76	56,631
Dec	2,100	2,174		2,100	**2,170**	56	90,915
Coffee (ICE-US)-37,500 lbs.; cents per lb.							
Sept	107.65	110.15		107.20	**108.75**	1.00	148,307
Dec	111.10	113.35		110.60	**112.00**	.90	103,693
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.							
Oct	10.93	11.13		10.89	**10.98**	.13	544,316
March'19	11.77	11.90		11.69	**11.77**	.11	301,352
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.							
Sept	26.00	26.42		26.00	**26.00**	–.05	988
Nov	25.65	25.77		25.65	**25.66**	.01	2,085
Cotton (ICE-US)-50,000 lbs.; cents per lb.							
Oct	87.87	88.54		87.63	**88.69**	.02	199
Dec	87.65	88.65		87.23	**88.40**	.28	174,440
Orange Juice (ICE-US)-15,000 lbs.; cents per lb.							
Sept	168.95	169.60		165.85	**166.40**	–2.50	10,639
Nov	169.85	170.25		167.10	**167.55**	–2.25	4,201

Interest Rate Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Treasury Bonds (CBT)-$100,000; pts 32nds of 100%							
Sept	142-310	143-180		142-280	**143-080**	9.0	840,054
Dec	142-060	142-250		142-060	**142-150**	9.0	2,417
Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
Sept	119-195	119-270		119-170	**119-235**	4.0	3,738,914
Dec	119-115	119-205		119-105	**119-170**	4.0	19,655
5 Yr. Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
Sept	113-097	113-127		113-075	**113-107**	1.2	4,055,604
Dec	112-317	113-035		112-312	**113-015**	1.2	55,590
2 Yr. Treasury Notes (CBT)-$200,000; pts 32nds of 100%							
Sept	105-237	105-242		105-230	**105-235**	–.5	1,938,007
Dec	105-182	105-187		105-182	**105-185**	...	19,449
30 Day Federal Funds (CBT)-$5,000,000; 100 - daily avg.							
Aug	98.088	98.090		98.085	**98.088**	.003	245,743
Oct	97.860	97.860		97.855	**97.860**	...	314,997
10 Yr. Del. Int. Rate Swaps (CBT)-$100,000; pts 32nds of 100%							
Sept	94.969	95.266		94.969	**95.188**	.141	30,288
1 Month Libor (CME)-$3,000,000; pts of 100%							
Sept	97.8000	97.8000		97.7950	**97.8075**	.0025	146
Eurodollar (CME)-$1,000,000; pts of 100%							
Aug	97.6525	97.6525		97.6475	**97.6500**	...	189,026
Sept	97.5850	97.5900		97.5800	**97.5800**	–.0050	1,278,313
Dec	97.3300	97.3400		97.3250	**97.3350**	...	1,786,852
Dec'19	96.9700	96.9800		96.9500	**96.9700**	.0100	1,792,526

Currency Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Japanese Yen (CME)-¥12,500,000; $ per 100¥							
Aug	.8978	.8980		.8977	**.8981**	–.0013	731
Sept	.9017	.9021		.8991	**.9001**	–.0013	184,711
Canadian Dollar (CME)-CAD 100,000; $ per CAD							
Aug	.7699	.7699		.7699	**.7691**	–.0015	435
Sept	.7704	.7705		.7673	**.7695**	–.0015	138,106
British Pound (CME)-£62,500; $ per £							
Aug	1.2999	1.2999	▼	1.2929	**1.2947**	–.0064	930
Sept	1.3026	1.3027	▼	1.2940	**1.2964**	–.0064	191,575
Swiss Franc (CME)-CHF 125,000; $ per CHF							
Sept	1.0092	1.0094		1.0049	**1.0071**	–.0023	90,898
Australian Dollar (CME)-AUD 100,000; $ per AUD							
Aug	.7398	.7398		.7381	**.7391**	–.0015	639
Sept	.7401	.7407		.7375	**.7391**	–.0015	141,596
Oct	.7380	.7380		.7380	**.7392**	–.0015	275
Nov	.7440	.7440		.7413	**.7393**	–.0015	115
Dec	.7399	.7405		.7380	**.7394**	–.0015	706
March'19	.7405	.7414		.7405	**.7401**	–.0015	131
Mexican Peso (CME)-MXN 500,000; $ per MXN							
Sept	.05357	.05381		.05336	**.05372**	.00016	198,775
Dec	.05271	.05305	▲	.05263	**.05296**	.00016	118
Euro (CME)-€125,000; $ per €							
Aug	1.1569	1.1573	▼	1.1540	**1.1562**	–.0023	1,135
Sept	1.1605	1.1606	▼	1.1565	**1.1591**	–.0023	496,662

Index Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Mini DJ Industrial Average (CBT)-$5 x index							
Sept	25434	25508		25346	**25468**	58	97,006
S&P 500 Index (CME)-$250 x index							
Sept	2842.20	2852.30		2835.50	**2850.10**	10.60	63,576
Mini S&P 500 (CME)-$50 x index							
Sept	2841.50	2853.50		2835.00	**2850.00**	10.50	2,713,635
Dec	2846.25	2857.25		2839.00	**2854.25**	10.50	58,285
Mini S&P Midcap 400 (CME)-$100 x index							
Sept	2004.30	2013.40		1998.80	**2011.20**	9.70	83,067
Mini Nasdaq 100 (CME)-$20 x index							
Sept	7404.3	7449.8	▲	7387.5	**7444.0**	42.0	241,012
Dec	7434.0	7473.8	▲	7412.8	**7468.0**	41.5	2,104
Mini Russell 2000 (CME)-$50 x index							
Sept	1676.70	1687.60		1671.00	**1686.90**	11.60	552,936
Mini Russell 1000 (CME)-$50 x index							
Sept	1572.40	1582.30	▲	1572.40	**1580.70**	6.10	10,251
U.S. Dollar Index (ICE-US)-$1,000 x index							
Sept	95.05	95.35		95.03	**95.19**	.23	49,622
Dec	94.65	94.93		94.62	**94.78**	.23	1,758

Source: SIX Financial Information

Cash Prices | WSJ.com/commodities

Monday, August 6, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday
Energy	
Propane,tet,Mont Belvieu-g	0.9696
Butane,normal,Mont Belvieu-g	1.1341
NaturalGas,HenryHub-i	2.860
NaturalGas,TranscoZone3-i	2.870
NaturalGas,TranscoZone6NY-i	3.470
NaturalGas,PanhandleEast-i	2.390
NaturalGas,Opal-i	2.690
NaturalGas,MarcellusNE PA-i	2.550
NaturalGas,HaynesvilleN.LA-i	2.830
Coal,C.Aplc.,12500Btu,1.2SO2-r,w	72.700
Coal,PwdrRvrBsn,8800Btu,0.8SO2-r,w	12.950
Metals	
Gold, per troy oz	
Engelhard industrial	1212.71
Engelhard fabricated	1303.66
Handy & Harman base	1209.65
Handy & Harman fabricated	1342.71
LBMA Gold Price AM	*1207.70
LBMA Gold Price PM	*1216.30
Krugerrand,wholesale-e	1257.98
Maple Leaf-e	1270.08
American Eagle-e	1270.08
Mexican peso-e	1466.41
Austria crown-e	1188.65
Austria phil-e	1270.08
Silver, troy oz.	
Engelhard industrial	15.3400
Engelhard fabricated	18.4080
Handy & Harman base	15.3650
Handy & Harman fabricated	19.2060
LBMA spot price	*£11.8100
(U.S.$ equivalent)	*15.3600
Coins,wholesale $1,000 face-a	11318
Other metals	
LBMA Platinum Price PM	*832.0
Platinum,Engelhard industrial	828.0
Platinum,Engelhard fabricated	928.0
Palladium,Engelhard industrial	910.0
Palladium,Engelhard fabricated	1010.0
Aluminum, LME, $ per metric ton	*2016.0
Copper,Comex spot	2.7210
Iron Ore, 62% Fe CFR China-s	n.a.
Shredded Scrap, US Midwest-s,m	n.a.
Steel, HRC USA, FOB Midwest Mill-s	n.a.
Fibers and Textiles	
Burlap,10-oz,40-inch NY yd-n,w	0.5825
Cotton,1 1/16 std lw-mdMphs-u	0.8719
Cotlook 'A' Index-t	*98.75
Hides,hvy native steers piece fob-u	55.750
Wool,64s,staple,Terr del-u,w	n.a.
Grains and Feeds	
Barley,top-quality Mnpls-u	n.a.
Bran,wheat middlings, KC-u,w	72
Corn,No. 2 yellow,Cent IL-bp,u	3.3450
Corn gluten feed,Midwest-u,w	106.8
Corn gluten meal,Midwest-u,w	441.3
Cottonseed meal-u,w	255
Hominy feed,Cent IL-u,w	98
Meat-bonemeal,50% pro Mnpls-u,w	263
Oats,No.2 milling,Mnpls-u	3.0400
Rice, Long Grain Milled, No. 2 AR-u,w	n.a.
Sorghum,(Milo) No.2 Gulf-u	6.9600
SoybeanMeal,Cent IL,rail,ton48%-u	338.90
Soybeans,No.1 yllw IL-bp,u	8.4800
Wheat,Spring14%-pro Mnpls-u	7.0075
Wheat,No.2 soft red,St.Louis-bp,u	5.7350
Wheat - Hard - KC (USDA) $ per bu-u	6.1600
Wheat,No.1soft white,Portld,OR-u	6.1050
Food	
Beef,carcass equiv. index	
choice 1-3,600-900 lbs.-u	181.83
select 1-3,600-900 lbs.-u	174.07
Broilers, National comp wghtd-u,w	0.9590
Butter,AA Chicago	2.3050
Cheddar cheese,bbl,Chicago	148.50
Cheddar cheese,blk,Chicago	157.00
Milk,Nonfat dry,Chicago lb.	83.00
Cocoa,Ivory Coast-w	n.a.
Coffee,Brazilian,Comp	1.0886
Coffee,Colombian, NY	1.3256
Eggs,large white,Chicago-u	0.9650
Flour,hard winter KC	17.00
Hams,17-20 lbs,Mid-US fob-u	0.61
Hogs,Iowa-So. Minnesota-u	61.54
Pork bellies,12-14 lb MidUS-u	n.a.
Pork loins,13-19 lb MidUS-u	0.9898
Steers,Tex.-Okla. Choice-u	113.94
Steers,feeder,Okla. City-u,w	162.88
Fats and Oils	
Corn oil,crude wet/dry mill-u,w	27.1000
Grease,choice white,Chicago-h	0.2650
Lard,Chicago-u	n.a.
Soybean oil,crude;Centl IL-u	0.2717
Tallow,bleach;Chicago-h	0.2800
Tallow,edible,Chicago-u	0.3200

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra,Tordella & Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; M=monthly; N=nominal; n.a.=not quoted or not available; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; W=weekly, Z=not quoted. *Data as of 8/3

Source: Dow Jones Market Data

Bonds | WSJ.com/bonds

Tracking Bond Benchmarks

Return on investment and spreads over Treasurys and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	Yield (%) Latest	Low	High
Broad Market Bloomberg Barclays					
1917.71	-1.4	U.S. Aggregate	3.340	2.380	3.430
U.S. Corporate Indexes Bloomberg Barclays					
2738.31	-2.2	U.S. Corporate	3.950	3.030	4.070
2597.51	-0.9	Intermediate	3.660	2.530	3.760
3743.44	-4.9	Long term	4.580	3.990	4.750
560.12	-1.5	Double-A-rated	3.410	2.470	3.500
707.75	-2.0	Triple-B-rated	4.240	3.340	4.370
High Yield Bonds Merrill Lynch					
423.80	1.5	High Yield Constrained	6.287	5.373	6.619
440.46	4.8	Triple-C-rated	9.779	9.597	11.091
2905.22	1.5	High Yield 100	5.824	4.977	6.319
380.78	0.5	Global High Yield Constrained	6.000	4.934	6.298
306.24	-0.03	Europe High Yield Constrained	3.266	1.897	3.611
U.S Agency Bloomberg Barclays					
1628.75	-0.6	U.S Agency	2.890	1.690	2.930
1460.99	-0.1	10-20 years	2.790	1.510	2.830
3282.65	-3.1	20-plus years	3.400	2.730	3.550
2427.62	-1.5	Yankee	3.700	2.610	3.760

Total return close	YTD total return (%)	Index	Yield (%) Latest	Low	High
Mortgage-Backed Bloomberg Barclays					
1971.57	-0.9	Mortgage-Backed	3.470	2.660	3.580
1940.89	-0.7	Ginnie Mae (GNMA)	3.410	2.630	3.540
1155.78	-0.9	Fannie mae (FNMA)	3.490	2.670	3.590
1779.09	-1.0	Freddie Mac (FHLMC)	3.510	2.680	3.610
522.25	-0.01	Muni Master	2.469	1.736	2.653
363.88	-0.5	7-12 year	2.541	1.744	2.702
410.20	-0.5	12-22 year	2.869	2.213	3.004
397.72	-0.6	22-plus year	3.288	2.716	3.411
Global Government J.P. Morgan†					
541.12	-0.5	Global Government	1.660	1.300	1.690
753.07	-0.2	Canada	2.320	1.930	2.450
371.01	0.1	EMU§	1.236	0.956	1.362
719.06	1.2	France	0.810	0.690	1.040
513.87	1.3	Germany	0.420	0.340	0.740
288.11	-0.2	Japan	0.450	0.340	0.460
568.32	1.4	Netherlands	0.510	0.450	0.830
934.14	0.4	U.K.	1.570	1.340	1.830
778.42	-3.7	Emerging Markets **	6.567	5.279	6.822

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds † In local currency § Euro-zone bonds

** EMBI Global Index

Sources: Merrill Lynch; Bloomberg Barclays; J.P.Morgan

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose(▲) or fell (▼) in the latest session

Coupon (%)	Country/ Maturity, in years	Yield (%) Latest(●)	Previous	Month ago	Year ago	Spread Under/Over U.S. Treasurys, in basis points Latest	Prev	Year ago
2.625	**U.S.** 2	2.653 ▲	2.653	2.537	1.347			
2.875	10	2.938 ▼	2.950	2.822	2.266			
1.750	**Australia** 2	2.110	2.110	1.987	1.785	-54.4	-54.4	43.8
2.250	10	2.736	2.736	2.634	2.631	-20.2	-21.4	36.6
0.000	**France** 2	-0.404 ▼	-0.396	-0.476	-0.473	-305.8	-304.9	-182.0
0.750	10	0.715 ▼	0.739	0.641	0.758	-222.4	-221.1	-150.7
0.000	**Germany** 2	-0.591 ▼	-0.589	-0.656	-0.682	-324.5	-324.2	-202.9
0.250	10	0.391 ▼	0.411	0.295	0.471	-254.7	-253.9	-179.5
0.350	**Italy** 2	0.944 ▼	1.021	0.836	-0.015	-170.9	-163.3	-136.2
2.000	10	2.904 ▼	2.935	2.722	2.021	-3.5	-1.5	-24.5
0.100	**Japan** 2	-0.112 ▼	-0.112	-0.130	-0.113	-276.6	-276.5	-146.0
0.100	10	0.104 ▼	0.110	0.030	0.064	-283.4	-284.0	-220.2
1.150	**Spain** 2	-0.307 ▼	-0.291	-0.236	-0.326	-296.1	-294.5	-167.3
1.400	10	1.396 ▼	1.431	1.308	1.466	-154.	-151.9	-80.0
2.000	**U.K.** 2	0.727 ▼	0.747	0.738	0.255	-192.7	-190.7	-109.2
4.250	10	1.306 ▼	1.330	1.268	1.177	-163.	-162.0	-108.9

Source: Tullett Prebon

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

August 6, 2018

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation

	June index level	Chg From (%) May '18	June '17
U.S. consumer price index			
All items	251.989	0.16	2.9
Core	257.697	0.09	2.3

International rates

	Latest	Week ago	52-Week High	Low
Prime rates				
U.S.	5.00	5.00	5.00	4.25
Canada	3.70	3.70	3.70	2.95
Japan	1.475	1.475	1.475	1.475
Policy Rates				
Euro zone	0.00	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50	0.50
Britain	0.75	0.50	0.75	0.25
Australia	1.50	1.50	1.50	1.50
Overnight repurchase				
U.S.	1.94	2.02	2.18	1.01

U.S. government rates

	Latest	Week ago	52-Week High	Low
Discount	2.50	2.50	2.50	1.75
Federal funds				
Effective rate	1.9300	1.9400	1.9500	1.0700
High	2.1500	2.1500	2.1500	1.3125
Low	1.8300	1.9000	1.9100	0.9800
Bid	1.9000	1.9000	1.9200	1.0600
Offer	1.9300	1.9300	2.1500	1.0700
Treasury bill auction				
4 weeks	1.910	1.880	1.910	0.940
13 weeks	2.010	2.000	2.010	1.000
26 weeks	2.180	2.160	2.180	1.115

Secondary market

	Latest	Week ago	52-Week High	Low
Fannie Mae				
30-year mortgage yields				
30 days	4.221	4.250	4.344	3.253
60 days	4.246	4.275	4.371	3.281

Other short-term rates

	Latest	Week ago	52-Week high	low
Call money	3.75	3.75	3.75	3.00
Commercial paper (AA financial)				
90 days	2.21	2.18	2.31	1.14
Libor				
One month	2.08256	2.08150	2.10288	1.22667
Three month	2.34325	2.34313	2.36906	1.30911
Six month	2.52163	2.53050	2.53363	1.44767
One year	2.82688	2.82125	2.83213	1.69511
Euro Libor				
One month	-0.402	-0.401	-0.394	-0.420
Three month	-0.361	-0.359	-0.349	-0.389
Six month	-0.314	-0.320	-0.300	-0.339
One year	-0.235	-0.233	-0.190	-0.263
Euro interbank offered rate (Euribor)				
One month	-0.369	-0.369	-0.366	-0.374
Three month	-0.319	-0.319	-0.319	-0.331
Six month	-0.268	-0.268	-0.267	-0.279
One year	-0.176	-0.179	-0.152	-0.194

	Latest	Value Traded	52-Week High	Low
DTCC GCF Repo Index				
Treasury	1.959	29.880	2.233	1.022
MBS	1.986	92.720	2.321	1.038

	Settle	Change	Open Interest	Implied Rate
DTCC GCF Repo Index Futures				
Treasury Aug	98.015	-0.010	1387	1.985
Treasury Sep	97.955	-0.005	1877	2.045
Treasury Oct	97.775	0.005	93	2.225

Notes on data:
U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective June 14, 2018. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective June 14, 2018. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Liffe US.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; Tullett Prebon Information, Ltd.

Key Interest Rates

Data are annualized on a 360-day basis. Treasury yields are per annum, on actively traded noninflation and inflation-indexed issues that are adjusted to constant maturities. Data are from weekly Federal Reserve release H.15.

	Week Ended Aug 3	Jul 27	52-Week High	Low
Federal funds (effective)	1.91	1.91	1.92	1.12
Commercial paper				
Nonfinancial				
1-month	1.96	1.94	1.97	1.09
2-month	2.02	2.01	2.05	1.13
3-month	2.12	2.10	2.13	1.16
Financial				
1-month	1.97	1.96	1.98	1.07
2-month	2.09	2.07	2.09	1.18
3-month	2.21	2.17	2.28	1.23
Discount window primary credit	2.50	2.50	2.50	1.75
Conventional mortgages	n.a.	n.a.	n.a.	n.a.
Treasury yields at constant maturities				
1-month	1.91	1.90	1.91	0.96
3-month	2.03	2.00	2.03	1.01
6-month	2.22	2.19	2.22	1.11
1-year	2.44	2.42	2.44	1.22
2-year	2.66	2.66	2.66	1.29
3-year	2.76	2.75	2.76	1.40
5-year	2.85	2.84	2.91	1.65
7-year	2.93	2.92	3.03	1.90
10-year	2.97	2.96	3.07	2.07
20-year	3.05	3.03	3.14	2.43

	Week Ended Aug 3	Jul 27	52-Week High	Low
Treasury yields (secondary market)				
1-month	1.88	1.87	1.88	0.95
3-month	1.99	1.96	1.99	0.99
6-month	2.16	2.14	2.16	1.09
TIPS				
5-year	0.85	0.83	0.85	0.05
7-year	0.85	0.83	0.89	0.24
10-year	0.85	0.84	0.91	0.28
20-year	0.91	0.90	0.98	0.60
Long-term avg	0.94	0.94	1.00	0.65
Interest rate swaps				
1-year	n.a.	n.a.	n.a.	n.a.
2-year	n.a.	n.a.	n.a.	n.a.
3-year	n.a.	n.a.	n.a.	n.a.
4-year	n.a.	n.a.	n.a.	n.a.
5-year	n.a.	n.a.	n.a.	n.a.
7-year	n.a.	n.a.	n.a.	n.a.
10-year	n.a.	n.a.	n.a.	n.a.
30-year	n.a.	n.a.	n.a.	n.a.
Corporate bonds, Moody's seasoned				
Aaa	n.a.	n.a.	n.a.	n.a.
Baa	n.a.	n.a.	n.a.	n.a.
State and local bonds	n.a.	n.a.	n.a.	n.a.
Eurodollars				
1 month	n.a.	n.a.	n.a.	n.a.
3 month	n.a.	n.a.	n.a.	n.a.
6 month	n.a.	n.a.	n.a.	n.a.

Notes on data:
Federal-funds rate is an average for the seven days ended Wednesday, weighted according to rates on broker trades; **Commercial paper rates** are discounted offer rates interpolated from sales by discounted averages of dealer bid rates on nationally traded certificates of deposit; **Discount window primary credit rate** is charged for discounts made and advances extended under the Federal Reserve's primary credit discount window program; **rate** is average for seven days ended Wednesday; **Inflation-indexed long-term TIPS** average is indexed and is based on the unweighted average bid yields for all TIPS with remaining terms to maturity of 10 years or more; **Swap rates** are International Swaps and Derivatives Association (ISDA(R)) mid-market par rates for a fixed-rate payer, who in return receives three-month Libor, and are based on rates collected at 11:00 a.m. ET by Garban Intercapital PLC; Source is Reuters; **Moody's triple-AAA** rates are averages of industrial bonds only; **Muni rates** are Thursday quotes based on the Bond Buyer Index for general obligation, 20 years to maturity, mixed quality debt; **Mortgage rates** are contract rates on commitments for fixed-rate first mortgages

Sources: Federal Reserve; for additional information on these rate data and their derivation, please see, www.federalreserve.gov/releases/h15/data.htm

Corporate Debt

Price moves by a company's debt in the credit markets sometimes mirror and sometimes anticipate, moves in that same company's share price.

Investment-grade spreads that tightened the most...

Issuer	Symbol	Coupon (%)	Maturity	Spread*, in basis points Current	One-day change	Last week	Stock Performance Close ($)	% chg
Citigroup	C	2.650	Oct. 26, '20	44	–18	64	72.40	0.01
Goldman Sachs	GS	6.750	Oct. 1, '37	175	–11	192	235.93	0.79
JPMorgan Chase	JPM	4.350	Aug. 15, '21	56	–11	65	117.12	0.03
Cooperatieve Rabobank UA	RABOBK	4.500	Jan. 11, '21	44	–11	n.a.	...	...
BPCE	BPCEGP	5.150	July 21, '24	170	–10	190	...	...
Intesa Sanpaolo Spa	ISPIM	5.250	Jan. 12, '24	240	–10	n.a.	...	...
HSBC Holdings	HSBC	4.375	Nov. 23, '26	139	–8	150	46.42	–1.63
Newell Brands	NWL	5.375	April 1, '36	257	–8	n.a.	22.76	–14.34

...And spreads that widened the most

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
State Street	STT	2.550	Aug. 18, '20	31	10	32	86.94	0.07
Ford Motor Credit	F	3.470	April 5, '21	103	7	101	...	...
Mason Finance Sub	WLSC	6.875	Aug. 15, '23	413	7	n.a.	...	...
Coca–Cola	KO	3.150	Nov. 15, '20	21	6	n.a.	46.65	0.06
PNC Bank NA	PNC	2.500	Jan. 22, '21	51	6	n.a.	...	...
Royal Bank of Scotland	RBS	7.648	Sept. 30, '31	214	6	n.a.	6.62	–3.07
HSBC Holdings	HSBC	5.250	March 14, '44	170	5	173	46.42	–1.63
Johnson & Johnson	JNJ	5.850	July 15, '38	75	5	n.a.	132.02	0.05

High-yield issues with the biggest price increases...

Issuer	Symbol	Coupon (%)	Maturity	Bond Price as % of face value Current	One-day change	Last week	Stock Performance Close ($)	% chg
Sprint Capital	S	8.750	March 15, '32	110.125	2.13	107.250	...	...
DISH DBS	DISH	5.000	March 15, '23	91.125	2.00	86.500	...	...
Monitronics International	MONINT	9.125	April 1, '20	76.750	1.75	74.125	...	...
Ensco	ESV	5.750	Oct. 1, '44	74.000	1.64	n.a.	7.40	0.95
Ashtead Capital	AHTLN	5.250	Aug. 1, '26	101.750	1.00	100.875	...	...
Mallinckrodt International Finance S.A.	MNK	5.625	Oct. 15, '23	87.750	0.96	85.000	...	...
Chesapeake Energy	CHK	8.000	June 15, '27	102.500	0.88	102.500	4.70	5.38
Charter Communications Operating	CHTR	5.375	May 1, '47	96.243	0.81	95.081	...	...

...And with the biggest price decreases

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
TRU Taj	TOY	12.000	Aug. 15, '21	71.000	–4.75	77.000	...	...
Safeway	SWY	7.250	Feb. 1, '31	99.020	–3.36	n.a.	...	...
Altice Financing S.A.	ALTICE	7.500	May 15, '26	95.500	–1.25	97.500	...	...
Rite Aid	RAD	6.125	April 1, '23	99.625	–1.25	100.688	1.66	–9.78
Titan International	TWI	6.500	Nov. 30, '23	98.500	–1.25	n.a.	7.03	–1.26
Teva Pharmaceutical Finance Netherlands Iii	TEVA	6.000	April 15, '24	102.938	–0.69	103.500	...	...
Beazer Homes USA	BZH	5.875	Oct. 15, '27	85.688	–0.56	87.750	12.80	–0.31
Murray Energy	MURRE	12.000	April 15, '24	78.938	–0.56	n.a.	...	...

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread.
Note: Data are for the most active issue of bonds with maturities of two years or more

Sources: MarketAxess Corporate BondTicker; Dow Jones Market Data

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was $2 or higher.

Footnotes:
- New 52-week high.
- New 52-week low.
dd-Indicates loss in the most recent four quarters.
FD-First day of trading.
h-Does not meet continued listing standards
lf-Late filing
q-Temporary exemption from Nasdaq requirements.
t-NYSE bankruptcy
v-Trading halted on primary market.
vj-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, August 6, 2018

Stock	Sym	Close	Net Chg
A B C			
ABB	ABB	22.95	0.24
ADT	ADT	8.98	0.07
AES	AES	13.82	0.13
Aflac	AFL	46.64	0.05
AGNC Invt	AGNC	19.09	0.01
BT Group	BT	15.54	0.18
BWX Tech	BWXT	66.81	0.04
Baidu	BIDU	232.96	-2.69
BakerHughes	BHGE	34.90	1.02
Ball	BLL	41.45	0.03
BancoBilbaoViz	BBVA	6.92	-0.12
BancodeChile	BCH	93.40	-0.20
BcoSantChile	BSAC	31.94	-0.87
BcoSantMex	BSMX	8.30	0.07
ChinaTelecom	CHA	46.12	0.01
ChinaUnicom	CHU	12.12	-0.14
Chipotle	CMG	475.25	11.98
Chubb	CB	138.70	-0.11
ChunghwaTel	CHT	34.44	-0.10
Church&Dwight	CHD	57.46	0.29
Cigna	CI	187.86	-1.39
CimarexEnergy	XEC	95.04	1.01
CincinnatiFin	CINF	75.96	0.42
Avalonbay	AVB	180.21	0.13
Avangrid	AGR	50.72	-0.10
AveryDennison	AVY	113.59	0.44
AxaltaCoating	AXTA	30.39	0.04
BB&T	BBT	51.42	-0.18
BCE	BCE	41.52	-0.18
BHPBilliton	BHP	49.81	-0.57
BHPBilliton	BBL	43.78	-0.64
BOK Fin	BOKF	98.30	0.37
BP	BP	44.13	0.16
Chemours	CC	46.37	-0.67
CheniereEnergy	LNG	62.54	0.48
CheniereEnerPtrs	CQP	37.37	0.35
CheniereEnHldgs	CQH	30.17	0.18
Chevron	CVX	124.30	0.25
ChinaEastrnAir	CEA	28.90	0.22
ChinaLifeIns	LFC	12.00	-0.10
ChinaMobile	CHL	44.34	-0.23
ChinaPetrol	SNP	93.87	-0.44
ChinaSoAirlines	ZNH	33.21	0.32
EncompassHealth	EHC	78.22	...
EnelAmericas	ENIA	8.49	-0.12
EnelChile	ENIC	5.21	-0.04
Energen	EGN	74.09	-0.19
EnergyTransferEq	ETE	18.97	0.05
EnergyTransfer	ETP	24.07	-0.03
EnLinkMidPtrs	ENLK	17.77	0.17
Entergy	ETR	83.45	-0.32
EnterpriseProd	EPD	29.23	0.01
Equifax	EFX	128.05	0.29
Tenaris	TS	34.28	0.03
Teradyne	TER	43.98	0.23
Tesla	TSLA	341.99	-6.18
TevaPharm	TEVA	22.11	-0.06
TexasInstruments	TXN	113.11	0.27
TexasPacLand	TPL	804.10	5.28
Textron	TXT	66.95	-0.05
ThermoFisherSci	TMO	235.09	1.77
ThomsonReuters	TRI	41.06	-0.31
3M	MMM	206.70	-0.59
VeriSign	VRSN	152.06	1.06
VeriskAnalytics	VRSK	114.58	0.19
Verizon	VZ	52.48	0.21
VertxPharm	VRTX	174.91	0.37
Viacom A	VIA	34.20	0.55
Viacom B	VIAB	29.09	...
Vipshop	VIPS	9.19	-0.19
VistraEnergy	VST	23.20	0.58
VMware	VMW	151.38	1.93
Vodafone	VOD	24.34	-0.01
YumChina	YUMC	34.43	-0.67
ZTO Express	ZTO	18.96	-0.43
ZayoGroup	ZAYO	37.40	0.07
ZebraTech	ZBRA	142.15	-0.09
Zendesk	ZEN	62.97	1.90
Zillow C	Z	58.15	0.58
Zillow A	ZG	59.00	0.75
ZimmerBiomet	ZBH	126.02	0.11
ZionsBancorp	ZION	53.23	-0.11
Zoetis	ZTS	92.58	0.95

Dividend Changes

Dividend announcements from August 6.

Company	Symbol	Yld %	Amount New/Old	Frq	Payable / Record
Increased					
Chesapeake Granite Wash	CHKR	15.2	.0626 / .0469	Q	Aug30 / Aug20
Global Brass & Copper	BRSS	1.0	.09 / .06	Q	Aug22 / Aug13
Superior Group of Cos.	SGC	2.1	.10 / .095	Q	Aug29 / Aug15
Reduced					
Sabine Royalty Tr UBI	SBR	6.2	.2399 / .28118	M	Aug29 / Aug15
Foreign					
Brookfield Bus Partners	BBU	0.6	.0625	Q	Sep28 / Aug31
Petroleo Brasileiro ADR	PBR		.02696		Sep04 / Aug15
Petroleo Brasileiro ADR A	PBR.A		.02696		Sep04 / Aug15
Special					
Boise Cascade	BCC	0.6	1.00		Sep17 / Aug31

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2:1: stock split and ratio; SO: spin-off.

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Monday, August 6, 2018

ETF	Symbol	Closing Price	Chg (%)	YTD (%)
iShMSCI EAFE SC	SCZ	62.39	-0.70	-3.3
SchwabUS SC	SCHA	75.72	0.66	8.6
SPDR DJIA Tr	DIA	254.85	0.18	3.0
SPDR S&PMdCpTr	MDY	365.75	0.49	5.9
SPDR S&P 500	SPY	284.64	0.37	6.7

New Highs and Lows | WSJ.com/newhighs

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.

Monday, August 6, 2018

Stock	Sym	52-Wk Hi/Lo	% Chg
Highs			
AES	AES	13.87	0.9
ATN Intl	ATNI	68.13	5.1
AddusHomeCare	ADUS	70.95	1.8
AdvanceAuto	AAP	145.83	0.3
AerCap	AER	57.75	...
Alleghany	Y	646.55	-0.8
Alteryx	AYX	44.89	4.3
Amedisys	AMED	111.97	0.9
Ameresco	AMRC	14.50	5.1
AmeriServFin	ASRV	4.50	...
Apple	AAPL	209.25	0.5
Aptargroup	ATR	104.95	0.1
ArborRealty	ABR	11.81	-1.4
ArcherDaniels	ADM	50.41	0.2
AresCapital	ARCC	17.44	0.5
ArmstrongWorld	AWI	71.10	2.2
Attunity	ATTU	17.54	0.2
BoA5.875%PfdHH	BACpK	25.36	0.1
BankofButterfield	NTB	51.28	1.8
Bio-Techne	TECH	171.73	1.5
Bio-RadLab B	BIO.B	315.42	1.5
Bio-RadLab A	BIO	316.76	1.0
BioTelemetry	BEAT	57.65	3.6
BisonCapAcqn	BCAC	10.17	0.8
BloomEnergy	BE	29.88	4.3
BonanzaCreekEner	BCEI	39.85	4.1
BoozAllen	BAH	48.52	1.7
CACI Intl	CACI	181.65	2.5
CAS MedSys	CASM	2.44	10.0
CBTX	CBTX	38.71	1.1
CMFinNts2023	CMFNL	25.90	-0.9
CONSOL Coal	CCR	18.40	3.4
CSX	CSX	72.42	1.2
Camtek	CAMT	9.24	6.6
CanPacRlwy	CP	203.41	0.7
CapitolInvIV Wt	CIC.WS	1.45	7.4
CarGurus	CARG	45.75	0.2
Carlisle	CSL	125.55	0.2
CasellaWaste	CWST	29.05	2.2
CharlesRiverLabs	CRL	129.49	-0.1
Cintas	CTAS	211.01	1.6
Clarus	CLAR	9.50	...
Cohu	COHU	27.37	3.7
ColumbiaProperty	CXP	23.48	0.3
ContainerStore	TCS	11.53	-2.9
ContinentalBldg	CBPX	36.95	4.5
CreditAcceptance	CACC	454.14	0.9
CrestwoodEquity	CEQP	37.30	3.9
DCPMidstrmPfdB	DCPpB	26.31	0.5
DCP Midstream	DCP	45.86	0.3
DCT Industrial	DCT	68.37	-0.6
DarlingIngred	DAR	20.78	...
DexCom	DXCM	127.31	-1.2
Disney	DIS	116.84	1.6
ElPasoElectric	EE	63.85	1.2
EncompassHealth	EHC	78.88	...
Endava	DAVA	26.48	5.3
EnergyFuels	UUUU	3.64	-5.7
EnergyTransfer	ETP	24.38	-0.1
Enerplus	ERF	13.78	-0.2
EnviroStar	EVI	43.45	1.5
ePlus	PLUS	103.60	2.3
FairIsaac	FICO	213.00	1.9
Funko	FNKO	19.86	5.9
GS Acquisition	GSAH.U	10.63	1.8
GSAcquisition	GSAH	10.09	-0.3
GTY Tech	GTYH	10.18	...
Genesee&Wyoming	GWR	89.71	0.6
Gentherm	THRM	46.40	...
GlobalBrass	BRSS	37.35	1.8

Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.

e-Ex-distribution. **f**-Previous day's quotation. **g**-Footnotes x and s apply. **j**-Footnotes e and s apply. **k**-Recalculated by Lipper, using updated data. **p**-Distribution costs apply, 12b-1. **r**-Redemption charge may apply. **s**-Stock split or dividend. **t**-Footnotes p and r apply. **v**-Footnotes x and e apply. **x**-Ex-dividend. **z**-Footnote x, e and s apply. **NA**-Not available due to incomplete price, performance or cost data. **NE**-Not released by Lipper; data under review. **NN**-Fund not tracked. **NS**-Fund didn't exist at start of period.

Monday, August 6, 2018

Fund	NAV	Net Chg	YTD % Ret
American Century Inv			
Ultra	50.63	+0.27	16.6
American Funds Cl A			
AmcpA p	34.14	+0.13	11.1
AMutlA p	42.21	+0.01	4.4
BalA p	27.77	+0.04	3.2
BondA p	12.55	...	-1.4
CapIBA p	60.92	-0.05	-1.4
CapWGrA	51.46	-0.02	1.7
EupacA p	53.82	-0.15	-1.5
FdInvA p	64.52	+0.10	5.1
GwthA p	55.53	+0.29	12.1
GlblAlloc p	19.68	+0.02	0.3
BlackRock Funds Inst			
EqtyDivd	23.63	+0.06	4.7
GlblAlloc	19.79	+0.01	0.4
StratIncOpptyIns	9.76	...	-0.1
Bridge Builder Trust			
CoreBond	9.86	...	-1.2
CorePlusBond	9.81	...	-1.0
Del Invest Instl			
Value	22.47	+0.03	5.5
Dimensional Fds			
5GlbFxdInc	10.91	...	0.4
Dodge & Cox			
Balanced	108.23	+0.14	3.3
GblStock	13.97	-0.01	0.8
Income	13.46	+0.01	-0.6
Intl Stk	44.58	-0.15	-3.8
Stock	211.98	+0.44	6.0
DoubleLine Funds			
CoreFxdIncmI	NA	...	NA
TotRetBdI	10.39	+0.01	-0.1
Edgewood Growth Instituti			
EdgewoodGrInst	35.06	+0.19	18.6
Fidelity			

New FDIC Leader Rethinks Bank Rules

McWilliams adds to a broad push to review regulations adopted since financial crisis

By Ryan Tracy

WASHINGTON—Washington's newest senior bank regulator is turning her agency's agenda in the direction of policies being proposed by other Trump-appointed officials, adding momentum to a push to revisit rules adopted after the 2008 financial crisis.

Federal Deposit Insurance Corp. Chairman Jelena McWilliams, in her first interview since being sworn in June 5, said she is ready to re-evaluate rules on bank capital, small-dollar loans and investments in low-income areas.

Like other bank regulators, Ms. McWilliams has broad discretion to rewrite rules for the companies she oversees, using authority from the 2010 Dodd-Frank financial overhaul and other laws. The Republican-controlled Congress this year passed a law calling for easing banking rules, especially for small lenders. But much of Dodd-Frank remained intact, leaving the Trump administration's financial-regulatory overhauls to be carried out largely by bank regulators such as Ms. McWilliams.

Ms. McWilliams said her top priorities are examining the regulatory burden on small banks, speeding up her agency's review of bank-charter applications and helping banks introduce new financial products for underserved communities.

"There should be pilot programs where the regulators and the banks work together" to allow testing of new products, she said, echoing a recent Treasury Department proposal to create regulatory "sandboxes" for experimentation. "If we can create a framework where that green light is given in a way that is safe for the consumers, why not?"

Ms. McWilliams, a 44-year-old former bank lawyer and congressional staffer, is the last of the bank regulators nominated by President Trump to assume their posts. Her installation follows top appointments to the Federal Reserve, Office of the Comptroller of the Currency and Consumer Financial Protection Bureau. Her predecessor, Martin Gruenberg, was named by President Obama and remains on the FDIC's board of directors, with an office down the hall from hers.


Jelena McWilliams named small-bank regulations as a priority.

JACQUELYN MARTIN/ASSOCIATED PRESS

Ms. McWilliams is reversing from Mr. Gruenberg's reluctance to tinker with bank-capital requirements.

"I think it is appropriate for the three banking agencies to sit down and take a look at the capital [rules] with a new eye," she said, adding that rules for both small and big banks should be on the table. "Is it doing what we intended for it to do?"

She declined to take positions on rule changes proposed before her arrival, such as an April proposal to loosen a capital rule known as the leverage ratio, which requires banks to maintain minimum levels of equity funding as percentage of assets.

The Fed and OCC endorsed the proposal, but Mr. Gruenberg opposed it. The three agencies share oversight of U.S. banks.

Ms. McWilliams said she asked staff for data explaining the FDIC's position on the matter. "The preference would be that we are able to move forward all three together," she said, referring to the three banking agencies.

Mr. Gruenberg in May supported changes to the Volcker rule trading restrictions. Ms. McWilliams said she agrees the current rule is too complicated and is reviewing that proposal.

She supported efforts to revamp rules enforcing the 1977 Community Reinvestment Act, which is designed to ensure banks lend to people of all income levels.

Asked how those rules should be updated, she said banks need more clarity about what activities qualify for CRA credit and regulators "need to take a new look at the qualifications for small business loans."

She said the location of banks' branches should be taken into account under CRA: "In rural communities, you are looking at truly not serving the community needs if you close that branch." The OCC, before her arrival, privately floated the idea of eliminating geographic assessment areas from CRA rules.

The FDIC oversees about 3,600 of the roughly 5,600 U.S. banks, and Ms. McWilliams touted what she described as an early success helping small lenders.

She said the agency has determined it can retire about 370 duplicative documents outlining the regulator's expectations for community banks, about 50% of the total number of such documents.

She said the agency is reviewing whether to rescind guidelines for "deposit advance" loans. The OCC pulled similar guidance in October after the CFPB proposed new regulations for small-dollar loans.

Higher Expenses Dent HSBC Profit

By Margot Patrick

HSBC Holdings PLC said higher costs weighed on first-half profit as it adopted ambitious growth plans and stepped up investment in technology and its expanding China business.

Chief Executive John Flint said the higher costs were expected after HSBC announced plans in June to invest up to \$17 billion in those areas and other parts of its business by 2020. Expenses were 7% higher in the first half of 2018 than a year earlier. Revenue rose 4% to \$27.29 billion.

Mr. Flint, who started as CEO in February after a career in other top HSBC jobs, laid out his strategy in June stating the bank planned to make investments to help improve its returns.

The Asia-focused lender is looking to tap China's Pearl River Delta region for new retail-banking and wealth-management customers and is investing in a new securities venture in China.

HSBC also has been spending on ways to make banking faster and easier through automation and online applications, as well as its back-end technology. One example Mr. Flint pointed to is a new app in Hong Kong to make fast and easy payments. That app now has a million users, he said.

Mr. Flint said HSBC is still looking for ways to accelerate growth in insurance and wealth management in Asia, a cornerstone of the strategy laid out in June.

The move is one of several aimed at boosting the bank's return on tangible equity above 11% by 2020, up from a previous target of 10%. HSBC said the measure hit 9.7% in the first half.

On the deepening trade dispute between the U.S. and China, Mr. Flint said "We're not seeing any changes in client behavior—yet." The conflict has the potential to disrupt client supply chains across Asia as exporters seek to avoid tariffs.

HSBC is one of the world's largest trade-finance banks, helping exporters across Asia and other parts of the world bring goods to the U.S. and other countries.

The Asia-focused bank has ramped up its spending to help improve its returns.

"People are clearly concerned by the rhetoric. The scenario that would be difficult is if investors go onto the sidelines and market sentiment collapses," he said.

Net profit for the first half rose to \$7.17 billion from \$7 billion on lucrative fees from money managing, particularly in Hong Kong, and for the quarter rose to \$4.09 billion from \$3.87 billion in the same three months of 2017.

The bank logged higher deposits from retail customers and strong sales of wealth-management products in Hong Kong, which helped push the revenue contribution of the unit to nearly 30% of first-half profits, up from 27.5% a year earlier.

Banks earn lucrative fees for managing the wealth of wealthy clients who seek to beat low returns on deposits.

HSBC's significant operations in Hong Kong have helped as rich Chinese choose to keep money in the city and outside of the mainland.

—Kenan Machado contributed to this article.

GAM Says Fund Manager Breached Policy on Gifts

By Laurence Fletcher

Swiss money manager **GAM Holding** AG said that the star fund manager it suspended last week breached the firm's gifts-and-entertainment policy, may have failed to carry out due diligence on investments, and used his personal email for work purposes.

The company, whose shares have tumbled 44% this year, much of it since the suspension, said in a letter to clients Monday that an internal investigation found bond-fund manager Tim Haywood's conduct to be "of significant concern to GAM" and that the firm is now following an internal disciplinary procedure.

The letter gave new detail on the reasons for Mr. Haywood's suspension, which has rocked the company in recent days.

Attempts to reach Mr. Haywood to comment were unsuccessful.

GAM said Mr. Haywood may have failed to "conduct or evidence sufficient due diligence" on some investments, or make internal records about these accessible. The investments made weren't prohibited by any of the funds' rules, the firm said.

In addition, GAM's probe found Mr. Haywood may have breached its policy by signing alone contracts on which two signatures were required. Mr. Haywood also breached GAM's gifts-and-entertainment policy by not asking for the required preapproval, while he also used his personal email for work purposes.

The probe found no evidence that Mr. Haywood was motivated by "an improper rationale" in making investment decisions or by a conflict of interest.

Money Supply

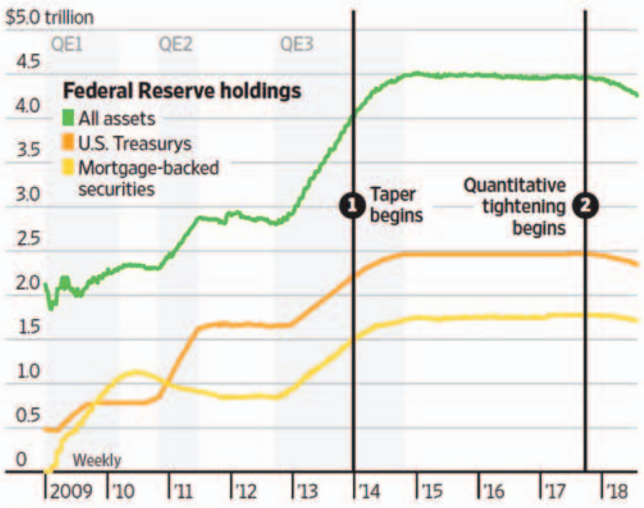
The narrow M1 measure of the money supply has decelerated sharply this year as the Fed shrank its balance sheet, but a broader measure appears unaffected.

Change from previous year in M1 and M2 money stock

Notes: Monthly average; Seasonally-adjusted data
Source: Federal Reserve Bank of St. Louis
THE WALL STREET JOURNAL.

A Quantity of Tightening

The Federal Reserve has begun to shrink its balance sheet, but slowly and from a high level.



10-year Treasury yield

Sources: Federal Reserve Bank of St. Louis (balance sheet); Thomson Reuters (Treasurys)
THE WALL STREET JOURNAL.

Fret About Rates, Not Stimulus

Continued from page B1

yields go down compared with where they would have been, prompting the hunt for yield so familiar to anyone watching the markets.

It is thus about price, not about how much money investors have in their bank accounts.

So could the turnaround in QE change prices? The Fed aims to cut its holdings of bonds by \$40 billion a month, rising to \$50 billion by the end of the year.

If that makes bond yields rise, investors who had abandoned Treasurys might be tempted back, reducing demand for riskier assets and so their prices.

At the end of the chain are emerging markets, the riskiest assets that saw the biggest inflows during the bull market, and it is reasonable to expect them to suffer most from such a rise in yields.

That's the theory. In reality, Treasury yields are tightly linked to expectations about the economy, inflation and future interest rates—not anyone's buying and selling.

Over each of the three QE periods 10-year Treasury yields rose, the opposite of what would be expected, because investors grew more confident about growth, and after each ended yields fell back.

If the Fed was responsible, the general sense that it is doing something, and the signal that sends, seems to be more important than what it actually does.

One way to measure the pure supply-and-demand effect of Fed bond buying is through the term premium, the extra reward for holding long-dated Treasurys above the expected path of interest rates.

Fed buying should depress this premium, although once again it didn't behave as expected during QE periods, and has fallen sharply since the Fed began to taper bond purchases in 2014.

According to a New York Fed estimate of the term premium, it is at about the same level it was in October, suggesting that quantitative tightening—QT—has had no effect, at least so far.

The Fed is running down its balance sheet slowly and deliberately. But even if QT pushed up the term premium a lot, bond yields are moved around just as much by changing views of the economy and interest rates.

Even more confusing for investors is that the relationship between bond yields and stocks isn't fixed. Since the late 1990s stocks have tended to go up on days when bond yields rose, and vice versa, most likely because both were pushed around by changing economic sentiment.

But for two decades before that the relationship had been the other way around, probably because investors were more focused on inflation.

Of course, QT might start to have an effect on bond yields, and it might be drowned out by broader economic shifts.

In that case, it might then hurt stocks. But anyone really worried about this should just watch the bond yield and the term premium, rather than getting too concerned about the size of the Fed's balance sheet.

Oil Gains On Saudi Data, Iran Sanctions

By Christopher Alessi And Dan Molinski

COMMODITIES

Oil prices rose Monday after reports of a decline in Saudi Arabian crude oil production, and as the U.S. government began reimposing sanctions on Iran.

Light, sweet crude for September delivery rose 52 cents, or 0.8%, to $69.01 a barrel on the New York Mercantile Exchange. Brent crude, the global benchmark, added 0.7% to $73.75 a barrel.

Reports Friday that Saudi crude production dropped to around 10.3 million barrels a day in July, down from 10.49 million barrels a day in June, according to OPEC delegates, have "lent support" to prices, according to analysts at Commerzbank.

The potential output drop belied expectations that Saudi production would have risen in July. Russia and the Organization of the Petroleum Exporting Countries, of which Saudi Arabia is the de facto head, agreed in late June to begin ramping up crude output in July after more than a year of holding back production.

However, analysts at ING Bank noted that the potential drop in Saudi output is "different to a number of other estimates out there, with some estimating that Saudi oil production increased to as much as 10.8 million barrels a day over the month."

OPEC is slated to release its official monthly oil-market report for July on Aug. 13.

Saudi and Russian plans to raise output have helped put a cap on prices over the past month, with Brent falling more than 8% from 3½-year highs in the spring.

Oil prices also got a boost during the New York session when the Trump administration said it was starting to reimpose sanctions on Iran by choking off its access to dollars and other measures. The move follows President Trump's announcement in May that the U.S. was pulling out of the 2015 Iran nuclear accord.

Iran oil exports won't actually be cut off as part of the sanctions until November. But analysts said Monday's announcement confirmed that the U.S. government is serious about following its sanctions schedule and said investors will soon notice buyers of Iran oil making a steady move toward the exits.

Market participants will "start to react to the upcoming expiry of the wind-down period in a more widespread and visible way, and [we] expect total Iranian exports [currently near 2.5 million barrels a day] to trend down towards the 1 million barrels a day level out to the turn of the year," said JBC Energy.

Analysts said monthly government data last week that showed U.S. oil production declined to 10.4 million barrels a day in May from 10.5 million in April is also providing price support.

"Oil production in the USA has probably reached a peak, easing the pressure from increasing production from OPEC," said Peter Cardillo, chief market economist at Spartan Capital.

PAUL YEUNG/BLOOMBERG NEWS

Casino operator Sands China's inaugural $5.5 billion bond sale drew more than $20 billion in orders from investors. Part of its Parisian Macao casino resort in Macau.

Asian Bonds Get Boost From Beijing

By Manju Dalal

Beijing's softening stance on deleveraging and defaults has helped fuel a mini-revival across Asia's credit markets, pushing up bond prices in recent weeks and sparking debt issuance.

Issuers from China to South Korea and India sold about $9.2 billion in new U.S. dollar bonds during the week ended Aug. 3, the highest weekly tally in Asia excluding Japan since mid-April, according to Thomson Reuters. New deals had nearly ground to a halt in early July over fears of rising defaults among Chinese borrowers.

On Friday, Macau-based casino operator **Sands China** Ltd.—which is majority-owned by **Las Vegas Sands** Corp.—priced $5.5 billion in investment-grade bonds maturing in five to 10 years, with yields of 4.6% to 5.4%. It was the largest sale of U.S. dollar corporate bonds in Asia this year.

In a sign of pent-up demand, the company's inaugural bond sale drew more than $20 billion in orders from investors, according to Ken Wei Wong, head of the Asian fixed-income syndicate at Barclays, one of the advisers on the deal.

Bond sales by Hong Kong-based shipping conglomerate **China Merchants Port Holdings** Co., **China Mengniu Dairy** Co. and Korea's **Woori Bank** also met with strong demand, bankers said.

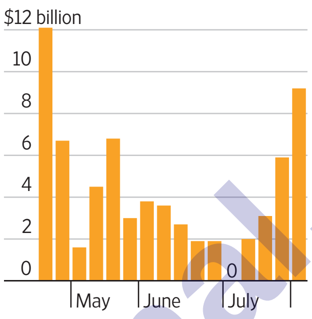
Market sentiment improved after China took steps to boost the economy and eased efforts to slow debt growth. Among other things, Beijing injected liquidity into the banking system, encouraged local governments to tap the bond market and promised to boost domestic consumption and support businesses. It also pledged to ensure economic stability during a trade fight with the U.S.

"China's fine-tuning of its deleveraging campaign has removed the risk of excessive tightening," said Omar Slim, a Singapore-based fixed-income portfolio manager with PineBridge Investments.

Bounce Back

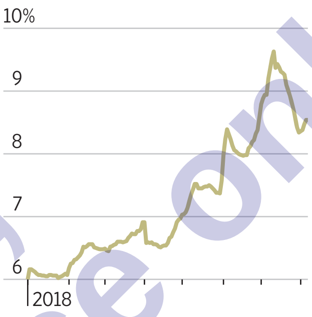
Sales of international bonds by companies in Asia have picked up as China's stance on deleveraging has softened.

Weekly issuance of dollar bonds in Asia*



After selling off for much of this year, riskier bonds from Asia have risen in price in the past month, sending yields lower.

Yields on junk-rated dollar bonds†



*Excluding Japan †ICE BofAML Asian Dollar High Yield Bond Index

Sources: Thomson Reuters (issuance); FactSet (yields)

THE WALL STREET JOURNAL.

The shift by Beijing helped spark a rally across Asian financial markets. The average yield on the ICE Bank of America Merrill Lynch Asian Dollar High Yield Index, after being driven above 9% by a selloff, has fallen to about 8.5% as junk-bond prices have climbed. Yields on investment-grade bonds, typically less volatile, have remained broadly stable. Bond prices and yields move in the opposite direction.

Some investors view China's recent moves as "the start of a credit bull market, but it won't be as mad as the one before," said Edmund Goh, investment manager at Aberdeen Asset Management Asia.

Some risks remain. The escalating trade conflict between the U.S. and China hangs over markets. And borrowing costs are considerably higher than when the year began, partly because yields on U.S. Treasury bonds have risen sharply. That is good news for buyers of new debt, but less comfortable for financially strained companies. Still, Mr. Slim at PineBridge said he thinks the recent rebound in prices looks sustainable.

S&P 500 Hits Highest Level Since January

By Amrith Ramkumar And Ben St. Clair

MONDAY'S MARKETS

The S&P 500 rose for a third consecutive session Monday, lifted by the latest flurry of corporate earnings.

Robust second-quarter earnings growth has pushed the S&P 500 to its highest level since January despite escalating tariff threats from the U.S. and China. After China said Friday that it planned to impose tariffs on a majority of its U.S. imports, President Trump tweeted over the weekend that "tariffs are working big time." Mr. Trump has threatened to apply tariffs to all $505 billion of Chinese imports to the U.S.

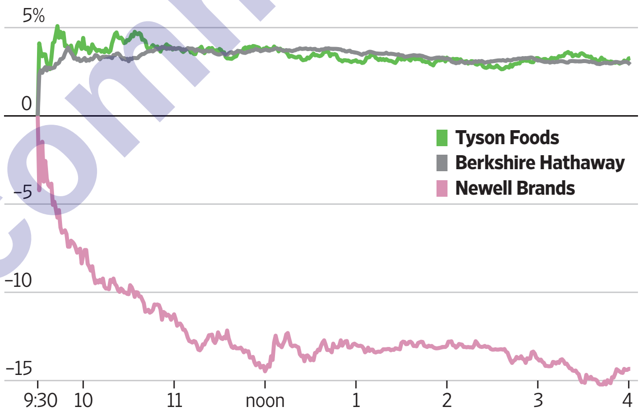
Secretary of State Mike Pompeo faced criticism over the weekend from China and skepticism from Southeast Asian powers over U.S. trade policies.

Some analysts fear a trade war between the world's two largest economies could slow the global economy. Those worries have roiled assets ranging from Chinese stocks to commodities, which some investors say would be more directly affected by a Chinese economic slowdown.

Mixed Bag

Tyson Foods and Berkshire Hathaway rose Monday after reporting earnings, while Newell Brands fell.

Performance, minute by minute



Source: SIX

THE WALL STREET JOURNAL.

But so far, large U.S. companies have largely shaken off the impact of tariffs, reporting quarterly profit growth of more than 20% for the most recent period.

"The market continues to grind higher," said Rob Bernstone, a managing director in equity trading at Credit Suisse Group. "It seems extraordinary resilient right now."

The S&P 500 rose 10.05 points, or 0.4%, to 2850.40 Monday, bringing it 0.8% below its January record. The Dow Jones Industrial Average added 39.60 points, or 0.2%, to 25502.18. The Nasdaq Composite rose 47.66 points, or 0.6%, to 7859.68.

Over the weekend, Warren Buffett's **Berkshire Hathaway** said second-quarter earnings surged, boosted by insurance underwriting and a change to accounting rules. Its shares rose $5.82, or 2.9%, to $206.06.

Tyson Foods was among the S&P 500's biggest gainers, climbing 1.89, or 3.3%, to 59.64 after reporting higher quarterly profit, despite challenges related to oversupply and pricing due to tariffs.

Facebook shares climbed 7.91, or 4.4%, to 185.69 after The Wall Street Journal reported that the social-media firm has asked large U.S. banks to share detailed financial information about their customers, including card transactions and checking-account balances, as part of an effort to offer new services to users.

Among decliners, consumer-products maker **Newell Brands** lowered its earnings guidance for the year after reporting falling quarterly sales. Its shares tumbled 3.81, or 14%, to 22.76.

More than 80% of S&P 500 companies have already reported earnings, so traders are looking for fresh factors that swing stocks, analysts said.

With trade concerns and U.S. earnings pulling investors in opposite directions, "it's an unusual environment for markets," said François Bourdon, chief investment officer of Fiera Capital.

Investors are looking ahead to inflation data later this week, after some said Friday's jobs report showed few signs of a pickup that would accelerate the Federal Reserve's pace of interest-rate increases.

On Monday, the yield on the benchmark 10-year U.S. Treasury note fell to 2.936% from 2.952% Friday. Yields fall as prices rise.

Investors seeking safety amid trade tensions have also favored the dollar.

The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, rose 0.3% Monday to close at its highest level in more than a year.

Elsewhere, the Stoxx Europe 600 dropped 0.1%. Germany's economics ministry blamed trade uncertainty for helping drive manufacturing orders down 4% in June.

In trading early Tuesday, Asian markets were up. The Shanghai Composite Index rose 0.59%, and Japan's Nikkei Stock Average edged up 0.35%. In Hong Kong, the Hang Seng gained 0.49%.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	$129,721,164,800	$119,674,548,700
Accepted bids	$51,000,824,800	$45,000,197,500
" noncomp	$898,765,800	$932,349,700
" foreign noncomp	$388,000,000	$349,000,000
Auction price (rate)	99.491917	98.897889
	(2.010%)	(2.180%)
Coupon equivalent	2.048%	2.235%
Bids at clearing yield accepted	56.17%	23.74%
Cusip number	912796PD5	912796QW2

Both issues are dated Aug. 9, 2018. The 13-week bills mature on Nov. 8, 2018; the 26-week bills mature on Feb. 7, 2019.

Turkish Lira Declines to Fresh Lows Against U.S. Dollar

By Orla McCaffrey

CURRENCIES

The Turkish lira weakened to record lows against the U.S. dollar Monday after the country's central bank attempted to stem the currency's decline by reducing the amount of foreign currency it holds in reserve while also lowering the reserve requirement for banks.

The Turkish currency was down 4.7% against the U.S. currency in late New York trading, with the dollar buying about 5.331 lira. The lira has fallen more than 29% this year.

The decisions about central-bank foreign-exchange reserves and the bank-reserve requirements are the latest in a series of central-bank moves that have alarmed investors, who are concerned about President Recep Tayyip Erdogan's increased influence over monetary policy.

"This move will take on a life of its own if they don't do anything in the next few days," said Win Thin, global head of emerging-market strategy at Brown Brothers Harriman & Co. The decline comes amid a "negative emerging-market backdrop," Mr. Thin said, so "the best they can hope for is to stop the massive underperformance."

The Turkish currency began to plummet in April, when a rising U.S. dollar put pressure on a number of emerging-market currencies. Turkey's considerable load of dollar-denominated debt, which becomes increasingly costly to pay with a weaker currency, made the lira particularly vulnerable in the eyes of investors. The country's central bank decided against raising interest rates at its July meeting, surprising many analysts. Its next meeting isn't until mid-September, but officials could act sooner, some said.

Monday's move follows a similar decline after last week's U.S. sanctions against several Turkish officials for failing to release an American pastor accused of terrorism.

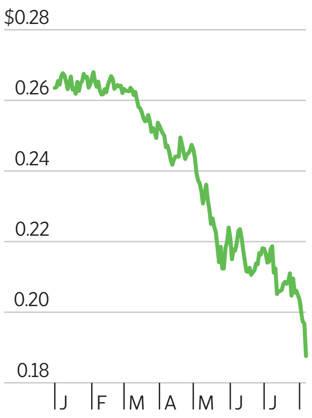
Improving Turkey's diplomatic relationship with the U.S. and significantly raising interest rates would likely help stabilize the lira, several analysts said.

CHRIS MCGRATH/GETTY IMAGES

Turkey's lira began to plummet in April, when a rising U.S. dollar put pressure on a number of emerging-market currencies.

Sinking

How many U.S. dollars one Turkish lira buys



Source: Tullett Prebon

THE WALL STREET JOURNAL.

MARKETS

Yields Sink Ahead of Treasury Auctions

By Daniel Kruger

The yield on the 10-year U.S. Treasury note retreated further from 3% Monday, weighed down by recent trade friction and weaker-than-expected economic data.

The 10-year yield declined for a third consecutive trading session, falling to 2.936% from 2.952% Friday. The two-year yield snapped a two-day streak of declines, edging up to 2.649% from 2.645% Friday. Yields fall as bond prices rise.

CREDIT MARKETS

A backdrop of sold economic data, including a report showing the economy grew at the fastest pace since 2014 in the second quarter, helped push the 10-year yield above 3% last week for the first time since June. The yield then pulled back after fresh trade frictions with China and data showing the pace of hiring slowed in July.

The 10-year yield, a reference rate used to set borrowing costs for consumers and corporations, has climbed to 3% several times in 2018, only to pull back as a variety of concerns boosted investors' demand for the relative safety of government debt. The yield's fall in recent sessions left investors wondering if this latest push higher would prove as short-lived as the others.

"Any time we get there, we bounce off it pretty hard," said Thomas di Galoma, managing director and head of Treasury trading at Seaport Global Holdings.

The decline in yields Monday surprised some investors because the government has a series of longer-term debt auctions scheduled this week. Yields typically rise when the Treasury sells securities as prices fall in expectation of a glut in supply.

The Treasury will auction a total of $78 billion of securities with maturities in three-, 10- and 30-years this week. That total is up from $62 billion for the same series of offering last year.

Total borrowing is forecast to climb 63% in the final six months of the year as the U.S. ramps up debt sales to fund $1.5 trillion in tax cuts through 2028.

Worries about rising trade tensions have offset some of the concerns over mounting supply, some analysts said. Yields fell Friday after China said it would slap levies on $60 billion of U.S. products if Washington moves ahead with its tariff threats against Beijing.

China also moved Friday to rein in the yuan's rapid depreciation as investors bid down the tightly controlled currency to its weakest level in more than a year amid growing trade worries.

Recent decisions by foreign central banks have also defied investors' expectations that tighter monetary policy would necessarily push yields higher.

Last week the Bank of Japan raised the ceiling at which it intends to hold 10-year Japanese government bonds to 0.2% from 0.1%. The move signaled that the central bank is becoming more open to considering broader changes to its policies of holding rates low to boost growth and inflation. The Bank of England last week raised interest rates, suggesting policy makers there are more concerned about the potential for inflation to accelerate than the risks of brewing global trade tensions.

Tighter monetary policy from foreign central banks "turned out to be not so scary," said Jim Vogel, head of interest-rate strategy at FTN Financial.

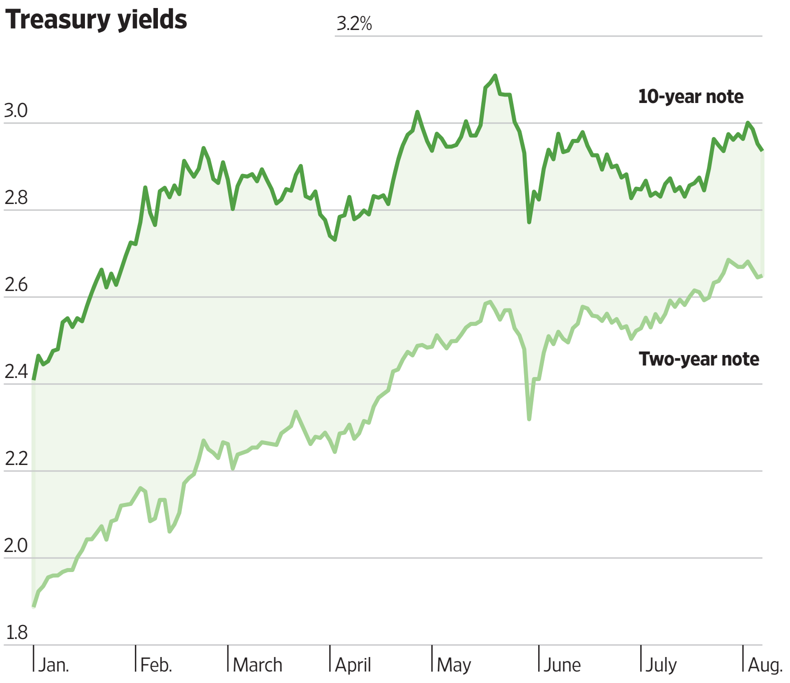
One force that could still push yields higher is the Federal Reserve. The central bank held interest rates steady at its meeting last week, leaving them in a range between 1.75% and 2%. Policy makers have raised them twice this year, and many investors expect bond yields to rise as the Fed continues to pursue its policy goals.

The drop came as a surprise to some because they typically rise before sales.

Investors have embraced the notion that the central bank intends to raise interest rates two more times this year, and as many as three times in 2019, matching its forecasts. Fed funds futures, which investors use to bet on the direction of central bank policy, early Monday suggested a 69% probability that the Fed will raise rates at least twice more this year, down from 71% a week ago.

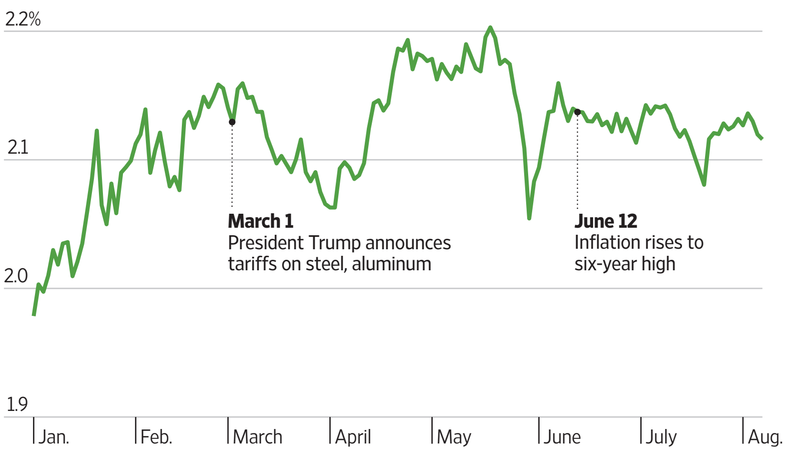
One factor that could push yields higher is inflation. Investors will get a fresh read on consumer prices Friday, when the Labor Department releases data on the consumer-price index, a closely watched measure of inflation. Inflation poses a threat to the value of government bonds because it erodes the purchasing power of their fixed interest and principal payments.

Treasury yields

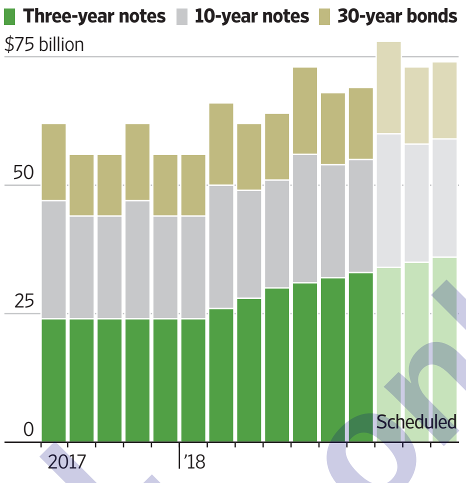


Probability of four or more rate increases in 2018

10-year break-even rate*



Treasury issuance, monthly†



*Reflects investors' bets on average annual inflation over the next 10 years †August, September and October as announced Aug. 1

Sources: Ryan ALM (yields); CME Group (probability); Thomson Reuters (break-even); U.S. Treasury Department (issuances)

THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Email: heard@wsj.com WSJ.com/Heard

OVERHEARD

Sticker shock at the pharmacy counter typically affects patients instead of investors. **Rite Aid**'s announcement on Monday flipped that script, however.

The struggling drugstore chain lowered its profitability forecast for the current fiscal year, which began in March, due to a worsening generic-drug market.

Rite Aid now expects this year's generic-drug bill will be about $80 million higher than its prior forecast.

As a result, the projected net loss in fiscal 2019 has swelled to a range of $125 million to $170 million, from $40 million to $95 million, Rite Aid said in a news release.

That announcement caught investors off guard since Rite Aid had reaffirmed its fiscal 2019 forecast in late June. The stock declined nearly 10% on Monday.

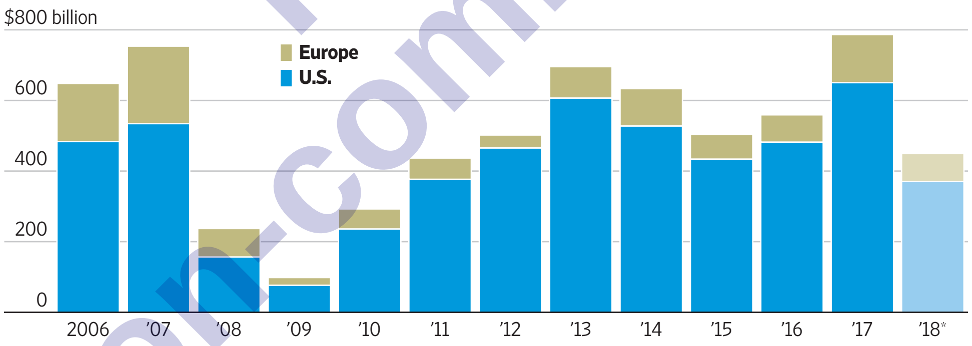
Then again, negative surprises are nothing new for Rite Aid shareholders. A proposed acquisition by **Walgreens Boots Alliance** fell through last summer, which sent shares plunging. Rite Aid was eventually able to sell a large chunk of its retail stores to Walgreens in a less ambitious deal. But the stock, which is down about 80% from January 2017, never recovered.

Now the question is whether that disappointing history will rhyme. A shareholder vote on Rite Aid's planned merger with grocery chain **Albertson's**, which requires the approval of a majority of outstanding shares, is scheduled for Thursday. However, proxy advisers ISS and Glass Lewis both oppose the deal.

That planned merger "accelerates Rite Aid's efforts to better leverage our existing competitive advantages and create new ones," the company said in a letter to shareholders last month.

Loading Up

Annual issuance of leveraged loans



*Through July 12

Source: S&P Global LCD

THE WALL STREET JOURNAL.

An Unseen Risk in Loans

Central-bank money inflated the markets for risky loans and the investment vehicles that buy many of them. Now there are early signs of that driving force going into reverse.

In recent weeks, a growing share of new borrowers has had to lift interest rates on leveraged loans to win over investors. This might just be a touch of indigestion after several large deals to fund private-equity buyouts and takeovers, but some bankers think it is an early signal that liquidity is retreating from low-quality debt.

The trouble for borrowers isn't rising costs today but the risk that loans will be harder to refinance when investor money washes back to safer assets as yields improve. This matters because more than 40% of leveraged loans are typically used to refinance an existing loan. In the financial crisis, even some relatively healthy companies couldn't refinance and had to reach deals with lenders to extend their debt.

Loans are popular right now because their yields adjust with interest rates, so they don't lose money like fixed-rate bonds do during times of rising rates. The real problem lies in how investors who don't normally buy loans will react to the end of central-bank bond-buying programs that pushed them into these risky loans. As bond yields recover to more normal levels and rate rises slow, investors won't need to take risks on credit or complexity.

Higher rates also might weaken borrowers' equity valuations, making debt a bigger chunk of their enterprise value. The same loan will therefore look riskier, plus there will be less funding available. That is when refinancing risk jumps.

The pushback on loan pricing began in the spring but has become more prevalent. One of the first big deals to suffer this year, according to bankers, was the $2.3 billion loan that is helping fund **McDermott International**'s takeover of rival engineer **Chicago Bridge & Iron**. Bankers had to lift the spread by 0.75 percentage point to 5% before investors would bite.

More recently, a string of loans have had to increase spreads by an average of 0.5 percentage point, according to data from S&P Global Market Intelligence's LCD research service. In all, about 30% of new loans had to increase spreads during marketing in June and the first half of July—up from 12% in May.

This happened because fewer investors were bidding, according to bankers. Something similar happened to new issues of collateralized loan obligations, the debt-funded vehicles that buy more than half of all new loans.

Loan pricing may have moved, but other terms remain very aggressive—by some measures topping 2007. Debt multiples on private-equity deals are as high as then, but investors complain that underlying earnings are often flattered by things like assumptions on cost savings. Also, the covenants that protect lenders by allowing them to act when things deteriorate have all but disappeared. They mostly still existed in 2007.

Worse-quality loans mean lenders will get less money back when defaults pick up. But, even without defaults, the worry is that there won't be enough lenders to cover borrowers' refinancing needs in years ahead. This could leave lenders little choice but to extend the life of loans on whatever terms borrowers can afford. Be careful what loans you buy now—you may end up stuck with them.

—Paul J. Davies

AT&T Isn't Out of Legal Danger Yet

The Justice Department is gearing up to appeal a judge's decision allowing **AT&T** to buy **Time Warner**. Judge Richard Leon ruled in favor of AT&T in June, advising in no uncertain terms that it would unwise for the government to appeal. The deal closed shortly thereafter.

What kind of chances does the government have of overturning the decision and what arguments is it likely to make?

The risk in appealing is that a higher court could affirm the judgment, setting it more deeply in stone. But if the government leaves the decision unchallenged, it could be applied broadly to allow all vertical mergers. Judge Leon said his decision was limited to the specifics of the case, but it still "puts a cloud over future efforts to challenge vertical mergers," says Gene Kimmelman," a former antitrust attorney for the Justice Department.

In the original case, the government argued that AT&T would be able to dictate higher carriage fees to competing distributors by threatening to withhold its cable networks from rival pay-TV providers, leading to higher prices. Judge Leon concluded that the facts didn't uphold that. Antitrust experts say the government is likely to argue that the judge defined the market too loosely, allowing AT&T's argument that its competition includes tech firms like **Netflix**, **Facebook**, and **Amazon.com**.

The thrust of the appeal may be that the judge misunderstood the economics of the industry and the profit-maximizing opportunities for the merged company. There is some precedent for this kind of argument. A decade ago, a district court allowed Whole Foods to buy Wild Oats. The government appealed, arguing that the market should have been viewed much more narrowly, and the appeals court reversed the district court's decision.

One scenario is that the appeals court could remand the case to the district court, handing down a framework for analyzing vertical mergers and saying the case must be reconsidered in narrower terms. On a more extreme end, the court could even say Judge Leon was biased and the case needs to go before a different judge.

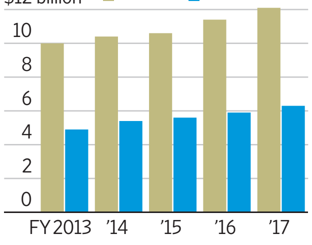
A decision in favor of the government could mean requiring some kind of remedy—perhaps divesting the Turner channels or slapping some smaller constraint on AT&T. That would be sure to hurt shareholders, creating uncertainty by limiting the company's ability to use the new content to paper over the losses in its struggling satellite-TV business.

The fallout wouldn't be catastrophic, though, and there is a high bar for unwinding an already completed merger. Stay tuned, but consider it a medium-impact, low-probability event.

—Elizabeth Winkler

Media Money

Turner and HBO revenue



Source: the companies