

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

**R**ising federal deficits are forcing the Treasury to ramp up its borrowing, pressuring a fast-growing economy as the cost of credit rises, too. **A1**

◆ **The Fed held** interest rates steady and gave an upbeat economic assessment, suggesting another rate increase is likely at the central bank's next meeting. **A2**

◆ **Tesla told investors** it would achieve a profit this year, as a rush of Model 3 sales helped the firm burn less cash than expected. **A1**

◆ **U.S. auto sales slowed** in July as rising interest rates, higher gas prices and falling demand for passenger cars dented momentum. **B2**

◆ **Icahn has built** a sizable stake in Cigna and plans to vote against the health insurer's \$54 billion purchase of Express Scripts. **B1**

◆ **U.S. stocks fell** as losses in energy and industrial issues offset a tech rebound. The Dow retreated 81.37 points to 25333.82. **B11**

◆ **Facebook's WhatsApp** detailed plans to sell ads and charge big companies that use its service to interact with customers. **B1**

◆ **Wells Fargo agreed** to pay \$2.09 billion to settle with the Justice Department over the sale of toxic mortgage-backed securities. **B1**

◆ **Fidelity will offer** clients the chance to invest in two new stock-index funds without paying any fees. **B1**

◆ **Google is testing** a mobile version of its search engine that would adhere to China's controls over content. **B4**

### World-Wide

◆ **The U.S. boosted** pressure on China, with the administration threatening to more than double proposed tariffs on imports and Congress passing a defense bill aimed at curbing Beijing. **A1, A8**

◆ **Trump urged Sessions** to end the Russia probe "right now," as talks continued between the president's lawyers and Mueller over terms of a possible interview. **A4**

◆ **After years of big rate increases** on ACA plans, insurers in many states are seeking smaller raises and even some reductions. **A3**

◆ **The administration** released a rule that will allow for the proliferation of cheaper, less-comprehensive health plans. **A3**

◆ **A federal appeals court** ruled that a Trump order threatening to withhold federal funding from sanctuary cities is unconstitutional. **A4**

◆ **The administration** is considering slashing the number of refugees it allows to come to the U.S. next year. **A6**

◆ **Hours after a judge forced** a group in Texas to remove online blueprints for 3-D printed firearms, gun-rights groups in California said they were publishing the files. **A3**

◆ **The U.S. imposed** sanctions on two Turkish officials over Ankara's refusal to free an American pastor. **A7**

◆ **Zimbabwe's capital** was roiled by deadly postelection violence as troops clashed with protesters. **A9**

◆ **Ohio State put** its football coach on paid administrative leave amid an inquiry. **A6**

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## U.S. Raises the Pressure on China

Administration mulls steeper 25% tariff on imports as Congress backs curbs on Beijing

By BOB DAVIS  
AND LINGLING WEI

**WASHINGTON**—The U.S. turned up the heat Wednesday on China, with the Trump administration threatening to more than double proposed tariffs on imports while Congress passed a defense bill designed to restrict Beijing's economic and military activity.

The moves come as Beijing and Washington have failed to ease an escalating trade dispute, prompting the administration to seek additional leverage. The administration, which has already affixed tariffs on billions of dollars in Chinese imports, said it would consider more than doubling proposed tariffs on a further \$200 billion worth of Chinese goods to 25%, up from an original 10%.

Meantime, the Senate approved a defense-policy bill that both tightens U.S. national-security reviews of Chinese corporate deals and revamps export controls over

### Trade Ripples

- ◆ **Xi relies on confidant to deliver message..... A8**
- ◆ **Congress passes defense bill that targets China... A8**
- ◆ **Worried about tariffs, India raises key rate..... A9**

which U.S. technologies can be sent abroad. The bill, which also restricts Beijing in areas ranging from cultural activity to military exercises, passed the House a week earlier and President Trump is expected to sign it into law.

While Mr. Trump has sparred

with some Republicans in Congress over the wisdom of trade conflicts with allies such as Canada, Mexico and the European Union, the goal of confronting China—if not the White House tactics—has achieved a degree of unanimity at both ends of Pennsylvania Avenue.

Behind the consensus is a fear that China's rise is coming at America's expense, as it pursues the acquisition of sensitive technology and evolves into a U.S. military rival.

Administration officials are confident they have the upper hand in the trade fight because the U.S. economy is strengthen-

ing while the Chinese economy shows signs of growing slack. Moreover, China is more dependent on trade than the U.S.

But that confidence so far hasn't translated into action. Preliminary talks by Treasury Secretary Steven Mnuchin and Chinese Vice Premier Liu He haven't produced even a plan for additional trade negotiations.

"Communications remain open," said a senior administration official in briefing reporters. "There are conversations about whether to have fruitful negotiations or not."

Relations between China and

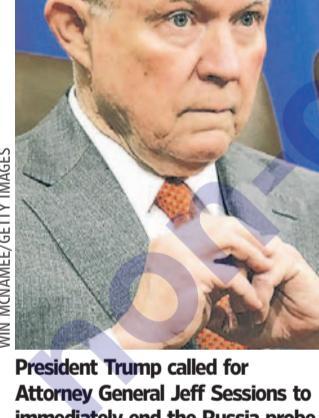
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## Long After Conflict, Remains From North Korea Return Home



**HONORING THE FALLEN:** Vice President Mike Pence attended a ceremony Wednesday in Honolulu marking the arrival of the remains of dozens of presumed U.S. war dead from North Korea, decades after the end of the Korean War in 1953. **A4**

### Trump Presses Sessions on Probe



**President Trump called for** Attorney General Jeff Sessions to immediately end the Russia probe. The White House later said the tweet was a personal opinion. **A4**

## America's Long Love Affair With Beer Is on the Rocks

U.S. drinkers, for first time, are more likely to choose wine or cocktail

BY SAABIRA CHAUDHURI  
AND ANNIE GASPARRO

An American walks into a bar. "What'll it be?" says the bartender.

For years, more likely than not, the answer would have been: "Make it a beer."

Not anymore. Last year, for the first time, Americans reaching for a drink more often chose a glass of wine or a cocktail.

U.S. drinkers, particularly young ones, are having relationship problems with the national beverage. It's no longer true they start out favoring mild pilsners and low-calorie beers, then graduate to harder stuff later in life, if at all. Now they are thinking about other things: taste, value, beer bellies.

Brenden Kennedy, a 32-year-old New York marketing executive, can't remember the last time he drank a beer. His parents drank Bud Light. When he hit drinking age, he tended to reach for a prosecco.

"When I drink beer, it always feels very heavy, like empty calories, and I don't find it's refreshing unless it's super, super cold," he says. "The flavor has never really appealed to me, and it doesn't feel sophisticated."

According to the Beer Institute, a trade group, drinkers chose beer just 49.7% of the time last year, down from 60.8% in the mid-'90s. Among 21- to 27-year-olds, the decline

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◆ **Molson tries cannabis as beer sales decline...** B3

### Luke, Remember the Ring: Star Wars Weddings Are in Force

\* \* \*

One problem is hiring enough characters to fill out the party; the sick Jawa

BY EMILY GLAZER  
AND ERICH SCHWARTZEL

In the months before her March nuptials, Tiffany Culpepper sent out an SOS for her Topanga, Calif., wedding.

"DISO [desperately in search of] stormtroopers!" she posted to a Southern California bridal Facebook page.

Running out of time before her Star Wars-themed wedding, Ms. Culpepper gave up hope when she learned a local group of fervent fans who dress up in costume was turning down all requests for wedding and birthday appearances.

"We never got them," she said, adding she felt defeated.

Darth Vader, the Dark Lord of the Star Wars universe, and his entourage of armored stormtroopers are crushing rebellions—and hearts.

Since Walt Disney Co. bought Lucasfilm Ltd. for \$4 billion in 2012, demand for Vaders, stormtroopers and other Star Wars characters at weddings has grown so much, there's now a shortage. Some desperate couples are wooing local superfans dressed as Vaders and stormtroopers by donating to their favorite charities; others turn to the Dark Side: wrangling characters outside of official channels.

Disney revived the Luke-and-

Please turn to page A10

### Tesla Puts Profit in Its Sights This Year

BY TIM HIGGINS

Tesla Inc. reassured investors it would achieve a profit later this year, as a rush of Model 3 sales in the second quarter helped the electric-car maker burn less cash than expected.

The results, which sent Tesla's shares soaring in after-hours trading Wednesday, should give Chief Executive Elon Musk some wiggle room to prove that a continued production rate of more than 5,000 Model 3s a week during the third quarter can make the auto maker cash-flow positive and profitable—a promise he

Please turn to page A4

◆ **Auto makers report lower July sales..... B2**

◆ **Heard on the Street: Tesla's view comes with catch.... B12**

## Cut Your Amazon Bill in Half

Amazon Redshift Database Oracle Autonomous Database

Easy to Move—Guaranteed Savings

There's the cloud... and there's the Oracle Autonomous Cloud.

#thinkautonomous

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Guarantee applies to same data warehouse workload run on Oracle Autonomous Data Warehouse Cloud and AWS. Pricing based on standard published pricing for Oracle bring your own license and AWS as of 3/1/18. Workload comparison to be based on actual required number of OCPU/VCPU, storage amount, and time required to complete workload with minimum workload of one hour. Any credits will be applied to Universal Credit cloud account. Offer valid through 5/31/19. Copyright © 2018, Oracle and/or its affiliates.

## U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## The Mortality Toll of Rising Temperatures



Scorching heat waves have gripped the world in recent weeks from the Pacific Northwest to Northern Europe and, most tragically, Japan, where more than 100 mostly elderly people have died. The usual caveat applies: No single event can be specifically tied to climate change. Nonetheless, it offers an unsettling preview of what may be in store for the coming century.

Just how much should the world worry? Optimists often note that most countries will be richer by the end of this century, and societies are adaptable, both of which ought to reduce the harm from a warming climate. But an exhaustive new study focusing only on heat-related damage reaches a sobering conclusion: By the year 2099, even with economic growth and adaptation, 1.5 million more people will die each year around the world because of increased heat. By comparison, 1.25 million people died in 2013 in all traffic accidents worldwide.

Moreover, adaptation extracts an economic toll, from installing more air condition-

ing to curbing outdoor activity. The study calculates that such efforts effectively more than double the cost of climate change-induced heat.

The conclusion comes from a team of economists, scientists, computer modelers and other experts working under the aegis of the Climate Impact Lab, a think tank based at the University of Chicago. Their study—the lead authors of which are Michael Greenstone of the University of Chicago, Solomon Hsiang of the University of California at Berkeley, Trevor Houser of the Rhodium Group and Robert Kopp of Rutgers University—was published Wednesday by the nonpartisan Becker Friedman Institute at the University of Chicago.

**W**hile climate change can have many repercussions from rising sea levels, changed crop yields, drought, migration and potentially civil unrest, this study considers only heat. Excessive heat can lead to brain and kidney damage and cardiovascular stress, especially for those over 64, which is why Japan's recent experience is relevant. Japan is an aging society and the rest of the world will get steadily older

## Deadly Heat

A warming climate will raise global mortality and impose an added cost to adapt. Cooler regions are less prepared for extreme heat.

## Annual mortality\* impact of one additional hot day\*

PER CAPITA INCOME	CLIMATE		
	Hot E.g. Houston	Moderate E.g. Seattle	Cold E.g. Seattle
Rich	0.7	2.1	3.1
Middle	1.1	2.3	3.6
Poor	1.9	4.0	5.7

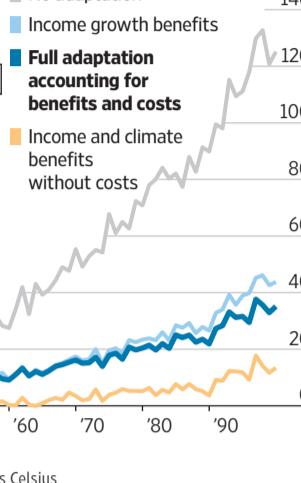
\*Deaths per 100,000 population

†35 degrees Celsius (95 degrees F) vs. 20 degrees Celsius

Note: Based on 'business as usual' 4.3 degree C rise in temperature by 2100

Source: Michael Greenstone, Solomon Hsiang, Trevor Houser, Robert Kopp et al., Climate Impact Lab

## Global mortality\* change due to climate change-induced heat



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over the coming century.

The Climate Impact Lab approach is more comprehensive. Using data covering 56% of the world's population, it divides the world into 24,000 regions and then examines how differing climates and income levels influence heat-re-

lated mortality. It counts both lives lost to extreme heat, and lives saved from less extreme cold.

Not surprisingly, wealthier places fare better: in Houston, each additional day averaging 35 degrees Celsius (95 Fahrenheit), relative to a "normal"

day of 20 degrees, raises the annual death rate by 0.5 per 100,000 people. In Cairo, which is as hot as Houston but only one-tenth as rich, a hot day is nearly 10 times deadlier.

More surprising, temperate places fare worse, because they aren't used to heat: in Seattle, a hot day is seven times deadlier than in Houston because fewer homes have air conditioning and people spend more time outdoors.

**T**he study uses these relationships to project

the effects of global temperatures rising 4 degrees Celsius by 2099, which is the scientific consensus of how much temperatures will rise if no steps are taken to slow carbon emissions. Without the benefits of growth and adaptation, mortality rates would rise by 125 per 100,000 people, or 14 million additional deaths. Factoring in rising incomes, that drops to 44. Incorporating adaptive behavior, such as staying indoors, it drops further, to 13, roughly 1.5 million people.

The impacts are highly uneven. Mortality actually drops in temperate, rich cities such as Oslo because they experi-

ence fewer dangerously cold days, and their affluence minimizes the harm of hot days. It rises sharply in places like Mogadishu, Somalia, that, despite being used to hot days, aren't rich enough to withstand the extremes. Within the U.S., mortality drops in the relatively cool Northern Plains but rises in the South-east.

Regulators evaluating new safety rules routinely express human lives in dollar equivalents. The study's authors do the opposite, expressing the costs of adaptation in death-equivalents. This raises the net impact on mortality to 35 per 100,000, or roughly 3.9 million lives.

Using dollars instead of deaths, the study concludes the heat-related costs incurred by one additional metric ton of carbon dioxide is \$39, far larger than existing estimates of around \$1.50, according to one popular model, says Mr. Greenstone, who helped develop estimates of the social cost of carbon under President Obama.

It also suggests an even bigger carbon tax is justified than the \$24-a-metric-ton that Republican Congressman Carlos Curbelo of Florida recently proposed.

## Apple Fights Off Local Tax Proposal



THWARTED: The Northern California city of Cupertino, home to Apple Inc.'s headquarters, above, has backed down from a plan for a per-employee tax on big companies, after opposition from local businesses and a direct appeal from the tech giant to consider alternatives.

## Treasury To Boost Borrowing

Continued from Page One during and after the 2007-2009 recession, adding to the supply of bonds investors are being asked to soak up.

In all, the Treasury said it will borrow \$329 billion from July through September—up \$56 billion from the agency's April estimate—in addition to \$440 billion in October through December.

The Treasury's Borrowing Advisory Committee, made up of representatives from investment funds and banks, said the size of monthly debt auctions would need to continue ratcheting higher to fund government deficits in coming years.

The size of U.S. government borrowing is hanging over the bond market. In addition to the increased spending forecast for the federal government, there is concern about lower tax revenue.

"That's part of the equation we haven't been talking about," said Ian Lyngen, head of U.S. government bond strategy at BMO Capital Markets. "The notion that tax reforms are going to pay for themselves is being tested right now."

Deficits are rising in part because federal spending has been ramped up and because corporate and individual tax rates were cut last year. White House officials say reductions in tax rates spur economic

## Back Again

The 10-year Treasury yield settled above 3% for the first time since May.



Wednesday 3.001%

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growth and raise tax revenue by boosting taxable household and business income.

Many analysts and investors expect these developments will ultimately lead to higher borrowing costs for the U.S. government.

While the U.S. fiscal outlook, with years of trillion-dollar deficits ahead, concerns investors and analysts, many say its status of issuing the world's safest securities will help to restrain interest rates from rising too much.

"U.S. debt is considered such a solid place to park your money that we continue to see solid demand," said Anwita Bahuguna, a portfolio manager with Columbia Threadneedle Investments.

Because Treasury securities are a benchmark used to help set interest rates on mortgages,

business loans and consumer debt, analysts expect higher Treasury rates to ripple through the economy, potentially crowding out other borrowing and restraining an economy that has been on a tear.

"It's higher rates for everyone," said Andrew Brenner, head of global fixed-income at NatAlliance Securities.

Mortgage rates have moved up over the past year—the average 30-year fixed-rate mortgage stood at 4.84% last week, near its highest level in seven years. Applications for mortgages to purchase homes have held steady, rising 1% over the year, according to Mortgage Bankers Association data released Wednesday.

Housing could "enter a period of slower sales and price increases," said Lou Barnes, a

mortgage banker in Boulder, Colo. However he said that wasn't a signal of economic distress, because other factors are driving the slowdown, notably an insufficient supply of homes.

A 5% mortgage rate, he said, left mortgages in many parts of the country "eminently affordable." But he added he would be worried if rates rose to 6%.

Other consumer borrowing rates are climbing as the Fed raises short-term rates. The prime interest rate that many banks use to set credit card and personal loan rates was 5% in June, up from 4.25% a year ago.

The government is likely to run trillion-dollar deficits—the amount by which spending will outpace revenue—for the next four years, according to Office of Management and Budget projections released last month.

For now, tax-rate reductions appear to be restraining government revenue because less tax is being generated for every dollar of household and business income earned. The Treasury Department said last month that tax receipts fell 7% in June from the same month a year ago, including a 33% drop in gross corporate taxes.

"Everyone thinks we won't have a problem financing trillion-dollar deficits until we have one," said Brian Edmonds, head of Treasury trading at Cantor Fitzgerald LP.

The Treasury made the announcement of increased auction sizes as part of its regular schedule of quarterly borrowing statements.

—Akane Otani and Nick Timiraos contributed to this article.

cast for the full year submitted by Fed officials in June.

The question looming over the Fed's meetings this spring and summer has centered on how much further officials believe they will need to raise rates over the next two years.

In June, Fed officials penciled in plans to raise rates two more times this year and three times next year, which would push their benchmark rate above 3%. Officials estimate that moving rates about that level would effectively be tapping brakes on economic growth.

Traders in futures markets largely agree with the Fed's outlook. On Wednesday, they placed a roughly 90% chance of a rate increase this September and a 70% chance of at least one more increase by December, according to CME Group.

The challenge for central bankers is to lift borrowing costs enough to prevent the economy from overheating but not so much that it tips into recession.

Inflation is close to the Fed's 2% target after undershooting it for many years. Consumer prices in June rose 2.2% from a year earlier. Excluding volatile food and energy categories, they rose 1.9%, according to the Fed's preferred inflation gauge. The Fed likes to maintain inflation around 2%, seeing it as a sign of a balanced economy.

## CORRECTIONS &amp; AMPLIFICATIONS

## Moody's Investors Service

estimates state and local pensions have unfunded liabilities of about \$4 trillion, roughly equal to the output of the world's fourth-largest economy.

A Page One article Tuesday about pension fund shortfalls incorrectly said \$5 trillion, about the size of the world's third-largest economy, based on incorrect data pro-

vided by Moody's.

**In the summer of 2016**, National Basketball Association teams spent \$3.7 billion on contracts for free agents, with \$1.7 billion of that going to 26 individuals. A graphic with a Sports article Wednesday about NBA free agents contained the correct figures, but the graphic wasn't drawn to scale.

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

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# Insurers Scale Back Premium Increases

## Smaller Change

Here are some major insurers' final rate increases for this year's ACA plans and proposed changes for 2019 in states with the most enrollees for which data were available.

State	Insurer	2018 actual	2019 proposed
Florida	Florida Blue	7.2	35.7%
California	Kaiser Permanente	13.8	9.1
North Carolina	Blue Cross and Blue Shield	-4.1	14.1
Georgia	Anthem	2.2	57.5
Pennsylvania	Independence Blue Cross	2.0	22.0
Virginia	Cigna	15.0	48.0
Michigan	Blue Cross Blue Shield	1.1	22.6
New Jersey	Horizon Blue Cross Blue Shield	9.2	24.3
Texas	Health Care Service	-6.5	22.7
Illinois	Health Care Service	0.9	16.6

Note: Rate changes reflect a blend of products in some cases, and in others one type of offering, such as an HMO. Proposed rates are subject to change.

Sources: U.S. Dept. of Health and Human Services; the insurers; state regulators; Kaiser Family Foundation

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BY ANNA WILDE MATHEWS  
AND JOSEPH WALKER

After years of big rate increases on Affordable Care Act plans, insurers in many states are seeking smaller raises and even some reductions, according to new federal data that provide the broadest view so far of next year's health-law markets.

Major insurers in states including Mississippi and Florida are seeking single-digit increases, according to preliminary rate requests published on Wednesday by the U.S. Department of Health and Human Services. Big marketplace players in states including Texas, Illinois, Arizona and North Carolina have proposed to cut some premiums for 2019.

In some states, the shift is particularly extreme: Blue Cross Blue Shield of Wyoming, the lone ACA insurer in that state, is seeking a 0.27% average decrease for 2019, after a 48% jump in its premiums this year.

"The vast majority of our members will be seeing much lower rate increases this year," said Mark Nave, a senior vice president at Highmark Inc., an

insurer that is part of Highmark Health. The marketplaces "are stabilizing despite some of the challenges."

However, insurers are still looking for significant price boosts in some places next year, reflecting the variety of situations. For instance, in Maryland, CareFirst BlueCross BlueShield proposed an 18.5% average increase on health maintenance organization plans and a 91.4% increase on its smaller preferred provider organization business. The insurer said its rate proposals reflected the high health costs of enrollees in its plans.

The proposed increases mean that in many states, consumers might not pay much more next year for ACA plans. Lower-income enrollees already don't pay the full cost of their premiums because of federal subsidies.

However, after years of previous increases, premiums will continue to represent a hefty bill for many consumers.

In Denver, for instance, if proposed rates are completed, a 40-year-old nonsmoker who doesn't get a subsidy would pay \$439 a month next year for a benchmark plan, which is

the second-cheapest in the silver tier of coverage, according to the Kaiser Family Foundation. That is 6% higher than this year's benchmark plan, which cost \$413 a month. In Baltimore, that same consumer's premium would rise to \$622 next year, from \$456.

On the other, in Philadelphia, the monthly cost would drop to \$484, from \$636.

The generally more-limited proposed rate increases reflect

**Years of ratcheting up ACA rates brought premiums more in line with costs.**

the improved financial situation of many insurers' ACA business. Years of ratcheting up rates have brought their premiums more in line with costs—and sometimes over-shot, resulting in the proposed decreases for next year.

Last year, insurers achieved their best financial results on plans sold to consumers since the ACA's major market changes went into effect in

2014, according to an analysis from the Kaiser foundation. The results appeared to get even better in the first quarter of 2018, Kaiser researchers found.

Nationally, the average premium for benchmark ACA plans, priced for a 40-year-old, went up by about 34% in 2018, and 20% in 2017, according to Kaiser.

The insurers' improved finances have also led some to plan on entering new ACA markets or expanding their footprints for 2019, a reversal after years of pullbacks.

Medica, a nonprofit insurer that offers ACA plans in six states and plans to enter two more, has lost money on its ACA business nearly every year, including 2017, said Geoff Bartsh, a Medica vice president. But at this point, the nonprofit insurer is expecting to end 2018 with a positive margin on its marketplace products. "In many areas, premiums have caught up to medical expenses," he said.

In Iowa, Medica is now seeking a premium decrease—after a 57% increase this year. In that case, Mr. Bartsh said, the increase turned out to be "greater than was needed."

# White House Eases Controls on Cheap Health Plans

BY STEPHANIE ARMOUR  
AND THOMAS M. BURTON

The Trump administration, in one of its most significant efforts to roll back the Affordable Care Act, on Wednesday released a rule that will allow for the proliferation of cheaper, less-comprehensive health plans that have been restricted by the former Obama administration.

The rule would loosen restrictions on a type of coverage known as short-term medical insurance—low-cost plans

that cover a limited period with less-expansive benefit offerings, which are subject to fewer consumer protection regulations.

Such plans now can be carried only up to 90 days. The new rule would allow the plans to last for a year and be renewed for a total coverage period of 36 months.

The plans are often sold to people who qualify as healthy and may have annual limits on the amount of care the policies will cover. The plans don't have to cover people with pre-

existing conditions, and insurers can charge higher premiums based on a consumer's health status.

They also don't have to include the specific benefits mandated by the ACA, such as prescription-drug coverage.

A proposed version of the rule was released in February, and the new action makes the rule final. It goes into effect in 60 days.

Health and Human Services Secretary Alex Azar said the step "will help increase choices for Americans faced

with escalating premiums and dwindling options in the individual market." The plans originally were designed for limited coverage when people were between jobs, for up to 90 days. Now, though dubbed "short-term," the plans can be extended for a total coverage period of three years.

The administration said the average monthly premium for such a plan has been about \$124, less than a third the cost of an unsubsidized plan in the ACA markets.

Mr. Azar said the new rule

is "absolutely not" intended to sabotage the ACA by creating an alternative to Obamacare market plans.

Democrats and some outside health-care groups, however, characterized the plans as "junk health insurance" that shortchanges consumers, is subject to fraud and falls short of the plans available under the Affordable Care Act.

"By giving the green light to junk plans, Trump and his administration are once again siding with fraudsters, unscrupulous brokers and insurance

companies over unsuspecting Americans that simply want affordable health care," said Sen. Ron Wyden (D., Ore.), the top Democrat on the Senate Finance Committee, which oversees many health-care issues.

Some insurers were also critical. The plans have "the potential to harm consumers, both by making comprehensive coverage more expensive and by leaving some consumers unaware of the risks of these policies," said Justine Handelman, of the Blue Cross Blue Shield Association.

# Kavanaugh's Cases Show Pro-Employer Bent

BY BRENT KENDALL

WASHINGTON—A federal appeals-court panel split in 2014 over a case involving a grisly theme-park death, ruling 2-1 that the Labor Department was on sound footing when it sanctioned SeaWorld Entertainment Inc. for safety violations after a trainer was attacked by a killer whale.

The two judges upholding the sanction said that while whale-training is a dangerous occupation, SeaWorld could have taken steps to reduce the hazard. One of them was Merrick Garland, the Obama Supreme Court nominee whom Senate Republicans declined to consider after Justice Antonin Scalia died in 2016.

In dissent was Judge Brett Kavanaugh, President Trump's nominee for the high court. Judge Kavanaugh said the case raised the question of "when should we as a society paternalistically decide" whether people who choose to work in risky sports and entertainment fields "must be protected from themselves."

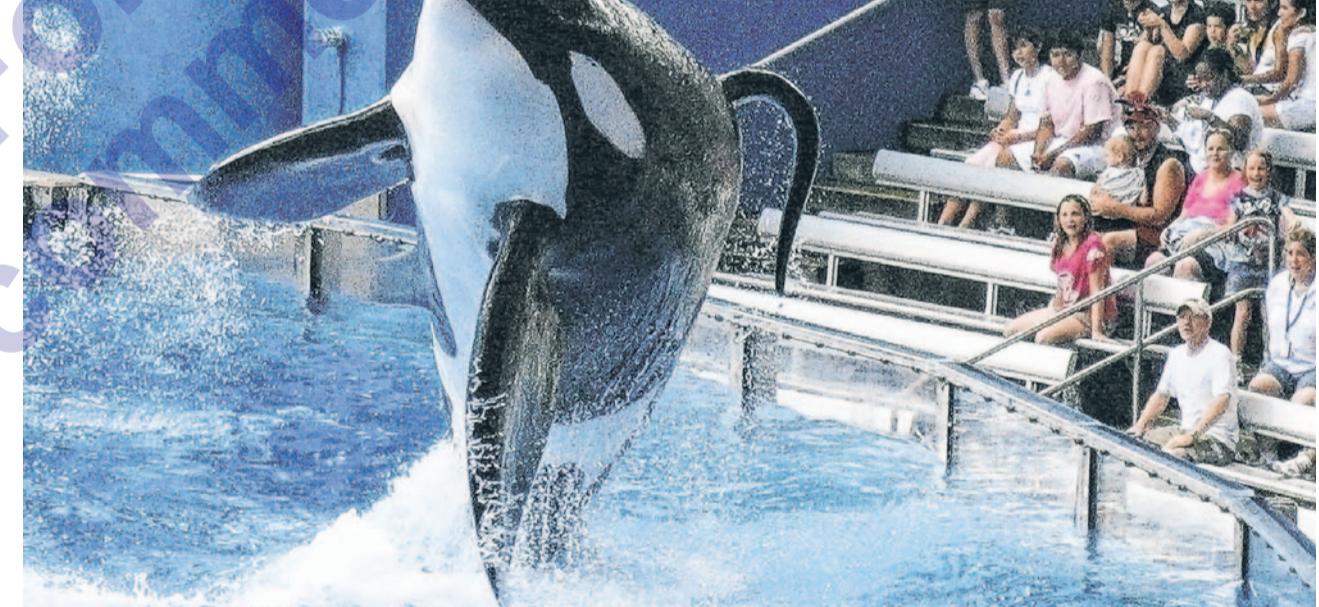
The case is one of more than 30 involving labor or workplace disputes for which Judge Kavanaugh wrote opinions during his 12-year tenure on the U.S. Court of Appeals for the District of Columbia Circuit. He often has favored employers, sometimes embracing positions that other colleagues found too broad or conservative.

Yet his record isn't monolithic; he wrote opinions that sided with employees in several instances, including a racial-discrimination case he has described as one of the most significant of his career.

"If you had to characterize him one way or the other, he's pro-employer, but he's not an ideologue," said Collin O'Connor Udell, a lawyer with Jackson Lewis P.C. who represents employers and has studied Judge Kavanaugh's rulings.

Several Democrats have signaled they will emphasize labor issues during his confirmation proceedings, and activists and labor groups have singled out a list of his opinions for criticism.

Kerry Kupec, a spokeswoman for Judge Kavanaugh's confirmation team, said his record "reflects his reputation as a



Judge Brett Kavanaugh, below, sided with SeaWorld in a case over the killing of a trainer by a whale named Tilikum, shown in 2009.

FROM TOP: MATTHEW BELANGER/REUTERS; JAQUELYN MARTIN/ASSOCIATED PRESS



fair and independent arbiter of the law, based on text and precedent, who has ruled for both employers and employees."

Appeals-court rulings are generally handed down by panels of three judges, assigned randomly from the court's full roster. The D.C. Circuit was more conservative during the early stages of Judge Kavanaugh's tenure but has become more liberal with the addition of President Obama's appointees, as reflected in some of his splits with his colleagues.

In 2008, Judge Kavanaugh

## Key Cases for High-Court Pick

Judge Brett Kavanaugh has written opinions in more than 30 labor and employment cases during his 12 years on the U.S. Court of Appeals for the District of Columbia Circuit. They include:

### SEAWORLD V. PEREZ

A D.C. Circuit majority upheld a Labor Department sanction against SeaWorld for worker-safety violations follow-

ing a trainer's death from a killer-whale attack. Judge Kavanaugh dissented, saying employers understand the dangers and Congress hadn't given occupational-safety regulators the authority to try to make whale shows safer.

### AGRI PROCESSOR CO. V. NLRB

The appeals court ruled a Brooklyn kosher-meat wholesaler committed an unfair labor practice by refusing to bargain with a union that was formed in part with votes from undoc-

umented workers. In dissent, Judge Kavanaugh said illegal-immigrant workers aren't protected under the National Labor Relations Act.

### AYISSI-ETOH V. FANNIE MAE

The D.C. Circuit revived racial-discrimination claims by an African-American fired from his job at Fannie Mae who alleged he was called the N-word by a supervisor. Judge Kavanaugh wrote separately to say that even one use of the racial slur could be enough to form the basis for a legal case.

wrote a dissent supporting a kosher-meat wholesaler that refused to bargain with a union because it included undocumented workers who had participated in a union election. Two other judges said language of the National Labor Relations Act, as well as Supreme Court precedent, ran counter to that position.

A year earlier, the judge wrote a 2-to-1 ruling saying the Defense Department could curtail collective bargaining for hundreds of thousands of civilian employees for several years. A dissenting judge said Judge Kavanaugh's opinion em-

powered the secretary of defense to abolish collective bargaining, "a position with which even the secretary disagrees."

Overall, Judge Kavanaugh's rulings show skepticism of what he views as aggressive enforcement going beyond government agencies' traditional authority.

When the judge recently listed his most significant judicial opinions, he cited a pro-worker decision among them.

The judge was part of a 2013 panel that revived a lawsuit brought by a Fannie Mae employee who alleged he was denied a salary increase be-

cause of his race, called the N-word by his supervisor, and fired for complaining about it. Judge Kavanaugh, in a concurrence quoting poet Langston Hughes, wrote that even a single use of such a racial slur can create a hostile work environment.

Judge Kavanaugh also has written unanimous rulings for employees, including a 2008 decision that upheld an NLRB determination that Walmart had a duty to continue bargaining with meat-processing workers in Texas after it changed the nature of its operations.

# Plans Are Reposted For Printed 3-D Guns

BY ZUSHA ELGIN

Hours after a federal judge forced a group in Texas to remove online blueprints for 3-D printed firearms on Tuesday, gun-rights groups in California said they were publishing the files on a separate website.

A spokesman for the Firearms Policy Coalition, Craig DeLuz, said his group and others pulled the plans off the website of the pro-gun group Defense Distributed before the court order and were sharing those same files on a new site.

"This is a free-speech case," said Mr. DeLuz. "There is no law prohibiting the online publication of this information."

U.S. District Judge Robert S. Lasnik granted a temporary restraining order Tuesday to eight states seeking to block Defense Distributed from posting the files online, writing that the proliferation of 3-D printed guns would have many negative effects. Defense Distributed complied with the order and pulled its files off its website.

The court case followed a settlement between Defense Distributed and the State Department that allowed the files to be posted. The State Department had included the design files on a list of munitions subject to export controls, barring their distribution. Defense Distributed fought back in court, arguing among other things that it was a violation of free-speech rights. The State Department settled the case, reversing its position and allowing the files to be posted.

Gun-control advocates said the files would enable individuals to avoid background checks by using 3-D printers to make guns at home.

By the end of Wednesday, the California gun-rights groups' website was offline. Mr. DeLuz said the site was shut down after Amazon Web Services sent a message saying the content wasn't in compliance with the temporary restraining order. Amazon declined to comment.

"We will definitely be putting the site back up," said Mr. DeLuz.

## U.S. NEWS

# Trump Says Sessions Should End Probe

By MICHAEL C. BENDER  
AND SADIE GURMAN

**WASHINGTON**—President Trump urged Attorney General Jeff Sessions to end the Russia investigation “right now,” as negotiations continued between the president’s lawyers and special counsel Robert Mueller over the terms of a possible interview.

The comments renewed public pressure on the nation’s top law-enforcement official to halt a probe that has resulted in charges against Mr. Trump’s former campaign officials and more than two dozen Russians.

“This is a terrible situation and Attorney General Jeff Ses-

sions should stop this Rigged Witch Hunt right now, before it continues to stain our country any further,” Mr. Trump wrote Wednesday in a series of Twitter posts about Mr. Mueller’s investigation.

The president’s comments come a day after the opening of a closely watched criminal trial involving Paul Manafort, Mr. Trump’s former campaign chairman, who is fighting bank fraud and tax evasion charges. It is the first trial by prosecutors for Mr. Mueller, who is investigating Russian interference in the 2016 election and possible coordination with Trump associates, as well as potential obstruction of justice.

Mr. Trump has denied wrongdoing by himself or his campaign. Moscow has denied any election interference. The charges against Mr. Manafort cite activities that predate the Trump campaign and aren’t related to Russia’s electoral activities.

Mr. Sessions’ hands are largely tied since he stepped aside from the Russia investigation last year, citing his own prominent role in Mr. Trump’s campaign.

Critics said Mr. Trump’s tweets Wednesday showed he was trying to derail the Russia investigation. “This is an attempt to obstruct justice hiding in plain sight,” said Rep. Adam

Schiff, the top Democrat on the House Intelligence Committee.

White House press secretary Sarah Sanders said the president was “stating his opinion” and not giving an order. “I think he’s been crystal clear how he feels about this investigation from the beginning,” she said.

Lawyers for the president said he wasn’t attempting to interfere with the Russia probe. “We have been saying for months that it is time to bring this [Russia] inquiry to an end. The president has expressed the same opinion,” Rudy Giuliani said.

Jay Sekulow, another lawyer for the president, disputed the

notion that Mr. Trump’s calls for the investigation to end could amount to obstruction of justice. “Obstruction by tweet is a rather bizarre and novel theory,” Mr. Sekulow said.

Mr. Trump’s lawyers continue to negotiate with the special counsel over terms of a potential interview with the president. Last month, Mr. Giuliani said the Trump team had presented a counteroffer that proposed allowing the president to address questions about collusion but not about obstruction of justice.

Mr. Giuliani said Wednesday that the special counsel, in response, agreed to slightly decrease the number of ques-

tions posed to the president, but that the questions investigators proposed to ask covered the same amount of ground as the previous set. Mr. Mueller hasn’t agreed to the Trump team’s request that obstruction of justice questions be off the table, Mr. Giuliani said.

Mr. Giuliani said Mr. Mueller’s response to the team’s counteroffer marked only a “teeny bit of progress” in the negotiations. He called Mr. Mueller’s new offer “pretty much the same” as the previous proposal. The Trump legal team will begin preparing their response on Thursday, he said.

The Justice Department declined to comment.

## Korean War Remains Arrive in U.S.

By PETER NICHOLAS

**HONOLULU**—Vice President Mike Pence on Wednesday credited North Korean leader Kim Jong Un with fulfilling a promise to return the remains of some U.S. troops killed during the Korean War, a step that he said showed “tangible progress” toward easing tensions on the Korean Peninsula.

Mr. Pence spoke at a ceremony marking the return of the remains, which were handed over by North Korea last week and then flown to an air base in South Korea before their arrival on Wednesday at Joint Base Pearl Harbor-Hickam.

A military honor guard carried the flag-draped cases from a pair of C-17 transport planes into the hangar where Mr. Pence spoke, resting them on rows of stanchions.

The U.S. now begins an intensive effort to identify the remains. Forensic analysis will be used to confirm the remains stored in the 55 metal cases are those of American troops.

President Trump announced after a June meeting in Singapore that Mr. Kim had agreed to return the remains of missing U.S. soldiers.

About 5,300 American war remains are in North Korea, while about 1,000 are in the demilitarized zone that separates the two Koreas, according to the Defense POW/MIA Accounting Agency, or DPAA, the federal agency tasked with identifying the remains.

“I know that President Trump is grateful that Chairman Kim kept his word,” Mr. Pence said Wednesday, “and we see today as tangible progress in our efforts to achieve peace on the Korean Peninsula.”

Mr. Pence arrived in Hawaii aboard Air Force Two late Tuesday night with two family members of servicemen killed in the Korean War.

When the plane stopped at Travis Air Force Base in Calif.



An honor guard bore the flag-draped cases from the C-17 planes at Joint Base Pearl Harbor-Hickam.

HUGH GENTRY/REUTERS

forrefuel, Mr. Pence picked up Diana Brown Sanfilippo, whose father, First Lt. Frank Salazar, died when his plane was hit by groundfire.

Ms. Sanfilippo last saw her father when she was 4 years old. Interviewed before the ceremony, she said she hoped her father’s remains would one day be returned.

“I do have hope, but I don’t know,” she said. “It could be

anybody’s remains. Hopefully there are at least some Americans.”

The remains returned by North Korea included one dog tag belonging to an American service member, said John Byrd, a forensic anthropologist and director of scientific analysis for the DPAA. He said the man’s family has been notified.

Mr. Pence, interviewed aboard Air Force Two while en

route to Hawaii, said he feels a particular connection with families of Korean War veterans because his father fought in the conflict.

“Any time the war came up and anyone used the word ‘hero,’ my dad would say the heroes were the ones who weren’t able to come home,” Mr. Pence said.

—Andrew Jeong contributed to this article.

## Court Rejects Move to Punish Sanctuary Cities

By ALEXA CORSE

A federal appeals court ruled Wednesday that President Trump’s executive order threatening to withhold federal funding from sanctuary cities is unconstitutional, dealing a setback to his push for more aggressive immigration enforcement.

A three-judge panel from the Ninth U.S. Circuit Court of Appeals said in a 2-1 ruling that the administration can’t hold back funding from California cities and counties engaged in such practices.

There is no legal definition of a sanctuary city, but the term generally describes communities that limit their cooperation with federal immigration authorities to some extent.

But the court removed the nationwide scope of an injunction against withholding funds that was issued by a lower court. The appeals court ruled the injunction only applies to the state of California and asked the lower court to reconsider whether the injunction should apply nationwide.

Wednesday’s ruling is the latest twist in the legal battle over the Trump administration’s crackdown on sanctuary jurisdictions. At least seven states, plus additional cities and counties, have filed lawsuits seeking to block various aspects of the administration’s moves.

The Trump administration says sanctuary cities protect criminals who should be deported, while critics call the administration’s policies discriminatory.

The ruling on Wednesday came in lawsuits filed by the

city and county of San Francisco and Santa Clara County. The California jurisdictions were seeking to block an executive order issued by Mr. Trump in January 2017, which sought to withhold federal funds from the sanctuary jurisdictions.

Santa Clara County Counsel James R. Williams said in an interview that the ruling was a “rebuke of the idea that the president can weaponize federal funding” to pressure local governments to enforce federal immigration law.

The Justice Department noted that the dissenting judge, Ferdinand Fernandez, supported the executive order.

“The Justice Department continues to maintain that—as the dissenting judge recognized—the president exercised his lawful authority when he issued the sanctuary city executive order,” department spokesman Devin O’Malley said in a statement. “The Justice Department remains committed to the rule of law, to protecting public safety, and to keeping criminal aliens off the streets.”

A federal appeals court in Chicago similarly narrowed a nationwide injunction last month in a separate lawsuit over the Justice Department’s efforts to withhold certain grants from sanctuary jurisdictions. The Seventh U.S. Circuit Court of Appeals limited the scope of the injunction to the city of Chicago, the plaintiff in that lawsuit, though more proceedings are anticipated.

The Trump administration has criticized federal judges for what it calls overreaching when they seek to apply their court orders nationally.

## Tesla to Hit Profit This Year

**Continued from Page One** made earlier this year and reiterated Wednesday in a letter to shareholders, though many analysts doubt can be kept.

Tesla more than doubled its loss to \$717.5 million in the quarter, its seventh consecutive quarterly loss during a period intensely focused on ramping up production of the Model 3. Tesla reached the long-delayed goal of making 5,000 Model 3 sedans in a single week during the final days of June. Now the test is whether it can sustain that

production to generate necessary cash and eventually prove it is no longer a niche luxury brand but one capable of building millions of cars a year.

“It took 15 years to execute on our initial goal to produce an affordable, long-range electric vehicle that can also be highly profitable,” Mr. Musk wrote in Wednesday’s shareholder letter. “In the second half of 2018, we expect, for the first time in our history, to become both sustainably profitable and cash flow positive.”

Later on a call with analysts, Mr. Musk said he expects Tesla will record a profit in all subsequent quarters—except perhaps if the economy collapses or the company pays back a big loan, he said.

If Mr. Musk begins to fulfill that promise, he could calm investors and analysts concerned by Tesla’s dwindling cash pile. Mr. Musk has bristled at the idea of raising more cash, and on Wednesday told analysts he doesn’t plan to issue new equity going forward.

Instead, Mr. Musk said he plans to focus on paying down the company’s debt—not refinancing it.

He expects a new factory proposed for Shanghai will cost \$2 billion and will be financed with debt in China.

“Are we running low on money? The answer is no,” Mr. Musk said on the call. His tone of the call differed greatly from the prior quarter when he sparred with analysts, sending shares plummeting. Mr. Musk apologized to those analysts on the call Wednes-

day and generally sounded upbeat.

Tesla finished the second quarter with \$2.2 billion of cash. Its negative free cash flow of about \$740 million was lower than what a consensus of analysts expected. The company has previously said it needed to keep a minimum cash balance of \$1 billion, and several analysts have said Tesla will need to raise more money.

The quarterly report, and Mr. Musk’s subsequent comments, sent Tesla’s shares up nearly 9% to \$327.70 in after-hours trading on Wednesday. The shares were down more than 3% this year ahead of Tesla’s quarterly report.

Mr. Musk remains optimistic that Tesla can make 1 million vehicles in 2020, though he expressed new caution saying it “seems pretty likely” the company will make 700,000 to 800,000. He said Tesla’s Fremont, Calif., assembly plant and Nevada battery factory should be able to produce about 600,000 a year plus 100,000 to 200,000 at the new Shanghai facility, which is supposed to begin production that year.

The company had previously said it would begin China production in 2020 while in Tesla’s shareholder letter the company said the first cars would roll off the line in about three years,

which would put it at 2021.

Tesla reiterated it expects to produce 6,000 Model 3s sedans in a week by late August. The company said it plans to build 50,000 to 55,000 of the sedans during the third quarter and that it remained on target to make a total of 100,000 Model S sedans and Model X sport-utility vehicles for the year.

Mr. Musk has sought to cut costs in the pursuit of profitability. The company slashed 9% of its workforce in June, and Mr. Musk promised a management reorganization after his engineering chief stepped aside.

The company on Wednesday cut back further on

planned capital expenditures as part of a strategy to focus building out its existing infrastructure for making the Model 3. It now plans to spend less than \$2.5 billion this year, lower than a \$3 billion projection in May, which itself was down from the \$3.4 billion previously announced and spent last year.

Revenue during the second quarter rose 44% to \$4 billion. Tesla said last month that total vehicle deliveries reached 40,740, a dramatic increase from more than 22,000 vehicles a year earlier thanks to increased production of the Model 3 sedan. Tesla sold about 18,440 Model 3s during the period.

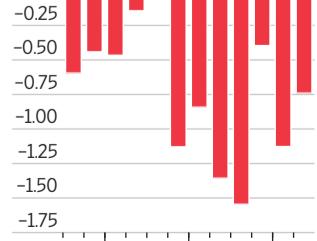


Tesla’s assembly line in Fremont, Calif. The company has been ramping up production of its first mass-market vehicle, the Model 3.

BRIAN MOLNEY FOR THE WALL STREET JOURNAL

## Leaky Vehicle

Tesla’s free cash flow



Note: Defined as operating cash flow less capital expenditures  
Source: FactSet

THE WALL STREET JOURNAL

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## U.S. NEWS

# Ohio State Puts Meyer On Leave Amid Probe

BY RACHEL BACHMAN

Urban Meyer, the football coach who led Ohio State to the 2014 national championship, is on paid administrative leave in the wake of reports that he may have known of domestic-violence allegations against an assistant coach but continued to employ him on the Buckeyes' staff.

"The university is conducting an investigation into these allegations," a statement from Ohio State read. "We are focused on supporting our players and on getting to the truth as expeditiously as possible."

Ohio State fired wide receivers coach Zach Smith on July 23, days after an Ohio judge issued a protection order that forbids Mr. Smith from getting within 500 feet of his ex-wife, Courtney Smith. A report Wednesday by college football reporter Brett McMurphy alleged that Mr. Meyer's wife, Shelley, knew about Mr. Smith's abuse at least as far back as 2015.

The report, which referred to text messages between Shelley Meyer and Courtney Smith, alleged abuse dating back to 2009, when Zach Smith was a graduate assistant under Mr. Meyer at the University of Florida. The report also included photos of Courtney Smith's bruising and bleeding that were allegedly caused by the abuse.

Mr. Meyer said last week that he was made aware of the 2015 allegations the night before in a text message, and that he and Shelley Meyer had counseled the Smiths after the 2009 alleged violence.

Mr. Meyer said in a statement released through the university on Wednesday that he was cooperating with the investigation and looked forward to its resolution.

## Summer Vacation Ends for Indiana Schoolchildren



KELLY WILKINSON/THE INDIANAPOLIS STAR/ASSOCIATED PRESS

**BACK TO SCHOOL:** Students arrived at Noblesville West Middle School on Wednesday. A shooting in a classroom in May wounded a student and a teacher. They both returned for the first day of school.

## U.S. WATCH

### PENNSYLVANIA

#### Catholic Diocese Lists Alleged Sex Abusers

The Catholic Diocese of Harrisburg, Pa., released a list of 71 priests and other church personnel accused of child sexual abuse dating to the 1940s, and it detailed measures aimed at protecting youth.

The move comes roughly a week before the expected release of a lengthy grand-jury report detailing alleged abuse by Catholic clergy in six dioceses spanning much of Pennsylvania.

The 71 include 37 priests of the diocese, three deacons, six seminarians, nine clergy from other dioceses and 16 individuals from religious communities. At least 42 are deceased, according to the list, which says it isn't known whether several others are still living. None of those still living are currently priests or in active ministry.

The diocese posted a summary of the claims against each. The most recent allegation dates to 2014, and church offi-

cials said they learned Wednesday of new abuse claims.

—Scott Calvert

### IMMIGRATION

#### U.S. Looks to Accept Fewer Refugees

The Trump administration is considering slashing the number of refugees it allows to come to the U.S. next year by as much as 44% as it looks to tighten its immigration crackdown, a senior administration official said.

The plan under discussion seeks to cap the number of refugees granted resettlement in 2019 to 25,000 people, the official said. President Trump has already reduced the number of refugees allowed in since taking office. This year the limit is 45,000, low by historical standards.

A National Security Council meeting to discuss the proposed plan is scheduled for this week, the official said. If the plan is implemented, the number of refugees granted admission into the U.S. would be at its lowest level in about four decades.

The White House and Department of Homeland Security didn't respond to a request to comment.

The discussions were reported earlier by the New York Times.

—Vivian Salama

### U.S. FACTORIES

#### Manufacturing Slows But Still Expands

U.S. manufacturing activity lost momentum in July but continued to expand at a healthy rate, suggesting factories are so far brushing off the effects of new tariffs on steel and aluminum.

A closely watched measure of activity in the factory sector fell 2.1 percentage points to 58.1 in July, the industry group Institute for Supply Management said Wednesday. Any reading above 50 indicates expanding activity.

The latest reading was weaker than what many economists had expected. But details showed activity is still expanding at a strong pace historically.

—Josh Mitchell

Gina's miracle wasn't beating colon cancer. It was having a baby at the same time.

## On the Ballot In Some States: Voting Rules

BY JON KAMP

peals court blocked them, saying lawmakers targeted African-Americans "with almost surgical precision." The U.S. Supreme Court last year declined to hear a state appeal.

There are 34 states that have some kind of ID requirement, although only two states currently have constitutional provisions, according to NCSL. Elderly, minority and low-income citizens are among those most likely to lack government-issued identification, according to the Brennan Center for Justice.

North Carolina House Speaker Tim Moore, the Republican who sponsored legislation creating the ballot measure, said he believes ID requirements would protect all voters.

**Seven states have ballot measures about voting rules, such as ID requirements.**

"Current law in North Carolina—unlike most states—does little to detect or prevent voter impersonation, which is why an overwhelming majority of our citizens support common-sense voter-ID laws in an era of identity theft and bipartisan concern for the security of our elections," Mr. Moore said.

Opponents say setting identification requirements is part of a veiled effort to suppress votes by blocking and raising hurdles for people who lack IDs.

"We agree that election integrity is critical," said Tomas Lopez, executive director at voting-rights group Democracy North Carolina. "We have not seen evidence here or anywhere else that would justify this measure."

With colon cancer so close to her unborn child, other hospitals couldn't help them both. But thanks to the precision of robotic surgery and the expertise of her obstetricians, Gina's care team saved two lives at once.

When you Look North, innovation not only cures, it cares.

See more of Gina's story at [Northwell.edu/Robotics](http://Northwell.edu/Robotics)

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A woman in a blue shirt is holding a baby in a yellow onesie. Another woman is sitting on a bench in the background with two young boys. The scene is set indoors with a staircase and a potted plant in the background.

## WORLD NEWS

## U.S. Slaps Sanctions on Turkish Officials

Action taken against justice, interior ministers over Ankara's refusal to free pastor

By MICHAEL C. BENDER AND DION NISSENBAUM

**WASHINGTON**—The Trump administration imposed sanctions against two top Turkish officials over Turkey's refusal to free an American pastor held for nearly two years, stepping up U.S. pressure on Ankara to resolve a dispute that has created fissures between the two nations.

The Treasury Department moved Wednesday to prevent

Americans from doing business with Justice Minister Abdülhamit Gülen and Interior Minister Süleyman Soylu, both of whom the U.S. accused of "serious human rights abuses" for their roles in detaining Pastor Andrew Brunson, a 50-year-old North Carolina native who was arrested three months after a failed July 2016 military coup.

Turkish officials have accused Mr. Brunson of aiding the group accused of orchestrating the coup and another Kurdish separatist movement, charges that the American pastor and U.S. officials have denied. Mr. Brunson's allies accused Turkey of holding the pastor as a political bargaining

chip, and his case has become a cause célèbre among evangelical Christian groups.

The Turkish government assailed the American move as an assault on its legal system. In a tweet, Foreign Minister Mevlüt Çavuşoğlu warned that Turkey would respond in kind if Washington didn't reverse the decision.

"We strongly protest the sanction decision announced by the U.S. Treasury Department," Turkey's Foreign Ministry said in a statement. "We call on U.S. administration to reverse this wrong decision."

Wednesday's punitive action deepened strains between Turkey and the U.S., two North Atlantic Treaty Organization

allies who often are at odds. Like President Trump, President Recep Tayyip Erdogan is loath to back down under pressure, and some analysts predicted that the Turkish leader would be less likely to relent now.

Mr. Brunson's detention has emerged as the biggest obstacle between the two countries.

The U.S. counts on Turkey's help to fight Islamic State in Syria, but American special forces there work alongside Kurdish fighters that Turkey considers terrorists. That U.S. support for the Kurds remains a sore point for Turkey.

Turkey and the U.S. also are at odds over the conviction of a Turkish banker sentenced to

32 months in an American prison for violating U.S. economic sanctions on Iran, and over Washington's refusal to deport Fethullah Gülen, a Turkish cleric living in Pennsylvania who was accused by Ankara of plotting the 2016 coup. Mr. Gülen has denied the allegations.

Mr. Trump and top administration officials have made Mr. Brunson's release a priority, and U.S. officials thought they had a deal last month that would secure the pastor's return to the U.S., people familiar with the talks have said.

But the deal fell apart amid disagreements over terms, according to people familiar with the negotiations. Mr. Brunson

was released from jail last week and placed under house arrest at his home on the Turkish coast, where he has operated a church in recent years.

The Trump administration and Mr. Brunson's legal team, which includes Jay Sekulow, one of Mr. Trump's lawyers, expected Turkey to send Mr. Brunson home, according to the people familiar with the negotiations.

Congress is also moving to impose penalties on Turkey over Mr. Brunson's case.

U.S. Secretary of State Mike Pompeo spoke to Mr. Çavuşoğlu early Wednesday in a final push before the administration announced the sanctions.

## Russia Seeks U.S. Help in Returning Syria Refugees

By THOMAS GROVE

**MOSCOW**—Russia unveiled new efforts Wednesday to bring refugees back to Syria and called on the U.S. to help back its relocation efforts following a summit between President Trump and Russian President Vladimir Putin in which both leaders backed the goal.

Russia has trumpeted details of its refugee return program, including the creation of new refugee centers, the use of civil boats to transport refugees from other countries around the Mediterranean Sea and small-scale building of homes and infrastructure.

But Russia's effort to link refugee returns with reconstruction of the country's infrastructure has created a thorny path for Washington if it participates in the project. Analysts say it would put the U.S. at odds with its allies and other organizations who are demanding a political solution in Syria before committing to any reconstruction efforts.

The U.S. has yet to comment on the proposals sent by Mos-

cov. Top U.S. military officials have said they aren't yet changing the U.S. posture in Syria. In a briefing with reporters last week, Defense Secretary Jim Mattis said he was "considering" meeting with his Russian counterpart.

Both the European Union and the United Nations have refused any funds for reconstruction until a credible political solution is reached, drawing criticism from Moscow, a key backer of the regime of Syrian President Bashar al-Assad.

The Russian refugee relocation program is happening in tandem with the Syrian government, which is using the refugees and the strain they have been putting on neighboring countries as a bargaining chip to gain more aid and relief.

Russia says around 20% of Syrian refugees claiming asylum abroad want to return to the country. Of the millions of refugees abroad, the United Nations High Commissioner for Refugees says fewer than 100,000 have expressed a desire to return and successfully resettled in the past three years.



Syria is using refugees and the strain on neighboring countries as a bargaining chip. Above, refugees crossed into Syria on Saturday.

BILAL HUSSEIN/ASSOCIATED PRESS

## Druze Feel Left Out as Israel Enshrines Its Jewish Identity

By DOV LIEBER AND FELICIA SCHWARTZ

**ISFIYA**, Israel—Scores of former senior military and police chiefs are pressuring Israeli Prime Minister Benjamin Netanyahu to revise a recent law enshrining the country as a Jewish nation-state to include the Druze, an ethnic minority ingrained in military and civic life.

The Druze, an Arabic-speaking religious community making up roughly 2% of Israel's population, are conscripted into the military and send proportionally more men to fight than the Jewish population—often to elite combat units.

They have long touted their "blood pact" with Israel's Jewish majority, but their leaders say the nation-state law makes them second-class citizens. The law says that only Jewish people have the right to self-determination in Israel and that Israel is dedicated to the settlement of Jewish people.

Since the law passed last week, two Druze officers have declared their intention to resign from the military, and dozens of former security officials have written letters in protest. Thousands of Druze and other Israelis are expected to gather in Tel Aviv on Saturday to demand equal treatment for the Druze.

"The state of Israel respects our dead, but not our living," said Naser Saba, 40, from this

Druze village of 10,500 in the hills outside Haifa in northern Israel. His brother Alam was killed in 2001 during a military operation and was buried in a military cemetery with an Israeli flag covering his casket. "We want to be wrapped in the flag when we're alive too."

The debate goes beyond the usual Arab-Israeli divide and poses a question for Israel: Can it be both a multiethnic liberal democracy and the exclusive national home of the Jewish people?

*'The state of Israel respects our dead, but not our living,' says Naser Saba.*

Mr. Netanyahu says it can. He is resisting pressure to change the law, which polls show has popular support.

Those backing the measure, including members of Mr. Netanyahu's conservative governing coalition, say the law is necessary to codify the reason for the country's founding 70 years ago as a homeland for Jews. They say the law doesn't take rights away from any minority and merely recognizes the reality that Israel is Jewish.

"There are unending attempts to rescind the defini-

tion of the State of Israel as the national state of the Jewish people," Mr. Netanyahu said.

On Wednesday, Mr. Netanyahu's office offered a draft of a plan to address the community's complaints, including legislation that would "anchor" the status of the Druze in law,

offer benefits for minority-group members who serve in the military, and recognize Druze's contributions to protecting Israel.

The Druze people practice a monotheistic religion founded nearly 1,000 years ago. Around a million Druze live in Israel, Lebanon, Syria and Jordan.

Many Druze say the law is an affront that discounts over 70 years of contributions—stretching back to before the state was born in 1948. Maimoon Azmi, 38 years old, an organizer of Saturday's demonstrations, said Mr. Netanyahu has sold them out. "We have no other country," said Mr. Azmi, citing a Hebrew phrase often invoked by Jewish Israelis to explain their ties to the land.

Israeli liberals and Arabs have also criticized the law's language for not including the word "equality" and dedicating Israel to Jewish settlement. But their concerns were expected and have been overshadowed by criticism from perhaps Israel's most respected institution, its military.

Alumni from two of Israel's primary infantry brigades released letters signed by scores of former officers, among them four former chiefs of staff, that expressed solidarity with the Druze and other minorities in Israel's army.

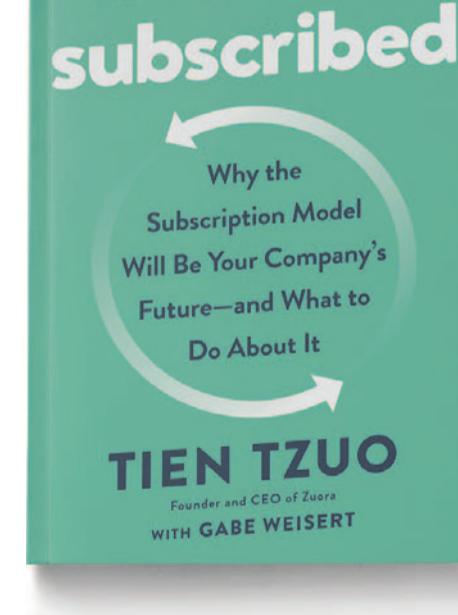
Akram Hasson, a Druze lawmaker who is part of Mr. Netanyahu's coalition but voted against the law, said he fears the law could create a pretext for discrimination against his children. He and two other Druze lawmakers are trying to have the law annulled by the Israeli Supreme Court.

"We teach our children that this is our land and we must give our blood for this country," Mr. Hasson said. "We feel like we were stabbed in the back."



Maimoon Azmi, a 38-year-old from the village of Isfiya, stands with his father as they hold photos of themselves during their military service. He says Mr. Netanyahu has sold out the Druze.

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## WORLD NEWS

# Clashes Mar Zimbabwe Vote Count

Three die after military violently breaks up protests by opposition supporters

BY GABRIELE STEINHAUSER AND BERNARD MPOFU

HARARE, Zimbabwe—President Emmerson Mnangagwa, who deposed strongman Robert Mugabe and sought to end Zimbabwe's pariah status, called in the army to violently disperse protesters angered by delays in announcing the winner of the presidential vote.

Police said three people died in clashes in the capital, where soldiers toting automatic rifles chased opposition supporters outside the headquarters of the electoral commission. Armored vehicles carrying troops and police in antiriot gear patrolled the city center as an army helicopter circled overhead. Gunshots rang through the air, already thick with tear gas.

The chaotic scenes on the streets of Harare—just two days after Zimbabweans voted in what many said was their freest election in decades—stood in contrast to November, when thousands peacefully celebrated the military's ouster of Mr. Mugabe after 37 years in power. The violence

called into question Mr. Mnangagwa's commitment to move the southern African nation toward democracy and revive its pummeled economy with international aid.

As nighttime fell over Harare the protesters had dispersed, but police and soldiers continued to patrol the city center. Office workers and shopkeepers who had been holed up inside ran down streets empty of their normal weekday traffic in an effort to get home.

Supporters of the opposition Movement for Democratic Change took to the streets in response to the delays in the presidential vote count and the electoral commission's announcement earlier Wednesday that the ruling ZANU-PF party had won the majority of seats in Parliament. The MDC's candidate, Nelson Chamisa, a 40-year-old lawyer and part-time pastor, said he had won and accused the electoral commission of rigging the result.

"We have won the popular vote," Mr. Chamisa wrote on Twitter.

Mr. Mnangagwa in turn blamed the MDC and its leadership for the violence. "Some win, while others lose, but those who lose should never translate their disappointment into hooliganism," he said in a statement on the state broad-



The military dispersed a protest by opposition supporters outside the electoral commission's headquarters in Harare on Wednesday.

caster Wednesday evening.

European and U.S. observers expressed reservations about the election, including the independence of the electoral commission, and urged the commission to quickly release the full results—down to individual polling stations.

"The longer the results are being delayed...the more questions will be raised and concerns will deepen," said Ellen Johnson Sirleaf, the former Liberian president and Nobel Peace laureate who was part of the observer mission from the International Republican Institute and the National Democratic Institute.

Ms. Johnson Sirleaf urged

Zimbabweans unhappy with the election outcome to protest peacefully.

On Wednesday evening, the electoral commission said that—with most constituencies counted—ZANU-PF had won 144 out of 210 seats in Parliament, while the MDC gained 61 seats. But the commission said it may take until Saturday, the maximum time allowed under the constitution, to declare the presidential winner.

The election, the first since 1980 without Mr. Mugabe on the ballot, has been seen as a test of Zimbabwe's democracy and its commitment to reintegrate into the international community. The nation has

been under financial sanctions from the U.S. and the European Union since it violently expelled white farmers in the early 2000s.

Since his inauguration in November, the 75-year-old Mr. Mnangagwa, who was Mr. Mugabe's right-hand man for decades, has pledged that the political repression that marked his predecessor's final decades was a thing of the past.

But electoral observers said that although the campaign period and voting day had been mostly peaceful, ZANU-PF had used state resources including food aid, intimidation and pressure from traditional leaders as well as biased coverage

in state media to gain votes.

"The election failed to meet the mark in a number of ways," said Johnnie Carson, a former U.S. assistant secretary of state for Africa, who is also part of the IRI-NDI mission.

Elmar Brok, an EU lawmaker who heads the bloc's observer mission, said the ballots for the presidential vote had been counted first in polling stations Monday night. "So I have yet to learn why they will be released last," he added.

The U.S. Embassy in Zimbabwe said it was "deeply concerned by events unfolding in Harare" and asked leaders of the MDC and ZANU-PF to call for calm from their supporters.

# Antiblasphemy Party Flexes Its Muscles in Pakistan

BY SAEED SHAH AND BILL SPINDLE

A political party formed just last year by a firebrand preacher riding support for a hard-line religious movement made significant inroads in Pakistan's general election last week.

The party, Tehreek-e-Labbaik Pakistan, whose burgeoning popularity centers on passion to protect the Prophet Muhammad's name against blasphemy, didn't win any seats in the national Parliament. But it garnered more than two million votes and finished third in Pakistan's most populous province, Punjab, and won two seats from the city of Karachi for the parliament of the southern province of Sindh.

While the antiblasphemy movement that buoyed the party remains on the national fringe, it has in recent years sparked violence, assassinations and huge demonstrations.

"The election has allowed them to show their muscle," said Khaled Ahmed, an expert on religious extremism.

The Labbaik party played an outsize role in the election



AAMIR QURESHI/AGENCE FRANCE PRESSE/GETTY IMAGES

Supporters of the religious party Tehreek-e-Labbaik Pakistan carry posters of Khadim Hussain Rizvi.

even beyond its vote count. The eventual runaway winner of the election, Imran Khan, took a stance against blasphemy after being criticized by Labbaik.

Labbaik ate into the support base of former Prime Minister Nawaz Sharif, asking voters in campaign speeches to choose between their love of the

prophet and Mr. Sharif's party. "If you don't vote for Labbaik, you'll have to account for that on the Day of Judgment," candidate Munawwar Zaman said in a campaign speech to a charged-up crowd in an inner city area of Lahore. "You must vote for the Holy Prophet."

Labbaik's candidates in-

cluded some religious figures, but also small-time businessmen and minor politicians, giving the party a further toehold in mainstream Pakistani politics.

In Pakistan, blasphemy against the prophet is prohibited by the constitution and punishable by a mandatory

death sentence. Hundreds of people remain imprisoned on blasphemy charges or convictions, including Muslims and non-Muslims—often on what human-rights groups say is flimsy or concocted evidence used to settle personal grudges. Despite the death sentences, no one has been executed—a grievance for Labbaik's followers.

Blasphemy was catapulted into a national issue in 2011 when a provincial governor, Salmaan Taseer, was assassinated by one of his police bodyguards, after he criticized the country's blasphemy laws as unjust.

His killer, Mumtaz Qadri, was instantly hailed a hero by many Pakistanis. His case went all the way up to the Supreme Court, which confirmed a death sentence, carried out in 2016 under Mr. Sharif's government. Tens of thousands poured out for his funeral, including lawyers and other professionals.

A charismatic preacher, Khadim Hussain Rizvi, quickly moved to the forefront of the new movement. The wheelchair-bound cleric had led a tiny congregation at an obscure

mosque. His fiery speeches coursed through social media.

The issue again became a national sensation late last year when lawmakers proposed tweaking an oath parliamentarians must take acknowledging Muhammad as the last and ultimate prophet. In response to what he called a dilution of the oath, Mr. Rizvi laid siege to the capital in November, staging a three-week sit-in protest, with thousands of fervent supporters.

When then-Interior Minister Ahsan Iqbal launched a police operation to clear out the protesters, seven activists died, providing the group with what it presents as "martyrs." They pushed the law minister to resign, blaming him for the proposed oath change.

A spokesman for Labbaik denied accusations by other politicians that Pakistan's military establishment gave support to the party to damage the vote bank of Mr. Sharif, who had clashed with the armed forces when in office. The military denies backing Labbaik or any other political interference.

—Waqar Gillani contributed to this article.

# Worried About Tariffs, India Raises Key Rate

BY DEBIPRASAD NAYAK AND ANANT VIJAY KALA

MUMBAI—India's central bank voiced concern that global trade frictions could derail growth as it raised its main lending rate to try to reduce inflationary pressures in Asia's third-largest economy.

The Reserve Bank of India lifted its repurchase rate to 6.50% from 6.25%, its second rate increase of the year, on concern that rising oil and food prices are pushing inflation beyond its comfort zone. It said it is also trying to ensure India's economic health is as robust as possible as global trade tensions threaten to spiral.

"The trade skirmishes evolved into tariff wars. Now we are possibly at the beginning of currency wars," said RBI Gov. Urjit Patel. "We have to ensure that we run a tight ship" to ensure the economy grows at 7% to 7.5%.

The central bank last raised its policy rate by 0.25 percentage point in June, its first increase in more than four years, as consumer inflation accelerated to 5% that month, its eighth consecutive month above the central bank's 4% target.

While India has surpassed China to become the world's fastest-growing large economy, the Reserve Bank, like many investors, is concerned that the South Asian nation's trade balance and other economic indicators, such as the fiscal deficit, could deteriorate.

India is particularly vulnerable to rising oil prices as it imports nearly 80% of its energy needs. The higher oil prices will likely raise the costs of products and services and widen the country's current-account and budget deficits, hurting the economy.

In addition, U.S. sanctions on Iran coming into force in the next few months could further constrain Indian oil imports, driving up inflation as the country must pay more for alternative supplies to make up for the shortfall.

India is also being hurt by Washington's growing import tariffs and restrictions. While China may be the biggest target of the tariffs, Indian exporters are getting caught in the crossfire. Economists say that how the trade rhetoric and retaliation will evolve is tough to predict, but it is unlikely to increase India's exports.

## SAUDI ARABIA

### More Rights Activists Detained

Authorities in Saudi Arabia have detained two women's rights activists, human-rights groups said Wednesday, widening a campaign of arrests that has drawn international criticism and tainted the kingdom's top-down reforms agenda.

Those rounded up in recent days include Samar Badawi, who is known for having challenged the kingdom's male guardianship rules and is the sister of one of Saudi Arabia's most prominent detainees, liberal blogger Raif Badawi. Ms. Badawi, who was detained Monday in her hometown of Jeddah, had also campaigned for her brother's release.

She is one of at least 18 civil-rights activists arrested since May, four of whom have been temporarily released, activists say. None of them is known to have been formally charged.

—Margherita Stancati

## JAPAN

### Women and Elderly Keep a Lid on Wages

The Bank of Japan pointed the finger at a new culprit for stubbornly low wage growth:

## WORLD WATCH



Sayragul Sauytbay, a Kazakh Chinese woman, successfully argued in a Kazakh court that she could be executed if she were deported to China, where she is wanted for her activism on behalf of Muslims

## KAZAKHSTAN

### Court Frees Woman Sought by China

A court in Kazakhstan ruled that an ethnic Kazakh Chinese national should not be deported to China, in a case seen as a test of concern over Beijing's treatment of China's Muslim minority.

Sayragul Sauytbay argued she could face execution in China because she had told the court about her work in one of the re-education camps where activists and U.S. officials say Beijing has detained hundreds of thousands of Chinese Muslims.

The court in Zharkent, near the Chinese border, ruled Wednesday that Ms. Sauytbay, who is 41 years old, had entered Kazakhstan illegally but gave her a six-month suspended sentence and released her from custody.

Her case is one of the first to shed light on the camps China has set up since 2016 in its mostly Muslim northwestern region of Xinjiang.

China's Foreign Ministry didn't respond to a request to comment. Neither did Kazakhstan's Foreign Ministry.

—Jeremy Page

## BRAZIL

### Central Bank Leaves Key Rate Unchanged

Brazil's central bank held its benchmark interest rate unchanged at a historic low as sluggish growth keeps a lid on price pressures stemming partly from a weakened currency.

The bank's monetary policy committee kept the Selic benchmark rate at 6.5%, a level reached in March after 12 consecutive cuts.

Rate policy "will continue to depend on the evolution of economic activity, the balance of risks, and on inflation projections and expectations," the bank's monetary policy committee said.

—Paulo Trevisani

## IN DEPTH

# Star Wars Comes to Weddings

Continued from Page One

Leia myth with a new trilogy that began with "The Force Awakens," in 2015, now the highest-grossing domestic movie of all time. Though fan reaction was split on its follow-up, "The Last Jedi," and this summer's "Solo" fell short at the box office, couples' requests have skyrocketed as the new movies hit theaters, according to people who play Star Wars characters at events.

Many of the Star Wars wedding duties fall to members of the 501st Legion, a group of more than 13,000 fans in about 60 countries that often dress as bad guys including stormtroopers, Imperial gunners and Darth Vader himself.

The members, who are divided into more than 100 regional groups known as "garrisons," create their own props and costumes in exacting detail and service local events at no fee.

Requests go into hyperdrive during wedding season, according to Daniel Rodriguez, a member of the 501st in Washington, D.C.

Couples have asked the 501st for R2-D2 as ring bearer, and to supply stormtroopers to serve as ushers, or pretend to force the groom down the aisle, said Albin Johnson, the organiza-

tion's founder. When he's not dressing up as a stormtrooper himself, Mr. Johnson, who founded the group in 1997, works as an information technology employee in Columbia, S.C.

Couples requesting a 501st appearance are referred to the nearest garrison. The organization's policy is "to refrain from any lightsaber dueling, mock fighting or demonstrations between the characters and the public."

When Ms. Culpepper received a response from the 501st's Southern California garrison in mid-December, she said the group explained it had learned of troopers doing things beyond its guidelines, and was temporarily ceasing wedding and birthday party appearances.

An officer in that garrison, reached on Wednesday, said he was unaware of a stoppage and that the group is taking wedding requests.

Katie Suarez of West Hills, Calif., is prepared for the possibility that she may not be able to secure any stormtroopers for her January 2019 Star Wars-themed wedding. "If we can't get it, then we can't get it," said Ms. Suarez. "I still have the decorations lined up." She plans to have centerpieces named after Star Wars planets, escort cards of mini Lego Star Wars figures and Star Wars-themed desserts.

At Linda Choi and Ace Cheng's Solvang, Calif., wedding in June 2015, a man dressed as Chewbacca walked their Terrier-mix, Bear, down the aisle. Two stormtroopers acted as flower



Linda Choi and Ace Cheng had several Star Wars characters at their Solvang, Calif., wedding, including Darth Vader and Chewbacca.

girls, tossing petals, and other characters from the 501st mingled with their guests during cocktail hour.

The couple donated about \$1,000 to the Starlight Children's Foundation in order to secure seven characters including Darth Vader, Darth Maul and a sandtrooper.

Wedding planner Jordan Maxey and her clients asked their local 501st in Vancouver for stormtroopers only to be rejected multiple times. The commanding officer of the "Outer Rim" garrison explained that stormtroopers in British Columbia no longer officially participated in weddings because they decided to focus on charity

events.

Ms. Maxey was ready to give up when she received a text message late one evening from an anonymous stormtrooper who had heard about her clients' predicament.

Two stormtroopers showed up at the October 2016 wedding for 15 minutes "out of the goodness of their heart," she said, declining to name them for fear of outing the rogue actors.

Ms. Maxey kept it a surprise from her clients. "I didn't even cry during the ceremony, but I did after, when the stormtroopers showed up," said Winnie Tam, the bride.

Disney forbids the garrisons from participating in certain

events without approval, such as gatherings that promote a local business or professional sporting events. Weddings are allowed because they're considered "community service."

The 501st has had to adopt an unofficial list of rules to narrow the number of wedding requests. That includes sufficient space to get dressed in costume and having drinking water available on hot days.

Rachel Kempster Barry offered a hotel suite with water and snacks along with unlimited access to room service for her stormtroopers. "I wanted to make sure they were comfortable," said Ms. Kempster Barry, who works in marketing and got

married in Summit, N.J., in June 2015.

Darth Vader, who walked down the aisle, drove about three hours to get there.

"It was so touching," she said. "I was also supposed to have a Jawa who had to call out sick...but it was so not a big deal because I also had a bunch of stormtroopers and sandtroopers—they were like my bridesmaids."

Bringing a 501st brigade to a wedding requires planning for plus-ones. Most stormtroopers need a spouse or handler to help them get ready. At Ms. Choi's wedding, Chewbacca brought a friend to comb his fur throughout the event.

# U.S. Love For Beer Goes Flat

Continued from Page One

has been sharper. Anheuser-Busch InBev SA, Budweiser's owner, found that in 2016, just 43% of alcohol consumed by young drinkers was beer. In 2006, it was 65%.

Per capita beer consumption in the U.S. fell to 73.4 liters last year, from 80.2 in 2010 and 83.2 liters in 2000, according to IWSR, a drinks market research firm. Germany, by comparison, consumed 103 liters a person last year.

John Saputo owns beer distributorships in Florida and Ohio. He realized the industry had a problem a few years ago when he went out with a team of young radio-ad sales people who wanted him to advertise Budweiser and Bud Light on a local station.

When it came to their own drinks, some of them ordered wine—and "even a liquor drink with a freaking umbrella in it," he recalls. "These kids, they don't even drink our product."

In some ways, big brewers are facing the same seismic shifts in taste as other large consumer-goods and packaged-food giants. Consumers, especially younger ones, are gravitating toward smaller brands marketed as healthier, more natural or made closer to home. Brands such as Kellogg's cereal, Campbell's soup and Aunt Jemima pancake mix are all feeling the pinch.

Mass-market beer makers are losing drinkers to an explosion of spirits brands, such as Tito's vodka, owned by Fifth Generation Inc. Craft beer brewers rode that wave, too, but their volumes haven't come close to making up for declines in mainstream beer. More recently, craft-beer sales also have slowed.

Miller Lite, Coors Light, Bud and Bud Light have all lost share to upstart labels. "The big things are declining. The smaller things are growing," AB InBev Chief Executive Carlos Brito told investors in March.

Demographics also are at work. Industry research has shown young white males still prefer beer, but their numbers are declining as a percentage of the population. African-Americans favor spirits, and the percentage of liquor consumers that are Hispanic is rising, the research shows.

Women's per capita alcohol consumption has risen, but they prefer wine and cocktails. Millennials drink less than older generations, hitting alcohol volumes more broadly.

Nashville-based Mike Baker, 26, drinks only a couple of times a week. "A lot of friends of mine are very health conscious," he says. "They think drinking might add a few extra pounds and have long-term conse-



St. Louis Cardinals fans drink cocktails from mason jars at a baseball game at Busch Stadium.

quences." When Mr. Baker does drink, he reaches for a bourbon or a craft beer.

The beer industry has tried to make up for declining volume by increasing prices. That has helped make whiskey and wine relatively more affordable. Beer prices rose 42% between 2000 and 2017, compared with 11% for wine and 19% for spirits, according to a Brewers Association analysis of data from the Bureau of Labor Statistics.

## Sales slide

As sales slide, a sense of crisis has taken hold of the industry. On Wednesday, Molson Coors Brewing Co. reported a 3.1% drop in U.S. second-quarter sales driven by lower volumes of its light beers. Last week, AB InBev—which swallowed SABMiller PLC in 2016 to solidify its title as world's biggest brewer—also reported U.S. revenue fell 3.1% in the second quarter on lower volumes. On Monday, Dutch brewer Heineken NV reported its U.S. beer volumes de-

other local brewer, and eventually went to work for his father-in-law. In 1876, he rolled out America's first Budweiser.

Mr. Busch was the first U.S. brewer to pasteurize beer to prevent spoilage. He built a network of ice houses near railroad lines, allowing him to distribute his brew widely. Anheuser-Busch eventually surpassed Schlitz as America's biggest brewer.

In the '70s, Philip Morris Cos.-owned Miller mounted a serious challenge, eventually creating Miller Lite. Anheuser-Busch answered with "Budweiser Light." Bud Light, as it was later rechristened, was brewed and marketed as a lower-alcohol, low-calorie, mild-tasting "sessionable" beer. You could drink more in a single session without feeling too drunk or bloated.

"Through the '90s, the brand was ripping," says Andy Goeler who ran it in the 1990s. "It was a time when big was good. Levi's was good. McDonald's was good. Budweiser was good."

Bud Light eventually overtook Budweiser as America's best-selling beer—a title it still holds.

Yet there were signs of trouble. European and Mexican imports and upstart craft brews, such as Samuel Adams, attracted drinkers looking for something new. A bourbon renaissance—and the Cosmo-sipping cast of "Sex and the City"—helped reinvoke America's cocktail culture.

After liquor makers ended a decades-old voluntary ban on TV and radio ads, Diageo PLC, the spirits giant that owns Johnnie Walker and Smirnoff, ramped up U.S. advertising.

"We didn't see that as competition," says Tony Ponturo, a former marketing executive at Anheuser-Busch. "It wasn't beer."

Budweiser volumes peaked in 1988. Bud Light hit its own peak in 2008, according to estimates from Beer Marketer's Insights, a trade publication.

The same year, SABMiller and Molson Coors Brewing Co. merged their U.S. operations. A few months later, August Adolphus Busch IV, the great-great-grandson of Anheuser-Busch's co-founder, orchestrated a sale to InBev, the beer giant con-

trolled by Brazilian private-equity firm 3G Capital Partners.

Anyssa Armburst, 24, says that when she started tending bar in the Chicago area a few years ago, craft beer was on the rise.

Now, she says, a lot of young people are opting for vodka with either club soda or water. "They think if they get vodka and water, they're hydrating at the same time, so it's healthier."

## Working together

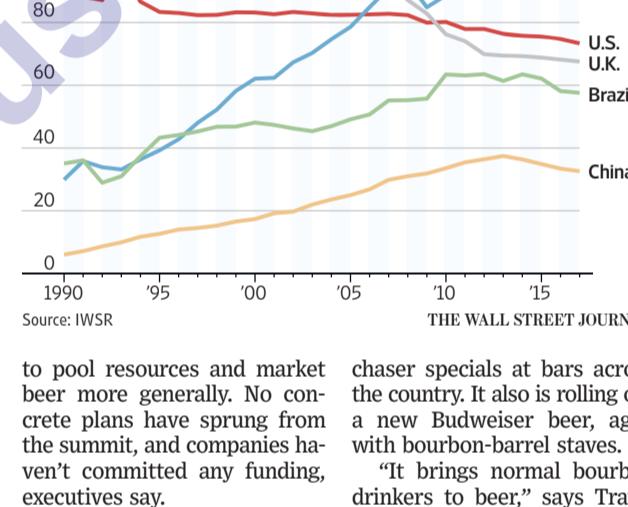
Brewers have begun trying to work together to do something about the threat—a departure for an industry that has been a hotbed of infighting and litigation. "We need to be pro-beer first and try to differentiate our category from wine and spirits, and we need to do that together," said Molson Coors's U.S. CEO Gavin Hattersley at an industry conference last year.

Early this year, top executives from AB InBev, Heineken and Molson Coors gathered in Arlington, Va., to discuss ways

## Drinking Less

Beer consumption is increasing in some countries, but not in the U.S.

### Annual beer consumption per capita



Source: IWSR

to pool resources and market beer more generally. No concrete plans have sprung from the summit, and companies haven't committed any funding, executives say.

This spring, AB InBev bought a company that owns a string of small gin, vodka and whiskey brands and took a stake in a California winemaker. Executives are targeting Hispanics with Spanish-language ads. Last week, the company said it was creating a new position: a head of nonalcoholic drinks.

AB InBev's CEO, Mr. Brito, says the future is still bright for big beer brands in the U.S., and that AB InBev has become more focused on profitability. Higher-price beers such as Michelob Ultra, Stella Artois and Bud Ice, he says, are gaining market share. "If you look at our portfolio in the U.S., we've been trying to rejig it, trying to add new things that we think are growth engines for the future," he said in March.

Budweiser teamed up this summer with whiskey maker Jim Beam, offering shot-and-

chaser specials at bars across the country. It also is rolling out a new Budweiser beer, aged with bourbon-barrel staves.

"It brings normal bourbon drinkers to beer," says Travis Moore, senior brewmaster at Budweiser's St. Louis brewery.

The new brew, which hits stores and restaurants in August, is called Budweiser Reserve Copper Lager. It is aimed at "entry-level drinkers," age 21 to 24, says Julia Mize, who promotes beer for AB InBev. "People who are in their 50s grew up with Bud because it was the No. 1 beer when they turned 21." Now, she says, young adults have so many other options.

Another recent limited-edition Budweiser is Freedom Reserve Red Lager, which began appearing on shelves this summer. And last fall, the company began selling 1933 Repeal Reserve Amber Lager, which has a slightly higher alcohol content.

The company is hoping the new products will reinvigorate drinkers' interest in Budweiser, which last year fell off the list of America's top three best-selling beers. It now ranks fourth.

AB InBev is working to persuade consumers to choose some of its other beers over wine or cocktails during meals. Among other things, it has launched an organic version of Michelob Ultra and fruit-flavored versions of Bud Light.

The company put Mr. Goeler, who managed the brand in the 1990s, back in charge of Bud Light, and the company launched a big-budget ad campaign.

AB InBev says Bud Light is luring drinkers from similarly priced rivals. But the brand is still losing volume and overall market share. Last year, Bud Light held 15.2% of the market, down from 19.5% at its peak, according to Beer Marketer's Insights' estimates. AB InBev sold 31.6 million barrels of Bud Light in 2017, down from 41.7 million barrels in 2008.

Kaitlin Meyer, 30, works in the financial industry in Chicago. She says she hasn't drunk beer since college. "You get full after beer," she says. "Wine is more drinkable. I'll drink vodka if I'm at a bar that has cheap wine."

—Nick Kostov contributed to this article.

**Per capita U.S. beer consumption fell to 73.4 liters last year, from 80.2 in 2010.**

clined in the first half, blaming the consumer shift from lager to craft beer and spirits.

"Every consumer today drinks on average one bottle of beer less a week than they did 20 years ago," Heineken's U.S. CEO, Ronald den Elzen, told an industry conference last year. "If this is not a wake-up call that we have to do something, I don't know what is."

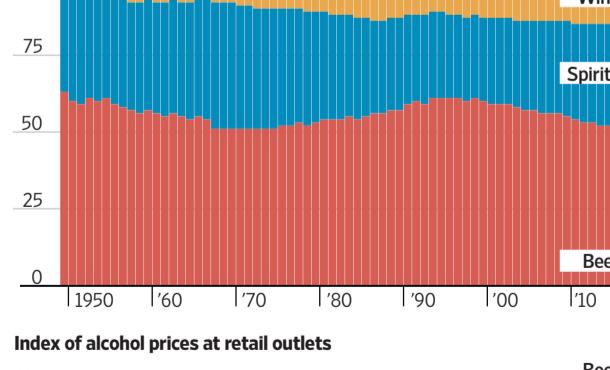
America has long been a nation of beer drinkers. Through the 1600s, the "ordinary," akin to the local pub, flourished across New England. The Dutch West India Co. built America's first large brewer in 1632.

Today's big beer brands trace their ancestry to German-style lagers that made their way to the U.S. in the mid-1800s, along with waves of German immigrants. Adolphus Busch was one of them. He married the daughter of Eberhard Anheuser, an

## Trouble Brewing

As beer's share of the total alcohol market has declined, beer prices have risen more than those for wine and spirits.

### Share of total alcohol market



# GREATER NEW YORK

## City Moves to Curb Ride-Share Companies

Council considers bills that could raise driver wages and freeze new licenses for one year

BY PAUL BERGER  
AND KATIE HONAN

New York City is on the brink of tightening regulations on ride-hailing services such as Uber Technologies Inc. and Lyft Inc.

A handful of bills were formally presented to the City

Council on Wednesday that could raise driver wages and freeze new licenses for ride-hailing vehicles for one year.

"This legislative package we believe will bring fairness to an industry experiencing an upheaval," Speaker Corey Johnson told The Wall Street Journal. "We think it will reduce congestion and help drivers."

He said he was confident the measures would pass when they come up for a vote on Aug. 8.

The prevalence of ride-hailing services in New York has exacerbated congestion on city

streets, according to a recent report commissioned by Gov. Andrew Cuomo. It also has hurt the wider for-hire industry.

Uber and Lyft have more than 80,000 vehicles in New York City, dwarfing the roughly 30,000 livery and traditional black cars, 13,587 yellow taxis and 2,300 green taxis.

Yellow-taxi medallion sale prices have plummeted from about \$1 million five years ago to less than \$200,000 today, putting many owner-drivers under financial stress. Livery and taxi drivers say their in-

comes have fallen between 20% and 30%. In the past year, six drivers have committed suicide.

On Tuesday, Lyft, Uber and another ride-hailing company, Via Transportation Inc., failed in a last-minute bid to remove two parts of the legislation. The companies privately offered to set up a \$100 million hardship fund for yellow medallion owners. In return, they asked Mayor Bill de Blasio and Mr. Johnson to drop measures creating a new high-volume for-hire vehicle category, which would be subject to new

city rules, and the yearlong cap on new ride-hailing vehicles.

Joseph Okpaku, Lyft's vice president of government relations, said the offer was rejected. "The process seems to be pretty clearly designed to ram this through as quickly as possible," he said.

Ride-hailing companies warn that the freeze on licenses would significantly reduce the number of ride-hailing cars on the street. Lyft estimates the industry attrition rate during one year at as high as 25%.

During the past week, Uber spokesman Jason Post,

launched a media campaign, noting that the company has been a boon to people of color who are sometimes denied service by yellow-cab drivers.

In a message to riders through its app this week, Uber warned that the legislation would raise prices, increase wait times and reduce the number of cars in the outer boroughs. "The people hurt the most will be those with fewest options, the people that live in places where taxis don't go," said Uber spokesman Jason Post.

## Neighborhood Policing Goes Underground

BY ZOLAN KANNO-YOUNGS  
AND GERALD PORTER JR.

Earlier this year when New York City Police Department leaders prepared to extend their signature neighborhood policing program to the subway system, Chief of Transit Edward Delatorre boarded a train in lower Manhattan to start a dialogue.

"I yelled it. 'Hello everybody! I'm Chief Delatorre,'" the 38-year veteran of the NYPD said in an interview. "All I got was a bunch of people texting and reading their cellphones. No one even looked up."

The newly promoted chief encountered the daunting challenge of Commissioner James O'Neill's program, focused on communicating with civilians:

week. The six districts, in Queens, Brooklyn, the Bronx and Manhattan, now have a group of officers who regularly ride the same trains and patrol the same subway platforms.

Before the expansion, transit officers would arrive to roll call before their shift without knowing which station they might be assigned to. Now, for instance, two of the neighborhood-coordination officers, Nancy Thomas-Martinez and Reginald Minott, patrol the same beat on the No. 2 and 5 lines in the Bronx, from 149 Street Grand Concourse to East 180th Street, aiming to get to know straphangers.

While the conversations aren't exactly flowing, MTA and police officials say conditions in the stations are improving.

As the officers began their tour at East 180th Street in the Bronx last Friday, they were met only with stares from commuters. Things changed when the officers arrived at the West Farms Square-East Tremont Avenue Station, where a commuter flagged them down. "Y'all better go check down there because somebody just got stabbed up," the passenger said. Inside the car, passengers stood looking at pools of blood on the floor. Officers gathered statements, one of which was used to arrest two suspects for slashing two civilians. The victims suffered minor injuries, police said.

The expansion of the community-policing program actually comes amid a drop in crime throughout the transit system.

Major crime in the system is down 4.5% to 1,269 incidents in the year to July 22 from 1,329 incidents a year earlier.

The police said the officers



NYPD officers Reginald Minott and Nancy Thomas-Martinez patrolled the subway as part of stepped up neighborhood policing.

DAVID DEE' DELGADO FOR THE WALL STREET JOURNAL

## 4.5%

Major subway crime dip to July 22, compared with same time in 2017.

How do police start a dialogue with New Yorkers more focused on getting to their destination than chatting with a stranger—let alone a police officer?

The neighborhood policing program, which directs officers away from emergency calls to routinely patrol the same areas to learn the needs of community members and gain information about crimes, has been active above ground since 2015. The expansion of the program to the subway system, announced in April, went active in half of the city's 12 underground districts last

### Fare-Beaters Get a Slide in the Subway

Fare-evaders with open summons warrants who are stopped by police for turnstile jumping won't be arrested but instead will get a ride to court to deal with their case, New York Police Department officials said Wednesday.

Previously, New York City police arrested those who were caught jumping a turnstile if the offender committed the crime more than three times or

if they hadn't paid the roughly \$100 fine that comes with a summons. Police now will drive those offenders to court to handle their previous summonses and the new one.

NYPD officials said officers will have more time to focus on safety underground instead of arresting fare evaders. "This will ensure more police officers are on patrol to continue to drive down crime," Lt. John Grimpel said.

Fare evaders still can be arrested if they have a felony or misdemeanor warrant pending, if they are on parole or probation or if they have committed a seri-

ous crime in the past 10 years, police officials said. Officers also can arrest offenders whom they can't identify.

The policy change is a major shift for the NYPD.

In New York City, turnstile-jumping prosecutions historically have been a cornerstone of broken-windows policing—the theory that cracking down on low-level offenses would reduce more violent crimes.

Criminal-justice advocates and some prosecutors, however, have argued that arresting fare evaders was unfair to the poor and could lead to deportation.

"New York City should not be arresting or prosecuting anyone for fare evasion," said City Councilman Rory I. Lancman.

Last year, Manhattan District Attorney Cyrus R. Vance Jr. largely stopped prosecuting turnstile jumping and drew the ire of NYPD chiefs.

Mayor Bill de Blasio and NYPD Commissioner James O'Neill have for months defended strict enforcement of the low-level crime, maintaining that pursuing the offense ensured safety in the subways.

*—Zolan Kanno-Youngs and Melanie Grayce West contributed to this article.*

## Longtime Director's Exit Leaves Big Void at MoMA PS1 in Queens



Klaus Biesenbach is leaving MoMA PS1 in Queens to lead Los Angeles's Museum of Contemporary Art.

BY CHARLES PASSY

Now that Klaus Biesenbach is leaving MoMA PS1 after more than two decades, the Long Island City contemporary-art institution is faced with the tough task of forging a new path.

Mr. Biesenbach, 52 years old, is joining Los Angeles's Museum of Contemporary Art as its new director. Since 2010, he has served as director of MoMA PS1, which is known for a variety of exhibitions, events and even a "Rockaway!" arts festival at the Gateway National Recreation Area at Fort Tilden.

But Mr. Biesenbach's curatorial work at the space, formerly a Queens public school, goes back to 1996, when it was then

known as the P.S. 1 Contemporary Art Center. The institution became an affiliate of the Museum of Modern Art in 2000 and changed its name to MoMA PS1.

While those inside the museum world say there is no shortage of leaders who could be tapped for Mr. Biesenbach's position at MoMA PS1, they note that it is an inevitable challenge replacing an executive and curator who has been with an institution for so long and has a record of drawing patrons and building financial support. During Mr. Biesenbach's tenure as director, MoMA PS1 more than doubled its budget to \$9 million, according to the most recent financial records.

"It's almost like the mu-

seum and the leader become one entity in people's minds," said Susie Wilkening, a Seattle-based museum consultant.

However Mr. Biesenbach's departure could give MoMA PS1 a chance to explore new artistic terrain, said Ms. Wilkening and others. It also will allow the institution to consider a person of color for the position, an important factor at a time when high-profile cultural organizations often are faulted for their lack of diversity, observers note.

Museum of Modern Art director Glenn Lowry, who will appoint Mr. Biesenbach's successor, said MoMA would "think about the ideal individual to go forward."

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## GREATER NEW YORK

## Her Eyes Are Watching You



**SPLASH OF COLOR:** A mural by BoogieRez adorns a corrugated metal shed near the World Trade Center complex in lower Manhattan. Silverstein Properties, along with the Port Authority of New York and New Jersey, invited select street artists to transform the area.

## New York Resists Premium Hikes

By KATE KING

New York Gov. Andrew Cuomo is pushing back against health insurers that want to raise premiums after the federal repeal of financial penalties for those who lack insurance. New Jersey officials said they avoided such hikes by making the coverage mandate state law.

On Monday, Mr. Cuomo directed the state Department of Financial Services to reject the portion of insurers' proposed rate increases that are tied to the federal changes, saying the companies are seeking to "gain windfall profits" from changes to the Affordable Care Act under President Trump.

The state's 14 insurers that participate in the individual market have requested an average 24% rate increase for next year. They said about half of the proposed hikes were intended to cover the risk of rising costs stemming from the individual mandate repeal, according to state officials.

"Trump is trying to collapse the ACA," Mr. Cuomo, a Democrat, said at a news conference Monday. "If we allowed that rate increase to go through, it would be hundreds of millions of dollars as a bonanza to the private insurance companies."

Congressional Republicans fought for years to repeal the ACA but succeeded at striking down one of its pillars, the penalties levied on people lacking insurance, a change that was included in their federal tax overhaul.

Since Mr. Trump signed it into law last year, several Democratic states have considered passing their own penalties for residents who decline to buy health insurance.

A spokeswoman for the White House said: "Congress eliminating the egregious individual mandate penalty in the tax cut bill was just another important step in ensuring Americans across the country no longer are forced to pay for health insurance they don't

want or can't afford."

On Wednesday, the Department of Health and Human Services released the proposed rate changes requested by insurers in states participating in the federal health-care exchange. Insurers are concerned that the repeal of the individual mandate will lead to fewer younger, healthier customers getting ACA plans. Healthier enrollees help offset the cost of coverage for older, sicker participants.

In New Jersey, where Democratic Gov. Phil Murphy recently signed a law requiring all residents without health insurance to pay a penalty, insurers re-

## 24%

Proposed average 2019 rate boost for health-insurance premiums.

## GREATER NEW YORK WATCH

## LABOR

## Police Union Protests Lack of a Contract

Scores of New York Police Department officers rallied on the steps of City Hall on Wednesday, holding up signs and orange foam fingers that said, "LIAR," to mark a year since they have been working without a contract.

The rally, organized by the Patrolmen's Benevolent Association, targeted Mayor Bill de Blasio, a Democrat and frequent foe of the union, which represents 24,000 current police officers.

Their last contract expired July 31, 2017, and the PBA is in arbitration with the city over a new labor agreement.

The demonstration was the union's latest effort to draw attention to the expired contract.

Labor leaders also have organized protests outside Mr. de Blasio's gym and favorite bakery in Brooklyn's Park Slope, and at Gracie Mansion in Manhattan.

The PBA also planned to send a group of police officers to New Orleans this weekend, where the mayor is expected to attend a conference for progressive leaders and activists, a union official said.

Pat Lynch, the union's president, blasted Mr. de Blasio's travel and urged the settling of a contract—and higher raises—for officers.

The starting salary for police officers is \$42,500 for the first 18 months on the job.

A spokesman for the mayor's office said the PBA sought arbitration instead of bargaining, and that the city would work to ratify a fair contract for officers.

—Katie Honan

## MANHATTAN

## D.A. Won't Prosecute Low-Level Pot Cases

Caught in New York City with a doobie or a dime bag? The consequences you will face vary from borough to borough.

In Manhattan, as of Wednesday, prosecutors are no longer taking people to court for smoking pot in public or possessing small amounts of weed. Those types of cases, however, are still being prosecuted in Staten Island, Queens and the Bronx.

Manhattan joins Brooklyn in moving to a declined-prosecution model as the nation's largest city moves toward decriminalizing low-level marijuana offenses, and the state grapples with potential legalization.

Police officers will shift to issuing criminal summonses for

public marijuana smoking, instead of making arrests, starting Sept. 1.

"We are removing ourselves from the equation," Manhattan District Attorney Cyrus R. Vance Jr. said. He estimated the new policy would cut Manhattan marijuana cases from about 5,000 a year to fewer than 200 annually—about a 96% reduction.

Brooklyn prosecutors started pulling back on marijuana prosecutions in the spring and say they already have seen a drastic drop in cases sent to court. District Attorney Eric Gonzalez said his office went from trying 349 marijuana cases in January to just 29 in June.

Marijuana is illegal in New York state except for medical use on a strictly regulated basis, but a state report on the issue recommends legalization.

—Associated Press

# CHEW ON THIS



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# LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

## A Dangerous Choice in an Emergency



STUART SCHAFFNER/REX/SHUTTERSTOCK

**IT'S ONE OF** the most significant threats to passenger safety, yet few are addressing the problem.

Time after time, airplane passengers fleeing a burning or crippled airplane take their carry-on bags with them. Toting luggage slows escapes, could block exits and risks puncturing emergency slides. This kind of behavior could get someone killed.

Crashes and evacuations have gotten rarer as airline safety records have improved world-wide. But engine failures and fires still happen. Planes still run off the end of runways or land short, creating emergencies for ill-prepared passengers. As the Aeromexico crash in Durango, Mexico, on Tuesday showed, even violent, fiery crashes are highly survivable because of safety improvements in airplane cabins. Everyone survived that accident.

But safety investigators are voicing growing concern over a big issue. The Transportation Safety Board of Canada concluded in July that an evacuation from a WestJet 737 in Toronto in January was slowed by passengers retrieving their carry-on bags before fleeing a plane that was on fire. The London-based Royal Aeronautical Society published a study in April of 30 evacuations with a recommendation that regulators study the feasibility of locking overhead bins before takeoff and before landing.

"Until we have a situation where people do get hurt, or killed, [or] can't get out, then the authorities probably just say, 'Well, everything's going fine,'" says Nick Butcher, one of the authors of the RAS study and a cabin-safety veteran who spent more than 30 years at the United Kingdom's Civil Aviation Authority.

The carry-on baggage problem isn't new, although cellphone videos from accidents have shed more light on it. Mr. Butcher thinks it may have worsened because of the increasing value of the items we carry in bags—electronics, medications and other "necessities." And

### Leave the Bag Behind

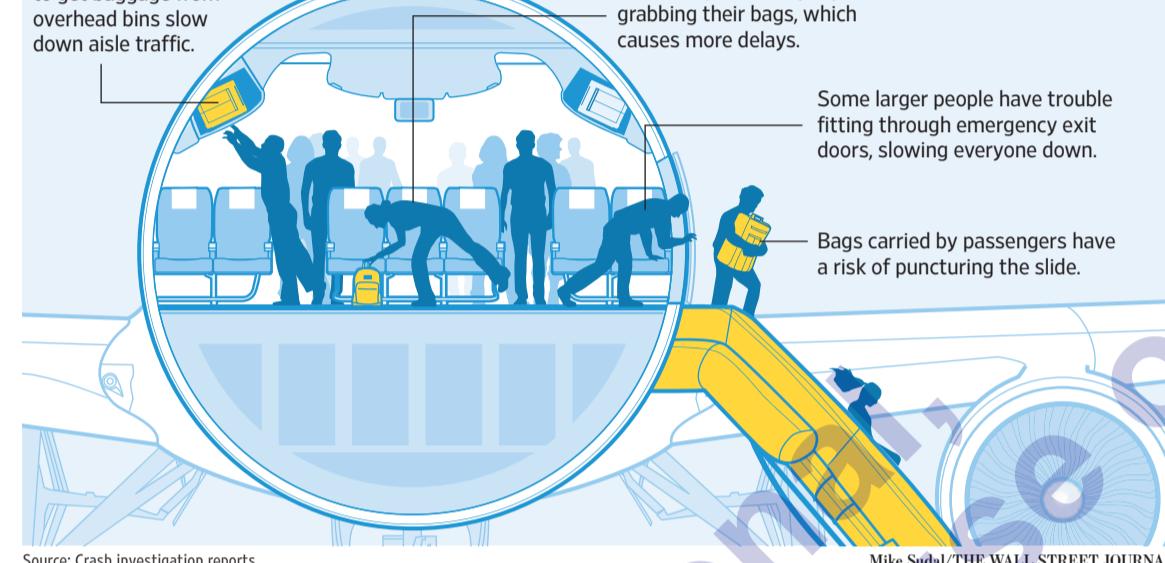
Evacuations are slowed by passengers grabbing their carry-ons and other factors.

Passengers attempting to get baggage from overhead bins slow down aisle traffic.

Aisle delays lead to people grabbing their bags, which causes more delays.

Some larger people have trouble fitting through emergency exit doors, slowing everyone down.

Bags carried by passengers have a risk of puncturing the slide.



Source: Crash investigation reports

Mike Sudal/THE WALL STREET JOURNAL

fees for checked baggage have prompted passengers to carry more stuff on board.

One other serious threat to speedy evacuations these days: airlines splitting families up when assigning seats, the RAS suggests. If children aren't seated in the same row, parents are going to go find them before evacuating, possibly disrupting the flow.

In January, the National Transportation Safety Board concluded that the evacuation from American Airlines Flight 383, a 767 that had an uncontained engine failure and fire as it was rolling for takeoff in Chicago in 2016, was impeded by passengers grabbing luggage. The NTSB recommended that the Federal Aviation Administration study the hazards of carrying luggage during evacuations.

The FAA says it will review and consider the NTSB's recommendation by April.

Asked about locking bins, the FAA issued a statement citing several disadvantages, including add-

ing a step to crew procedures, unintended consequences such as difficulty fighting a fire inside a locked bin and the cost of installing locks and training crew.

The FAA, which has regulations with very specific requirements for the language of safety briefings, like how to unbuckle seat belts, has opted to make carry-on baggage warnings optional.

Airlines are encouraged but not required to include instructions to leave carry-on bags behind in an evacuation in verbal or video pre-flight safety briefings. Only some do.

FAA regulations require them to mention this issue on safety briefing cards placed in seat-back pockets. But the message is often easy to miss for the few who bother looking at the cards. Those cards typically have a small picture of a passenger with a carry-on bag and a red line through it.

The agency says it does encourage airlines to include instructions to leave bags behind in the orders

flight attendants yell to passengers in an actual emergency. Asked if this should become required in light of recent incidents, the FAA issued a statement saying it was "up to individual airlines."

In an emergency, passengers still spend time in the aisle waiting to get off the plane—emergency exits are the limiting factor. So they have temptation and opportunity—while they wait, their carry-ons are in the bin right beside their head.

Canada's safety board found that on Aug. 2, 2005, when an Air France wide-body A340 jet ran off the end of a runway in Toronto, the fuselage split into two pieces and erupted into flames four minutes later. Still, about 50% of the passengers retrieved cabin baggage as they escaped—even though "flight attendants repeatedly provided specific instructions to the contrary," the TSB report noted.

The safety investigator recommended requiring that passenger safety briefings include clear direc-

Few passengers fled empty-handed when a British Airways flight in Las Vegas caught fire in 2015.

tion to leave carry-ons during an evacuation. But Transport Canada, that country's regulator similar to the FAA in the U.S., issued an advisory to airlines making it voluntary.

After the WestJet incident, the safety board sampled a small number of regularly scheduled flights on different airlines. None provided instructions about leaving carry-on bags behind. The WestJet flight didn't include carry-on instructions in its safety briefing, but flight attendants repeatedly told passengers to leave bags behind during the evacuation.

Despite that, several retrieved bags. The safety board concluded that this delayed the evacuation, but didn't specify by how much. There were other complications. In all, the evacuation of 169 passengers and six crew members on the flight from Cancun on Jan. 5 took three minutes and nine seconds from when the first emergency exit opened. In certification tests, it's supposed to take 90 seconds.

A spokeswoman for Transport Canada says the agency is aware of the recent RAS recommendations but hasn't yet studied the feasibility, benefits or challenges of its proposals.

The RAS study found most evacuations went very well, though many took place without a full passenger load. The Boeing 777-200 is certified for a full load of 440 passengers. When a British Airways 777-200 had an engine failure and fire erupted on one side in Las Vegas in 2015, there were only 283 seats on the plane and just 157 passengers on board.

Only two evacuation slides were available—had one been punctured by a roll-aboard bag thrown down it, or if there had been a full passenger load, "the situation could have been very different" Mr. Butcher says.

### TELEVISION

## A WORKING-WOMAN HERO WHO SAVES HERSELF

BY DON STEINBERG

**NOT ALL THE HEROES** at the recent Comic-Con expo in San Diego pursue justice wearing a cape or twirling a golden lasso. Kim Wexler, a character on "Better Call Saul," has a stylish yet practical uniform: a blue Tahari or Jones New York suit over a silk blouse, Nine West pumps and a ponytail.

Many viewers have embraced Kim Wexler, an unsinkable Albuquerque lawyer played by Rhea Seehorn, as a genuine Wonder Woman. At Comic-Con last month, more than 6,500 fans filled the biggest auditorium to hear the cast and creators of "Better Call Saul" discuss the show, which returns for its fourth season on AMC on Aug. 6.

"Lots of people tell me, constantly, how much Kim means to them. On Twitter. On Instagram. In person, at panel discussions, at fan events," says Ms. Seehorn. (Her first name is pronounced "Ray.") "It's women and men talking about working 16-hour days just to get a foothold in the middle class, and struggling, and being the person who deeply needs to believe that if you work hard enough you'll always be OK."

Kim hustles harder than any man at Hamlin, Hamlin & McGill—the show's fictional law firm. She started in the mailroom, got a law degree and became an associate.



nature line: "You don't save me. I save me."

Kim almost always wears blue at the office. "It's maybe the color of people who stick by the rules," says Jennifer Bryan, the show's costume designer. Kim has the wardrobe of someone striving to look good on a budget. "She wears the same jewelry all the time," Ms. Bryan says.

"Sometimes I would put her in pinstripes, but maybe the jacket doesn't match the skirt. We mix and match and repeat her pieces."

"The women I grew up with didn't have a different purse to match all their outfits," Ms. Seehorn says. "I like the simplicity to the way she dresses, and the way she has a uniform. She goes in like a warrior."

The creators of "Better Call Saul" didn't set out to create a working-woman hero, just a deep character.

"Sometimes in the writers' room, we talk about characters having their own superpowers," says co-creator Peter Gould. "Kim Wexler definitely has a couple. She's undaunted. She has been climbing a steep, granite wall, hanging on by her fingernails, and she never gives up. The other su-

perpower is her poker face. It's fascinating how little she gives away about what she thinks. But you can't take your eyes off of her—because there's so much thought behind even her stoniest poker face."

Ms. Seehorn says early in her acting training, she learned that when you're on stage and not talking, you should be thinking about why your character isn't talking.

"Better Call Saul" is a prequel series to "Breaking Bad," which ran from 2008 to 2013 and was set in that time period. Mr. Odenkirk played Saul Goodman, the anything-goes lawyer hired by improbable drug kingpin Walter White (Bryan Cranston). "Better Call Saul" which launched in 2015, is set in 2002, focusing on Mr. Odenkirk's character when he went by the name Jimmy McGill. Jimmy and Kim have an easy rapport but a complex romance. Mr. Gould says the show's creators had old screwball comedies in mind, even though things get dark sometimes.

The writers have been stingy with details about Kim's past. In a job interview, she says she's from a small town near the Kansas-Nebraska border but refuses to name a city.

She may be the conscience of the show. But "Kim's moral compass is not straightforward. She seems to have a taste for a little bit of danger," Mr. Gould says.

In some of the most memorable scenes from the first three seasons of "Better Call Saul" she is constantly at work, putting things in order, making things right. Banned to the mind-numbing task of "doc review" in the basement, she shoehorns in time to make dozens of phone calls, covering the office stairwell with sticky notes, to land the firm a huge client. (Her boss, played by Patrick Fabian, assigns the work to another lawyer.)

After Kim pulls an all-nighter at the office, a senior partner (Mi-

chael McKean) arrives early and mentions "coffee?" It's not an invitation—he's actually asking her to make coffee for him. Ms. Seehorn says the script gave her a moment to stare at him in restrained disbelief. "I could feel the audience groan," Ms. Seehorn says.

Kim's ne'er-do-well boyfriend Jimmy McGill (Bob Odenkirk) formerly worked at the law firm. When he interrupts her doc-review labor to suggest he try to get her into the good graces of her bosses, Kim pushes back and utters her sig-

## LIFE &amp; ARTS

WORK &amp; FAMILY | By Sue Shellenbarger

# Tailor School Volunteering to Ages

**PARENTS WHO BRING** their children to pediatrician Monica Wonnacott are sometimes surprised by one of her prescriptions: Volunteer in the classroom.

Helping teachers can lend insight into your children's academic and social skills, making it easier to aid their progress, says Dr. Wonnacott, a Riverton, Utah, mother of four who also blogs on parenting issues. "It's amazing what you can learn by spending some regular time at your child's school."

Fewer parents are volunteering at their children's schools, just as new research reveals it yields broader benefits for students than previously believed. These range from higher student grades and test scores to more positive peer relationships in middle school and lower rates of depression in high school.

As parents gather for back-to-school nights in the coming weeks, many will decide whether and how to volunteer. Children benefit most when parents tailor their volunteering to students' stage of development, research shows. Here's a rundown:

**Elementary School**

Children at this stage love seeing their parents in the classroom or on field trips. Parents' volunteering reinforces 5-to-7-year-olds' natural enthusiasm for learning, and is linked to small but significant gains in academic achievement. It also predicts improved behavior, perhaps because parents' presence sets an example of respect for school rules.

By age 8, children begin to compare their performance to that of other students, making them vulnerable to a drop in self-confidence. Parents who spend time at school are better able to see how their children's skills stack up and offer targeted help, Dr. Wonnacott says.

Parent volunteers also build relationships with school staff that can help resolve problems. When Pam Costner's daughter had an elementary school math teacher who yelled a lot, "volunteering gave me insight into why my daughter was having problems," says Ms. Costner, of Rockville, Md. It also helped her talk with the teacher and principal about classroom



PIERRE MORIN; LINDA PERILLO-ZAZZALI (BELOW)

management issues, support her daughter at home and decide to hire a tutor.

Children are learning empathy and other social skills at this stage, and knowing their classmates can help parents spot opportunities to instill those skills, says Dr. Wonnacott. Volunteering to read with elementary-school classmates of her son Charles last year helped her understand why one of them disrupted class. After learning the child was going through family turmoil at home, she explained his plight to Charles and encouraged him to empathize and show kindness.

Many parents have trouble finding the time or energy for this kind of volunteering. Some 43% of K-12 parents volunteered at school in 2016, down from 46% in 2006, according to federal data analyzed by Kevin Walker, president of Project Appleseed, a St. Louis nonprofit advocating parental involvement.

School PTA groups are offering a rising number of small, flexible volunteer roles, including tasks they can do after school or at home.

Ask your PTA for options that fit your schedule. Other parents create roles for themselves with so-called microvolunteering—offering to contribute based on a specific personal interest, such as providing healthy snacks for a class, says Donna Orem, president of the National Association of Independent Schools in Washington, D.C.

**Middle School**

As children begin to assert their independence between the ages of 11 and 13, parents' roles at school change. Schools are bigger and more bureaucratic and parents are seldom welcome in the classroom. Children become ambivalent about parental involvement, and worry about Mom or Dad embarrassing them in front of peers.

Middle schoolers are beginning to set goals for themselves and deciding which ones they think they can achieve. The ideal role for parents is what researchers call academic socialization: talking with tweens about their goals, helping with planning and sharing their expectations. Such conversations correlate with higher academic achievement, a 2009 review of 50 studies found.

Still, sixth-grade parents' attendance at school events, such as open houses, parent-teacher conferences or athletic events, is

linked to students' forming healthier, more positive friendships in the seventh and eighth grades, according to a study of 5,802 middle-schoolers published in May. Researchers adjusted the results to eliminate the effect of parents' varying levels of oversight of their students' activities.

Amy Kossoff Smith of Rockville, Md., volunteered often at school when her three sons were small, but backed away when they reached middle school. (Her sons are now 16, 19 and 21.) She organized a few educational assemblies to combat drug abuse and distracted driving as her sons grew older, but always asked them first for a go-ahead. One of the biggest benefits of staying involved was building relationships with her sons' friends, says Ms. Smith, who is founder of Power Hour Editing, a college-essay coaching firm, and runs her own public-relations firm.

Parents at this stage can model values they see as important. Linda Perillo Zazzali, a Saddle River, N.J., blogger and mother of eight children ages 5 through 22, has volunteered a lot in her children's private school, from serving as lunchroom monitor to running a drama program for middle-schoolers. The message she wants to convey, she says, is not only that

**Making a Difference****Elementary School**

- Try to build a positive relationship with your child's teacher.
- Observe the teacher's methods and rules and support them at home.
- Get to know the school staff, rules and curriculum.
- Learn other students' names so you can talk with your child about them.

**Middle School**

- Ask your child whether and how she wants you to volunteer.
- Set expectations that your child will do the best he can in school and in life.
- Learn about the curriculum so you can help your child choose courses and set goals.
- Set an example with your volunteer work that you'd like your child to emulate.

**High School**

- Continue coaching your child on setting academic goals and college plans.
- Emphasize the process of learning over getting high grades or test scores.
- Show interest in school by participating in events or fundraisers.
- Talk about the rewards of being involved as a volunteer.

school is important, but that giving your time is intrinsically rewarding because it makes others happy or helps an organization you value.

**High School**

Parents' roles at this stage are usually limited to fundraising or administrative tasks. Students are preoccupied with building a sense of personal identity and trying out different beliefs and values. That makes academic socialization—or discussing teens' goals, values and educational plans for the future—doubly important.

Still, parents who attend school performances and parent-teacher conferences during students' sophomore year and help with field trips and fundraisers foster lower rates of depression in their children as juniors, according to a 2014 study of 1,056 high school students.

Parental impact endures longer than many might expect. Students whose parents set high educational expectations for them as sophomores, and also attended PTA meetings and parent-teacher conferences, tended to have higher grades at high school graduation, according to a 10-year study of 15,240 students published in 2016. They also attained more years of formal education in the ensuing decade.



Linda Perillo Zazzali volunteered as co-director and vocal coach for her 11-year-old daughter Eva's school production of 'Guys and Dolls.'

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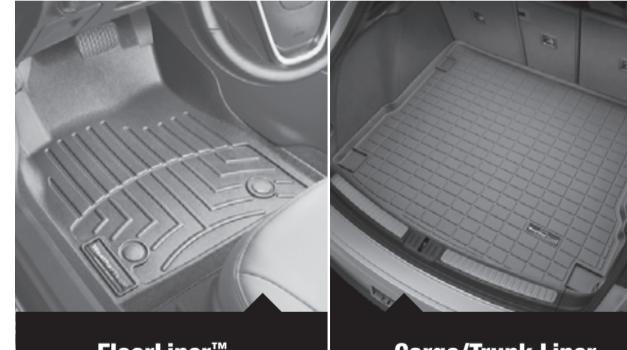
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## LIFE &amp; ARTS



## MUSEUM REVIEW

# Extreme Makeover: Renaissance Edition

Since his 2015 appointment, director Eike Schmidt has introduced changes to almost every aspect of the renowned Uffizi Gallery

BY CAMMY BROTHERS

*Florence*

**HOW DO YOU** modernize a museum that is 500 years old, contains a disproportionate number of masterpieces of Renaissance painting and is beloved by visitors around the world? With great caution and small steps, one might imagine. Yet Eike Schmidt, the German-born art historian and curator who took the helm of the Uffizi Gallery in 2015, has introduced changes to almost every aspect of that institution. In particular, he has radically rethought what is on the walls, where, and how it is displayed. Visitors who know and love the galleries should prepare to be surprised.

The story of Renaissance art begins on the third floor, with the galleries housing the stunning collection of 14th-century painting: Giotto, Cimabue and others. These galleries remain intact, the pictures still in the frames made for the 1957 reinstallation by Carlo Scarpa and Giovanni Michelucci. So understated are these frames that one's attention remains firmly on the works themselves, with their bright egg-tempura colors and their first steps toward naturalism.

The changes begin a little farther in, with the Botticelli galleries. Here, one large room has been transformed into two, the first featuring his "Primavera" (c. 1478-82) and the second the "Birth of Venus" (c. 1485). With natural light flooding in from above, the paintings sparkle, and I felt as if I were seeing many of them for the first time.

Both the "Primavera" and the "Birth of Venus" are behind glass, as they were before, but it is a much improved, high-quality glass that allows the paintings to be seen without the usual glare. Antonio Godoli and Nicola Santini, architects of the reinstallation, have given them new frames, which are not hung on the walls but built



The most radical reinstallation is the Raphael and Michelangelo room, above; Botticelli's 'Primavera' (c. 1478-82), left, which hangs in the transformed galleries devoted to the artist, below.

The layout is well balanced, the scale intimate, the green color of the walls soothing. There is a heterogeneous mix of objects: One finds ceramics from Spain, as well as works by Giovanni Bellini, Andrea del Castagno and Gian Lorenzo Bernini. Also a success are the new Caravaggio rooms, with their deep-red walls and natural lighting.

The rest of the second floor is harder to love. These spaces were not purpose-built as galleries, and it shows.

Magnificent works by Pontormo, Bronzino and others hang in rooms that retain the feel of a corridor, not least because by the time people reach this part of the galleries, they are headed swiftly out.

Do all of these changes offer an improvement? When Mr. Schmidt departs for his new position at the Kunsthistorisches Museum in Vienna in 2019, he will leave the galleries bigger and brighter than when he found them. But his touch has not been subtle, and it will take years to absorb the impact of the changes he has wrought.

*Ms. Brothers is an associate professor at Northeastern University and the author of "Michelangelo, Drawing, and the Invention of Architecture" (Yale).*

into them, entombed in caverns that are beveled on all sides. The result is paradoxical: While you see the works more clearly, they nonetheless seem more distant, as if being viewed on a high-definition television screen.

There's another problem. Displays don't just showcase important artworks, they tell stories. An important one concerns the relation between Italian and Northern European artists. The prior installation made this obvious by including Hugo van der Goes's stunning "Portinari Altarpiece" (1477-78), which landed like a meteor in Florence in 1483, in the same gallery as the Botticellis. It allowed visitors to see how Florentine artists absorbed Northern lessons about landscape, emotion, realism

and even the use of oil paint. In this new arrangement, the altarpiece is isolated in an adjacent room, severing that historical connection and raising the question of what such a work is doing in a museum of Italian art.

The next dramatically reinstalled room is devoted to Leonardo's "Adoration of the Magi" (c. 1482), an unfinished work that has recently been cleaned. It feels as if a new Leonardo has been discovered. Before, one could make out little more than brown and yellow blobs. Now, thrillingly, Leonardo's composition is revealed as containing his drawings in paint: horses, suspended in action; quickly sketched portraits, enlarged versions of his vibrant ink drawings.

The most radical reinstallation, which has already generated con-

troversy and criticism, is the Raphael and Michelangelo room. Mr. Schmidt has selected paintings with a historical link through their patron: Michelangelo's "Doni Tondo" (1505-06), a dynamic rendering of the Virgin and Child theme that is also deeply inset into the wall, is placed alongside Raphael's portraits of Angelo and Maddalena Doni, who commissioned it. Despite the labels, the relationship may elude many visitors: Visually, the portrait of Maddalena Doni relied closely on Leonardo's Mona Lisa, not on Michelangelo.

Among Mr. Schmidt's achievements has been an increase in display space, accomplished by eliminating second-floor offices to create a beautiful new sequence of rooms.





## OPINION

## The GOP's Hall of Mirrors



White House Chief of Staff John Kelly just won his tough midterm reelection fight. Confounding reports that President Trump would throw Mr. Kelly off the

train, the former Marine commander informed his staff he would remain in the world's most stressful job through the 2020 election. For anxious Republicans heading into their own midterm battles, the Kelly reinstatement may be a good omen. These days, omens matter.

The Trump presidency has been a dizzying house of mirrors. Republicans entered it nearly two years ago, and we'll find out in November how many make it out the other end.

### For Republicans lost inside the Trump fun house, a message: Run on his biggest victory.

Join me for a walk-through. In mid-June, the country stopped what it was doing to transfix for days over the spectacle of children separated from their parents in Texas. You can argue about the policy merits, but like a curved mirror it had one effect: Everyone involved looked smaller.

Four weeks later, the news cycle pumped out days of disorienting political optics around the mysterious press conference Mr. Trump conducted after his private meeting with Vladimir Putin.



SPENCER PLATT/GETTY IMAGES

A week later, Mr. Trump said he would invite Mr. Putin to Washington amid the election. Then he said he wouldn't, until next year.

In recent days, Mr. Trump has erected more mirrors for Republicans to navigate. On Sunday, he tweeted he would shut down the government before the election. Privately, he says he won't.

He tweeted Tuesday morning that Charles and David Koch are "a total joke in real Republican circles"—even as many Republicans are counting on the Koch network's donors to keep them competitive against well-funded Democratic opponents.

The next morning the president's tweet-loaded Gatling gun demanded that Attorney General Jeff Sessions shut down Special Counsel Robert Mueller's investigation "right now."

Steve Bannon is demanding that Republicans run on every jot or tweeted tittle in the Trump agenda. But only Donald Trump himself could run for re-election on all this stuff simultaneously. For Republicans can candidates in competitive races—meaning the races in which 2 or 3 percentage points in the wrong direction means they lose the election and control of the House—the

way forward requires simplicity and clarity, not a thousand points of rage.

A message to Republicans lost in the Trump fun house: Run on something solid. Run on something you understand.

Join yourself at the hip with the greatest accomplishment of Donald Trump's presidency.

Run on America's booming economy. (Footnote: For put-

off GOP voters who need more reason to show up, the next 30 years of the Gorsuch-Kavanaugh court was why they signed on for this ride in 2016.)

Reports have circulated recently that some House Republi-

cans are wary of running on the Trump tax cuts or the economy. Somebody once said,

"It's the economy, stupid."

Someone else said the GOP was the stupid party. If professional politicians can't shape a campaign around an economy about which Federal Reserve Chairman Jerome Powell said last month, "Most people who want a job can find one," then they deserve the s-word.

Other reluctant Republicans have said they were waiting for wage growth to reappear.

It just did. On Tuesday, the Labor Department reported that in the past 12 months wages and salaries rose 2.8%, the largest single-year pay raise

since September 2008. In other words, the Trump economic team, in 18 months, has turned the economic performance of Barack Obama's eight years into a bad memory.

People forgot. It was awful.

In January 2013, the unemployment rate was 8%. For black Americans it was 13.7%.

With the notable exception of the guy who translated this grim world into "Make America great again," most politicians in the GOP, presumably the party of the private sector, don't know how to talk about economics as a lived reality.

The reality during the Obama years was that people were losing hope. Mr. Obama's constant speeches about "a job that pays the bills" and "a chance to get ahead" were just . . . speeches. His interpreters tried to rebrand this long enigma of unemployment as the "new normal."

The economy of the past year—with a real chance now of landing a self- or family-supporting job—is what most Americans outside the political circle of Bernie Sanders and Alexandria Ocasio-Cortez hope is the new normal.

That said, a Trumpian reality check. As these words were written Wednesday afternoon, the Fed announced it wouldn't raise interest rates and called the economy "strong" six times. Minutes later came a Journal report that the Trump White House may raise its threatened tariff on Chinese goods to 25%. The stock market, Mr. Trump's favorite economic metric, tried to rise on the Fed's bullish words but couldn't, and ended in the red.

Republicans have one big, winning story to tell—if the fun-house mirrors don't crack in the next three months.

*Write henninger@wsj.com.*

## What Will Convince Trump on Trade?

By Karl Rove

President Trump's approach to trade has vacillated wildly since he took office.

When White House trade adviser Peter Navarro spoke about trade policy in March 2017, the administration appeared mercantilist. The only good trade arrangement was one in which a foreign trading partner ran a trade deficit with the U.S.

When the administration started demanding that certain countries buy more of select American products to narrow but not necessarily erase trade imbalances, it sounded as if it was pursuing a managed-trade agenda.

When the president in March placed tariffs on imports to protect the domestic steel and aluminum industries from competition—at the expense of American consumers and other U.S. businesses—he looked like a Smoot-Hawley protectionist.

But in last week's press conference with European Commission President Jean-Claude Juncker, Mr. Trump committed, at least in theory, to a wide-ranging free-trade agenda. He and Mr. Juncker released a joint statement pledging the U.S. and the European Union would "work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods." The statement also said the U.S. and EU

would aim to "reduce barriers and increase trade in services, chemicals, pharmaceuticals, medical products, as well as soybeans" and to "reduce bureaucratic obstacles, and slash costs" of trade.

Mr. Trump hinted as recently as early July that the U.S. should withdraw from the World Trade Organization. But his statement with Mr. Juncker pledged a joint European-American effort to reform" the WTO so it could "address unfair trading practices, including intellectual property theft, forced technology transfers, industrial subsidies, distortions created by state-owned enterprises, and overcapacity." This was welcome if belated recognition that a stronger, modernized WTO offers the best path for addressing China's trade abuses.

Mr. Trump may walk back these pledges—and indeed, the news Wednesday that the administration is considering raising the tariff rate on \$200 billion of Chinese imports to 25% suggests his free-trade turn may not last long.

But if he stays the course he charted last week, the hard part is yet to come. The president regularly castigates his predecessors for having negotiated "the worst trade deals ever made." Can he do better?

Consider President George W. Bush's efforts. He oversaw the passage of free-trade agreements with 13 of the 20 countries that have such accords

with the U.S. For 2016, the Commerce Department reported U.S. exports of goods and services to these FTA countries totaled \$158.6 billion while American imports from them were \$99 billion, producing a surplus of \$59.6 billion.

The Commerce Department can provide "before and after" numbers on trade in goods and services for only three of Mr. Bush's FTAs, but they are illuminating. The U.S. trade

before the 2006 CAFTA-DR. In 2017, the U.S. had trade surpluses in goods with all but one—Nicaragua.

Moreover, Commerce Department data show that sales of American services to the Bush FTA countries increased 21% from 2013 to 2016, compared with 7.3% growth in sales of U.S. services to the world over the same period.

The Bush record shows that if the U.S. gets a level playing field with low or zero tariffs and nontariff obstacles, then American workers, producers and service providers can compete virtually anywhere in the world.

Mr. Trump's ambitious trade goals—to negotiate an FTA with Europe and update the WTO to confront China's trading abuses—give him a chance to show how good a deal maker he can be.

History and economic theory prove that free trade is the path to growth and protectionism the path to decline. With his meeting with Mr. Juncker, Mr. Trump set his administration on a better path for trade policy. If he reverses course, he risks crippling the economic dynamism that has marked his tenure as president. Here's hoping he is committed to success.

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

## When the Only Tool You Have Is a Tariff

By Chris Pratt

I work for the largest nail manufacturer in the U.S. Our company has fought hard to survive in the face of unfair Asian competition. We've doubled our workforce in the past five years. But now we are on the brink of extinction, and our government's trade policy is to blame.

A few years ago, our company created an entirely new plant in Poplar Bluff, Mo., to make specialized nails that are connected with paper tape. These are the most difficult nails to produce. After more than a year of investment and training, we began production. Our paper-tape nails became the best in their class. We trounced our foreign competitors.

Now, however, our paper-tape plant is idle. On June 1, the U.S. imposed Section 232 duties of 25% on certain kinds of steel, including the wire we use to make nails. Our costs

shot up overnight, and it became impossible to sell nails competitively. Orders dropped 70% in two weeks, and our workforce shrank from 500 employees to 370.

Meanwhile, our competitors from such countries as China, Taiwan, Oman, India and Turkey pay no tariff on

their finished nails. They can make their nails at home—using low-priced, globally sourced wire—and ship the finished product to the U.S. with an enormous price advantage. They make vast profits while our own nail manufacturers are fighting to stay afloat.

I have lived in the Poplar Bluff area all my life. It is a town of only 17,000, and a factory that employs 500 people plays a significant role in the local economy. After the Briggs & Stratton plant, Mid Continent is the largest employer. Today we are barely able to earn enough revenue to support the payroll.

The president last Tuesday announced \$12 billion in aid to help farmers affected by retaliation against Section

232 tariffs. I was asked the other day, "How about the same kind of money for the nail industry?"

We don't need aid. We need a targeted exclusion, which would exempt the raw material we use for nails from the tariffs. That way we could rehire the workers we laid off and secure the jobs of our current workers.

Poplar Bluff is an area that heartily supported President Trump in 2016. I have talked to our workers, and I know many of them—at least for now—have faith in him to do the right thing. But time is running out.

*Mr. Pratt is operations general manager of Mid Continent Corp.'s Poplar Bluff plant.*

BOOKSHELF | By Emily Bobrow

## Reason To Hope

## Cancerland

By David Scadden

(Thomas Dunne, 308 pages, \$27.99)

Hopes were high in 1971 when President Richard M. Nixon called for a War on Cancer. The disease was as pernicious as it was mysterious, claiming more American lives each year in the 1960s than had perished in combat during all of World War II. Still, it wasn't hard to imagine medical experts coming up with a cure. After all, hadn't the country just put a man on the moon?

Almost 50 years later, the war rages on. Decades of hard work and grand promises have yielded more disappointments than breakthroughs. Reliable treatments remain elusive, and researchers still aren't sure why some people get the disease and others don't, why some die while others survive. In "Cancerland: A Medical Memoir," David Scadden offers a personal account of the inspiring but often exasperating hunt for solutions to the profound problem of cancer.

Dr. Scadden, a hematologist-oncologist now in his mid-60s, came of age at a time when scientists were celebrated as swashbuckling pioneers. Yet cancer has proved a remarkably potent foe, one too varied and complex to be snuffed out by a single therapy or vaccine. Roughly half of us will be diagnosed with cancer in our lifetimes; one in five Americans will die from it.

This isn't to say there hasn't been good news. The death rate for all cancer peaked in the early 1990s and has been dropping ever since. Antismoking campaigns have greatly reduced tobacco-related cancers, and better screening methods have improved outcomes by revealing malignancies sooner. The ability to test for genetic abnormalities has spurred preventive measures that reduce mortality considerably. New technologies have made treatments safer and more effective. And advances in genetic testing and molecular biology are yielding new drugs at a remarkable pace.

Yet moving science forward "to create better clinical approaches," Dr. Scadden writes, "is an almost painfully incremental affair." This puts physicians in the awkward position of having to explain the slow pace of research to dying patients, many of whom hope that a miraculous new drug or therapy awaits them if they can just hold on for another year or two. This is not a crazy idea. Dr. Scadden's own mother, who died of colon cancer in 1985, might have survived if certain studies were completed five years sooner. But most clinical trials come to nothing, particularly in cancer. Many patients are stuck with the same interventions that have been around for decades: surgery, radiation and toxic chemotherapy. The miserable side effects can sometimes make life only marginally better than death.

Readers may find themselves adrift amid Dr. Scadden's technical discussions, but the details are often fascinating. Harold Varmus and Michael Bishop, for example, revealed in 1976 that cancer was not an invading virus but an internal problem involving corrupted genes; malignancies occur when cells go rogue and multiply out of control. This insight, for which

## A Harvard oncologist humanizes the science of cancer, detailing the promise of new drugs and therapies and the real progress toward a cure.

Messrs. Varmus and Bishop received the Nobel Prize, completely changed the focus of cancer research. Scientists now seek to harness the natural defenses of our immune system to rein in these problematic cells. "Understanding how cells behave and how that behavior is corrupted in cancer," Dr. Scadden writes, "is the holy grail."

"Cancerland" also gives readers an insider's account of the awkward economics and unfortunate politics of cancer research. The costs of moving from research to drug are estimated to exceed \$2.5 billion, in part because it is very difficult to predict from a petri dish what will happen in a person—drugs that work on mice and frogs often fail in humans. The use of embryonic stem cells has been essential to this work, yet it remains controversial due to religious objections. The federal government's refusal to back any research involving embryonic stem cells pushed Dr. Scadden to co-found, with Douglas Melton, the privately funded Harvard Stem Cell Institute. The institute has been a success, but Dr. Scadden remains discouraged: To have "a primary driving force of science, the federal government, speak out and ban an area of uncontestedly important work is extraordinary."

For all the insight he offers into the hard science and thorny logistics of studying cancer, Dr. Scadden's most moving passages consider the effect of the disease on the people who suffer from it and those who care for them. As a medical student in the 1970s, he was surprised to discover just how little doctors knew about how the body works and what makes our immune systems tick. Given these gaps in knowledge, he grew to understand that "kindness was sometimes the most powerful treatment at our disposal." Readers who worry that physicians who work with cancer grow inured to the pervasiveness of pain and death will find some comfort in Dr. Scadden's compassion for his patients, though he admits these feelings often leave him emotionally drained. "If being numb is what a doctor seeks, he or she has surely chosen the wrong profession."

Dr. Scadden is candid about the way cancer scientists often struggle with self-doubt. "When the rewards are so elusive, how do you know whether you are engaged in something meaningful or caught up in folly?" The job demands grit, perseverance and a fair amount of optimism, so it makes sense that he tries to stay upbeat about the world of possibilities in store. Cancer may be far more complicated than anyone predicted decades ago, but progress in gene editing, gene sequencing, big data, biotechnology and cell biology are already starting to improve how we treat new malignancies. As Dr. Scadden tells us, there's "good reason to hope."

*Ms. Bobrow, a former editor for the Economist, is a journalist based in New York.*

## OPINION

## REVIEW &amp; OUTLOOK

## Short-Term ObamaCare Relief

**D**emocrats are making an election issue of rising health-care costs, so it's strange that they are now criticizing a new Trump Administration rule that would make cheaper insurance available to more Americans. Maybe they fear people will like it.

Health and Human Services on Wednesday finished a rule to expand short-term, limited-duration health insurance. This product has been around for decades for people between jobs or otherwise in need of coverage against the risk of a catastrophic illness. The plans must comply with state laws but aren't subject to ObamaCare rules on benefits or pricing.

Traditionally plans could last a year, but the Obama Administration cut that to three months. The Obama regulators said that 12-month plans might "adversely" affect the Affordable Care Act exchanges. In other words, they wanted to limit alternatives to force everyone into the exchanges.

Yet consumers keep dropping off the exchanges as insurance prices rise. Enrollment in exchange plans for Americans who didn't qualify for a subsidy fell by 20% in 2017. The rule notes that 63% of uninsured Americans who came to HealthCare.gov over the past year but didn't buy a plan cited high premiums as the reason.

HHS is now reverting to the 12-month duration, with an important improvement: Insurers will be able to offer plans that last as long as 36 months without new underwriting. This timeline is consistent with insurance available under the 1985 "Cobra" law for consumers who lose employer-sponsored coverage. Insurers could offer policy riders that allow a beneficiary to renew at the same premium, even if he fell sick during the year.

Critics say this defies the purpose of "short-term" insurance. But Michael Cannon of the Cato Institute noted in comments to HHS that such an offering is a distinct product that insures against a separate risk of higher premiums. This is also a consumer protection,

## A new rule will allow less costly coverage for as long as 36 months.

which Democrats claim to support.

As for driving consumers off the exchanges, nearly nine of 10 ObamaCare enrollees are eligible for subsidies that mitigate the costs. The rational choice for them isn't to depart the exchanges for insurance that exposes them to the full price. It's to stay on ObamaCare.

Democrats call short-term plans "junk insurance" because they aren't required to offer coverage for benefits like maternity care and needn't take all comers. But not everyone needs all benefits. The HHS rule also stipulates that issuers must prominently display a notice that the coverage isn't compliant with the Affordable Care Act. Everyone will know what they're buying.

The costs of the new plans will be set in the marketplace, but without ObamaCare's mandates they will be cheaper. A short-term plan ran about \$124 a month on average in the last quarter of 2016, while an unsubsidized ObamaCare plan averaged \$393.

By one count 161,000 people were enrolled in short-term options at the end of 2016, though this is a low estimate. The Administration predicts some 600,000 people will sign up next year, roughly 100,000 of whom were previously uninsured. The market could grow to 1.6 million over time. Combine this with the four million who may sign up for an association health plan under another recent Trump rule change, and the GOP may expand coverage considerably.

Republicans failed to repeal and replace ObamaCare, so its costs have continued to rise, and now Democrats want to blame the GOP for increases that are baked into the health law's faulty design. Democrats want to prop up ObamaCare no matter the cost, but the goal of government policy should be to support a system that offers consumers the choice of coverage that best works for them. The fact that so many Americans are looking for alternatives to ObamaCare should tell you which plans are really "junk."

## Sanctions for the Sultan

**T**urkey's President Recep Tayyip Erdogan has become increasingly unreliable as an ally over the last decade, yet he has suffered few consequences from his NATO partners. That changed Wednesday when the Trump Administration followed through on its threat to impose sanctions on Turkey for taking an American hostage.

The U.S. Treasury announced sanctions against Justice Minister Abdulhamit Gul and Interior Minister Süleyman Soylu for the "unfair and unjust detention" of American pastor Andrew Brunson. The action was taken under the Global Magnitsky Act, so Messrs. Gul and Soylu are now in a class with the likes of Chechnya's Ramzan Kadyrov and former Gambian leader Yahya Jammeh in being subjected to potential asset freezes and travel restrictions.

Pastor Brunson led a Presbyterian congregation in Izmir for more than two decades. He was jailed on trumped-up terrorism charges after a failed 2016 military coup. Turkey's modern sultan may see Mr. Brunson as leverage to get the U.S. to extradite a Pennsylvania-based imam who

## The U.S. hits Turkey for holding an American pastor on phony charges.

Mr. Erdogan believes masterminded the coup. The Turks also hold NASA scientist and Turkish-American citizen Serkan Golge, who was sentenced to seven-and-a-half years in prison in February for alleged terrorist ties.

Mr. Trump has tried private diplomacy with Mr. Erdogan, and last month he threatened sanctions if Mr. Brunson wasn't released. A Turkish court released him to house arrest, but he continues to face charges. Mr. Trump had no choice but to impose the sanctions once he had threatened them.

All of this marks a new low in U.S.-Turkey relations, and the potential for additional U.S. sanctions if there's no solution won't help Mr. Erdogan as he tries to stabilize a falling currency and stop capital flight. The lira has lost almost 25% of its value this year and hit another low Wednesday.

If Mr. Erdogan thought the U.S. President didn't mean what he tweeted, he now knows better. A more serious breach would damage U.S. interests in the region, but failing to respond to hostage-taking would damage them too.

## Make Every Democrat's Day

**N**o one knows if Donald Trump is serious or trolling when he tweets, and an example is his Wednesday rant that his Attorney General should end the special counsel probe into ties between the Trump campaign and Russia in 2016. Assuming Mr. Trump is even remotely serious, it's worth repeating why Democrats are yearning, aching, praying for him to fire Robert Mueller.

"This is a terrible situation and Attorney General Jeff Sessions should stop this Rigged Witch Hunt right now, before it continues to stain our country any further," Mr. Trump tweeted Wednesday. "Bob Mueller is totally conflicted, and his 17 Angry Democrats that are doing his dirty work are a disgrace to USA!"

Mr. Sessions is likely to ignore Mr. Trump because he has recused himself from supervising Mr. Mueller. But let's assume Mr. Trump does order Deputy AG Rod Rosenstein to shut down the Mueller probe. Mr. Rosenstein, who appointed Mr. Mueller, is likely to resign before he follows that order. Others in the Justice chain of command would do the same.

But even if Mr. Trump did find someone to fire Mr. Mueller, the practical effect on the Russia investigation might be negligible. The office of special counsel contains multiple prosecutors and FBI agents who have been collecting evidence and interviewing witnesses. Mr. Trump would have to fire them too, though they could still talk to the press and to Congress.

For that matter, what's to stop a U.S. Attorney from picking up some of the Mueller evidence and moving ahead? Mr. Trump would be denounced far and wide, and he would have given voters reason to think he's guilty, yet he might not even stop the investigation.

Mr. Trump would also pay an enormous, perhaps debilitating, political price. A dismissal of Mr. Mueller would be the dominant

## Instead of Twitter rants, how about releasing the FBI's Russia files?

midterm election issue, swamping good news about the economy. Democrats would argue that a Democratic Congress is needed to rein in a rogue President, and swing-district Republicans would be hard-pressed to defend him. A Democratic wave would be that much more likely, and our guess is that Republicans would lose the House and Senate.

In that scenario, Mr. Trump's impeachment by the House would be close to certain. Even without an official special-counsel report, the House could gin up its own investigative machinery, calling witnesses and collecting evidence already teed up by Mr. Mueller's work to date. Conviction by two-thirds of the Senate might be unlikely, but that depends on what Democrats turn up. Mr. Trump might hope for a political backlash in 2020, but that usually sounds better in theory than it works in practice. Ask Al Gore about 2000 after eight years of Clinton scandals.

We can appreciate Mr. Trump's frustration that what began as an FBI counterintelligence probe in 2016 has now stretched past two years. Mr. Mueller should also appreciate that he has a duty to the country to wrap this up sooner rather than later.

But the damage from firing Mr. Mueller is so predictable that's it hard to believe even Mr. Trump would tempt such a fate—especially since there's a smarter strategy. Start declassifying and releasing documents related to the FBI and Justice probes going back to 2016. We've laid out the list that would help the public understand what happened.

If Justice officials resign to protest such an order, they'll be doing so in the name of secrecy. Mr. Trump will be acting in the interests of transparency. Meantime, Mr. Trump would avoid making every Democrat's day by firing Mr. Mueller.

## OPINION

## LETTERS TO THE EDITOR

## Government Subsidies Won't Raise Fertility

Whether in Washington, D.C., or the European Union, issues of human fertility must be addressed in the light of history. In a contemporary context Leonard M. Lopoo and Kerri Raissian state: "European leaders acknowledge that their continent's future competitiveness requires increased fertility" ("Washington Is Biased Against Babies," op-ed, July 26).

Yet in 1968 the biologist Paul R. Ehrlich ushered in an era of family planning with his best-selling book "The Population Bomb." He advocated that the "U.S. government adopt stringent population control measures, both domestically and in the Third World." At the time, world population was approximately 3.5 billion. His book coincided with the advent of the first popular oral contraceptive pill, a medically safe and inexpensive method for family planning.

Although hundreds of billions of dollars were spent to help people go forth and multiply a lot less, with use of the pill and other contraceptive methods, world population increased to its present level of about 7.6 billion. In the 1970s only 24 countries had fertility rates of 2.1 or less, all of them rich. By 2009, 70 such countries around the world had similar rates. Demographers missed two important points in their belief that decreased fertility would promote reduced population levels. As fertility decreased, so did mortality rates, producing a net population increase.

Also, Unicef reported that maternal mortality declined 50% between 1960 and 2002. Given that these mortality declines occurred at a time when global population was in the process of expanding by at least 4.1 billion, this should induce a sobering measure of humility to European leaders when crafting new policies for increasing international competitiveness. If the recent past is any guide, increasing fertility levels is counterintuitive to that future.

JEREMIAH NORRIS  
Hudson Institute  
Washington

Mandating benefits for mothers is a tax as much as providing them directly. The authors argue that soci-

ety should, through government intervention, impose taxes on the current generation of workers to encourage more children so the next generation can pay the benefits the government promised the current generation, which is now paying for previous generations.

TIM MAHAR  
Rockledge, Fla.

More and more people are choosing not to have children, for a number of reasons. I chose early not to have kids for economic as well as other reasons, yet there is a growing call for me to subsidize those who did and to increase the money I am forced to see redistributed.

We already subsidize children for everything from prenatal care to public schools, the Children's Health Insurance Program, parks, day care, college and beyond. Now we are expected to subsidize the parents' parental leave?

I wouldn't need Social Security and Medicaid if I was allowed to keep that money in a private account, instead of depending on today's kids growing up and having their wealth redistributed to support me.

As it is, too many parents can't afford the children they are having, yet we have calls for them to have even more, at the expense of those who chose a different path. That is absurd and immoral, and should be illegal.

DAVID KVERAGAS  
Newton, Pa.

Implementing family-leave policies alone will not reverse our nation's population decline. The embarrassing topic of conversation among millennials continues to be our student-loan balances and the ongoing struggle of making timely payments. Low salaries, rising rents and a trepidation of homeownership has led many young Americans to forego having children, simply because we cannot afford them. However, to reverse this negative trend in population, policy makers could begin by reducing the interest owed on federal student loans. After all, financial stability remains the foundation of good family planning.

ALEXANDER J. BORTONE  
Pensacola, Fla.

## U.S., Allies Can Limit China's Power Grabs

Is China on the verge of constructing a new world order to replace the international system built by the U.S. more than 70 years ago? James Dobbins argues that this is exactly Beijing's long-term plan ("The Global Order Will Outlast U.S. Leadership," op-ed, July 25). Mr. Dobbins overestimates China's ability to structure the global order to its economic and political benefit.

While it is certainly true that Chinese state-controlled financial institutions are investing enormous financial capital into public infrastructure projects around the world, Beijing's strong-arm tactics aren't winning the country any friends. China has weaponized loans and engaged in predatory trade agreements, all of which are causing consternation among many of its neighbors. When governments are unable to repay their debts to Chinese banks, Beijing leverages its financial position to attain strategic facilities as a form of compensation.

Just ask Sri Lanka, which handed over a critical port to the Chinese to alleviate its debt crisis.

Mr. Dobbins also assumes that countries in Asia would simply suc-

cumb to Beijing's wishes. The evidence is the opposite; Japan, South Korea, Malaysia and the Philippines are all united against China's reclamation project in the South and East China Seas. South Korea refused to demobilize the Thaad missile defense system despite Chinese sanctions on South Korean firms.

Japan, increasingly recoiling from what it considers Chinese expansionism, is discussing the need to boost its own defense budget. These actions aren't the signs of docile countries accepting the inevitability of Chinese hegemony.

DANIEL R. DEPETRIS  
Defense Priorities  
Sag Harbor, N.Y.

## GOP Promised Cap-Gains Indexing in 1994 Contract

Kudos to Kimberley Strassel for re-igniting the important discussion about indexing investment returns when calculating taxes ("Trump Alone Can Cut Taxes," Potomac Watch, July 13 and Letters, July 23). The inability to consider inflation when determining long-term profits is clearly unfair.

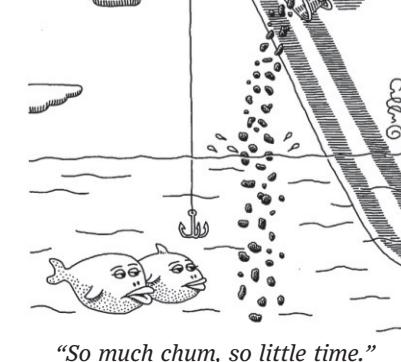
Let's not forget that the GOP promised to allow this adjustment for capital gains in its 1994 Contract With America. However, after winning the House and Senate, it quickly lost enthusiasm for the idea and then dropped it.

It's past time for the GOP to keep its original promise to allow indexing for inflation. It should also expand such tax fairness to include all investments and savings.

CARL B. LIND  
La Jolla, Calif.

## Pepper ... And Salt

THE WALL STREET JOURNAL



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SCOTT KAUFMANN  
Fairway, Kan.

## OPINION

# This Political Fight Will Go Many More Rounds

By Bobby Jindal

**S**omeday soon, many Democrats think, America will wake up from the Trump nightmare and return to normalcy. Donald Trump, they hope, will prove to be not a new normal but an unfortunate aberration. They're probably wrong.

Democracy tends to give us the government we deserve. Bill Clinton wasn't responsible for the rotting of personal morality; he reflected what

**E**nough if Trump retired quietly to Mar-a-Lago, a return to civility would be highly unlikely.

was already there. Similarly, Mr. Trump did not create the polarization and politicization of everyday life; he's simply great at riding a wave that was already coming ashore. Mr. Trump's passing from the national scene will not automatically usher in a new era of comity and harmony.

Long before President Trump, American politics were taking on an increasingly partisan tenor. Gerrymandering succeeded all too well, creating districts so safe that many members of Congress began to fear primary challenges if they deviated

from the party hymnal or worked across the aisle. Many legislators started living in their districts and commuting to Washington, diminishing the opportunities for them to meet—and humanize—colleagues from the other party. The growth of campaign expenditures from super PACs and other independent groups increased single-issue funding, while weakening the ability of party leaders to corral their caucuses.

Due to the proliferation of cable news channels, strident political voices that can cut through the clutter began to attract a passionate, albeit fragmented, audience. Social media allowed politicians to target messages narrowly to particular groups, while giving voters a way to follow their representatives almost in real time.

These developments haven't been wholly negative. Although it might have been tidier when politicians retreated to private rooms to cut their deals, it's hard to argue with increasing accountability and widening the opportunity for civic participation. Moreover, heated debate over core issues—whether to cut taxes, say, or increase defense spending—is healthy in a democracy. But two hallmarks of the modern era are the high levels of partisanship and the politicization of practically everything. As the federal government's role has grown at the expense of local officials, civic institutions and individual autonomy, political debates

have become more consequential and more heated.



A president wins election thanks to voters in a few decisive states. He nominates a new Supreme Court justice, who is confirmed by the narrowest of margins in the Senate.

That justice tips the balance in historic 5-4 decisions, covering everything from abortion restrictions, to the definition of marriage, to the need to prove intent in discrimination cases, to gun rights, to religious liberty.

Sweeping Supreme Court rulings can appear unpredictable to the public, and they often result in sudden rather than incremental change.

When the court tries to settle society's most pressing and personal issues, sidelining the branches of government directly accountable to voters, it leaves fewer opportunities for course corrections. Every election becomes the most important in our lifetimes, with stakes so high that any attack on a political opponent seems fair game.

Seeking common ground becomes even more difficult once political opponents see each other as the enemy, in moral terms, rather than as misguided patriots. Although it is tempting to credit Mr. Trump with a unique ability to drive the other side crazy, this is not a new development. Recall the wild allegations that Mr. Clinton was complicit in a conspiracy to kill Vince Foster, that President Bush invaded Iraq to secure its oil and avenge his father, or that President Obama was born in Kenya.

Even if Mr. Trump retired quietly to Mar-a-Lago, a return to civility would be unlikely. That would require both parties to stop governing as if they represent a permanent majority, and instead to limit the power of their offices to what they would be comfortable with their opponents possessing. Lowering the stakes may be the only way to turn down the heat. Is that what the presidential aspirants of 2020 or 2024—from either party—seem to be doing?

*Mr. Jindal served as governor of Louisiana, 2008-16.*

## Even Doubling Taxes Wouldn't Pay for 'Medicare for All'

By Charles Blahous

**T**he idea of "Medicare for All" has energized progressives ahead of November's midterm elections. Across the country, candidates like New York congressional hopeful Alexandria Ocasio-Cortez have rallied to the slogan. Vermont Sen. Bernie Sanders introduced the Medicare for All Act last year and has so far rounded up 16 co-sponsors. Last month, 70 House members formed a Medicare for All Caucus.

But there is an enormous gulf between the appealing idea of Medicare for All and the incredibly expensive reality. According to my calculations, paying for every American's health-care expenses would increase federal spending by \$32.6 trillion over the first decade of Medicare for All. Even if Congress were to double what it collects in individual and corporate income taxes, there still wouldn't be enough money added to the federal coffers to finance the costs of this plan.

While such large amounts of money are difficult to comprehend,

my cost estimate is essentially a lower bound. Medicare for All's actual price tag would likely be even higher. My projection generously assumes the plan would succeed in lowering prescription-drug costs and that administrative costs would somehow be less than half what they are among private insurers.

Most important, it assumes Medicare for All would successfully cut all health-care provider payments down to Medicare's reimbursement rates, which are more than 40% lower than private insurance rates—and even below providers' costs of delivering services. Moreover, it assumes that Medicare for All will somehow do all this without disrupting the availability and quality of health care.

Medicare for All would require an unprecedented rise in already unaffordable federal health-care subsidies, which are currently equal to about 6.6% of gross domestic product. The plan would expand federal taxpayers' obligations by 10.7% of GDP right away. That would rise to 12.7% of GDP and beyond within 10 years of full

implementation—over and above taxpayer obligations under current law. This would be even more expensive than tripling all future federal appropriations spending, including national defense and domestic discretionary appropriations.

### Bernie Sanders's brainstorm would cost taxpayers \$32.6 trillion over the first decade.

Part of the cost increase from Medicare for All would naturally come from covering those who are currently uninsured. But the proposed legislation would also expand coverage of specific benefits such as dental, vision and hearing, and greatly increase demand for health services that are already insured, through its stipulation that "no cost-sharing, including deductibles, coinsurance, copayments, or similar charges, be imposed on an individual for any benefits."

The more of a person's health

care is paid by insurance rather than out of pocket, the more health-care services he tends to buy, regardless of quality and effectiveness. Providing first-dollar coverage for a range of health-care services would therefore be a powerful force driving additional health-care spending. Although Medicare for All proponents believe the administrative efficiencies of single-payer insurance would reduce national health-care costs, my research found the opposite—specifically, that the added costs associated with increased coverage far surpass not only the savings attainable from lower administrative costs, but also the savings potentially gained from swapping brand name drugs for generics.

Some have seized on a scenario in my estimates showing a slight decline in projected total public and private health expenditures under Medicare for All. But that decline, relative to current projections, relies on an assumption that Medicare for All would immediately and dramatically cut provider payment rates by roughly 40%.

Without such cuts, Medicare for All would drive national health costs further upward, and the federal price tag would be \$38 trillion during its first 10 years.

Mine isn't the first study to show that Medicare for All's price tag would be enormous. Independent estimates from the Urban Institute, the Center for Health and Economy, and Emory scholar Kenneth Thorpe have reached similar conclusions.

Medicare for All would place more than 15 times as much pressure on federal finances as did last year's tax reforms. Before too many Americans become invested in the rhetorical vision of Medicare for All, there needs to be a serious national discussion about whether shouldering its vast cost is even remotely within the realm of practical possibility.

*Mr. Blahous holds a chair at the Mercatus Center at George Mason University and served as a public trustee for Social Security and Medicare from 2010-15. His new study is "The Costs of a Single-Payer Healthcare System."*

## Index Capital Gains, but Not Without Congress's Consent

By Alan S. Blinder

**T**here's a plan afoot to index capital-gains taxes for inflation. Some proponents think this is such a good idea that the Treasury Department should bypass Congress and do it by fiat—in characteristically Putinesque fashion. Putting aside that last point for a moment, I have long agreed that capital gains should be indexed—but only as part of a broader package.

Why index gains? Suppose you own a stock for many years, during which time overall prices have doubled because of inflation. Over the holding period, the value of your stock also has doubled. When you sell, the proceeds have precisely the same purchasing power as the original purchase. There's no gain, no loss. But under current tax law, you owe taxes on the phantom "gain." Worse, if your stock went up by less than the cumulative inflation, you'll still get taxed despite your loss. This is unfair and dysfunctional.

The failure to index makes the effective tax rate on capital gains—something Congress should decide—

rise and fall sporadically with the inflation rate. Why would anyone want that? This problem is not hypothetical. The effective tax rate on capital soared during the high-inflation 1970s and early 1980s. More recently, as inflation crumbled, so did the tax rate on capital. It's ridiculous that the tax rate dances with the inflation rate. Add "silly" to the list of pejorative adjectives, after "unfair" and "dysfunctional."

But there are many qualifiers. Most important, interest deductions—and other aspects of the taxation of capital, such as depreciation—must be indexed as well. It's the only way to keep the tax system from malfunctioning due to inflation.

Go back to the example. Suppose your stock and the price level rise 4% a year for 10 years. You also finance your investment with borrowed money, paying an 8% nominal interest rate—meaning 4% real interest, plus 4% for inflation. Since interest payments are not indexed, the entire 8% interest is probably deductible—not only the 4% real interest payments. That means your interest deduction, which lowers your tax bill, is

double what it should be. Add this to the list of tax features that are silly, unfair, and dysfunctional.

Indexing capital gains without indexing interest payments and depreciation would not make the tax system neutral with respect to inflation, which is a sensible goal. Rather, it would enlarge the pre-existing bonanza for those who reap capital gains. That may be what advocates intend, but before endorsing such generosity, remember three things.

First, combining a low tax rate on capital gains with a high tax rate on interest payments is central to many tax shelters. It's how real-estate developers conjure up egregious gimmicks. It's why people like me have always wanted to equalize the tax rates—as the Tax Reform Act of 1986 did.

Second, remember that the rich receive virtually all the capital gains.

Willie Sutton understood why: That's where the money is. The Penn Wharton Budget Model estimates that about 95% of the tax cut from indexing gains would accrue to the top 5% of taxpayers, with about 63% going to the top 0.1% alone. So indexing

capital gains would reduce the progressivity of the income tax.

Third, any tax cut at this point would exacerbate the raid on the Treasury begun by the tax cuts of 2017 and boosted by the budget agreement in February. Together, those two fiscal moves added \$2 trillion to \$3 trillion to projected federal

**Interest deductions and depreciation must also be indexed so as not to invite tax-shelter scams.**

budget deficits over the next decade. According to the Penn Wharton Model, indexing capital gains would add roughly another \$100 billion. Pretty soon, you're talking real money.

Each of these problems is easily solved, and I'd like to see the Trump team, if I can call it a team, embrace solutions. Expand the proposal to include indexing interest payments and other relevant aspects of the taxation

of capital. Raise enough in other taxes to replace the lost revenue. And aim those new taxes at the richest taxpayers, to balance their prodigious gains from indexing.

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of capital. Raise enough in other taxes to replace the lost revenue. And aim those new taxes at the richest taxpayers, to balance their prodigious gains from indexing.

We are mindful of the limitations of any one study, no matter how well done. . . . Nonetheless, the inauspicious findings of the current study offer a cautionary tale about expecting too much from state pre-k programs. The fact that the Head Start Impact study—the only other randomized study of a contemporary publicly funded pre-k program—also found few positive effects after the pre-k year adds further cautions. . . . State-funded pre-k is a popular idea, but for the sake of the children and the promise of pre-k, credible evidence that a rather typical state pre-k program is not accomplishing its goals should provoke some reassessment.

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WALL STREET JOURNAL MANAGEMENT:

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:

1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

Robert Thomson

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## Notable & Quotable: Does Pre-K Help?

*From a randomized control trial, involving thousands of children, published in Early Childhood Research Quarterly:*

The results of this study of the Tennessee Voluntary Pre-K program have addressed our initial research questions while raising still others. The first of those research questions is about the effects of VPK participation on literacy, language, and math skills, and classroom behavior, by kindergarten entry. The second question is whether any advantage of VPK participation carries forward to enhance performance in later grades.

For the [data-intensive] subsample we found that children who participated in VPK experienced considerably greater gains in literacy,

language, and math skills during the pre-k year than the control children, and that this difference was recognized as greater preparedness for grade level work by kindergarten teachers at the beginning of the following year.

However, those positive VPK effects on achievement largely disappeared by the end of kindergarten with children in the control group catching up to the VPK participants. Moreover, by second grade the performance of the control children surpassed that of the VPK participants on some achievement measures. This pattern was echoed on the 3rd grade state achievement tests for the full RCT sample. VPK participants scored lower on the reading, math, and science tests

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## Icahn Takes On Cigna Over Deal

By CARA LOMBARDO  
AND DANA MATTIOLI

Activist investor Carl Icahn has built a sizable stake in Cigna Corp. and plans to vote against the health insurer's \$54 billion purchase of Express Scripts Holding Co., the latest sign of trouble for the planned tie-up.

Mr. Icahn, whose stake amounts to less than 5% of Cigna's shares outstanding,

believes the company is paying too high a price for the pharmacy-benefit manager, which faces threats on several fronts, according to people familiar with the matter.

Cigna in March agreed to pay what amounted to about \$96.03 a share in cash and stock for Express Scripts. In a sign of shareholder fear the deal won't go through, Express Scripts stock was already trading well below the offer price and fell further after The Wall

Street Journal reported on Mr. Icahn's stance. It closed at \$74.44, down 6.3%. Cigna stock rose about 2%.

The activist is leaning toward trying to persuade other shareholders to oppose the deal too, the people said. Cigna and Express Scripts shareholders are set to vote on the deal Aug. 24. A majority of the shares outstanding of both companies must vote for the deal for it to close.

Behind Mr. Icahn's opposi-

tion, the people said, is fear the combined company would have to contend with Amazon.com Inc.'s growing presence in the health-care industry and a proposal to limit the manufacturer rebates pharmaceutical managers receive.

Cigna had no immediate comment. The company has said the deal will help the company expand its health-care offerings and better control costs.

Express Scripts said its "combination with Cigna will deliver significant value to shareholders and position our companies to continue transforming healthcare."

The tie-up has been challenged from the beginning. Cigna investors registered their disapproval when it was announced, driving down the company's shares by 15% in the ensuing days.

An influential activist like Please turn to page B2

## Facebook Presses WhatsApp On Sales

By DEEPA SEETHARAMAN

Four years after Facebook Inc. bought WhatsApp for \$22 billion, it is formally starting the messaging app on a new mission: bringing in revenue.

WhatsApp on Wednesday detailed plans to sell advertisements and charge big companies that use its service to interact with customers, launching its first major revenue streams as growth at Facebook's main app is starting to decelerate.

The measures are aimed at connecting businesses with WhatsApp's user base of roughly 1.5 billion accounts, WhatsApp executives said.

The announcements follow disagreements between Facebook leaders and WhatsApp's co-founders, Jan Koum and Brian Acton, over how to monetize the popular, free service.



**Brian Acton,** co-founder of WhatsApp, had resisted efforts to put ads on the service.

Messrs. Koum and Acton resisted efforts to put ads in WhatsApp, and over the past year both men have decided to leave Facebook and the messaging app they started in 2009.

Facebook last week said its long-rapid revenue growth is slowing as adding new users becomes more difficult for the 14-year-old company, sending its stock price tumbling nearly 20% in two days before it recovered slightly this week. To compensate, Facebook is relying more on its acquisitions, including photo-sharing app Instagram, to help drive growth.

WhatsApp users exchange an average of 60 billion messages a day, but only a fraction are between companies and consumers—in part because the system isn't designed to facilitate that kind of interaction, executives said.

"Right now, there's really no way to know if a business is reachable on WhatsApp," Matt Idema, WhatsApp's chief operating officer, said in an interview.

The company will introduce new ad types to let users know they can text companies directly via WhatsApp for any customer-service queries instead of calling. WhatsApp will charge companies between a half a penny and 9 cents—depending on the country—for every message delivered to a potential customer, a spokesman said.

About 100 companies have been testing the feature, including Singapore Airlines Ltd., e-commerce company Wish and ride-sharing company Uber Technologies Inc., WhatsApp said.

The messages between people and business will be encrypted and unreadable by WhatsApp, but the companies could potentially store those messages in a decrypted state, creating a pool of potentially useful data for those clients.

WhatsApp also will start showing ads in its popular Status feature next year, following a path carved out by Instagram, company officials told the Journal.

Status allows users to post montages of text, photos and video that appear for 24 hours—similar to an Instagram tool called Stories. About 450 million people use WhatsApp Status, compared with about 400 million who use Instagram Stories, which already shows ads.

Like with Stories, the ads in Status will be powered by Facebook's advertising system.

Users will be able to choose whether to opt into receiving messages from businesses.

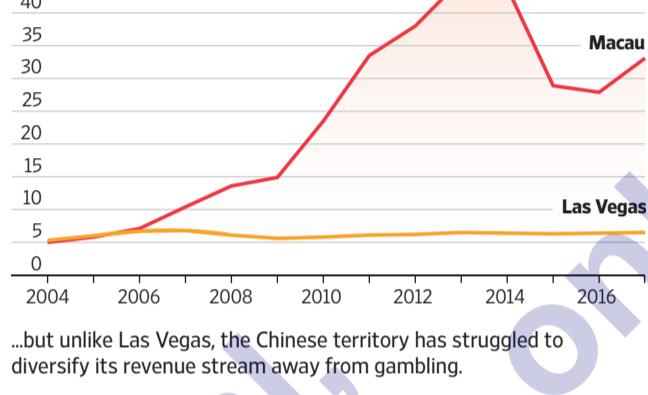
## Macau Wants to Be More Fun and Less Games—Just Like Vegas



**HEDGING ITS BETS:** Macau is trying to reduce its reliance on gambling revenue and expand its entertainment offerings in response to pressure from Beijing and its anticorruption campaign. B6

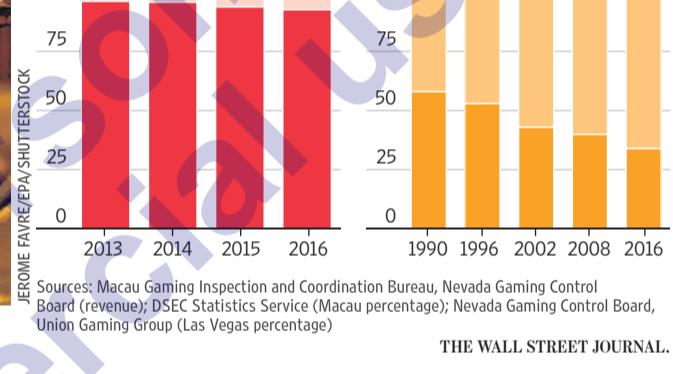
Macau overtook Las Vegas in two years as the world's biggest gambling hub...

### Gambling revenue



...but unlike Las Vegas, the Chinese territory has struggled to diversify its revenue stream away from gambling.

### Percentage of revenue from gambling and nongambling sources



Sources: Macau Gaming Inspection and Coordination Bureau, Nevada Gaming Control Board (revenue); DSEC Statistics Service (Macau percentage); Nevada Gaming Control Board, Union Gaming Group (Las Vegas percentage)

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## Wells Settles Mortgage Case for \$2 Billion

By EMILY GLAZER

Wells Fargo & Co. agreed to pay \$2.09 billion to settle with the Justice Department over the sale of toxic mortgage-backed securities in the lead-up to the financial crisis.

The Justice Department said Wednesday it reached a civil settlement with Wells Fargo to end the long-running probe into the matter.

Wells Fargo had already set aside funds to cover the settlement, in which it didn't ad-

mit liability. The bank and the Justice Department had negotiated for several months over the amount, which at one point ranged between \$2.5 billion and \$3 billion, people familiar with the negotiations said.

Wells Fargo Chief Executive Timothy Sloan said the bank is "pleased to put behind us these legacy issues regarding claims related to residential mortgage-backed securities activities that occurred more than a decade ago."

The Justice Department said the settlement "holds Wells Fargo responsible for knowingly extending loans to borrowers who couldn't afford the securities, sometimes based on flimsy supporting documents. Investors suffered heavy losses when borrowers defaulted and foreclosures spiked."

The Justice Department said Wells Fargo misrepresented the quality of the mortgages it packaged and sold to investors, relying on misstated income and incom-

nancial crisis. The government has accused lenders of knowingly extending loans to borrowers who couldn't afford the securities, sometimes based on flimsy supporting documents. Investors suffered heavy losses when borrowers defaulted and foreclosures spiked.

The Justice Department said Wells Fargo misrepresented the quality of the mortgages it packaged and sold to investors, relying on misstated income and incom-

plete documentation in a bid to increase loan volume.

The bank's own internal testing had found a significant variance between borrower-reported income and income reported on tax returns, the Justice Department said.

The Justice Department said Wells Fargo failed to disclose the problems with stated-income loans—mortgages for which it didn't verify income with supporting Please turn to page B2

**HEARD ON THE STREET** | By Nathaniel Taplin

## Mining Investors Have New Reason to Worry



A couple of years ago, mining companies would have done anything for higher prices. Now prices are rising again—but for the things mining firms are buying, not selling.

Australian giant Rio Tinto on Wednesday reported a 33% jump in first-half earnings from the same period of 2017, a chunky dividend increase and a new \$1 billion share buyback.

Under the strong headline numbers, some warning signs are flashing. Shares fell more than 3% in London on Wednesday. Underlying earnings before interest, taxes, depreciation and amortization were up only 2% on the year. Rising operating costs were only barely offset by stronger shipment volumes and higher sales prices for copper and aluminum.

Copper was the key growth engine: Without Rio's copper and diamonds group, underlying Ebitda would have fallen on the year.

But copper prices are down over 10% from the first-half market average due to worries on trade and China. Rio sees higher capital spending for 2020, though management emphasized this mainly represents existing plans being expedited, rather than new projects.

Rising costs can in part be laid at the feet of higher oil prices, which may ease later in 2018 if Chinese growth keeps slowing, as seems likely. But a slower China probably won't do much for copper or iron-ore prices, particularly since policy makers are likely to take a lighter approach to goosing growth this time for fear of inflating a debt bubble.

Rio has first-class assets and a strong balance sheet, but last year's alchemy of rising commodity prices and stable or falling costs has been replaced by the opposite. That looks like a less welcoming environment for mining shares in general.

◆ Rio Tinto announces buyback as profit soars..... B3

But copper prices are down over 10% from the first-half market average due to worries on trade and China. Rio sees higher capital spending for 2020, though management emphasized this mainly represents existing plans being expedited, rather than new projects.

Rising costs can in part be laid at the feet of higher oil prices, which may ease later in 2018 if Chinese growth keeps slowing, as seems likely. But a slower China probably won't do much for copper or iron-ore prices, particularly since policy makers are likely to take a lighter approach to goosing growth this time for fear of inflating a debt bubble.

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## Fidelity Offers No-Fee Funds

By JUSTIN BAER

35% and did away with investment minimums. Fidelity oversees \$2.5 trillion in assets.

The moves are part of a broader reduction in the price of investing as firms duel for increasingly cost-sensitive clients. Cheaper funds tied to indexes have attracted trillions in new money since the 2008 financial crisis as investors lost faith in stock pickers, prompting sweeping changes across the financial world.

"Asset managers have been avoiding breaking this seal and going to free for awhile," said Todd Rosenbluth, director

of exchange-traded funds and mutual-fund research at CFRA. "This is a key moment for managers to accept that index-based investing is here to stay."

Fidelity's cuts are the latest in a series of aggressive moves by a privately held company long known for pricier investment products run by star stock pickers.

In April, it announced a separate plan to overhaul what it charges affluent clients, making its fees more transparent at a time when the industry is

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## Wynn Reports Profit But It Trails Estimate

BY MICAH MAIDENBERG

**Wynn Resorts** Ltd. posted its first profit under its new chief executive, primarily on stronger results from one of its resorts in Macau, but the results fell short of analysts' expectations, driving shares down after hours.

The casino giant said earnings rose in the three months ending June 30 amid stronger operating income at the Wynn Palace property in the Chinese gambling enclave, where revenues per available room jumped 38% to \$245 in the period and an adjusted profit measure more than doubled to \$179.3 million.

During the second quarter, net profit totaled \$155.8 million, or \$1.44 a share, compared with \$75 million, or 73 cents a share, a year earlier. Excluding certain costs, Wynn reported adjusted per-share earnings of \$1.53, compared with FactSet's average analyst

estimate of \$1.97.

Revenue rose 9% to \$1.61 billion from a year earlier, less than analysts' expectations of \$1.7 billion, according to FactSet.

Shares of Wynn lost 3.7% after hours following the release of the results.

The company has faced months of tumult following a Wall Street Journal article in January describing allegations by current and former employees that founder Steve Wynn had engaged in behavior that would collectively amount to a decadeslong pattern of sexual misconduct against women who worked at his casinos.

Mr. Wynn has said it is "preposterous" that he would assault a woman. In response to subsequent articles, a lawyer for Mr. Wynn sent a statement on his behalf saying he "declined to participate in The Wall Street Journal's reporting because it is clear that the Journal has no intention of treating him fairly."

Street Journal has reported.

Wells Fargo is facing a spate of federal and state investigations into its retail bank's sales-practices scandal and its wealth-management business, among other matters.

In late April, Wells Fargo settled for \$1 billion with the Consumer Financial Protection Bureau and Office of the Comptroller of the Currency for its failure to manage risk. The Federal Reserve in February capped the bank's assets in an unprecedented enforcement action for similar issues.

Wells Fargo is the latest

Critics of the deal believe the combined company would face a challenge keeping up with Amazon, which has taken a number of steps toward entering the health-care industry.

In June, it said it would spend \$1 billion to buy PillPack Inc., an online pharmacy that presorts medications and ships them to customers' homes in nearly every state.

Pharmacy-benefit managers such as Express Scripts, which act as middlemen and help negotiate discounts with drugmakers, are also at risk of potentially losing lucrative rebates they receive under a proposal from the Trump administration that is part of its plan to lower drug prices.

The proposal's details aren't available to the public while the White House Office of Management and Budget conducts its review, but the publicly available title sug-

gests an exemption from anti-kickback statutes for such rebates could be altered.

Pharmacy-benefit managers have argued such rebates help them lower the cost of prescription drugs.

Cigna agreed to the deal after a previous agreement to combine with fellow health insurer Anthem Inc. was blocked

bank to settle mortgage-related claims under the Trump administration. Earlier this year, U.K. bank Barclays PLC agreed to pay \$2 billion to settle with the Justice Department over its sale of residential mortgage-backed securities, or RMBS, while Royal Bank of Scotland Group PLC agreed to pay \$4.9 billion.

Both were civil penalties and were less than what U.S. authorities had initially asked the banks to pay, the Journal reported.

But those banks are paying just a fraction of other large

RMBS settlements under the Obama administration. In 2014, Bank of America Corp. agreed to pay \$16.65 billion to settle RMBS claims, while Citigroup Inc. settled for \$7 billion. JPMorgan Chase & Co. settled similar claims for \$13 billion in 2013.

Wells Fargo's settlement doesn't include the billions of dollars in consumer relief that other lenders had to pay. Attorney General Jeff Sessions last year halted government settlements that required companies to contribute funds to third-party groups.

Regulators and as many other health-care services companies were blurring traditional lines and joining forces.

CVS Health Corp. late last year signed a nearly \$70 billion deal to buy health insurer Aetna Inc.

Express Scripts was dealt a blow last year when Anthem, its biggest customer, said it planned to launch its own pharmacy-benefit manager.

Should the deal close, Cigna shareholders would own about 64% of the combined company, while Express Scripts investors would own the rest.

Express Scripts reported its second-quarter earnings late Wednesday. It said it had net income of \$877.3 million, a 9% increase from a year ago, driven by higher gross profits in its core pharmacy-benefit business. Cigna is slated to report earnings Thursday morning.

## BUSINESS & FINANCE

# Auto Makers Post Lower July Sales

BY ADRIENNE ROBERTS

U.S. auto sales slowed in July as rising interest rates, higher gasoline prices and falling demand for passenger cars dented the industry's momentum after a strong first half of the year.

Overall U.S. auto sales dropped by 3.7%, according to analysts, due in part to one less selling day in July compared with the same month last year. However, sales dropped even as the economy remained strong and consumers continued to benefit from a tax cut adopted earlier in the year.

Buyers continued to flock to higher-priced sport-utility vehicles and pickup trucks despite fuel prices creeping higher, underscoring what some auto-industry executives say is a permanent shift in demand away from traditional passenger cars.

Analysts predict July could be a turning point for U.S. auto-industry sales, which had been tracking at a near-record pace for the first six months but are expected to cool in the second half.

"July will be one of the slowest months of this year," said Mike Jackson, CEO of the U.S.'s largest dealership chain AutoNation Inc. But he also expects the remainder of the year to be challenging with auto makers struggling to keep sales growing consistently.

The pullback in demand comes as auto-industry profits already are under pressure from tariff-related rises in metals costs.

**Ford Motor Co.**, for example,



NICK CAREY/REUTERS

The pullback in demand comes as profits are under pressure from tariff-related rises in metals costs.

**General Motors Co.** and **Fiat Chrysler Automobiles NV** last week lowered their financial outlooks for 2018, citing the impact of U.S. tariffs on steel and aluminum on earnings.

Industry executives also have warned that President Trump's threats to impose tariffs on vehicle imports could cost auto makers billions of dollars and raise some car prices by nearly \$6,000.

**Ford**, **Toyota Motor Corp.** and **Honda Motor Co.** reported percentage sales declines in the single digits. **Nissan Motor Co.** reported a 15% sales drop in July. GM no longer reports monthly sales figures and has moved to reporting on a quarterly basis.

**Fiat Chrysler** was one of the few to report an increase

in July, saying U.S. sales rose 6% due to strong demand for its Jeep brand vehicles.

**Volkswagen AG** reported a 13% gain in U.S. sales.

Sales of passenger cars took a hit in July with Toyota, Honda and Nissan reporting steep declines for sedan sales.

Ford's car sales were down 27% in July, as the U.S. auto maker moves to phase out several passenger car models, including the Ford Fusion sedan, and shift more investment to higher-profit trucks and SUVs.

"We continue to de-emphasize sedans," said Mark LaNeve, Ford's U.S. sales chief.

Billy Hayes, Nissan's vice president of regional operations, described July as a "challenging month" but said the Japanese car maker re-

mains bullish on sedans.

"It's still a huge segment," Mr. Hayes said. "We're not taking our foot off the gas."

Auto makers also backed away from offering zero-percent finance deals in July, even though those incentives tend to be popular in the summer months to spur sales of older model-year vehicles. Those deals made up 6.9% of sales in July, the lowest share since 2005, according to Edmunds.com.

Buyers also saw fewer discounts on dealer lots for new cars, especially on sedans, said Thomas King, an analyst at J.D. Power. The average discount offered per vehicle was \$3,665 in July, down from \$3,869 in the same month last year.

## Hanesbrands Says Target Deal to End

BY ALLISON PRANG

Shares of **Hanesbrands Inc.** tumbled 19% Wednesday after the company said it wasn't renewing a contract to sell an exclusive line of Champion activewear to **Target Corp.**

The company's current contract with the big-box retailer that allows Target to sell an exclusive line as part of the Champion brand, called C9 by Champion, expires at end of January 2020, Hanesbrands said.

The company said it doesn't expect the end of the contract to change its projection of Champion sales topping \$2 billion by 2022.

In the past year, Hanesbrands took in about \$380 million in sales from the C9 line, the company said Wednesday.

In 2017, Target accounted for 13% of Hanesbrands's total sales and 25% of the company's activewear sales, according to Hanesbrands's annual report.

The C9 brand includes activewear for children, plus-size and maternity customers and adults. It also includes shoes and equipment.

Hanesbrands Chief Executive Gerald Evans said in prepared remarks that "Champion

has significant momentum in all geographies globally" and that the company would focus on expanding the Champion portfolio.

A Target spokeswoman said in an email that the C9 brand makes up a "significant por-

tion" of the company's performance-wear business, but declined to provide an exact figure.

She also said Target will have more information on additions to its portfolio of brands next year but didn't elaborate.

Following widespread popularity in the 1990s, the Champion brand has undergone a revival in the past few years, in part because of collaborations with streetwear brands such as Supreme, Undefeated and Vetements.

On Wednesday, Hanesbrands also reported that its second-quarter profit declined 18% from a year earlier to \$140.6 million, or 39 cents a share.

Net sales climbed 4.2% to \$1.72 billion, helped by strong international sales. However, sales from Hanesbrands's innerwear segment, the company's largest, fell 3.4% from a year earlier.

Hanesbrands shares closed Wednesday at \$17.96, down 19%.



RICK CHRISTOPHER/JONES FOR THE WALL STREET JOURNAL

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A

## BUSINESS NEWS

# T-Mobile, Sprint Pull In Customers

BY SARAH KROUSE  
AND DREW FITZGERALD

**T-Mobile US** Inc. and **Sprint** Corp. added a wave of new customers as they raced to upgrade their networks, a key selling point to regulators as executives tout the economic benefits of their planned merger.

T-Mobile added 686,000 net postpaid phone subscribers while Sprint gained 87,000 during the quarter that ended in June. Telecom investors value those customers because they tend to stick with their carriers. Both companies benefited from some subscribers under prepaid brands, such as MetroPCS, moving to the post-paid category.

The two largest wireless carriers by subscribers, **Verizon Communications** Inc. and **AT&T** Inc., added 199,000 and 46,000 postpaid phone customers, respectively, in the most recent quarter.

T-Mobile operating chief Mike Sievert said in a conference call with analysts that improved network performance attracted new users and helped keep customers from leaving. "That's something we think is sustainable."

The customer surge prompted the Bellevue, Wash., company to raise its projection for postpaid phone-customer gains for the second time this year. T-Mobile now expects to add three million to 3.6 million of those customers, up from its previous estimate of 2.6 million to three million new subscribers. It also expects capital spending to hit the high end of its previously forecast range of \$4.9 billion to \$5.3 billion.

All four nationwide carriers now offer unlimited data plans on various tiers that slow speeds after a certain amount of monthly use. Many have tried to woo or hold on to customers by adding free video-streaming services such as Netflix or Hulu, rather than discounting service.

**The wireless carriers are waiting for regulators to approve their planned merger.**

Sprint gained postpaid phone customers for the 12th straight quarter, a trend that has helped the bottom line after years of losses. Some of those valuable postpaid additions came from Sprint's other brands, such as Boost Mobile and Virgin Mobile, that pitch no-contract plans.

Sprint Chief Executive Michel Combes said on a call with analysts that Sprint's most recent promotions were less generous than prior deals, which could put pressure on its ability to add subscribers.

"It's important to balance growth and profitability as we significantly increase the capital investments in our network," he said. Including access to Hulu and music-streaming service Tidal helps cut customer churn, he said.

T-Mobile ended June with 75.6 million wireless customers. Sprint closed the period with 54.6 million customers.

Sprint, based in Overland Park, Kan., added a net 57,000 wireless subscribers during the period, and had 54.6 million customers at the end of June.

The period was Sprint's first under Mr. Combes, its former chief financial officer, who was named its CEO in May. Mr. Combes previously led Altice NV and succeeded Marcelo Claure, who is now Sprint's executive chairman.

"The combined company will put America first and force the competition to invest," Mr. Combes told analysts Wednesday.

In all, Sprint's quarterly profit was \$176 million, compared with \$206 million a year earlier. Revenue was roughly flat year at \$8.13 billion.

T-Mobile posted a \$782 million quarterly profit, up from \$581 million a year earlier. Revenue rose 3.5% to \$10.57 billion.

# Rio Tinto Sets \$1 Billion Buyback

Mining company also plans to raise dividend; profit soars as CEO says 'resilience is key'

BY RHIANNON HOYLE

**SYDNEY**—**Rio Tinto** PLC said it would buy back a further \$1 billion in stock as it recorded a 33% rise in first-half net profit and raised its dividend by 15%, aided by recovering prices of some commodities.

The world's second-biggest miner by market value, behind **BHP Billiton** Ltd., on Wednesday reported a profit of \$4.38 billion for the six months through June, up from a net profit of \$3.31 billion a year earlier. It was the miner's most profitable first half since 2014.

Management also pledged to hand back roughly an additional \$4 billion after taxes from the sale of assets including Australian coal mines, although they are yet to decide on an exact time and method.

The company, one of the world's top iron-ore suppliers, said profit before one-off items was up 12% at \$4.42 billion. That was a slight miss on market expectations of about \$4.6 billion, according to the median of eight analyst forecasts.

Directors said an interim dividend of \$1.27 a share would be paid to shareholders, representing a payout of 50% of underlying earnings.

The mining industry has roared back to life over the past two years following a sharp drop in prices for commodities such as copper, iron ore and coal that sent compa-



Company executives said they are facing pressure from rising costs, but this is being offset by improvements in productivity at mines.

nies scrambling to cut debts and boost margins.

With earnings season now under way, investors are watching for shifts in strategy that could include a more aggressive approach to growth, signs that costs are starting to eat into profits and any impact from increasing trade tensions.

Rio Tinto on Wednesday raised concerns over the threat of an escalating trade conflict between China and the U.S. That poses risks for a company that ships about 90% of its products between countries, said Chief Executive Jean-Sébastien Jacques.

"The mining industry has two key drivers: GDP growth

and global trade," he told reporters.

He said Rio Tinto was yet to feel a material impact from trade disputes on sales of its commodities, but was positioned to deal with continuing economic volatility. "In these uncertain times, resilience is key," Mr. Jacques said.

Executives also cautioned that the business is facing pressure from rising costs, but said this was being offset by improvements in productivity at its mines. Rio Tinto said higher energy prices cost it about \$161 million in earnings, mainly because of a 28% rise in the average cost of a barrel of oil.

While the focus remains on

shareholder returns, the company said it continues to press ahead with some new projects, spending 34% more in the 2018 first half versus the year-earlier period. Earlier Wednesday, the company said it approved \$146 million in funding for initial work for its planned Koodaideri iron-ore mine in Western Australia, ahead of a final decision on the project later this year.

The industry's turnaround in fortunes has been underpinned by a recovery in commodity markets, which have rebounded by roughly 16% since early 2016, according to the Bloomberg Commodity Index.

Overall, commodity price

changes boosted underlying earnings before interest, tax, depreciation and amortization by \$604 million from a year earlier, Rio Tinto said.

The price of iron ore has steadied around \$60 to \$70 a metric ton—giving Rio Tinto, one of the lowest-cost producers in the world, hefty margins on the ore it ships to buyers across Asia.

Rio Tinto shipped 9% more of the steelmaking commodity from its Australian mines in the first half. It also reported a 42% jump in copper output, owing to strong production at the part-owned Escondida mine in Chile, which was disrupted by a worker strike in the year-earlier period.

# Volkswagen Is Dogged by Emissions Scandal

BY MAX BERNHARD

**Volkswagen AG** took another big earnings hit from its diesel-emissions crisis and warned that new testing standards pose a further risk for the world's largest auto maker.

The German car company said Wednesday it incurred €1.6 billion (\$1.87 billion) in second-quarter costs from fines and legal fees linked to the emissions-cheating scandal, which has already burdened VW with more than \$32 billion in penalties, fines and compensation for customers.

Volkswagen admitted in 2015 to rigging nearly 11 million diesel-powered vehicles with software that enabled them to cheat emissions testing. The aftermath has led to sweeping management changes at the Wolfsburg, Germany-based company.

Fallout from the emissions



CEO **Herbert Diess** warned Wednesday of challenges ahead as a new testing regime is implemented.

scandal continues to cloud Volkswagen's prospects, with regulators set to implement a new testing regime for cars, called Worldwide Harmonized Light Vehicle Test Procedure, or WLTP. Herbert Diess, Volks-

wagen chief executive since April, warned Wednesday that "great challenges lie ahead of us in the coming quarters—especially regarding the transition to the new WLTP test procedure."

Volkswagen shares fell 3.2% on Wednesday.

Volkswagen said previously that the availability of certain models—and thereby sales and earnings—could suffer from the changeover to the new emis-

sions regulation, which goes into effect on Sept. 1 in Europe.

Finance chief Frank Witter said Wednesday that business in the second half could be "volatile" because of the new testing standard and that compliance costs, though difficult to accurately quantify at this point, would be "significant."

Under the new regulatory regime, emissions standards in effect will be tightened every year, Mr. Diess said. That adds complexity to certifying new vehicles and, he said, could force Volkswagen to reduce the number of models it offers.

Mr. Diess also warned that increasing protectionism was a challenge, echoing concerns expressed by his U.S. and European peers.

Volkswagen said net profit in the April-June period rose to €3.23 billion from €3.04 billion in the year-earlier quarter. Sales rose 3.4% to €61.15 billion.

# Molson Tries Cannabis As Beer Sales Decline

BY JENNIFER MALONEY

**Molson Coors Brewing** Co. is turning to cannabis drinks in search of growth as the No. 2 U.S. brewer posted another quarter of weak beer sales.

The company said it is forming a joint venture with the **Hydropothecary** Corp., a Canadian cannabis producer, to develop nonalcoholic, cannabis-infused beverages for the Canadian market.

The brewer's pivot follows similar moves by Corona brewer Constellation Brands, which last year invested in Canadian cannabis company Canopy Growth with plans to develop beverages, and

**Heineken** NV, whose Lagunitas brand this week launched a cannabis-infused sparkling water in California.

"The decision we had to make was do we want to be a spectator or a participant?"

Molson Coors Chief Executive Mark Hunter said Wednesday on a call with analysts. "We're going to learn a lot and if other markets start to open up...or it becomes federally legal, then we'll be in a good place."

The decline of American light lagers including Coors Light continues to hurt Molson Coors. Its global volumes fell 2.4% in the second quarter, driven by declines in the U.S. and Canada. In the U.S., beer

volume dropped 4.8% and revenue decreased 3.1%.

Recreational marijuana use in Canada will be legal in mid-October, and edible and drinkable cannabis products are expected to be legalized there by 2019. Independent research firm Euromonitor International estimates that legal marijuana sales in 2018 will total US\$7.5 billion in Canada and \$10.2 billion in the U.S.

In the joint venture, Molson will have a 57.5% interest in a stand-alone startup company with its own board of directors. The Hydropothecary will have the remaining stake.

Meanwhile, Molson said it is focused on its beer volumes in North America, particularly Coors Light, which lost market share in the quarter.

**Dividend Notice**  
The Board of Directors of Canadian National Railway Company has declared a quarterly dividend of \$0.4550 per share on the outstanding common shares. The quarterly dividend is payable on Sept. 28, 2018 to shareholders of record at the close of business on Sept. 7, 2018.

By order of the Board  
Sean Finn  
Executive Vice-President  
Corporate Services and  
Chief Legal Officer  
Montreal, Quebec  
July 24, 2018

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## NOTICE TO SHAREHOLDERS

(pursuant to Article 84 of Consob Regulation no. 11971/1999)

### PURCHASE OF INTESA SANPAOLO SAVINGS SHARES PURSUANT TO ARTICLE 2437-QUATER OF THE ITALIAN CIVIL CODE, SETTLEMENT OF THE PRE-EMPTION AND PRE-EMPTIVE RIGHTS OFFERING AND EFFECTIVENESS OF THE MANDATORY CONVERSION

On 1 August 2018, the Board of Directors of Intesa Sanpaolo S.p.A. ("Intesa Sanpaolo" or the "Company") resolved to proceed with the reimbursement through the purchase by the Company, pursuant to Article 2437-quater, paragraph 5 of the Italian Civil Code, of no. 14,962,024 savings shares of Intesa Sanpaolo following withdrawal that remained unsold (the "Shares") after the pre-emption and pre-emptive rights offering (the "Offering") which ended on 17 July 2018. This was in accordance with the resolution of the Special Meeting of savings shareholders of 27 April 2018 which approved the mandatory conversion of the Intesa Sanpaolo savings shares into ordinary shares (the "Mandatory Conversion") and the consequent amendments to the Company's Articles of Association.

Accordingly, the Shares will not be offered on the market, as permitted by Article 2437-quater, paragraph 4 of the Italian Civil Code. The Shares will be purchased by available reserves of the Company at the liquidation value of the shares following withdrawal, set in accordance with the provisions under Article 2437-ter, paragraph 3 of the Italian Civil Code, of Euro 2.74 each, with settlement date on 3 August 2018.

In accordance with the resolutions taken by the Extraordinary Meeting of the ordinary shareholders of Intesa Sanpaolo on 27 April 2018, the Shares purchased by the Company will be subsequently sold at a price of no less than the reference price recorded by the share in the stock market session on the day prior to each single disposal transaction, decreased by ten per cent.

Furthermore, it should be noted that:

- the settlement of the Shares and related operations following the exercise of the pre-emption and pre-emptive rights under the Offering shall take place on 3 August 2018;
- the last trading date of the Intesa Sanpaolo savings shares shall be 6 August 2018;
- the Mandatory Conversion of savings shares into ordinary shares will become effective on 7 August 2018 and, therefore, from that date only Intesa Sanpaolo ordinary shares will be traded on the Mercato Telematico Azionario di Borsa Italiana;
- once the Mandatory Conversion of the no. 932,490,500 savings shares into ordinary shares becomes effective, the share capital of Intesa Sanpaolo, fully subscribed and paid-in, equal to Euro 9,084,056,582.12, will be composed of no. 17,506,639,140 ordinary shares without nominal value;
- any fractions resulting from the Mandatory Conversion of savings shares into ordinary shares will be managed by an intermediary appointed by the Company, with settlement in cash to be carried out by the beneficiaries' intermediaries.

Turin, 2 August 2018

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## PERSONAL TECHNOLOGY | By Katherine Bindley

# Facebook Offers Tools to Loosen Its Grip



When considering how much time we spend on our phones, it's hard to think

of two apps that can be more of a mindless time-suck than **Instagram** and its big brother, Facebook.

As part of a larger trend of tech companies offering to help wean us off their addictive products, **Facebook Inc.** has announced new tools that tell us more about how much time we're spending in its apps and give us a nudge when it's time for a break.

This doesn't come as a surprise. The company has publicly acknowledged that some social-media use can be harmful. In a January post, Chief Executive Mark Zuckerberg made it his 2018 goal to "fix" Facebook's problems, "whether it's protecting our community from abuse and hate, defending against interference by nation states, or making sure that time spent on Facebook is time well spent."

The company says it created the tools with the help of "leading mental health ex-

perts and organizations, academics, our own extensive research and feedback from our community." Its stated goal: It wants the time people spend on its platforms to be "intentional, positive and inspiring."

The features, which are "rolling out soon," according to the company, will be part of an activity board located within the settings pages of both the Facebook and Instagram apps. So, how to find and best use them?

To access the new tools, you'll first need click on the settings page of either app. For Instagram, you'll tap "Your Activity." For Facebook, you'll click "Your Time on Facebook."

## Time Tally

At the top of your activity board, you'll see a number showing you the average amount of time a day that you've spent in the app over the past week. Below that, there will be a bar chart broken down to show you the count for each day of the week. Just note: That tally will only reflect the time you spend on the specific device



AMIR QURESHI/AGENCE FRANCE PRESSE/GETTY IMAGES

**Users will be able to monitor how much time they spend on Facebook and Instagram apps on a device.**

you're using, and only in the app—it won't include time you spend on the Facebook or Instagram website. So if you divide your Facebook time between your smartphone, laptop and tablet, you won't get a complete picture.

When your app updates with the new tools, have a look at those numbers, con-

sider how you feel about them, and set a goal if you think you need to cut back.

## The Cut Off

Right under your time tally is the option to "Manage Your Time." You punch in how much time per day you'd like to spend in the apps. If you

hit your limit, you'll get a pop-up message saying so.

Of course, it's only a reminder, not a hard limit: When the alert pops up, you can ignore it (by tapping "OK") and just keep scrolling.

## Mute Notifications

Even though I long ago dis-

abled most of my Facebook notifications (did I really want to be sucked back into the app just because 24 strangers typed "Congrats!" on the same new-baby post that I did?), this next feature piqued my interest: a mute button for notifications.

Facebook and Instagram will soon allow you to choose from pre-set time intervals during which you won't be bothered by their notifications. Unfortunately, Facebook's screenshots show that your options only include a time range between 15 minutes and 8 hours.

## More Controls

With the arrival of Apple's iOS 12 this fall, iPhone users will have other ways to manage their app usage, including Facebook and Instagram. Likewise, a coming version of Android, dubbed "P," will feature Google's new Digital Wellbeing tools.

Both provide graphs of time spent in smartphone apps, more granular notification controls, and alerts when you use an app longer than you wanted to.

# Apple Gains Where Samsung Lags

BY TRIPP MICKLE

**Apple Inc.** and **Samsung Electronics Co.** entered the second decade of the smartphone era by betting on super-high prices for their flagship products. One year in, that strategy has energized Apple but sapped Samsung's sales.

The Silicon Valley company on Tuesday announced a third consecutive quarter of record iPhone revenue as strong demand for its \$999 iPhone X helped lift the average iPhone selling price 20% to \$724 for the three months through June.

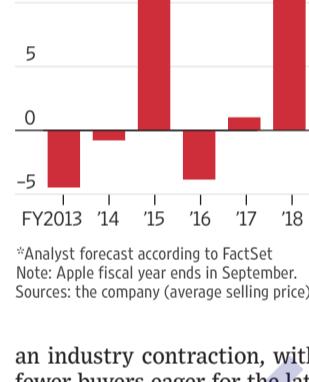
Just a day earlier, Samsung said its smartphone profits cratered, as fewer buyers were willing to shell out the nearly \$1,000 that the South Korean company wanted for its flagship Galaxy S9 handset. On average its smartphones sold for about \$220 in the most recent quarter, analysts said, brought down by the lower-cost models it sells alongside its pricier iPhone competitors.

The results illustrate the diverging fortunes of the world's most profitable smartphone companies as they sweat out

## Priced Up

Apple has increased its average smartphone selling prices with the \$999 iPhone X, even as its share of high-end handsets has declined.

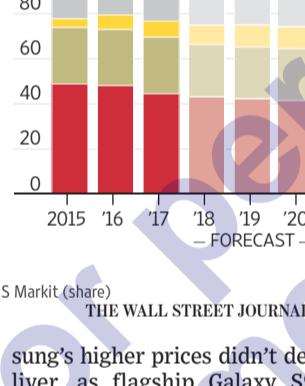
### Apple average selling price, change from year earlier



an industry contraction, with fewer buyers eager for the latest gadget.

Apple has navigated the slowing market by leaning on its premium brand, new features and exclusive operating system to command record prices—even with little unit growth, analysts say. But Sam-

### Market share of phones priced above \$400



sung's higher prices didn't deliver, as flagship Galaxy S9 sales slipped and unimpressed consumers turned to less expensive devices from Android rivals.

Adding insult to injury, Apple appeared to gain market share from Samsung, said Neil Mawston, an analyst with

Strategy Analytics. During the second quarter, the iPhone's share rose to 12.1% from 11.8% a year earlier and Samsung slipped to 20.9% from 22.9%, according to International Data Corp. Meanwhile, China's Huawei Technologies Co. for the first time surpassed Apple as the world's second-largest smartphone maker, with 15.8% of the second-quarter market, IDC said.

Shares of Apple rose 5.9% Wednesday to \$201.50 and earlier hit an all-time of \$201.76. The stock is up 19% in 2018. Samsung shares, which rose slightly Wednesday, are off 8.7% this year.

With the iPhone X, introduced last September, Apple sought to create a super-premium product. It justified that price by adding features like facial recognition and its first organic light-emitting diode, or OLED, display.

Samsung has vowed to fight back by pushing future breakthroughs, such as new phone designs and handsets equipped for fifth generation, or 5G, wireless networks.

—Timothy W. Martin contributed to this article.

# Google Tests Censored Chinese Search Engine

BY DOUGLAS MACMILLAN

Google is testing a mobile version of its search engine that would adhere to China's strict controls over content, a person familiar with the matter said, indicating renewed interest in a market that the **Alphabet Inc.** unit abandoned eight years ago in protest over government censorship.

Plans for Google's censored search product aren't completed, and it may never come to fruition, the person said. Chief among the hurdles, Google would need approval to re-enter the search market from Chinese authorities, who block access within the country to Google's search engine as well as many other foreign news and social-networking sites.

If the effort were to proceed, it would mark a sharp about-face for Google that is certain to fuel controversy among human-rights advocates and many of its own employees, as well as U.S. politicians. When Google abandoned its Chinese search operations in 2010 to protest the state's censorship, co-founder Sergey Brin described the government as having the "earmarks of totalitarianism" of the Soviet Union, where he was born.

A Google spokeswoman noted that the company already offers several other apps in China, including one for translation, and that it works with Chinese developers and has invested in Chinese companies including e-commerce giant JD.com Inc.

Google's Chinese search effort, which was reported earlier by The Intercept, is coming to light at a time of rising trade tensions between the U.S. and China, which also

could complicate Google's plans. The Wall Street Journal reported Wednesday that the Trump administration is considering more than doubling its proposed tariffs on \$200 billion of Chinese goods to 25% as it seeks to pressure Beijing into further negotiations.

At the same time, China's population of internet users also has ballooned—to more than 770 million as of last year, by far the world's larg-

**770M**

Number of internet users in China as of last year

# Asian Ride Service Hails \$2 Billion

BY JULIE STEINBERG AND LIZA LIN

Southeast Asian ride-hailing company **Grab Inc.** is poised to announce a roughly \$2 billion round of fundraising, according to people familiar with the matter, providing extra firepower to confront a new challenge to its regional position.

The round includes a previously announced \$1 billion investment by Japanese car

maker **Toyota Motor Corp.**, the people said. The latest infusion would value the Singapore-based company at \$11 billion, one of the people said.

The Wall Street Journal reported in May that fundraising talks were under way.

A Grab spokeswoman declined to comment.

In March Grab agreed to take over **Uber Inc.**'s Southeast Asian business. The financing comes as it battles a

second deep-pocketed rival, PT **Go-Jek Indonesia**.

Go-Jek, which counts **Alphabet Inc.**'s Google and U.S. investment firm **Warburg Pincus** among its investors, said earlier this year it would spend \$500 million to expand in the region of more than 600 million consumers. Go-Jek, which started out offering motorcycle-hailing in Indonesia, plans to introduce car-hailing and take on Grab in countries

such as Thailand, Vietnam and the Philippines.

Grab is backed by investors including Japan's **SoftBank Corp.**, Chinese counterpart **Didi Chuxing Technology Co.** and auto makers such as **Honda Motor Co.** and **Hyundai Motor Co.** Uber took a 27.5% stake in Grab after merging its Southeast Asia operations with the company.

—Newley Purnell contributed to this article.

—Newley Purnell contributed to this article.

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Kroger's chief digital officer, in an interview. "It is creating a sense of urgency and huge opportunity for us."

Kroger Ship will be free for orders over \$35 and will cost \$4.99 for purchases of lower value, according to the company. The site will offer 5% discounts for subscription goods. Officials declined to say how much the service had cost Kroger to build.

Kroger's sales growth has improved after slumping last year, but the grocer is still battling against cheaper and more convenient competitors.

One of the biggest challenges for Kroger and other conventional supermarkets is Amazon, which sold around \$650 million in consumer packaged-food items in the second quarter this year, up 40% from the previous year, according to the One Click Retail research firm. The e-commerce giant now offers rapid delivery from Whole Foods in 20 cities to Prime members, with the service and

discounts to benefit holders spurring billions of dollars in revenue from the chain's stores.

But there are a number of e-commerce options eating into grocers' sales of packaged

and household products. Several food retailers are shipping groceries directly to customers' homes. Walmart bought Jet.com in 2016 to expand its delivery capabilities, and is pushing into New York City in the fall. Target Corp. bought the Shipt Inc. grocery service last year and is now rolling out new delivery areas.

Kroger has pursued several digital initiatives in recent months as part of a three-year effort to improve its operations. Many analysts and investors have approved of the efforts after the company appeared to be slow to change, and Kroger's shares have strengthened this year.

In May, Kroger took a stake in British online grocer **Ocado Group PLC** to run automated delivery warehouses and process digital orders for the grocer.

It acquired Home Chef to sell its meal kits, and is working with electric-vehicle startup Nuro Inc. to test driverless grocery deliveries.

## Kroger Rolls Out Grocery Delivery Service

### Comeback

Kroger's same-store sales are improving after a recent slump.

### Change from

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## BUSINESS NEWS

# Fewer Jobs for Foreign M.B.A. Students

Firms hesitate to hire international graduates amid tougher U.S. visa policies, schools say

BY JANAKI CHADHA  
AND KELSEY GEE

For years, coming to America for business school was a fairly reliable way for many international students to land prestigious, well-paying jobs at big U.S. companies.

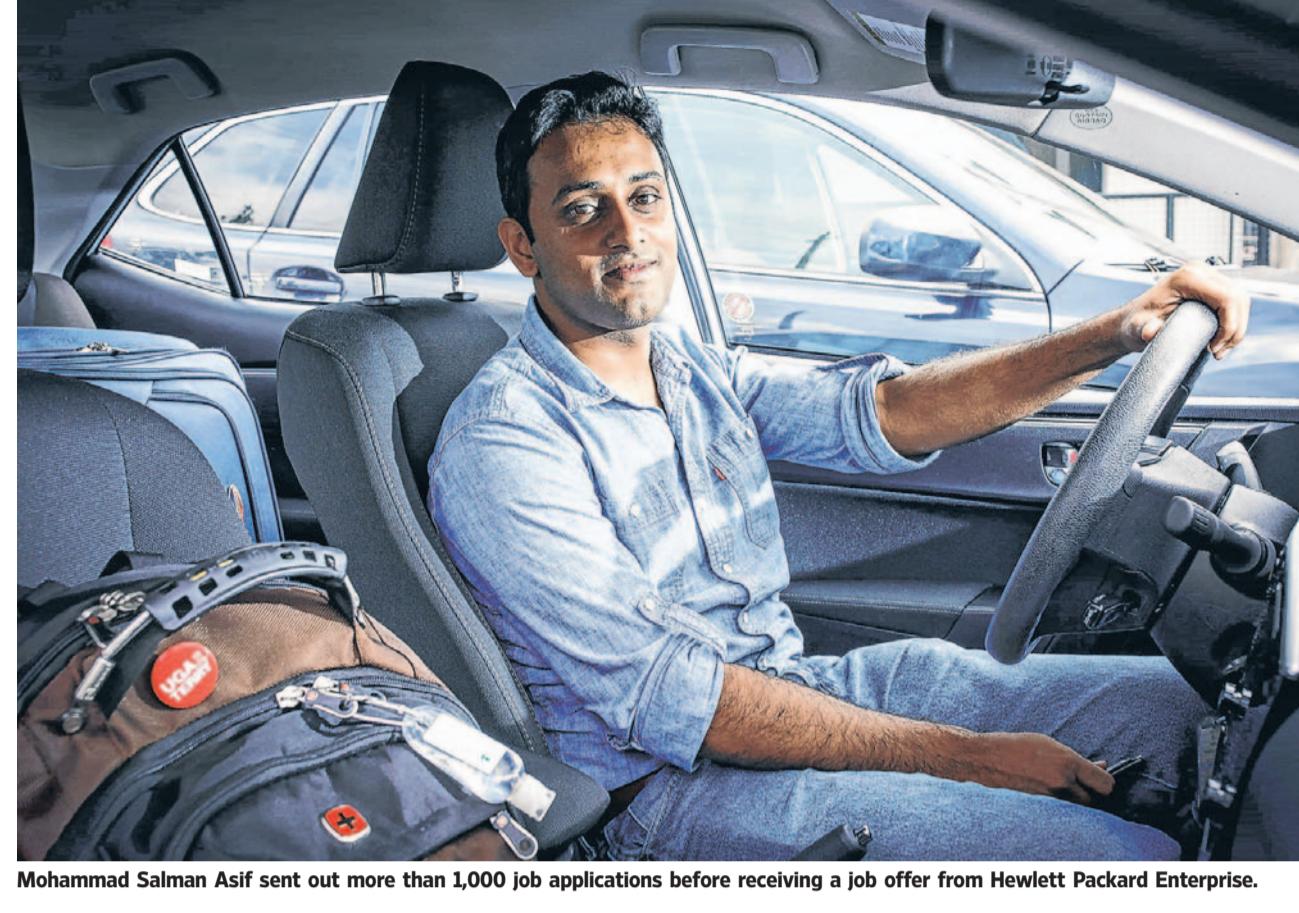
**MANAGEMENT** Toughest worker-visa rules imposed by the Trump administration are quickly changing those odds.

Despite a booming economy and near full employment, companies recruiting from top U.S. business schools are advertising more jobs that clearly note only U.S. citizens or legal residents need apply, university administrators say.

In the first half of 2018, companies posted more than 877,000 jobs with the request that candidates have U.S. citizenship or work authorization from the federal government, a 19% jump from last year, according to an analysis of 25 million job advertisements on company websites and social-media platforms that research firm Gartner Inc. conducted for The Wall Street Journal.

Less than half—47%—of U.S. companies plan to hire international graduates from U.S. business schools this year, down from 55% in 2017, according to a survey of 1,100 employers by the Graduate Management Admission Council, which administers the GMAT entrance exam used by many M.B.A. programs.

Discover Financial Services, Delta Air Lines Inc. and Intel Corp. are among the companies students and business-school administrators cite as having grown more reluctant to hire foreign nationals. The changes have come since the Trump administration stepped up its scrutiny of applications for the highly-skilled-worker visa program known as H-1B. In recent months, immigration officials have sent more H-1B



Mohammad Salman Asif sent out more than 1,000 job applications before receiving a job offer from Hewlett Packard Enterprise.

applications back for further documentation, according to U.S. Citizenship and Immigration Services data, compared with the last year of the Obama administration. The administration also is requiring more information about wages and the kind of work being performed.

This spring, the Department of Homeland Security also tightened the eligibility requirements for jobs employers can give international students participating in another commonly used program, called Optional Practical Training, which lets foreign students stay and work in the U.S. for a year after graduation with the prospect of receiving an H-1B visa afterward.

Discover is still sponsoring visas for foreign nationals but now more heavily recruits prospective hires who don't need them, due to "uncertainty over the future of the H-1B program," said spokesman Jon Drummond. He added the number of visas Discover

sponsored for recent graduates hadn't significantly changed over the past year.

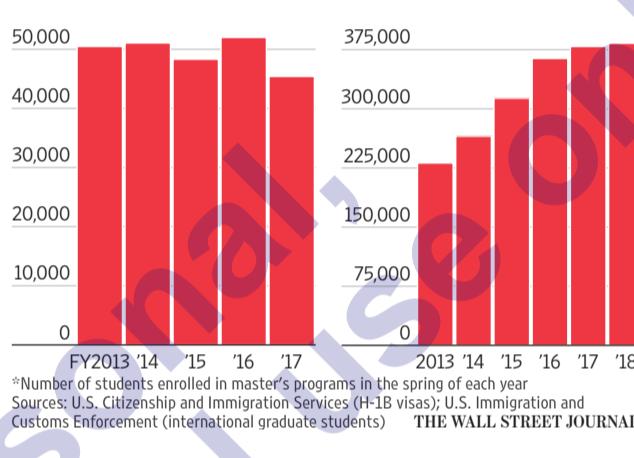
Of the 830 U.S. jobs currently posted on Intel's career website, dozens were advertised to "U.S. workers only," according to a Wall Street Journal analysis. Many of them were for roles such as software and firmware engineers and information-technology support—jobs that H-1B workers frequently filled across the tech industry in the past.

Intel declined to comment on how many jobs are open to foreign nationals, but a spokeswoman said "we have not made any changes to our U.S. hiring and immigration sponsorship guidelines."

Dozens of other jobs for master's-degree holders at Delta, Southwest Airlines Co., Kimberly-Clark Corp. and other companies cited by students and school officials also explicitly required candidates to have legal permission to work in the U.S. without a visa. Delta and Southwest said they continue to hire employ-

## Higher Hurdles

The number of first-time H-1B visas for master's degree holders has declined...



...even as the number of international graduate students in the U.S. has risen\*

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ees who require H-1B visas but declined to specify the number of foreign nationals recruited this year or in the past. A Kimberly-Clark spokesman said the company has hired fewer workers overall in en-

try-level roles recently, but "hiring practices and the language in our global job postings has remained consistent."

Many employers began scaling back hires of international graduates last year in

anticipation of a tougher approval process for sponsorships of foreign workers, students and school administrators said. Initial H-1B visas for master's-degree holders fell to 45,405 in the fiscal year ended September 2017, from 52,002 in fiscal 2016, according to government data. The total number of H-1B visas approved for new hires fell to 108,101 from 114,503 in the same period.

Mohammad Salman Asif came to the U.S. from Pakistan two years ago to pursue an M.B.A. at the University of Georgia Terry College of Business. After graduating in May, he is to start a job next week as a senior financial analyst in San Jose, Calif., at Hewlett Packard Enterprise Co., which agreed to sponsor the H-1B visa petition he will file next spring. If he could do all over again, he said, he wouldn't choose a school in the U.S.

"It was really, really difficult," said Mr. Asif, who sent out more than 1,000 job applications in recent months and said he repeatedly got the message in interviews with companies and from job postings that his lack of permanent work authorization was a hurdle. "If I could go back, I would choose another country which offers more stability."

The tougher hiring climate for foreign workers is having, in turn, a chilling effect on international applications to U.S. universities. For the first time in over a decade, foreign applications to two-year M.B.A. programs were down last year at the vast majority of U.S. schools, and fell 5.8% nationwide, according to GMAC.

That decline is on track to continue this fall, after the nation's business programs received 13% fewer GMAT score reports from foreign applicants for the coming academic years. Meanwhile, the data show business schools in Europe and Canada, such as INSEAD in France and the Rotman School of Management in Toronto, have seen an uptick in applications from international students.

## Macau Struggles to Beat Vegas at Fun

BY ESE ERHERIENE

MACAU—It took Macau just two years to eclipse the Las Vegas Strip as the world's biggest gambling hub after the Chinese territory opened up its casino market. Trying to catch up with Vegas as an entertainment capital is slower going.

Michelin-star chefs, circus shows and concerts by Bruno Mars and Celine Dion are among the star attractions Macau has promoted in an effort to lure tourists who don't necessarily want to play the tables. The city is trying to reduce its reliance on gambling revenue in response to pressure from Beijing, which has cracked down on corruption and outflows of currency through Macau.

Fourteen years after a competitive casino market opened in Macau, officials here have a modest goal: to pull at least 9% of revenue from nongambling sources by 2020, up from 7% in 2016. It took Las Vegas just a decade from the introduction of the first mega-resorts for non-gambling revenue to top 50%. Gambling now makes up 34% of revenue on the Strip, where more-liberal casino licensing has fueled fierce competition and forced operators to develop other attractions to distinguish themselves.

Hurting Macau's efforts to sell a new image is the area's attraction for high rollers, a shortage of land to house tourists and develop better attractions such as theme parks, and a failure to tap into what Chinese tourists want, according to interviews with officials, casino operators and industry experts.

"In people's minds, Macau is still a gaming center," said Wilfred Wong, president of the China unit of billionaire casino mogul Sheldon Adelson's Las Vegas Sands.

A Portuguese territory until 1999, Macau was for decades monopolized by a local casino operator. The enclave boomed after officials gave licenses to other casino operators, including Sands China Ltd., Wynn Macau Ltd. and MGM China



Officials in Macau want at least 9% of revenue to come from nongambling sources by 2020.

Holdings Ltd. Driven by high rollers amid China's breakneck economic growth, the casinos prospered, handling more than \$45 billion in wagers combined at their annual peak in 2013.

Chinese President Xi Jinping's crackdown on money laundering and capital flight in Macau led to falling revenue for more than two years until mid-2016. Since then, revenue has risen for 23 straight months, and casino bosses have been told to focus on nongambling attractions.

In entertainment terms, Macau lags behind Vegas for options. In June, visitors to the Nevada city could choose from more than 120 events, including performance residencies by Jennifer Lopez and Boyz II Men, and Cirque du Soleil productions, according to the official Las Vegas visitors guide.

Macau's tourism board listed less than half that number, and included acts such as Korean pop group GOT7 and Celine Dion's two-night stand at Macau's Venetian casino, at which some seats were empty.

Macau casino bosses may be misreading their core audience, said Kevin Clayton, chief marketing officer at Hong Kong

listed casino operator Galaxy Entertainment Group Ltd. Much of the entertainment is geared toward the tastes of Westerners, he said, rather than Chinese tourists who made up about 70% of visitors to Macau in the first quarter of 2018.

While Vegas thrived by fully opening its casino market, Macau has six licensed operators and is hampered by a lack of land for development. Hotels in the 12-square-mile territory are often almost full on weekends and the main casino strip sits atop reclaimed land.

Some existing operators have little to show for efforts to broaden their appeal. Wynn Macau's non-casino revenue—including food and beverage, retail and hotel rooms—was 6.7% of total revenue in 2017, up from 5.6% in 2008, and MGM China has struggled, with nongambling revenue slipping to 2% last year from 2.5% in 2010. MGM China didn't respond to requests for comment.

Sands has done better, with the share of nongambling revenue growing to 16% in 2017 from 12.6% in 2008.

Sands is investing \$1.1 billion in Macau projects in the next

couple of years, including themed casino resort The Londoner Macao, due to open in 2020. This follows its opening of The Parisian in September 2016, targeting nongambling tourists with a half-size replica of the Eiffel Tower and roaming mime artists. Destination casinos are popular with tourists who want the experience of traveling elsewhere, and the Sands group's hotel occupancy in the first quarter rose 12 percentage points from the prior year, to a record 94%.

MGM in February opened a resort featuring Asia's first dynamic theater that can be reconfigured quickly into any of more than 10 different layouts. In June, China's Melco Resorts & Entertainment Ltd. opened its Zaha Hadid-designed Morpheus hotel. Its City of Dreams property already features "The House of Dancing Water," a water-based acrobatic production that has attracted four million visitors since 2010.

"A gaming table is a homogenous product," said Melco Chief Executive Lawrence Ho. "What we're really competing on is guest experiences and the amenities and attractions that we can offer."

## BUSINESS WATCH

### Covington, Debevoise Are Hired for Inquiry

The CBS Corp. board has retained the law firms of Covington & Burling and Debevoise & Plimpton to investigate allegations of sexual harassment against its chairman and chief executive, Leslie Moonves, as well as the CBS News unit, the company said Wednesday.

The board also created a special committee of board members to oversee the investigation.

The investigation follows an article in the New Yorker last week in which six women alleged to have been harassed or inappropriately touched by Mr. Moonves. The article also painted an unflattering picture of Jeff Fager, a former CBS News chairman and current executive producer of the magazine show "60 Minutes."

Mr. Moonves has expressed regret for any actions that made any women uncomfortable but denied ever harming the careers of anyone who rebuffed him. Mr. Fager denied the allegations in the New Yorker article.

—Joe Flint

SQUARE

### Consumer Services Help Shrink Loss

Jack Dorsey's Square Inc. said on Wednesday that its second-

quarter loss narrowed thanks in part to uptake of its consumer financial services.

The San Francisco-based financial-technology company, co-founded by Twitter Inc. CEO Dorsey, reported a quarterly loss of \$5.91 million, or 1 cent a share, compared with a loss of \$15.96 million, or 4 cents a share, a year earlier. On an adjusted basis, Square's per-share earnings rose to 13 cents, above the estimate of analysts polled by Thomson Reuters.

Total net revenue rose 48% to \$814.9 million. More than three-quarters of that came from fees Square takes on sales at small businesses that use its payment terminals to accept credit and debit cards.

—Peter Rudegeair

ARCELORMITTAL

### Tariffs Benefit Steelmaker

Luxembourg-listed Arcelor-Mittal signaled Wednesday it would benefit from U.S. tariffs on steel and aluminum imports that have been an earnings headwind for many manufacturers.

The steelmaker posted a 40% rise in second-quarter net profit to \$1.87 billion on sales of \$20 billion Wednesday. "We have a strong U.S. exposure [and] clearly we are a net beneficiary of the trade actions," Chief Financial Officer Aditya Mittal said.

—Nathan Allen



Rising steel and aluminum prices have boosted ArcelorMittal.

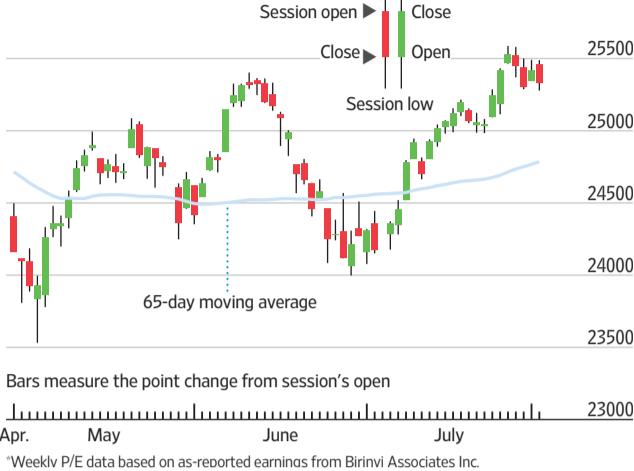
MARK BLINCH/REUTERS

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**25333.82** ▼81.37, or 0.32%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Apr. May June July

\*Weekly P/E data based on as-reported earnings from Birinvi Associates Inc.

## S&amp;P 500 Index

**2813.36** ▼2.93, or 0.10%  
High, low, open and close for each trading day of the past three months.



65-day moving average

Apr. May June July

\*Weekly P/E data based on as-reported earnings from Birinvi Associates Inc.

## Nasdaq Composite Index

**7707.29** ▲35.50, or 0.46%  
High, low, open and close for each trading day of the past three months.



65-day moving average

Apr. May June July

\*Weekly P/E data based on as-reported earnings from Birinvi Associates Inc.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.				
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	SPDR S&P 500	Finl Select Sector SPDR	General Electric	Ford Motor	iShares MSCI Emg Markets	Micron Technology	Tesla	Invesco QQQ Trust I
<b>Dow Jones</b>	25488.80	25278.32	<b>25333.82</b>	-81.37	-0.32	26616.71	21674.51	<b>15.1</b>	2.5	<b>12.7</b>				
Industrial Average	11090.41	10955.72	<b>10983.03</b>	-94.07	-0.85	11373.38	9021.12	<b>19.7</b>	3.5	<b>9.4</b>				
Transportation Avg	720.47	711.78	<b>717.80</b>	-6.44	-0.89	774.47	647.90	<b>-1.9</b>	-0.8	<b>7.1</b>				
Utility Average	29322.36	29116.94	<b>29202.36</b>	-27.75	-0.09	29630.47	25030.26	<b>14.0</b>	5.5	<b>10.0</b>				
Total Stock Market	755.46	748.28	<b>752.21</b>	-0.69	-0.09	761.84	629.56	<b>15.8</b>	5.8	<b>10.1</b>				
Barron's 400	2825.83	2805.85	<b>2813.36</b>	-2.93	-0.10	2872.87	2425.55	<b>13.6</b>	5.2	<b>10.2</b>				
<b>Nasdaq Stock Market</b>	7732.68	7670.71	<b>7707.29</b>	35.50	<span style="background-color: #4CAF50; color: white;">+0.46</span>	7932.24	6213.13	<b>21.1</b>	11.6	<b>14.5</b>				
Nasdaq 100	7294.80	7234.64	<b>7272.89</b>	40.90	<span style="background-color: #4CAF50; color: white;">+0.57</span>	7508.59	5786.54	<b>23.0</b>	13.7	<b>16.6</b>				
<b>S&amp;P</b>	1984.54	1967.08	<b>1978.25</b>	-6.24	-0.31	2009.15	1691.67	<b>12.9</b>	4.1	<b>9.6</b>				
500 Index	1050.65	1040.01	<b>1048.49</b>	-0.39	-0.04	1059.77	817.25	<b>22.7</b>	12.0	<b>13.7</b>				
<b>Other Indexes</b>														
Russell 2000	1673.23	1657.54	<b>1669.26</b>	-1.54	-0.09	1706.99	1356.90	<b>18.1</b>	8.7	<b>10.5</b>				
NYSE Composite	12961.69	12879.47	<b>12902.39</b>	-60.89	-0.47	13637.02	11699.83	<b>7.7</b>	0.7	<b>5.8</b>				
Value Line	580.22	574.99	<b>577.01</b>	-3.21	-0.55	589.69	503.24	<b>10.0</b>	2.6	<b>5.5</b>				
NYSE Arca Biotech	5076.95	5023.58	<b>5056.94</b>	33.36	<span style="background-color: #4CAF50; color: white;">+0.66</span>	5132.77	3787.17	<b>29.0</b>	19.8	<b>5.9</b>				
NYSE Arca Pharma	571.38	567.79	<b>569.30</b>	0.94	<span style="background-color: #4CAF50; color: white;">+0.17</span>	593.12	514.66	<b>7.6</b>	4.5	<b>-2.0</b>				
KBW Bank	110.46	109.12	<b>109.42</b>	0.48	<span style="background-color: #4CAF50; color: white;">+0.44</span>	116.52	89.71	<b>12.9</b>	2.5	<b>11.8</b>				
PHLX® Gold/Silver	76.84	75.79	<b>75.87</b>	-1.43	-1.85	93.26	75.87	<b>-10.1</b>	-11.0	<b>16.8</b>				
PHLX® Oil Service	150.49	147.57	<b>148.89</b>	-2.30	-1.52	170.18	117.79	<b>11.3</b>	-0.4	<b>-6.1</b>				
PHLX® Semiconductor	1379.52	1359.63	<b>1365.11</b>	-2.36	-0.17	1449.90	1060.02	<b>25.9</b>	8.9	<b>28.3</b>				
Cboe Volatility	13.63	12.45	<b>13.15</b>	0.32	<span style="background-color: #4CAF50; color: white;">+2.49</span>	37.32	9.14	<b>27.9</b>	19.1	<b>2.8</b>				

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	5,367.2	281.05	0.19	<b>0.07</b>	281.10	280.42	
Finl Select Sector SPDR	XLF	5,075.9	27.98	0.03	<b>0.11</b>	28.01	27.90	
General Electric	GE	4,379.2	13.27	0.03	<b>0.23</b>	13.28	13.24	
Ford Motor	F	3,137.2	9.92	0.02	<b>0.20</b>	9.97	9.88	
iShares MSCI Emg Markets	EEM	2,697.7	44.54	0.08	<b>0.18</b>	44.54	44.32	
Micron Technology	MU	2,691.0	52.34	0.05	<b>0.10</b>	52.76	52.17	
Tesla	TSLA	2,654.4	329.50	28.66	<b>9.53</b>	335.75	290.00	
Invesco QQQ Trust I	QQQ	2,093.1	177.34	0.22	<b>0.12</b>	177.35	176.76	

## Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
DexCom	DXCM	210.4	114.11	18.67	<b>19.56</b>	117.00	95.08
Staar Surgical	STAA	320.9	37.95	6.05	<b>18.97</b>	38.50	31.75
Electro Scientific Inds	ESIO	194.4	21.00	3.20	<b>17.98</b>	21.00	17.80
Tesla	TSLA	2,654.4	329.50	28.66	<b>9.53</b>	335.75	290.00
Fortinet	FTNT	645.3	70.15	5.55	<b>8.59</b>	72.57	62.23

## ...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Red Robin Gourmet Burgers	RRGB	146.3	37.90	-7.95	<b>-17.34</b>	45.88	37.10
TripAdvisor	TRIP	417.9	50.99	-6.66	<b>-11.55</b>	58.95	49.31
Pilgrim's Pride	PPC	144.3	16.58	-1.06	<b>-6.01</b>	17.73	16.58
FireEye	FEYE	191.9	14.90	-0.79	<b>-5.04</b>	16.20	1

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Interest	
Copper-High (CMX)-25,000 lbs.; \$ per lb.	12.95	113.65	110.95	111.30	-1.80	91,938	
Aug 2,8150 2,8150 2,7200 2,7350 -0.0840 2,558							
Sept 2,8255 2,8285 2,7260 2,7475 -0.0840 159,860							
Gold (CMX)-100 troy oz.; \$ per troy oz.							
Aug 122.90 122.70 121.40 121.70 -5.80 3,850							
Oct 122.20 122.70 121.90 122.40 -6.10 54,247							
Dec 123.20 123.70 122.40 122.70 -6.00 340,170							
Feb'19 123.10 123.90 123.80 123.40 -5.90 30,867							
June 124.30 124.90 124.30 124.50 -5.80 6,463							
Dec ... ... 126.40 125.80 3,734							
Palladium (NYM)-50 troy oz.; \$ per troy oz.							
Sept 929.10 930.40 906.00 911.90 -20.00 18,574							
Dec 923.70 924.20 907.50 909.20 -19.40 3,498							
March'19 917.40 917.50 916.30 903.90 -19.10 135							
Platinum (NYM)-50 troy oz.; \$ per troy oz.							
Sept 838.10 838.10 816.60 815.50 -28.30 17							
Oct 841.10 841.70 815.60 817.20 -28.60 76,901							
Silver (CMX)-5,000 troy oz.; \$ per troy oz.							
Aug 15,420 15,420 15,405 15,394 -0.106 552							
Sept 15,535 15,560 15,390 15,452 -0.107 157,709							
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.							
Sept 68.47 68.52 67.31 67.66 -1.10 416,984							
Oct 67.41 67.47 66.19 66.50 -1.13 249,560							
Dec 66.77 66.83 65.54 65.78 -1.19 287,057							
Jan'19 66.53 66.53 65.27 65.46 -1.25 169,653							
June 64.82 64.97 63.67 63.81 -1.26 162,549							
Dec 63.24 63.28 62.07 62.18 -1.17 213,060							
NY Harbor USLD (NYM)-42,000 gal.; \$ per gal.							
Sept 2,1346 2,1359 2,0888 2,0974 -0.0400 129,602							
Oct 2,1420 2,1423 2,0963 2,1040 -0.0413 60,390							
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.							
Sept 2,0782 2,0807 2,0380 2,0451 -0.0354 166,998							
Oct 1,9620 1,9641 1,9211 1,9283 -0.0377 91,676							
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.							
Sept 2,775 2,788 2,744 2,758 -0.024 291,194							
Oct 2,793 2,803 2,756 2,770 -0.028 173,341							
Nov 2,838 2,847 2,800 2,811 -0.032 139,274							
Jan'19 3,031 3,042 2,994 3,005 -0.033 161,085							
March 2,900 2,901 2,857 2,868 -0.037 137,069							
April 2,614 2,618 2,576 2,582 -0.034 138,830							

## Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.						
Sept 372.00 373.00 364.00 365.00 -7.25 557,013						
Dec 386.25 387.25 378.25 379.50 -7.00 817,895						
Oats (CBT)-5,000 bu.; cents per bu.						
Sept 236.75 241.00 234.75 239.00 3.25 1,512						
Dec 245.75 250.00 243.50 248.25 2.50 3,525						
Soybeans (CBT)-5,000 bu.; cents per bu.						
Aug 898.00 898.00 884.75 886.75 -17.00 6,662						
Nov 913.00 915.00 899.00 901.75 -17.25 425,746						
Soybean Meal (CBT)-100 tons; \$ per ton.						
Aug 340.80 340.80 335.00 336.50 -4.70 5,787						
Dec 340.10 341.00 334.40 336.00 -5.40 204,614						
Soybean Oil (CBT)-60,000 lbs.; cents per lb.						
Aug 28.68 28.68 28.49 28.45 -0.28 3,266						
Dec 29.24 29.27 28.90 28.95 -0.35 251,031						
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.						
Sept 118.00 120.50 118.50 118.75 -4.00 6,734						
Nov 119.00 120.00 119.50 119.50 -1.50 1,583						
Wheat (CBT)-5,000 bu.; cents per bu.						
Sept 555.25 566.00 550.75 558.25 4.50 179,246						
Dec 575.00 585.25 569.75 578.75 5.50 175,040						
Wheat (KC)-5,000 bu.; cents per bu.						
Sept 556.25 569.25 553.00 563.75 7.25 112,827						
Dec 585.00 597.25 580.50 591.25 7.00 106,610						
Wheat (MPLS)-5,000 bu.; cents per bu.						
Sept 606.00 614.25 602.50 608.00 1.75 25,515						
Dec 622.00 632.25 620.00 626.00 3.25 23,002						
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.						
Aug 149,650 152,300 148,975 151,825 2.50 9,696						
Sept 149,600 152,375 149,000 151,950 2.375 15,722						
Cattle-Live (CME)-40,000 lbs.; cents per lb.						
Aug 107,675 109,200 107,500 108,425 .950 35,909						
Oct 109,300 110,875 ▲ 109,050 110,275 .975 127,998						
Hogs-Lean (CME)-40,000 lbs.; cents per lb.						
Aug 61,000 61,000 ▼ 59,675 60,250 -.875 20,497						
Oct 50,300 52,225 ▼ 49,925 50,775 .050 119,090						
Lumber (CME)-110,000 bd. ft. \$ per 1,000 bd. ft.						
Sept 455.40 455.40 440.40 440.40 -15.00 3,817						
Nov 429.40 430.10 415.40 415.40 -15.00 793						
Milk (CME)-200,000 lbs.; cents per lb.						
Aug 14.76 14.88 14.70 14.86 .10 4,909						
Oct 16.21 16.38 16.04 16.33 .15 3,152						
Cocoa (ICE-US)-10 metric tons; \$ per ton.						
Sept 2,156 2,166 2,063 2,070 -100 71,024						
Dec 2,210 2,214 2,122 2,129 -91 81,070						
Coffee (ICE-US)-37,500 lbs.; cents per lb.						
Sept 109.70 110.40 107.70 108.05 -1.85 150,557						

Source: SIX Financial Information

## Macro &amp; Market Economics

## Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended July 27. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import Natural-gas import and demand data are available monthly only.

## Inventories, 000s barrels

	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg
Crude oil and petroleum prod	1,206,587	...	1,196,1316	1,202	1,239	10,045
Crude oil						
excluding SPR	408,740	-2,200	405,482	408	430	7,749
Gasoline	230,968	...	234,228	235	223	752
Finished gasoline	23,					

## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**  
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, August 1, 2018

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

Stock Sym Close Chg

Net

Stock Sym Close Chg

A B C

ABB ABB 22.82 -0.20

ADT ADT 8.95 -0.06

AES AES 13.47 -0.17

Aflac AFL 46.73 -0.19

AGNC Inv! AGNC 18.93 -0.54

ANGI Homesc ANGI 15.30 -0.41

Ansys ANSS 170.35 1.47

ASML ASML 213.91 -0.09

ATT &amp; T ATT 31.90 -0.01

AbbottLabs AbbottLabs 64.78 -0.76

AbbVie AbbottV 93.91 -1.60

Abiomed Abiomed 363.10 8.66

Accenture ACN 159.71 -0.38

ActionVision AVT 73.08 -0.34

AdobeSystems ADBE 248.80 3.75

AdvanceAutoW APGO 139.75 -1.48

AdMicroDevices AMD 18.48 -0.17

Aegon AEG 6.53 -0.02

AerCap AER 56.90 -0.77

Aetna AET 186.79 -1.60

AffiliatedMtrs AMG 155.50 -0.51

AigloTechs AET 64.98 -1.06

AigroEagle AEM 41.36 -0.28

AirProducts APPD 16.20 -0.43

AkamaiTech AKAM 71.63 -3.63

AlaskaAir ALK 61.08 -1.75

Albaremarl ABL 91.31 -0.39

Alcoa AA 42.04 -1.23

AlexandriaEst ARE 128.17 -0.73

AlexionPharm ALSN 132.99 0.03

Alibaba BAB 185.27 -1.97

AlignTech ALGN 35.70 -2.95

Alkermete ALKS 43.48 -0.37

Alleghany AY 628.14 -1.13

Allegion ALLE 80.88 -0.66

Allergan AGN 183.99 -0.10

AllianceData ADDS 225.55 -6.67

AllianzEnergy ALNT 42.37 -0.60

AllisonTransn ALSN 47.67 -0.23

Altislate Transn ALL 94.65 -0.47

AllyFi Financial ALLY 26.64 -0.10

AlmyNPharm ALM 49.49 -0.51

Alphabet C GOOG 122.00 2.75

Alphabet B GOOGL 5.77

Altavita BBDT 51.11 -0.30

BCE BCE 42.45 -0.20

BCE/Bell BCT 11.50 -0.27

BCH/Bank of America BAC 86.56 -1.69

BCH/Bank of America BAC 86.5

## BANKING &amp; FINANCE

# Credit Union Grows And Spurs Worry

By RYAN TRACY

WASHINGTON—James Schenck, chief executive of America's third-largest credit union, has a mantra: "No speed limit."

Upon his promotion to CEO at Pentagon Federal Credit Union, the former Black Hawk helicopter pilot announced "Drive to 75"—a goal of more than quadrupling assets to \$75 billion by 2025.

While the company has a long way to go—it ended 2017 with about \$23 billion—PenFed's plans for high-octane growth reflect how some in the not-for-profit industry are eager to consolidate and expand. The trend is irking some bankers and pressing up against regulatory boundaries.

Credit unions are owned by member-customers, not bank shareholders who share in profits. Congress exempts credit unions from federal income tax and some lending rules, but they are also required to limit business to members that share a common bond, such as an employer.

Most are small. The largest—**Navy Federal Credit Union**—has \$92 billion in assets. Mr. Schenck sees both credit unions and far-larger banks as competition.

The Virginia-based credit union advertises "Great Rates for Everyone" despite the

common-bond requirement. PenFed acquired 13 smaller credit unions in a 20-month span between 2015 and 2017, before receiving a regulatory warning about new deals.

Mr. Schenck says PenFed "operates well within all regulatory guidelines." It aims to grow 6% to 8% annually, hold costs down and serve the military and supporting groups.

Critics see strategies like PenFed's as straying from the credit-union ideal of giving underserved borrowers an alternative to banks.

"If you want to be like a bank, you should be regulated like a bank," said Darren King, chief financial officer of M&T Bank Corp.

PenFed started in 1935 as the War Department's credit union and built a reputation as a conservative lender catering to officers. It had about \$3 billion in assets in the late 1990s.

This century it expanded further beyond the military. When Mr. Schenck took over in 2014, PenFed was serving about 250 employee groups, regulatory records show.

Mr. Schenck signs company-wide emails: "No Speed Limit," which he explains this way: "You have to be on—always on—to take perfect care of the members."

In recent years, PenFed has revved up auto lending, become a national leader in



Pentagon Federal Credit Union has moved beyond its focus on U.S. soldiers and veterans.

home-equity loans, introduced new credit cards and boosted CD rates. It held down costs and invested online, leaving it with about 2,500 employees and 47 branches for 1.7 million members.

PenFed promised merger partners better service and rates for customers. A 2016 deal with Belvoir Federal Credit Union also included a combined \$500,000 bonus to three Belvoir executives, records show. Afterward, some former Belvoir employees said PenFed rejected loans Belvoir would have approved and told them to stop baking cookies for customers.

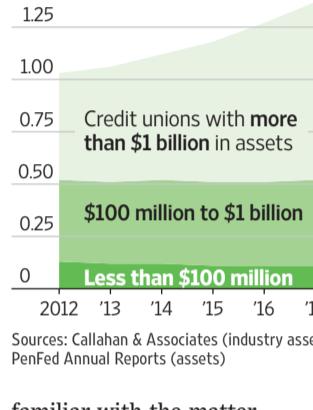
PenFed denies it rejected viable loans and says it boosted membership as well as charitable donations at the Fort Belvoir military installation.

PenFed's last merger was in June 2017. That year, the National Credit Union Administration, the industry's regulator, privately warned PenFed off new deals, according to people

## Higher Gear

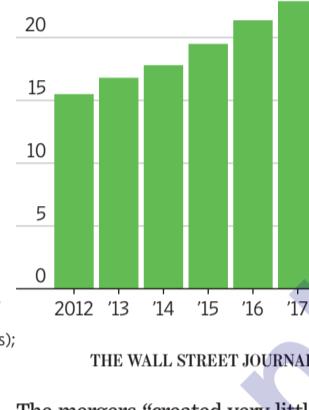
Much of the credit-union industry's growth is occurring at larger firms like Pentagon Federal.

### Industry assets, by size group



Sources: Callahan & Associates (industry assets); PenFed Annual Reports (assets)

### Pentagon Federal's assets



THE WALL STREET JOURNAL.

familiar with the matter.

"I did not want to outwear my welcome growing too much through acquisitions," Mr. Schenck said.

He added that PenFed's growth has been mostly organic.

The mergers "created very little operational risk" and PenFed has "full authority" to merge today, he said. NCUA declined to comment on the matter.

—Christina Rexrode contributed to this article.

# Prudential Net Fell 60% in Quarter

By LESLIE SCISM

Prudential Financial Inc.'s second-quarter net profit tumbled nearly 60% from a year earlier as it bolstered its reserves for long-term-care insurance policies in a product line it discontinued in 2012.

In earnings reported Wednesday, both Prudential and longtime rival **MetLife** Inc. posted double-digit-percentage gains in adjusted operating earnings, which exclude realized capital gains and losses and other items judged nonrecurring.

Prudential posted a 40% gain in operating earnings, and MetLife reported an 18% increase. Prudential said its net profit of \$197 million included a net charge of \$1.23 billion, or \$2.87 a share, in its divested businesses, primarily driven by the impact of updated actuarial assumptions. Prudential annually reviews the adequacy of its assumptions for the profitability of various products in its second quarter, while MetLife and other insurers update assumptions at other times.

Prudential said the hit was \$1.6 billion on a pretax basis, of which about \$1.5 billion was for the long-term-care policies.

Some Wall Street analysts were anticipating a boost to Prudential's long-term-care reserves, but Morgan Stanley analysts said in a note it was "significantly larger than expected."

The Newark, N.J., company is one of many insurers that used to be big sellers of long-term-care insurance, which helps people pay for nursing homes, assisted living and home aides. Errors in pricing the policies have bedeviled many insurers over the past couple of decades and led many, like Prudential, to quit selling new policies.

Potentially huge shortfalls in reserves industrywide emerged as an issue in January, when **General Electric** Co. disclosed it would have to set aside \$15 billion over seven years to bolster its long-term-care policyholder reserves. GE was a big reinsurer of long-term care for insurers that sold policies to individuals.

MetLife's 18% gain in adjusted earnings came as its net profit declined 2% to \$845 million. MetLife said the decline was largely tied to divesting itself of its stake in BrightHouse Financial Inc., a U.S.-focused life-insurance and annuity company it created through a spinoff a year ago.

MetLife's adjusted earnings jumped to \$1.33 billion, or \$1.30 a share, from \$1.12 billion, or \$1.04 a share. Analysts surveyed by Zacks Investment Research were expecting \$1.17 a share.

Prudential's operating income rose to \$1.3 billion, or \$3.01 a share. Analysts surveyed by Zacks Investment Research expected \$3.08 a share.

# No-Fee Funds at Fidelity

Continued from page B1

under more pressure to do so. It also has cut the costs of its robo-advice service, FidelityGo.

Fidelity made it clear Wednesday that indexing pioneer Vanguard is one target of its decision to cut prices on existing index funds.

"For every one of those funds, we are lower than the best-priced, comparable Vanguard fund," said Kathleen Murphy, president of Fidelity's personal-investing business.

A Vanguard spokeswoman declined to say if the Malvern, Pa., money manager planned to match Fidelity's moves.

"Vanguard is structurally built to continue to drive down the cost of investing, for all of our funds, index and active, and for all of our clients," the spokeswoman said.

Fidelity won't make money on the no-fee funds themselves but hopes the investors who buy them will also put their money in other products that bring in fees.

# Index Changes Help ETF Avoid Facebook Hit

By ASJYLYN LODER

## Lucky Break

Investors in Vanguard's ETF sidestepped some of the worst of Facebook's rout.



giants like Facebook, Comcast Corp. and Google parent Alphabet Inc.

"This is a pretty meaningful change that people should

be paying attention to," said Rich Powers, head of ETF product management for Vanguard.

Next month, Facebook, Al-

phabet and Twitter Inc. will move from "information technology" to the newly dubbed "communications services" sector. The sector also will include Walt Disney Co., Netflix Inc. and Comcast, which are being moved out of "consumer discretionary."

Vanguard chose to slowly shift investments in three of its ETFs in the months leading up to the September rebalance, including its technology ETF, consumer discretionary fund and telecommunications services fund. The process is similar to what Vanguard has done with past index changes, such as the spinoff of real estate from the financial sector.

"They have historically tried to reduce the impact of the ripping-off-the-bandaid approach," said Todd Rosenbluth, head of fund research for CFRA.

As a result of Vanguard's

approach, Facebook accounts for less than 3% of the **Vanguard Information Technology ETF**'s assets, compared with 6.3% of State Street Corp.'s \$22.6 billion Technology Select Sector SPDR.

State Street plans to rebalance its affected funds in September and last month launched an ETF pegged to the newly redefined communications services sector. This allows investors to remain in line with the existing index and make their own decisions about how to position their portfolios for next month's change, said Matt Bartolini, head of SPDR Americas research at State Street.

State Street's new Communications Services Select Sector SPDR ETF, which has already picked up \$362 million in assets, has 18% of its portfolio invested in Facebook stock.

# Lawsuit Claims 'Tyrannical Coup' at Speed Trader

By BRADLEY HOPE

\$1.8 billion. The deal later fell apart.

Mr. Bosarge, 78, believed the firm could fetch a valuation of more than \$3 billion, according to their complaint, which says he took control of the company in a "tyrannical coup." The men are asking a Texas district court judge to give them control of the company's operations.

Mr. Bosarge said in a statement that he returned to the company in mid-2016 as CEO following an absence after Mr. Eames asked him to because Mr. Eames "felt unable to continue in that role."

"It is unfortunate that Bruce and Andrei—who collectively control less than 28% of the ownership—are attempting to interfere with the successful current management of the company," Mr. Bosarge said. "On a personal level, after our many years of friendship, I am saddened and disappointed that Bruce and Andrei have resorted to false, misleading and defamatory statements."

Messrs. Eames and Omelchenko and their lawyers declined to comment.

Companies connected to Mr. Bosarge and his family control own more than 70% of Quantlab Group. For years, he has taken a back seat there to focus on his other businesses, including medical-research company **Black Beret Life Sciences** LLC, a sugar substi-

tute called Sola and a 72-acre private island resort in the Caribbean. During the sale discussions, he began to play a day-to-day role in the firm.

"Instead of recognizing that a \$3 billion valuation for Quantlab Group was not a realistic possibility, Dr. Bosarge blamed Mr. Eames," according to the complaint from Messrs. Eames and Omelchenko.

Under Mr. Bosarge's control, Quantlab "barely broke even," making 2017 the "worst year in Quantlab Group's history," according to the complaint from Messrs. Eames and Omelchenko. This year is on track for similar results, it says.

Messrs. Eames and Omelchenko and their lawyers declined to comment.

Companies connected to Mr. Bosarge and his family control own more than 70% of Quantlab Group. For years, he has taken a back seat there to focus on his other businesses, including medical-research company **Black Beret Life Sciences** LLC, a sugar substi-

the company said that many high-frequency trading firms struggled in 2017, but noted Quantlab was in good enough shape to acquire assets from rival firm Teza Technologies LLC in Chicago that year.

"As a result of a series of changes the current management team has made over the past two years, the company is stronger today," Mr. Bosarge said in a statement.

In recent years, Quantlab has earned more than \$200 million annually in net profits and averaged since founding "in excess of hundreds of millions per year," the complaint says.

In November 2017, Messrs. Eames and Omelchenko sought to replace Mr. Bosarge as the general partner of the company through an action in the Court of Chancery in Delaware. A judge in early May ruled against the move, saying they misread internal agreements before moving "under the cover of night to try and overthrow a majority owner."

In a separate federal suit filed by Quantlab against a lawyer allegedly consulting with Messrs. Eames and Omelchenko, the firm described the effort as an attempt to "steal control" of the company through a "surprise coup d'état." The lawyer, Allen Dempster of Walnut Creek, Calif.-based **Dempster & Dietter** LP, declined to comment.

In June, Messrs. Eames and Omelchenko filed a suit in the district court of Harris County, Texas, against Quantlab Group and the companies through which Mr. Bosarge and his family own most of it, asking a judge to give them control of the firm.

"Now without the key management and research scientist who made Quantlab Group into a billion dollar company, Quantlab Group's future is at risk," the complaint from the men says.

"What remains is valuable, but increasingly ineffective, intellectual property."

Mr. Bosarge, who previously worked as a mathematician at IBM, tried to break into the fledgling field of quantitative investing with the formation of The Frontier Cos. in 1986. Quantlab's lawsuit against the lawyer allegedly working with Messrs. Eames and Omelchenko says Mr. Bosarge in the 1980s and 1990s "developed mathematical models that could predict the behavior of financial markets."

In 1997, Mr. Bosarge began working with Mr. Eames, a former **Boston Consulting Group** associate and entrepreneur at the first iteration of Quantlab. One of their first hires was Mr. Omelchenko, who held master's degrees in physics and computer science from Moscow Institute of Physics and Technology.



NOAM GALAI/GETTY IMAGES

Wilbur 'Ed' Bosarge Jr.

## MARKETS

# Municipalities to Cut Issuance of Bonds

**Volatility, rising rates blunt debt appetite among states, cities and companies**

BY ORLA McCAFFREY AND SAM GOLDFARB

State and local governments and companies are expected to issue fewer bonds this year for the first time since 2015, a cautionary sign for the economy as market volatility and rising interest rates start to weigh on appetites for borrowing.

Global bond issuance, excluding sovereign debt, is expected to fall to roughly \$6 trillion in 2018, down 4.2% from \$6.3 trillion in 2017, according to a recent report by S&P Global Ratings.

The decline—driven by fewer sales of U.S. corporate and municipal bonds—comes as the U.S. Treasury has stepped up bond issuance to

fund the widening U.S. budget deficit after last year's tax overhaul.

Though the U.S. economy grew at the fastest pace in nearly four years this spring, a decline in bond issuance could ultimately translate to reduced investment and a more modest pace of economic growth.

The Federal Reserve concluded its two-day policy meeting Wednesday, where it kept rates unchanged but upgraded its view of the U.S. economy from "solid" to "strong," suggesting a rate increase is likely at its September meeting.

"Eventually, higher short-term interest rates will lead to higher borrowing costs for the private sector, and this—combined with a higher likelihood of increased market volatility—is likely to be the primary driver of more restrictive financing conditions for the remainder of the year," wrote Diane Vazza,

## Pulling Back

Global nonsovereign bond issuance is expected to fall 4.2% in 2018.



\*Forecast  
Source: S&P Global Fixed Income Research

U.S. corporate-bond issuance totaled roughly \$600 billion in the first half, compared with about \$715 billion in the first six months of 2017. Supplies of both investment-grade and high-yield bonds have declined considerably on the year, with speculative-grade bond issuance down 23% through July, according to Bank of America Merrill Lynch.

Top-rated bonds have pared some of their issuance declines after a slow start to the year, boosted by a near-record level of mergers and acquisitions in the second quarter.

Partly as the result of changes to the tax code, U.S. municipal-bond issuance was down 20% in the first half, compared with a year earlier. The new tax law eliminated the federal tax exemption of advance refunding bonds, which are used to refinance debt at a later date.

In contrast to municipali-

ties and businesses, bond issuance at the federal level has been on the upswing of late. The Treasury Department announced plans to boost issuance of government debt by \$30 billion over the next three months Wednesday, part of an attempt to offset trillion-dollar federal deficits.

The Treasury's need for funds in the second half, which it pegged at \$769 billion Wednesday, will be the greatest since it needed \$1.1 trillion in the latter half of 2008 during the financial crisis.

"There's more of an interest burden from the quantity of debt issued and the increasing debt service, so higher interest costs and new issuance are coming at a higher price," said Chris Sullivan, chief investment officer at the United Nations Federal Credit Union. "It's an intermediate to long-term problem for the U.S. and is not likely to correct."

## Weak Reception For China Tower IPO in Hong Kong

BY JOANNE CHIU

US\$5.4 billion IPO, also at the low end of its range.

"To make an IPO work these days, companies...really have to be less aggressive in terms of valuation," Mr. Leung said.

He said prospective owners would otherwise prefer to see companies establish a track record in the secondary market before investing.

Future listings in Hong Kong could include Chinese startup **Meituan Dianping**. It applied in June to list in Hong Kong, and is targeting a valuation of more than US\$60 billion, people familiar with the matter have said. However, the staid China Tower is a very different prospect from the fast-growing Meituan Dianping, which offers a range of services, from food delivery to hotel bookings.

China Tower's IPO is still the world's biggest since Postal Savings Bank of China Co.'s US\$7.6 billion debut in 2016, which also was in Hong Kong. Shares of the company, whose largest stockholders are China's three main telecom operators, are due to begin trading on Aug. 8.

**Goldman Sachs** and **China International Capital Corp.** acted as joint sponsors, effectively the most senior banks on the deal. China Tower will use the proceeds to upgrade and expand its network, as well as repay debt.



Turkish President Recep Tayyip Erdogan

## Turkish Lira Hits Low On New U.S. Sanctions

BY CELSEY DULANEY

by questions over the independence of its central bank.

The lira has plunged since April, when a resurgent U.S. dollar began to pressure emerging-market currencies.

Turkey was seen as particularly vulnerable to the stronger U.S. currency because of Turkey's large dollar-denominated debt load, which becomes more expensive to repay as the lira slides.

The lira has faced further pressure, plumbing all-time lows for the past few months, as Mr. Erdogan's expanded influence over the central bank has spooked some investors.

He has referred to high interest rates as "the mother and father of all evils" and vowed to keep rates low to help support growth.

Analysts say higher rates would help support the lira and contain inflation, which rose to 15.4% in June, the highest annual rate in 15 years.

—Michael C. Bender contributed to this article.



Renewed fears of global trade frictions pressured industrial shares. A Caterpillar engine-manufacturing plant in Seguin, Texas.

## Stocks Fall as Tariff Jitters Build

BY DANIELLE CHEMTOB AND BEN ST. CLAIR

The S&P 500 and Dow Jones Industrial Average edged lower Wednesday as losses in energy and industrial shares offset a rebound in technology stocks.

Shares of industrial companies lost ground after reports said administration advisers were urging President Trump to sharply increase tariffs against China, renewing fears among investors that global trade frictions could hit the markets.

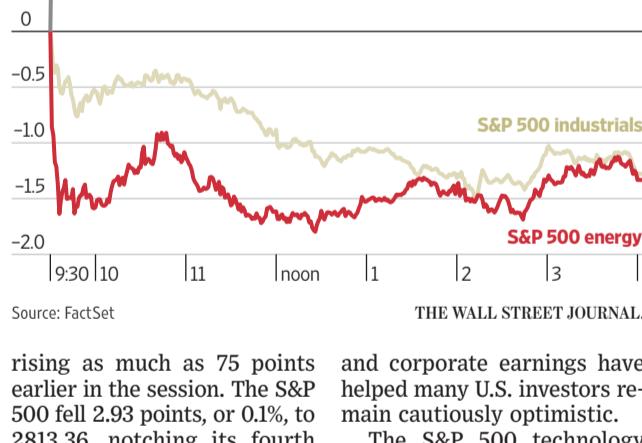
Heavy-equipment maker **Caterpillar** lost \$5.26, or 3.7%, to \$138.54, while **Boeing** fell 3.54, or 1%, to 352.76.

"The longer this goes on, the more the market is going to have to start pricing in the reality that earnings could be hit," said Tim Courtney, chief investment officer of Exencial Wealth Advisors.

The Dow industrials lost 81.37 points, or 0.3%, to 25333.82, erasing gains after

### Trade Woes

Renewed trade anxieties and falling energy prices sent stocks lower Wednesday despite strength in tech shares.



rising as much as 75 points earlier in the session. The S&P 500 fell 2.93 points, or 0.1%, to 2813.36, notching its fourth loss in five trading days, while the Nasdaq Composite added 35.50 points, or 0.5%, to 7707.29.

Despite renewed trade worries, strong U.S. economic data

and corporate earnings have helped many U.S. investors remain cautiously optimistic.

The S&P 500 technology sector gained 1% Wednesday on the heels of a strong earnings report from **Apple**.

The iPhone maker's shares rose 11.21, or 5.9%, to a fresh high of 201.50 after the company reported resilient demand for high-price iPhones and record revenue from its services business.

"Investors overall are at a place where they know tech long term continues to be a great place to be," said Rich Guerrini, president and chief executive of PNC Investments.

"I think they are certainly taking some of these dips as opportunities, which is why we're not seeing movement in any one given direction."

Still, other tech companies have posted disappointing earnings, and concerns over future user growth have weighed down the sector, sending Facebook and Twitter shares tumbling recently.

While many investors are still attracted to the growth potential of technology companies, others are beginning to rotate into other areas of the stock market, said Bryan Keller, managing partner at Dakota Wealth Management.

The Stoxx Europe 600 edged down 0.5%. Early Thursday, Japan's Nikkei was down 0.1% and Hong Kong's Hang Seng Index was down 1.2%.

## Copper Prices Drop 3% on Trade Tension



Chinese consumption accounts for half of all global demand for the metal.

BY BENJAMIN PARKIN AND DAVID HODARI

Copper prices fell Wednesday as the trade dispute between the U.S. and China intensified.

Front-month contracts for August delivery fell 3% to \$2,735 a pound at the Comex division of the New York Mercantile Exchange.

The selling came as White House advisers debated raising proposed tariffs on \$200 billion worth of Chinese goods to 25% from 10%.

As Wednesday's session ended, The Wall Street Journal reported the U.S. would indeed unveil the higher proposed duties. The tariffs would add to those on \$50

billion of products already in the works, part of President Trump's threat to increase pressure on Beijing by extending punitive measures to all Chinese imports.

"As long as tariffs are allowed to metastasize, they do have the potential to do real damage to the global growth story," said Edward Meir, a consultant for INTL FCStone.

"What that means for commodities and for base metals in particular, is that price rallies do not have a real chance of taking root."

Copper prices had risen Tuesday on reports U.S. and Chinese officials were in talks about reopening negotiations. But that early-week rally was more than neutralized as traders dumped tentative bets on rising prices,

Alastair Munro, a broker at Marex Spectron, wrote in a note.

With Chinese consumption accounting for roughly half of all global copper demand, the futures market this week experienced a new wave of the volatility that has become common in recent months.

"Just the idea that the U.S. is pushing a more aggressive tactic in terms of trade policy means that the fallout could be more dire," said Harry Tchilinguirian, global head of commodity markets strategy at BNP Paribas.

The toughening trade policy came after Washington last week softened its stance toward the European Union. The two parties agreed to various concessions in a deal to avoid new tariffs.

## MARKETS

## Higher Oil Stockpiles Push Down Prices

BY DAN MOLINSKI  
AND CHRISTOPHER ALESSI

Oil prices dropped to their lowest level in almost six weeks after government data showed an unexpected increase in U.S. inventories of crude, reigniting worries about oversupply.

Light, sweet crude for September delivery fell \$1.10, or 1.6%, to \$67.66 a barrel on the New York Mercantile Exchange, its lowest close since June 21. U.S. oil prices are 8.8% below their June multi-year high.

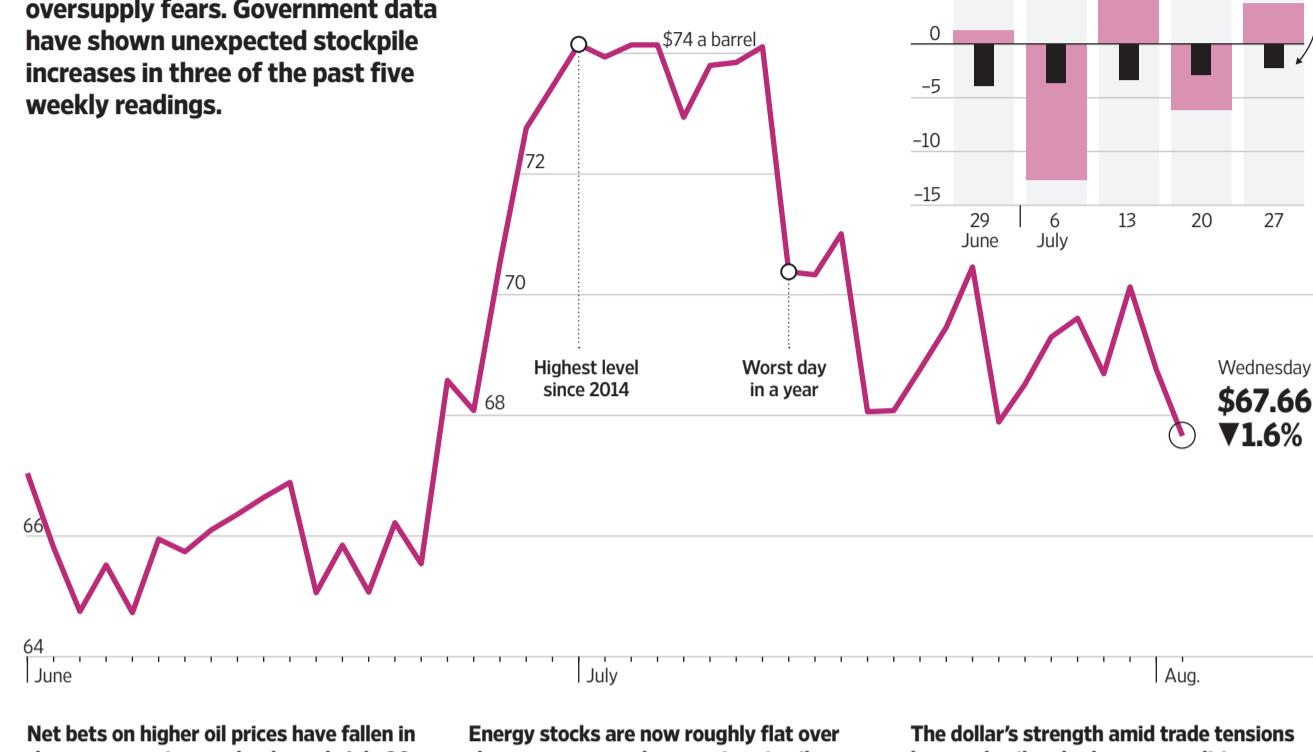
Prices have been volatile in recent weeks, with some traders expecting higher supply among some of the world's largest producers, including Saudi Arabia and Russia, to cool a months-long rally. U.S. government data showing steady production also hurt prices.

The Energy Information Administration said U.S. commercial stockpiles of crude rose by 3.8 million barrels last week, to 409 million barrels. The increase means inventories are just 1% below the five-year average for this time of year, versus nearly 5% below that average about a month ago.

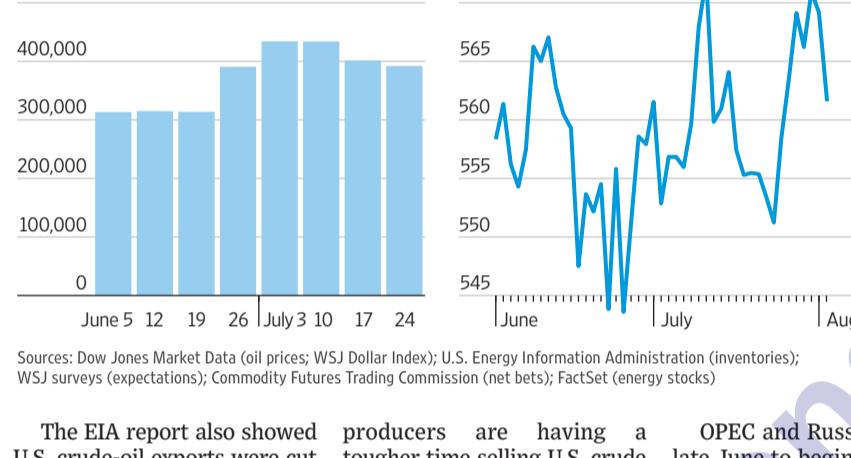
Traders and analysts surveyed by The Wall Street Journal had projected a 2.2-million-barrel decline, on average. The third surprise increase in inventories in the past five weeks has hurt sentiment because the U.S. is in the middle of peak driving season and refineries are in many cases consuming as much crude oil as their plants allow, analysts said.

"The real problem for the U.S. crude market looms in September—that's when the turnarounds at a number of refineries begin in earnest," said Tom Kloza, global head of energy analysis at the Oil Price Information Service. He indicated more inventory increases may be in the offing as refineries begin scheduled tuneups that won't allow them to take in as much crude oil.

**Oil prices Wednesday closed at their lowest level since June 21, hurt by oversupply fears. Government data have shown unexpected stockpile increases in three of the past five weekly readings.**

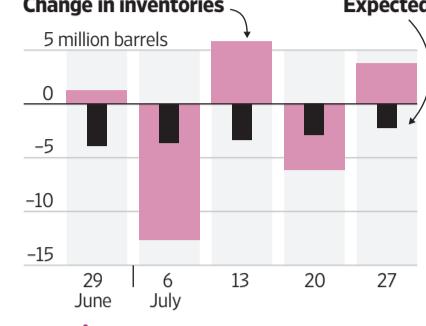


**Net bets on higher oil prices have fallen in three consecutive weeks through July 24.**



Sources: Dow Jones Market Data (oil prices); WSJ Dollar Index; U.S. Energy Information Administration (inventories); WSJ surveys (expectations); Commodity Futures Trading Commission (net bets); FactSet (energy stocks)

**Energy stocks are now roughly flat over the past two months as swings in oil prices have jolted shares.**



Wednesday  
\$67.66  
▼1.6%

deal level of 11.24 million barrels a day," he added.

OPEC and 10 producers outside the cartel, including Russia, first agreed in late 2016 to cut their crude output by roughly 1.8 million barrels a day, or 2% of global supply. The deal, which is set to officially expire at the end of this year, has helped boost crude prices.

Higher supply from those countries and Monday's comments from President Trump that he would be willing to meet with Iranian President Hassan Rouhani have eased fears of a supply shortage, analysts have said. Expectations that U.S. sanctions on Iran would remove some oil from the market have previously lifted prices.

A stronger dollar, partly due to tensions between the U.S. and its global trading partners over tariffs, also has weighed on oil, which becomes more expensive for overseas buyers when the U.S. currency rises. The WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, added 0.1% Wednesday.

Recent declines in oil prices also have hurt shares of energy companies. The S&P 500 energy sector dropped 1.3%.

Although oil has fallen recently, some analysts expect prices to bounce back on signs of further supply disruptions. Wednesday's EIA report showed production declined from a week earlier, a sign to some that pipeline shortages could lower U.S. supply and boost prices. Some traders also have said the drop in bullish speculative bets in recent weeks has left the market poised to rebound if sentiment reverses again.

Among refined products Wednesday, gasoline futures for September delivery fell 3.54 cents, or 1.7%, to \$2.0451 a gallon. Diesel futures declined 4 cents, or 1.9%, to \$2.0974 a gallon.

—Amrit Ramkumar contributed to this article.

The OPEC and Russia agreed in late June to begin ramping up crude output by up to one million barrels a day this month, after more than a year of holding back production in a coordinated effort to rein in a supply glut and boost prices.

"The OPEC kingpin [Saudi

Arabia]...increased output by 400,000 barrels per day in June, and a similar increase is penciled in for last month," said Stephen Brennock, an analyst at brokerage PVM Oil Associates Ltd. At the same time, Russia "has raised its output to within a whisker of its pre-

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

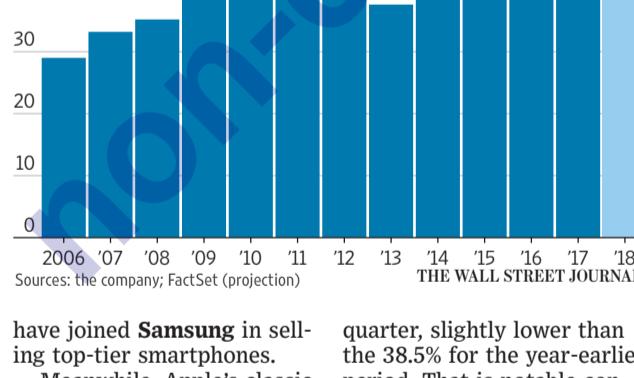
WSJ.com/Heard

Email: heard@wsj.com

## Apple's Costs Take a Bigger Bite

## Paid Up

Apple's gross margin per fiscal year ended September



Sources: the company; FactSet (projection)

have joined Samsung in selling top-tier smartphones.

Meanwhile, Apple's classic Mac computer lineup no longer has a lock on the market for premium laptops as Microsoft, HP and Lenovo field more competitive machines.

Unit sales slid 13% year over year in the June quarter to their lowest in eight years.

Heightened competition has meant a lot more spending. Apple reported a gross margin of 38.3% for the June

quarter, slightly lower than the 38.5% for the year-earlier period. That is notable considering Apple was able to boost the iPhone's average selling price by nearly 20%, helping lift overall sales by 17%. Apple, like other electronics makers, also has to cope with rising costs of crucial components like memory and displays. Moreover, its typically ornate designs aren't cheap to mass produce.

There also is the cost of whatever comes next. Apple spent a record \$3.7 billion in R&D in the June quarter.

That figure has been rising steadily as Apple looks for new hit products that can rejuvenate growth and possibly lessen its dependence on the iPhone. R&D totaled about 5.3% of revenue for the 12-month period ended in June compared with 3.4% three years ago.

Apple will still manage to get by. Total cash and equivalents totaled \$243.7 billion by the end of June, but the company also has more demands on that cash now. Tax reform freed up Apple's large overseas stash, much of which is being plowed into a huge \$100 billion buyback.

But Apple also is paying down its debt load. Net cash totaled \$129 billion at the end of June—down nearly 21% from its peak six months prior.

Apple may have the industry's deepest pockets, but it is also costing the company more to stay in the game.

—Dan Gallagher

## OVERHEARD

All that glitters is something other than gold these days, but just you wait.

Remaining fans of the yellow metal looking for signs of a turnaround see them everywhere. Gold was near its 2018 low on Wednesday. CNBC television personality Jim Cramer's "Mad Money" show on Tuesday evening told viewers that gold "could be nearing a bottom" based in part on technical analysis.

Investment funds now have a record bearish position in gold futures, according to Kitco Metals Inc.

But perhaps the surest contrarian sign comes from fund manager Vanguard Group. It announced that it is changing the composition and name of the Vanguard Precious Metals and Mining Fund to Vanguard Global Capital Cycles.

That may or may not be the sign of an impending bounce, but, after trailing the S&P 500 by an average of nearly 24 percentage points a year, a new name may be a smart move anyway.

## Tesla's Rosy View Comes With Catch

Tesla says it expects to make a profit and generate cash in the third and fourth quarters. Second-quarter results suggest meeting those goals is urgent.

Tesla reported sales of \$4 billion, topping analyst estimates, and an adjusted loss of \$3.06 a share, which missed them.

The positives for shareholders come with strings attached: Free cash outflow was \$739 million, a significant improvement from the first quarter. But part of that came from again stretching what Tesla owes suppliers. Accounts payable ballooned in the quarter and now exceeds \$3 billion.

Earning a profit and generating cash flow in the next two quarters does seem possible. Tesla can sell regulatory credits to boost margins, and it built thousands of Model 3 sedans in late June which weren't sold until the third quarter began.

But Tesla may be sacrificing long-term goals to hit more immediate milestones. It cut its capital spending forecast for the second consecutive quarter and now expects to spend less than \$2.5 billion this year. The company announced it would lay off 9% of its workforce back in June. Lower investment and head count helps preserve cash in the short term, but they don't underpin Tesla's stratospheric valuation, which assumes future auto-industry dominance.

Chief Executive Elon Musk has said Tesla doesn't need to raise capital this year, putting him at odds with analysts at Moody's Investors Service. If he reverses himself, a stock price back above \$300 will at least make that less painful for current shareholders.—Charley Grant

## Campbell Soup's Owners May Be Warming Up to a Sale

## Gut Check

Campbell Soup share price



Source: SIX

THE WALL STREET JOURNAL.

company's forays into fresh foods through pricey acquisitions fared poorly, as have its famous soups.

The acquisition of Snyder's-Lance at the end of last

year left Campbell heavily indebted and needing to cut costs.

Shares were down by nearly one-third in 2018 before rebounding sharply in recent weeks on rumors of a possible sale.

Campbell's interim chief executive and its board are conducting a comprehensive strategic review and have promised to report back on their findings by the end of August. The company also will report earnings during the month.

It is difficult to see what strategic alternatives would appeal to shareholders more than selling the company. Campbell could sell off the

fresh-food brands it has acquired, including smoothie and carrot producer Bolthouse Farms, but they are unlikely to fetch a great price.

The company already has written down the value of these business by over \$1 billion since acquiring them.

Fresh investment also is needed to revitalize Campbell's core soup line, but resources to achieve this are scarce.

With the company's net debt standing at 4.8 times earnings before interest, taxes, depreciation and amortization, cost cutting is the current priority. The easiest way to do that is

through a merger that eliminates overhead and finds synergies.

An outside party could also bring money and fresh thinking.

The Dorrance family, who own 41% of the company and are descended from the inventor of Campbell's condensed soup formula, historically hasn't been supportive of deals for the entire company.

But at the end of the day, Campbell's board has a fiduciary duty to all shareholders, not just those with an emotional attachment to the brand. An outright sale grows ever more likely.

—Aaron Back

Campbell's chief executive stepped down in May following a troubled tenure. The