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SpaceX Behemoth Blasts Off



FROM LEFT: JOE RAEDLE/GETTY IMAGES; JOHN RAOUX/ASSOCIATED PRESS

And 2 Boosters Return



PAYOUT: The SpaceX Falcon Heavy rocket, left, the world's most powerful since U.S. astronauts landed on the moon almost 50 years ago, lifted off Tuesday at Kennedy Space Center on its initial test flight after years of delays. Two booster rockets, right, returned to Cape Canaveral, Fla., to land, but the central part of the rocket crashed instead of landing vertically on a floating platform as planned. B5

Wynn Quits Amid Scandal

Designer of modern Las Vegas leaves in face of allegations of sexual misconduct

Steve Wynn, the billionaire casino visionary considered to be the architect of modern Las Vegas, resigned Tuesday as

By Chris Kirkham,
Alexandra Berzon
and Kate O'Keeffe

chairman and chief executive of his company in the wake of sexual misconduct allegations detailed in a Wall Street Journal

investigation last month.

Mr. Wynn, 76 years old, who founded Wynn Resorts Ltd. in 2002, said in a statement Tuesday evening he "reached the conclusion I cannot continue to be effective in my current roles" after becoming the focus of "an avalanche of negative publicity."

Matt Maddox, currently the company's president, will take over as CEO, according to a statement from the company.

Wynn Resorts didn't immediately respond to a request for comment beyond its statement announcing Mr. Wynn's resignation.

Drawing on interviews with

dozens of people who have worked for Mr. Wynn, the Journal article last month described behavior that amounted to a decadeslong pattern of alleged sexual misconduct by the CEO. They included an allegation that Mr. Wynn in 2005 paid a \$7.5 million settlement to a manicurist who told people at the time that Mr. Wynn forced her to have sex with him.

Mr. Wynn has said it was "preposterous" that he would assault a woman. He didn't provide further response to other allegations of sexual misconduct that the Journal inquired about before publishing the January article.

Mr. Wynn said the accusations were the work of his ex-wife, Elaine Wynn, as part of the litigation between them. An attorney for Ms. Wynn has denied that, and a representative for her declined to comment Tuesday night.

Fallout from the Journal's story has rippled through the

casino industry and the political world.

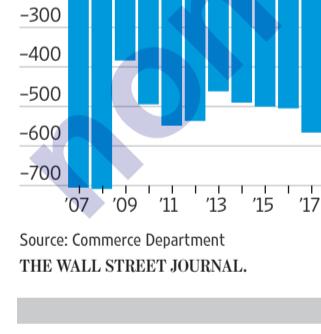
Mr. Wynn stepped down from his post as finance chairman of the Republican National Committee a day after the article was published, and regulators in Massachusetts and Nevada, along with the company's board, launched in-

Please see *WYNN* page A7

Gap Widens For U.S. Trade

The U.S. trade deficit grew 12% last year to \$566 billion, its widest mark since 2008. A3

U.S. balance of trade in goods and services



Source: Commerce Department
THE WALL STREET JOURNAL.

Senators Close In on a Budget Deal

BY KRISTINA PETERSON
AND SIOBHAN HUGHES

WASHINGTON—Congressional leaders were on the cusp of striking a two-year budget deal Tuesday to boost federal spending levels for both the military and domestic programs, after separating for now a stalled immigration fight from efforts to keep the government funded.

The emerging agreement is expected to increase military spending by \$80 billion a year and nondefense spending by \$63 billion a year, according to lawmakers and congressional aides, though the numbers were still being negotiated.

A final agreement is expected to include funding for community health centers for

two years, as well as relief for states and territories rebuilding after last year's destructive storms, and possibly an increase in the government's borrowing limit.

With the federal government's current funding set to expire at 12:01 a.m. Friday, both Senate Majority Leader Mitch McConnell (R., Ky.) and Minority Leader Chuck Schumer (D., N.Y.) said Tues-

day they were very close to finalizing the long-sought budget agreement.

"I'm optimistic that very soon we'll be able to reach an agreement," Mr. McConnell told reporters.

Mr. Schumer said that while some issues were still being worked out, he and Mr. McConnell were "making real

progress on a spending bill that would increase the caps for both the military and middle-class priorities on the domestic side."

A budget breakthrough this week would mark the separation of two issues that recently became linked together: government funding and immigration.

Lawmakers and congressional aides said last month's three-day partial government shutdown had helped Democrats realize the limits of their leverage on spending bills as they try to extract wins in the immigration debate.

Many Democrats said Tues-

Overworked? Stressed Out? Try the 'Healing' Olympics

* * *
In South Korea, the word describes gyms,
hair salons—and the Winter Games

By EUN-YOUNG JEONG

PYEONGCHANG, South Korea—South Koreans have reason to be stressed. They work long hours. Every once in a while, they're reminded of North Korea in their backyard. People can use a little calm.

That might explain the fake sheep on the road to the 2018 Winter Olympics.

The faux flock, whose members are holding signs that say HAPPY700, is meant to symbolize that the host city of Pyeongchang, 700 meters above sea level, is just the place to promote what South Korea calls "healing."

Pronounced "hill-ling" in

the local vernacular, healing is a uniquely South Korean concept that bears some distant relation to the original English word. It has since morphed into a broader marketing buzzword for anything and everything that is sustainable, organic or relaxing.

Healing has been applied to TV programs, cafes, gyms, vacation packages, furniture stores, hair salons, math textbooks—and, most recently, the Winter Games.

"This Olympics symbolizes many things," South Korean President Moon Jae-in said in a speech last year to tout the coming games. "It is the envi-

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INSIDE



'BLACK PANTHER' TAKES THRONE

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A TEST FOR APPLE'S HOMEPOD

TECHNOLOGY, B4

A Stroke Treatment Saves Lives, if Available

Access depends on where patients live

By THOMAS M. BURTON

Minutes mattered to two Atlanta-area residents who showed severe-stroke symptoms last autumn. The right treatment done quickly can help prevent brain damage.

An ambulance raced a 74-year-old man to a hospital nearby that wasn't an institution capable of offering the most-advanced procedure. He arrived Oct. 30 at 9:30 a.m. with right-side weakness, unable to speak.

Those symptoms should have been enough for personnel to immediately transfer him to Grady Memorial Hospital, says Raul G. Nogueira, Grady's chief of stroke endovascular therapy, who treated him and recounted the case. Grady can perform a procedure called

"thrombectomy" that is gaining favor for its ability to pre-empt brain damage in many patients.

Instead, the man got two scans. By the time a helicopter transferred him to Grady at around 2 p.m., a "good outcome was nearly impossible," says Dr. Nogueira. The patient "is expected to have lifelong severe disabilities and not be able to care for himself."

On Nov. 1, a 77-year-old woman was discovered on her bedroom floor with similar symptoms at 9:30 a.m. She arrived by ambulance directly at Grady and underwent a thrombectomy around noon, says Dr. Nogueira, and is "back to normal."

The thrombectomy is beginning to transform stroke treatment. Using it, a doctor

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Stocks Rebound In Volatile Trading

Stocks rallied Tuesday, a day after the Dow Jones Industrial Average suffered its biggest one-day point decline ever. But another round of wild price swings raised new questions about whether volatility was emerging as a threat to the nearly nine-year old bull market.

By Asjlyn Loder,
Gunjan Banerji
and Alexander Osipovich

The Dow ended the day 2.3% higher after swinging 1,167.49 points from its intraday low to its high. The S&P 500 index, which lost nearly \$1 trillion in market value on Monday, gained 1.7%, and the Nasdaq Composite rose 2.1%.

The sudden return of volatility nearly wiped out the assets of some popular exchange-traded products that allow investors to bet on continued calm.

Japanese securities firm Nomura Holdings Inc. and Swiss bank Credit Suisse AG announced Tuesday that they would close two exchange-traded products that saw more than 80% of their value erased when volatility spiked. U.S. exchanges temporarily halted trading in similar products.

Betting against wild price swings has been one of the most profitable trades in recent years as central bankers flooded the markets with cash and lulled investors with record-low interest rates. But

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- ◆ James Mackintosh: Inflation could eat markets alive..... B1
- ◆ Heard on the Street: Margin lending likely to shrink..... B16

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U.S. NEWS



The Labor Department last week said private-sector wages increased in January, but nonsupervisory workers enjoyed fewer of the gains.

Wage Growth Hit in Pockets

BY ERIC MORATH
AND NICK TIMIRAO

A Labor Department report last week on rising U.S. wages fed market inflation fears and touched off a swoon still sweeping through global markets. But a deeper look at that report raises questions about whether wages and inflation really are rising in such threatening ways.

Average hourly earnings for all private-sector workers increased 2.9% in January from a year earlier, the best gain since June 2009, according to the Labor Department.

Stronger inflation could cause the Federal Reserve to act more aggressively to lift interest rates in an effort to prevent the economy from overheating but could depress stock prices.

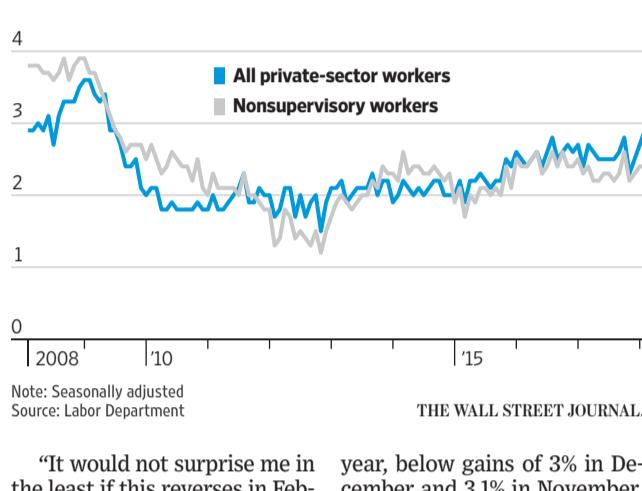
But wage gains aren't widespread. A separate gauge in Friday's report showed wages for nonsupervisory workers, who account for about 80% of employment, rose just 2.4% for the 52 weeks ending in January, in the same range that has prevailed for several years.

Almost all of the gain in Friday's report came from the smaller subset of supervisors and nonproduction workers, who saw wages rise 5% on the year.

This measure is volatile. The monthly gain in wages for this group, which was 0.8% in January, carries with it a margin of error of 0.66%, notes Ian Shepherdson, chief economist at Pantheon Macroeconomics.

Rank-and-File Wages

Change in average hourly earnings, from a year earlier, by worker type



Note: Seasonally adjusted

Source: Labor Department

"It would not surprise me in the least if this reverses in February," he said.

This isn't the first time the small subset of managerial workers has seen a big uptick in monthly pay. Wages for this group rose 1.2% last February and 1% last July, pushing overall wages up 0.3% in both months, a pace that wasn't sustained in the following months.

Overall annual wage growth reached 2.8% in July 2016 but didn't maintain that pace of growth.

Other components of Friday's report also make the banner wage gains less impressive. The average workweek declined in January. As a result, the annual change in weekly wages for all workers rose 2.6% on the

year, below gains of 3% in December and 3.1% in November.

A broader look at Americans' after-tax incomes, including wages, dividends, bonuses and Social Security checks, shows an improving trend over the second half of last year. But the gains are less than the pace at other times in this expansion.

The question for the Fed is how quickly higher wages will translate into inflation. This will determine how quickly and for how long officials proceed with rate increases.

Most Fed officials haven't shied away from their fundamental view, embodied by the so-called Phillips curve, that tighter labor markets will drive stronger wage growth and more inflation. But the

link isn't immediate or rapid, and some officials say skepticism is warranted.

"I caution against interpreting good news from labor markets as translating directly into higher inflation," said St. Louis Fed President James Bullard in a speech in Lexington, Ky., on Tuesday.

He said the relationship between inflation and labor-market conditions "has broken down in recent years and may be zero."

During the last two expansions, annual wage growth peaked at 4%. Why are investors now worried that as wage growth nears 3%, the Fed might lean on the brakes by raising interest rates faster?

One possibility is that officials expect worker productivity, which has been lower over the past decade, won't pick up. If productivity rises, officials can tolerate higher wage gains because they won't necessarily push consumer prices higher.

The prospect of higher inflation and higher rates weighs on stock valuations. But for now, markets aren't sending signals that they see the economy slowing down. One piece of evidence is that market-based measures of inflation expectations haven't declined.

"If the market expected the correction to trigger a recession, then inflation expectations would also have crashed yesterday," said Torsten Slok, chief international economist at Deutsche Bank.

Mnuchin: Market Functioning Well

BY KATE DAVIDSON

WASHINGTON—Treasury Secretary Steven Mnuchin tried Tuesday to dampen concerns over the recent stock-market fall, which he said wasn't tied to issues of financial stability and didn't overly concern him.

"I think the fundamentals are quite strong," he told lawmakers on the House Financial Services Committee, adding, "I don't think these types of moves, given how much the market has rallied, do have financial-stability concerns."

Mr. Mnuchin, who noted that trading on Tuesday morning had been "quite volatile," said he checked in with market participants to make sure markets were functioning in an orderly way. "I'm happy to report that I got the green lights," he said, reiterating his earlier comments that markets appeared to be functioning "very well."

Mr. Mnuchin said algorithmic trading definitely had an impact on Monday's market turbulence, but he declined to offer any recommendations to lawmakers related to potential concerns about such trading and its impact on markets.

The secretary chalked up the recent volatility to a

"normal market correction" that he said represented a short-term disconnect from underlying economic fundamentals, which he said were also strong. "Markets move in both directions," he said.

U.S. employers added 200,000 jobs in January and the average hourly wages for private-sector workers grew 2.9% last month from a year earlier, the Labor Department said Friday, marking the latest evidence of a tightening labor market that has been adding jobs for 88 consecutive months despite a sluggish pace of overall economic growth.

Investors saw the positive economic news, however, as evidence that the economy is heating up and inflation beginning to rise, raising the prospect of faster interest-rate increases. The Dow Jones Industrial Average fell sharply Friday, followed by its biggest-ever daily point plunge Monday that rippled through global financial markets.

Rep. Carolyn Maloney (D., N.Y.) asked whether the administration would accept blame for the recent market drop. "I think we'll still claim credit for the fact that it's up 30% since the election," Mr. Mnuchin said, referring to the Dow Jones Industrial Average. On Tuesday, the Dow was up 2.33%.

Separately, Mr. Mnuchin urged lawmakers again to raise the federal borrowing limit as soon as possible but declined to say whether Congress should include a debt-limit increase as part of a short-term spending bill this week to keep the government open. The Treasury has said the government has enough cash to keep paying its bills through the end of February.

The Congressional Budget Office said last week the Treasury could run out of cash in early March. That timeline is earlier than previously, in part because of the massive tax cut enacted last year, which the CBO said could reduce tax receipts by \$10 billion to \$15 billion a month starting this month.



Treasury's Steven Mnuchin said fundamentals are 'quite strong.'

On May 6, 2010, during the "flash crash," when the Dow industrials lost roughly 1,000 points in less than an hour, investors said the speed of the decline was exacerbated by computerized trading firms.

The big decline on Monday has produced similar rhetoric, with Treasury Secretary Steven Mnuchin saying algorithmic trading definitely had an impact on Monday's market turbulence.

As quants and other computer-driven firms look at potentially taking advantage of higher volatility, there is a concern that this could trigger another "quant meltdown," a reference to when several big funds simultaneously rushed to sell in 2007, causing losses at other firms and more selling.

—Bradley Hope

STOCKS

Continued from Page One

Monday's sharp decline in stocks, followed by an abrupt surge in an index measuring stock volatility that is known as Wall Street's fear gauge, triggered a spectacular unraveling.

While the exchange-traded products were the most visible victims, other investors were similarly blindsided by the sudden surge in volatility. Tony Caine, founder and chairman of Chicago-based LJM Partners Ltd.—which focuses on volatility strategies—told investors in a letter Tuesday that "LJM strategies have suffered significant losses," according to a copy of the letter obtained by The Wall Street Journal.

"This is the volatility event that we've been waiting for," said Chris Hausman, director of risk management and chief technical strategist at Swan Global Investments. "A lot of people have become complacent."

Before the abrupt reversal, global stocks had climbed higher in 2018 amid a drumbeat of positive economic news, including corporate tax cuts, rising wages and strong company earnings. Investors in January poured \$102 billion

Blindsided

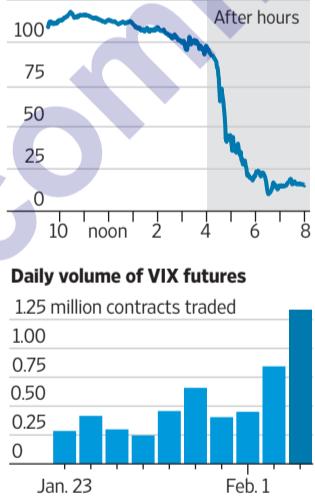
Investors have plowed money into exchange-traded products that bet on calm in stocks. But market turbulence returned Monday, triggering a late-day surge in futures tied to Wall Street's fear gauge.

Money flows into popular short-volatility ETPs



Sources: Thomson Reuters (price); Cboe Global Markets (volume); FactSet (flows)

VelocityShares Daily Inverse VIX Short Term note (XIV) on Monday



Sources: Thomson Reuters (price); Cboe Global Markets (volume); FactSet (flows)

'Quants' Say They Aren't to Blame

A day after the Dow industrials plummeted more than 1,100 points, quantitative traders were made scapegoats by many investors and even the Treasury secretary.

But within these high-powered "quant" funds, few see themselves as the problem. Some even said the selloff presented their best opportunity in a few years to make money for their investors.

In addition, these firms said the phrase "algorithmic trading" is a misnomer. Nearly all trading nowadays is algorithmic, including by old-fashioned, fundamental hedge funds that use algo-

rithms to buy and sell stock.

At Quantbot Technologies

LP, a New York quant, returns on Monday for the firm—which invests money for Schonfeld Strategic Advisors—were about average. During the afternoon selloff, the firm's chief executive officer, Michael Botlo, sat back and "let the machines drive," he said in an interview.

Quantbot is one of a host of firms that rely on computers and algorithms to buy and sell stocks without human intervention. Such firms are in fashion, with institutional investors moving cash to quant-based funds. Quantbot deploys about \$3.5 billion of capital in stock trading every day, including borrowed money.

These types of funds have faced heightened criticism during periods of high market vol-

VIX rises when stocks fall, it made an attractive form of insurance in the aftermath of the financial crisis.

Investors flooded into products that profit when volatility rises. But fear faded as the market pushed steadily higher, and those products hemorrhaged money. So instead of buying insurance, investors started selling it. Some placed their bets directly in futures and options, while others bought into exchange-traded products that profit when VIX declines.

The strategy has been enormously profitable as the stock market surged and volatility remained muted. Both the ProShares and the VelocityShares products more than doubled in the 12 months ended Feb. 1.

Since the start of the year, the ProShares Short VIX Short-Term Futures ETF and the VelocityShares Daily Inverse VIX Short-Term exchange-traded notes—the two largest short-VIX products—took in \$2.2 billion combined, nearly doubling their combined assets to more than \$4 billion as of Feb. 2, according to FactSet.

But those strategies amplify stock losses when markets turn, as investors learned Monday night, when both the

ProShares and the VelocityShares products lost more than 80% of their value in after-hours trading.

The losses were triggered by a late-day surge in VIX futures prices. A series of massive buy orders flooded into the futures market after the close of the U.S. stock market at 4 p.m. in New York. The VIX futures market closes 15 minutes later. In those final moments, VIX futures surged to \$33.20, more than double where they had started the day, according to data from FactSet.

Nick Ravo says he owned the VelocityShares product in his retirement account, and watched as his investment was almost completely erased.

"I watched it sink, sink, sink after hours," he said.

After settling at \$99 a share, the VelocityShares product was worth \$4.22 a share by Monday evening. On Tuesday morning, Credit Suisse announced that it would close the product Feb. 21.

Trading was temporarily halted Tuesday morning in the ProShares ETF. When trading reopened, shares were at \$11.70—an 88% drop from the start of trading on Monday.

—Mike Bird

and Gregor Stuart Hunter contributed to this article.

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CORRECTIONS & AMPLIFICATIONS

Fourth Corner Credit Union plans to serve individuals and companies supporting legalized marijuana, including those partnering with vendors, such as accountants and landlords. A Business & Finance article Tuesday about the Colorado credit union incorrectly said the company also would serve lawyers linked to marijuana businesses.

U.S. NEWS

U.S. Trade Deficit Rises to Nine-Year High

BY JACOB M. SCHLESINGER
AND HARRIET TORY

WASHINGTON—The U.S. trade deficit in goods and services grew 12% last year to \$566 billion, its widest mark since 2008 and a challenge for President Donald Trump, who has pledged to rebalance the nation's books with the rest of the world.

The goods deficit with China alone rose 8% during Mr. Trump's first year to a record \$375.2 billion, or nearly half the total global gap between U.S. imports and exports, the Commerce Department said.

Those numbers are likely to figure prominently in a White House campaign to ramp up pressure on Beijing's trading practices. Administration officials are weighing wide-ranging import and investment limits on Chinese companies in retaliation for allegedly unfair trade policies. Decisions are expected soon, but no timetable has been set.

About one-third of the trade deficit with China last year was in what the Commerce Department labels "advanced technology products," such as consumer electronics, computers and cellphones. Mr. Trump's administration alleges the Chinese government improperly pressures U.S. technology companies to turn over valuable intellectual property to gain access to the world's second-largest economy.

Administration officials said they have a plan in place to fulfill the GOP president's pledge to shrink the trade deficit, but emphasize patience. "Our aggregate trade deficit has been large and persistent for many years and will take time to fix," a White House spokeswoman said.

Some economists said administration policies might make the deficit larger. Trade deficits are driven by broad national saving trends. Consumers are spending more in a faster growing economy, saving less aggressively and consuming more products made overseas. That is potentially accentuated by last year's tax overhaul, which is projected to add \$1 trillion or more to the budget deficit over a decade, depleting national saving and increasing consumption of foreign goods.

"These are identities that you can't escape," said Gregory Daco, an economist at Oxford Economics USA, an economic forecasting firm. "If you want

China Fires Back At U.S. on Tariffs

WASHINGTON—China pushed back against mounting trade pressure from the Trump administration, filing challenges at the World Trade Organization to U.S. tariffs on solar panels and washing machines.

The petitions submitted to the global commerce arbiter on Tuesday argue that the U.S. tariffs "are not consistent" with international rules, and seek compensation from Washington.

The filings follow an announcement on Sunday by the Chinese Commerce Ministry that it was investigating American exporters of sorghum for allegedly "dumping" the grain below cost, aided by improper U.S. government subsidies, into the Chinese market. That probe could result in duties being imposed to block the U.S. product.

The Trump administration is debating adopting a tougher trade policy against China, possibly including broad tariffs and investment restrictions. The measures are being considered as part of a probe into widespread complaints that the Chinese government forces U.S. companies to turn over valuable intellectual property as the price for entering their market. These practices by the Chinese are estimated to cost the United States billions of dollars each year," the White House said recently.

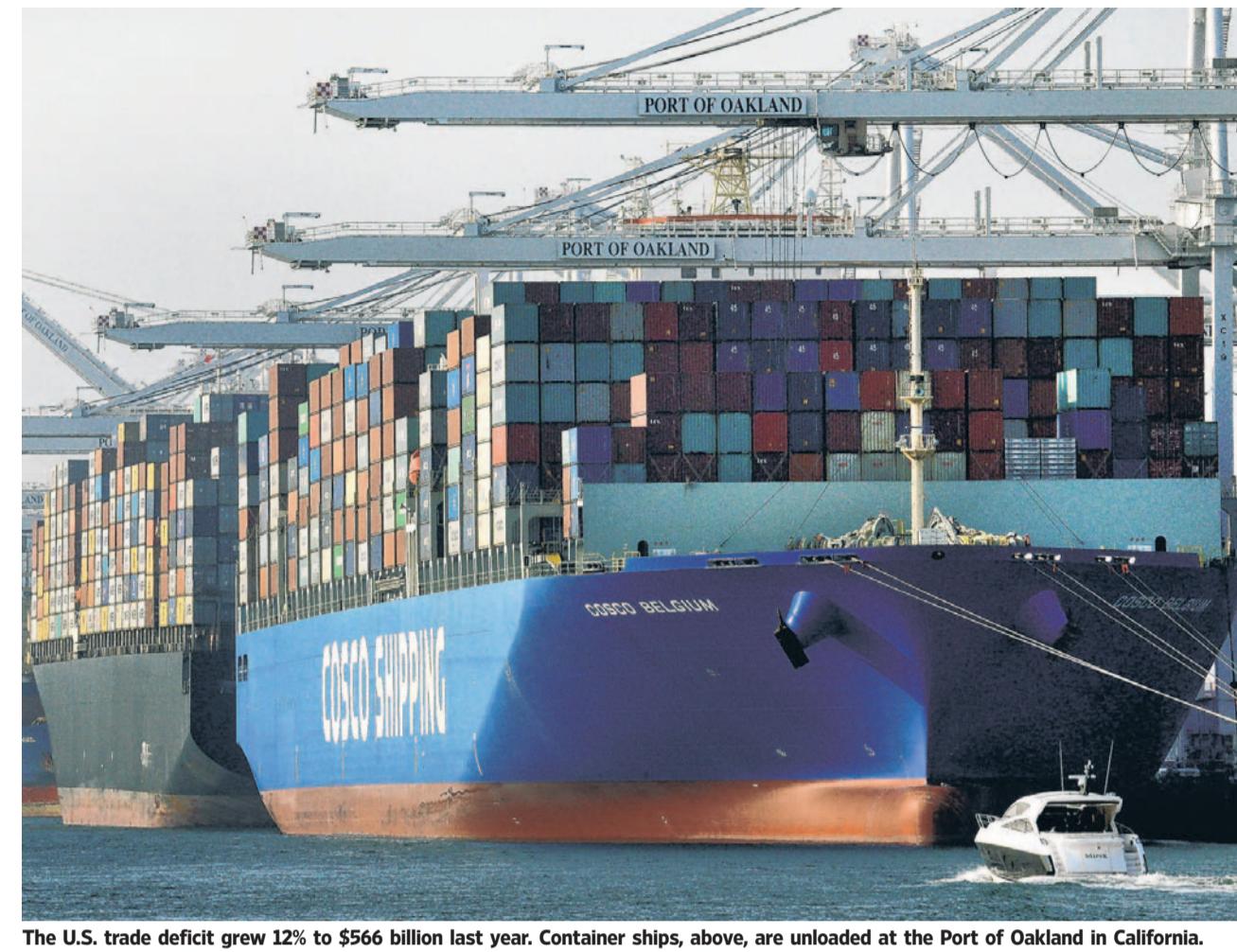
A U.S. Trade Representative spokeswoman declined to comment on China's WTO filing.

The Chinese petitions were prompted by Mr. Trump's decision last month to slap import limits on solar panels and washing machines, in response to requests from U.S. producers seeking relief from a surge in cheap Asian imports. China is a major solar panel exporter.

—Jacob M. Schlesinger

to cut the trade deficit, that means less spending and more savings. The tax cut supports greater spending, and the result will be more imports."

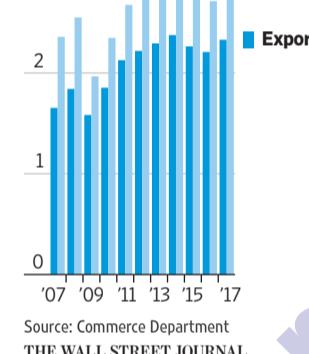
Moreover, administration talk of tougher trade action—without immediate follow-through—appears to have sparked a short-term surge last year in imports of products like steel and aluminum ahead



The U.S. trade deficit grew 12% to \$566 billion last year. Container ships, above, are unloaded at the Port of Oakland in California.

Trade Trends

U.S. exports have grown, but they are still outpaced by imports. Annual value of trade in goods and services:



Source: Commerce Department
THE WALL STREET JOURNAL

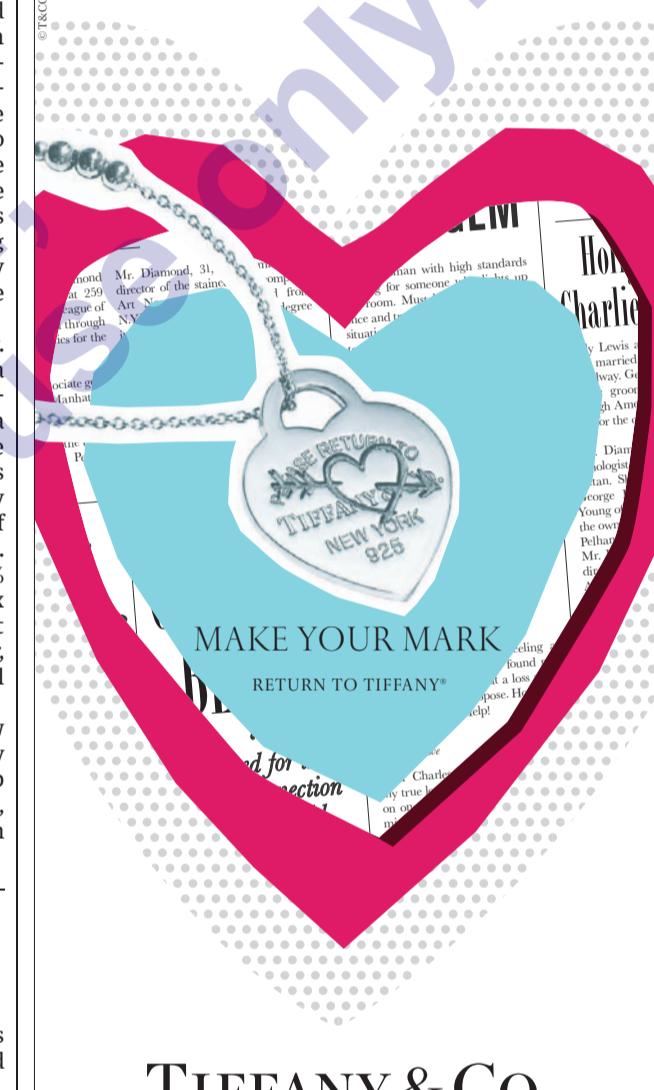
of an anticipated trade ruling that never materialized."

Mr. Trump's repeated threats to terminate the North American Free Trade Agreement also may have contributed to the 10% increase in the 2017 trade deficit with Mexico to its highest level since 2007—both by weakening the peso, making Mexican goods cheaper and by prompting Mexicans to diversify away from U.S. suppliers of some agricultural products.

Still, for all the talk of Mr. Trump's election heralding a U.S. turn away from globalization, his first year marked a robust expansion of U.S. trade with the rest of the world, as most major economies globally enjoyed a rare sweet spot of near-simultaneous expansion.

Exports rose a robust 5.5% last year, the fastest pace in six years, and hit their highest monthly level ever in December, lifted by chemicals and capital goods, like civilian aircraft.

Imports into the U.S. grew even faster in 2017, rising by 6.7%, also the biggest jump since 2011 to a record level, supported by strong growth in U.S. consumer spending.



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on the upper floors and shops and restaurants on the ground and lower-level floors.

The web-search giant also owns the 2.9 million-square-foot building at 111 Eighth Ave., which it bought in 2010. In addition, it has leased more than 200,000 square feet at Pier 57, a former freight terminal. The Chelsea neighborhood and Meatpacking District are part of the Midtown South office submarket, which is a favorite of the technology sector and has had vacancy rates that are among the lowest in the U.S.

"Any further long-term real-estate commitments by Google are proof positive that New York is the present and future home for technology innovation," said Doug Harmon, of Cushman & Wakefield, a longtime adviser to Jamestown and the broker who worked on this transaction and the sale of 111 Eighth Ave. to Alphabet.

The Chelsea Market deal was reported earlier by the Real Deal.

Alphabet Set to Grow in New York

BY KEIKO MORRIS

The parent company of Google is expanding its real-estate holdings in Manhattan, with plans to plow more than \$2 billion into one of the city's prime tech neighborhoods.

Under the deal, **Alphabet Inc.** entered a contract to buy the Chelsea Market building at 75 Ninth Ave. from Jamestown LP, according to a person familiar with the transaction.

The potential acquisition comes as **Amazon.com Inc.**, narrows its search for a second headquarters, and underscores the large impact the two companies can have on cities, raising real-estate values and adding high-paying jobs. The Alphabet deal also highlights New York City's ascendance in the past decade as one of the country's leading technology hubs.

Amazon has named New York City among the 20 finalists to host a second headquarters.

Technology companies have been increasing their share of

office space in the Manhattan market over the past several years, with household names such as Amazon, **Facebook Inc.**, Spotify USA and others signing large lease deals.

In the San Francisco Bay Area, tech companies have been gobbling up more space than they need in the short term to ensure they have enough capacity for workers and equipment down the line.

That might be playing out in

New York too. The Chelsea Market deal "is a potential land grab, where these firms are competing against one another, and you might see these firms take space defensively to ensure that they will have the space even though they don't need it now," said Sacha Zarba, vice chairman of real-estate services firm CBRE Inc.

Google already has offices in the 1.2 million-square-foot building, which houses offices

on the upper floors and shops and restaurants on the ground and lower-level floors.

The web-search giant also owns the 2.9 million-square-foot building at 111 Eighth Ave., which it bought in 2010. In addition, it has leased more than 200,000 square feet at Pier 57, a former freight terminal. The Chelsea neighborhood and Meatpacking District are part of the Midtown South office submarket, which is a favorite of the technology sector and has had vacancy rates that are among the lowest in the U.S.

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Donations to Colleges Jump to \$43.6 Billion

BY MELISSA KORN

Donations to U.S. colleges and universities jumped to a record \$43.6 billion, thanks to last year's stock-market rally and renewed charitable activity from alumni.

Giving increased by 6.3% in the fiscal year that ended June 30, or 3.7% adjusted for inflation, according to the Council for Aid to Education's annual Voluntary Support of Education survey, released Tuesday.

That included five gifts of at least \$100 million, compared with two such megagifts the prior year.

The tax overhaul passed by

Congress late last year may upset trends in charitable giving, including to colleges and universities. Many individuals increased their giving right before 2017 closed out, but the new law, which doubles the standard deduction, reduces the tax incentive for making donations.

Harvard University again topped the list of fundraisers in 2017, with \$1.28 billion raised. Stanford University brought in \$1.13 billion, while Cornell University rounded out the top three with a total of \$743.5 million.

The donations, which include gifts of cash, stock, art and other property, may have

Top Marks

Leading university fundraisers in fiscal 2017

- ◆ **Harvard University**
\$1.28 billion
- ◆ **Stanford University**
\$1.13 billion
- ◆ **Cornell University**
\$743.5 million
- ◆ **Massachusetts Institute of Technology**
\$672.9 million

Source: Council for Aid to Education

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U.S. NEWS

Trump, Rosenstein Discuss Memo

President and deputy attorney general met about possibly releasing Democratic document

BY REBECCA BALLHAUS AND BYRON TAU

WASHINGTON—President Donald Trump met Tuesday with Deputy Attorney General Rod Rosenstein to discuss a classified Democratic memo rebutting GOP allegations of partisan motives in the investigation of his former campaign aide.

White House press secretary Sarah Huckabee Sanders said Tuesday that the president met with Mr. Rosenstein “to discuss some of the differences” between the Democratic memo and the Republican document it addresses, which was released last week. The White House is “in the middle” of a legal and national-security review of whether to release the Democratic memo, and that is expected to take “several days,” after which the president would be briefed, she said.

White House chief of staff John Kelly said earlier Tuesday that Mr. Trump hadn’t yet read the Democratic document. “He has it. It’s pretty lengthy,” Mr. Kelly said of the 10-page memo. “We’ll get some people down to brief him on it.”

The GOP-controlled House Intelligence Committee voted unanimously Monday to release the Democratic memo defending the federal investi-



White House chief of staff John Kelly, center, listened as the president spoke Tuesday.

“clearly vindicates the president’s position that there was political bias in this process.”

The White House had to sign off on the release of the GOP memo last week, which it did over the objections of top Federal Bureau of Investigation officials.

Earlier Tuesday, Mr. Ryan reiterated that he supported releasing the Democratic memo, provided that it doesn’t reveal any sensitive intelligence information.

“Republicans are for letting all of this information out there provided that we scrub for sources and methods,” Mr. Ryan said. “The Republican memo was written to make sure that sources and methods were not compromised so that full disclosure could occur. We do not know if that’s the case for the Democratic memo—it has to go through that scrubbing process.”

Mr. Ryan added that uses of the Foreign Intelligence Surveillance Act, which played into the surveillance of Mr. Page, should be scrutinized.

“FISA matters to each and every one of us as citizens. And if our government abused the FISA process—a very unique, selective process, which, if mishandled, could complicate and compromise American civil liberties—we should care about that,” Mr. Ryan said.

Mr. Page has called surveillance of him “baseless” and said Monday evening in a Fox News interview that revelations in the Republican memo were “even worse than I could’ve possibly imagined.”

GOP Letter Details Claims On Steele

BY DEL QUENTIN WILBER

A former British spy paid by Democrats provided the “bulk of allegations” in an application that the Justice Department submitted to a secretive spy court seeking permission to monitor a former Trump campaign adviser, according to two Republican senators.

The disclosure Tuesday by Sens. Chuck Grassley of Iowa and Lindsey Graham of South Carolina came in correspondence seeking a criminal investigation of Christopher Steele, the former spy who has found himself at the center of a debate over federal investigators’ actions during the 2016 campaign.

Mr. Grassley, chairman of the Senate Judiciary Committee, and Mr. Graham sent their letter to the FBI and Justice Department on Jan. 5. On Monday, they released a heavily redacted version of the correspondence pending a review by the Federal Bureau of Investigation. On Tuesday, the senators released a fuller version of the letter after the FBI cleared the removal of many of the redactions.

The letter provides further detail about how much the FBI relied on Mr. Steele—and a controversial dossier he compiled on behalf of Democratic-linked groups on alleged ties between Trump associates and Russia—as it sought approval for surveillance on Carter Page, a former foreign-policy adviser to Mr. Trump’s campaign.

The FBI won approval from a judge on the Foreign Intelligence Surveillance Act court in October 2016, a month after Mr. Page took a leave of absence from the campaign, to spy on Mr. Page, according to the letter. In seeking a criminal investigation of Mr. Steele, the senators say the former spy may have “materially misled the FBI” about contacts he had with reporters before the bureau obtained permission to surveil Mr. Page.

House Revamps Sexual-Harassment Rules

BY NATALIE ANDREWS

WASHINGTON—The House of Representatives voted Tuesday to overhaul its policies on sexual harassment, banning lawmakers from using taxpayer funds to pay for settlements and mandating public reporting of cases.

The measures, which passed unanimously, would

mark a major shift in how sexual-harassment claims are handled in the Capitol. The legislation, which lawmakers say was written with input from victims of sexual harassment, grants subpoena power to the office investigating harassment allegations.

The bill requires the office to release a biannual report listing each award or settlement paid

during the previous year, including the amount of the settlement and the congressional member’s office involved. Cases would be referred to the House Ethics Committee upon the conclusion of an investigation.

The bill also bars members from having sexual relationships with their employees.

Under the previous law, no settlement amounts or names

were disclosed from this office. People who accused members or staff of sexual harassment have had to sign nondisclosure agreements and undergo counseling.

The push for an overhaul of Congress’s procedures for handling sexual-harassment cases took on new urgency last year when it was revealed some lawmakers had used taxpayer

funds to pay settlements to their accusers, amid a nationwide movement to curb harassment in businesses, media, Hollywood and politics.

Elements of the overhaul that change House rules take effect immediately, while others that would amend federal law must be passed by the Senate and then go to the president.

DEAL

Continued from Page One
budget deal,” said Rep. Tim Ryan (D., Ohio).

House Republicans said Democrats had won little from last month’s government shutdown and learned a lesson from it.

“They bit off more than they can chew,” said House GOP chief deputy whip Rep. Patrick McHenry (R., N.C.). “You don’t win a shutdown.”

Democrats had tried to use the spending fight to secure legal protections for the undocumented immigrants dubbed Dreamers, who were brought to the country at a

Jeanne Shaheen (D., N.H.). “There was a separate commitment around DACA.”

The shift, however, alarmed some House Democrats who are worried the immigration issue now won’t get resolved, especially as more lawmakers discuss simply extending the Dreamer protections for one year.

“I’m concerned that the Senate will punt this issue,” said Rep. Raul Grijalva (D., Ariz.).

If congressional leaders agree to the two-year budget deal, it would likely be the first spending agreement to boost federal funding above two sets of limits established in the Budget Control Act.

In an effort to rein in federal spending, lawmakers in 2011 agreed to impose spending caps and tasked a group called the supercommittee to find additional cuts. When that group failed to reach an agreement, a second, more stringent set of cuts briefly went into effect in 2013, known as the sequester.

Since then, Congress has passed two separate two-year deals preventing the sequester cuts from kicking in, but have kept federal spending below the more generous Budget Control Act caps. But the emerging budget deal, which would lift spending by roughly \$143 billion each year, would bust both sets of caps.

Under current law, military spending is capped at \$49 billion for fiscal 2018, while domestic spending is capped at \$516 billion. The budget agreement would boost military spending to \$629 billion, which is above the \$603 billion Mr. Trump had sought in his budget proposal to Congress last year.

Democrats had pushed to secure a budget agreement that lifted defense and non-defense spending by the same amount. The emerging agreement would reverse the sequester cuts for both categories—providing a \$54 billion boost for military spending and \$37 billion lift for non-defense—plus an additional \$26 billion on top for each.

The House later Tuesday passed a bill that would fund the Defense Department

young age. President Donald Trump in September ended the Deferred Action for Childhood Arrivals, or DACA, program that shielded them from deportation, but gave Congress until March 5 to pass its replacement.

Lawmakers have been struggling to reach an agreement protecting the Dreamers,

but have been unable to unite on other immigration policy changes demanded by Mr. Trump. On Tuesday, Mr. Trump said he would be willing to shut down the government if Democrats didn’t agree to tighten security along the border with Mexico.

But his comments came on the very day that Democrats publicly acknowledged they were willing to separate the two issues. Senate Democrats said they were now content to deal with them separately because Mr. McConnell, as part of the deal to reopen the government last month, promised to bring an immigration bill to the Senate floor, likely next week.

“What we agreed to do is go on a dual track” for spending and immigration, said Sen.



Senate Minority Leader Chuck Schumer on Tuesday said he and Majority Leader Mitch McConnell were ‘making real progress.’

Trump, Kelly Press Congress on DACA

WASHINGTON—The White House signaled little flexibility on immigration on Tuesday, saying lawmakers must pass a bill on President Donald Trump’s terms and offering no relief on the tight timeline for Congress.

White House Chief of Staff John Kelly, who has been a key adviser on immigration, said he wouldn’t support Congress passing a short-term legislative patch to give itself more time on a broader immigration bill.

Mr. Kelly also said he doubts the Trump administration will

extend an Obama-era program protecting young undocumented immigrants beyond March 5, if lawmakers fail to agree on a legislative replacement by that deadline. Mr. Trump has previously said he was open to an extension of the program he ended last year.

In his own comments, Mr. Trump also struck a tough tone, saying he welcomes a government shutdown if that is what it takes to get tougher border measures in place.

With his comments Tuesday, Mr. Trump appeared eager for a high-profile fight, but his words were out of sync with the current state of play on Capitol Hill. Democrats are no longer threatening a govern-

ment shutdown over immigration, as they did last month, and a two-year spending agreement appears to be at hand.

Visiting the Capitol on Tuesday, Mr. Kelly noted that Mr. Trump’s immigration proposal would offer a path to citizenship for the 1.8 million people eligible for the Obama-era program, not just the 690,000 who enrolled. But he spoke harshly about those who didn’t register.

“The difference between 690 and 1.8 million were the people that some would say were too afraid to sign up, others would say are too lazy to get off their asses,” he said.

—Laura Meckler and Michael C. Bender

U.S. NEWS

Prisons Said to Help Extremism Fester

Study warns lack of steps to deradicalize terror convicts helps fuel networks' spread

BY JESSICA DONATI

Heather Coffman was among the first U.S. prisoners to return to her hometown, in Virginia, after serving time on charges related to support for Islamic State.

"I'm home," she wrote on her Facebook page in December. Next, she posted a series of images and messages, some labeled as Islamic State material, imploring all Muslim women to cover up with the most conservative style of thick, loose-fitting clothes. After more than four years in prison, Ms. Coffman's rigid views had scarcely moderated.

On Monday, a new study, by the Program on Extremism at George Washington University, warned that the absence of programs to deradicalize people convicted on terrorism charges risked the spread of extremist ideas to other inmates in America's prisons, and beyond.

"The U.S. lags behind many

Western nations and must make such programs a priority," said the report, which seeks to examine the causes of homegrown U.S. support for Islamic State, the terror network widely known as ISIS.

Ignoring the risk of radicalization in U.S. prisons could allow networks to spread, according to Alexander Meleagrou-Hitchens, one of the authors of the report.

"We have seen in Europe how extremist networks are created and cultivated in prisons with large populations of jihadis and, as this contingent continues to grow in U.S. federal prisons, we are likely to see similar patterns here," he said.

At least two members of the cell responsible for the 2015 Paris attacks, which left more than 100 dead, met in prison, the report said.

The threat of extremism in the U.S. remains small compared with countries in Europe like France, which has seen more than 1,900 people travel to Syria and Iraq to join Islamic State, according to the Soufan Center, a group that tracks extremism.

About 140 people are in U.S. prisons on charges related to supporting Islamic State.



About 140 people are in U.S. prisons on charges related to supporting Islamic State.

her defense lawyers said in court records. Holding a full-time job and raising a son, Ms. Coffman had little time to socialize, and she became engrossed in online activity.

Her interest in Islamic State appeared to emerge in early 2014, after encountering a man online who claimed to be a jihadist in Macedonia, the defense lawyers said. She became radicalized through her relationship with him and others she encountered online.

Her activities online drew federal interest, and she was charged with lying to federal agents about supporting Islamic State. She was sentenced in May 2015 to 54 months in prison, followed by three years of supervised release.

Ms. Coffman and her lawyers declined requests to be interviewed. Her Facebook profile posts suggest that her ultraconservative views—particularly of the role of women and their dress—haven't changed.

"Sisters, please observe proper hijab, so the women who do wear proper hijab do not get compared to you and then called extreme," she wrote in one recent post.

Many, like Ms. Coffman, never attempted to travel or expressed an interest in violent attack, although they may have promoted Islamic State online or lied to federal agents about offering logistical or other forms of support.

The Federal Bureau of Prisons said it has monitored pris-

oners with a connection to terrorism and works closely with the Federal Bureau of Investigation and other agencies to prevent networks from spreading. It also said prisoners linked to terrorism have access to programs to encourage reintegration into society.

"The Bureau is assessing

programs geared toward violent extremism that have been adopted in various jurisdictions," it said in a statement.

Ms. Coffman, the Virginia woman who is now 32 years old, had never lived anywhere but her parents' home just outside Richmond, aside from a short stint in the U.S. Army,

WASHINGTON, D.C.

Pentagon Begins Planning for Parade

The U.S. Department of Defense is planning a military parade at the request of President Donald Trump, White House and Pentagon officials said Tuesday.

After observing the Bastille Day celebrations in Paris last year, Mr. Trump said he wanted to hold a similar parade on Pennsylvania Avenue in Washington, perhaps to celebrate the Fourth of July.

The French parade last July, which also marked the centennial of the U.S. entry into World War I, featured more than 6,000

service members, tanks and planes overhead in an elaborate display of military might.

"It was one of the greatest parades I've ever seen," Mr. Trump said in September at the Lotte New York Palace hotel. "And to a large extent, because of what I witnessed, we may do something like that on July Fourth in Washington, down Pennsylvania Avenue. I don't know. We're going to have to try and top it."

The Washington Post reported earlier that Mr. Trump asked the Pentagon to arrange an event in the Bastille Day style. Pentagon officials said late Tuesday that plans were in their infancy.

—Julie Bykowicz

MINNESOTA

Pawlenty Could Be Eyeing Governor Bid

Former Minnesota Gov. Tim Pawlenty said Tuesday that he was stepping down as head of a prominent financial-industry group next month, amid signals he is weighing another gubernatorial run.

Mr. Pawlenty, a Republican, was governor of the state from 2003 to 2011. He has been the chief executive of the Financial Services Roundtable, a group that includes some of the largest U.S. financial firms, since 2012.

Mr. Pawlenty was courted

by some Republicans to run for Senate in Minnesota in 2018, after former Sen. Al Franken, a Democrat, stepped down late last year over allegations of sexual misconduct. Mr. Pawlenty ruled out a Senate run last month.

He is, however, weighing another run for governor this year, said Brian McClung, a longtime adviser and former top aide to Mr. Pawlenty.

"Governor Pawlenty is considering running for governor and will be talking with Minnesotans over the coming weeks to assess support and gather advice," Mr. McClung said in an emailed statement.

—Gabriel T. Rubin

EDUCATION

CBO: Student Aid Falls \$14.6 Billion Under Bill

Americans enrolling in college over the next decade would receive nearly \$15 billion less in subsidies than under current law if House Republicans pass their education bill, according to an official estimate Tuesday.

The bill, unveiled late last year, would eliminate debt-for-giveness programs for future borrowers and allow interest on student loans to accrue sooner. But it would also boost grants—which don't have to be repaid—and eliminate fees the government charges borrowers when

loans are made.

In total, the changes would reduce government spending on student-aid programs by \$14.6 billion over the next decade, compared with current law, the Congressional Budget Office said.

The biggest change would be the elimination of a program that forgives big portions of student debt after 10 years for borrowers who go on to work in the public sector. Those who have enrolled in the program, known as public-service loan forgiveness, would still qualify for forgiveness. But any borrower who took out loans in summer 2019 or beyond would lose the benefit under the bill.

—Josh Mitchell

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WORLD NEWS

Poland Enacts Controversial Libel Law

Amid broad backlash, president criminalizes linking citizenry to Holocaust complicity

By DREW HINSHAW

WARSAW—Poland enacted a libel law to punish those who accuse Polish society of complicity in the Holocaust, despite objections from the U.S., Israel and some Auschwitz survivors, who said it threatened to stifle honest discussion of the Nazi genocide.

"It is important to protect the good name of Poland and the Polish people," President Andrzej Duda told reporters in the presidential palace before signing the legislation on Tuesday. "We have a right to our historical truth."

Mr. Duda's country is at the center of a new nationalism gaining traction in Europe, especially in the poorer, once-communist countries of the Continent's east, where voters complain that distant European Union elites have dominated decision-making on immigration policy, economics and religion.

Differences on these issues have widened a schism within the EU, which has criticized governments in some of these newer member states for failing to adhere to the bloc's statutes on issues including press freedoms and the rule of law.

Poland has refused to back down on a series of controversial laws, including a purge of the supreme court, which the EU's executive leadership considers grounds to potentially revoke the country's voting rights in the bloc.

The new libel law imposes fines and imprisonment for those who accuse the Polish population of responsibility or complicity in any war crimes, including the Nazi genocide. The law includes two broadly worded exemptions for academic and artistic expression. As with most libel laws, it



Protesters in Warsaw, above, on Monday opposed a far-right rally in support of a libel law President Andrzej Duda signed on Tuesday.

would apply only to public statements that contradict facts.

Its promulgation has stirred worries about the extent to which new nationalists are turning to an old strain of prejudice: anti-Semitism.

Hungarian Prime Minister Viktor Orban has blanketed his capital with posters of Jewish billionaire George Soros, a Holocaust survivor, whom he blames for trying to import migrants into Europe. French National Front leader Marine Le Pen speaks often of a powerful "Rothschild cartel" opposing her.

Some anti-hate-speech groups have said both campaigns tap into conspiracies of Jewish wealth controlling nations.

"Those who always had these anti-Semitic, xenophobic feelings now feel empowered," said Michael Schudrich, Poland's chief rabbi. "They perceive that they have the support, and the question is do they really have support from the government, and unfortunately, they think yes."

For many Poles, accusations of anti-Semitism are hurtful,



given the sacrifices the country made resisting Nazi rule. German troops burned about 90% of Warsaw to snuff out a 1944 uprising. The new law would apparently criminalize the term "Polish death camps," a slip of the tongue made by then-President Barack Obama in 2012 to describe sites like Auschwitz.

To the governing Law and Justice Party, international

criticisms of the law underscored their argument that Poland's European neighbors would rather condemn Poland than examine their own countries' moral failings during World War II. The party has portrayed the fight over the law as another example of distant elites trying to push Poland around. That message is resonating, said pollster Marcin Duma of the Warsaw-based

research firm IBRI S. "It's not about Jews. In fact, it's not about history," Mr. Duma said. "It's about sovereignty."

Polish leaders said they were surprised by the backlash. The International Council of the Auschwitz-Birkenau State Museum, which is in Poland, said the law could stifle research into how the Holocaust happened.

Israeli Prime Minister Benjamin Netanyahu accused Polish leaders, normally allies, of trying to deny facts about the Holocaust.

U.S. Secretary of State Rex Tillerson expressed his disappointment on Tuesday, saying, "Enactment of this law adversely affects freedom of speech and academic inquiry."

Mr. Duda said he understood Israel's sensitivities on the law, but said he placed a priority on the protection of Poland's reputation as a country that largely resisted Nazi rule. "This situation is so difficult and causes so many different emotions," he said.

—Natalia Ojewska and Felicia Schwartz contributed to this article.

Poles Have Mixed Record of Complicity Against Jews

Scholars differ on how widely the local population in Poland was complicit in crimes against Jews. There was no collaborationist government in Poland—unlike France or Belgium—although Polish police did, under German leadership, help round up Jews.

More than 6,000 Poles are celebrated by Israel's Yad Vashem institute for risking their lives to save Jews. As many as 400,000 Poles fought the Nazi occupation, which killed three million non-Jewish Poles before its retreat.

There is ample historical evidence that pogroms against Jews occurred regularly before, during and after the Holocaust. Some historians say as many as 200,000 Polish Jews were killed by their fellow Poles during the war; Poland's government disputes those estimates.

State media in Poland has described foreign complaints about the new libel law as part of a "Holocaust industry," in which Israel is trying to pressure Poland to give up property seized from Jews during World War II.

On Monday, several dozen protesters from the All Polish Youth—a group that seeks an all-white, Catholic Poland—stood in front of the presidential palace on Monday, behind a speaker who described Jews as a money-seeking "fifth column."

On Friday, Prime Minister Mateusz Morawiecki told a group of foreign journalists, many of them from Israel, "We must put a lot of effort into discovering the truth to eliminate all lies."

Afterward, waiters served the visitors a lunch: pork sausages.

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EU Sets Sights on 2025 For Expanding in the Balkans

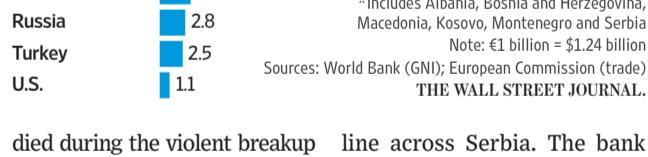
Trading Up

People in six western Balkan nations* earn far less on average than people in the European Union, which is also the main trading partner for those nations.

Gross national income per capita, 2016



Total trade by counterpart country, 2016



Sources: World Bank (GNI); European Commission (trade)

THE WALL STREET JOURNAL.

died during the violent breakup of Yugoslavia in the 1990s.

Some EU officials see bringing the region's biggest powers—rivals Serbia and Croatia—inside the bloc as completing the EU's mission to spread peace across the continent. Croatia joined the EU in 2013.

"The Western Balkans share the same history as the members of the European Union, the same cultural heritage, the same challenges," Federica

The move could check the influence of Russia, China and Turkey in the region.

Mogherini, the EU's foreign policy chief, said Tuesday. "I would say it is clear today...we will share a common future inside our European Union."

In Bosnia, Saudi investors are building mosques and luxury resorts, reducing the leverage Western donors have over the fractured country's leaders. The Turkish government is repairing Ottoman Empire-era bridges and mosques there.

China's Export-Import Bank is funding a \$300 million rail

line across Serbia. The bank also signed a \$1 billion deal to pave a highway through Montenegro.

Russia's intelligence agency is accused by Western officials of backing Bosnian separatists and anti-EU nationalists who tried but failed in late 2016 to kill Montenegro's prime minister. Moscow denies both charges.

"Brussels sees that Russia is meddling, that Turkey is present and China is spending," said Senada Selo Sabic, a research associate at the Department for International Economic and Political Relations, a think tank in Zagreb, Croatia.

"We need to do something."

Adding the six Balkan states and their 18 million people represents a monumental undertaking for the EU. The region is still seen as rife with poverty, corruption and organized crime, and each country faces hurdles.

Still, nearly all the countries won EU favor in 2015 by helping defuse its refugee crisis.

The EU's economic leverage in the region remains significant. It provides around three-quarters of foreign direct investment and total trade with the region.

—Daniel Michaels
in Sofia, Bulgaria,
contributed to this article.

WORLD NEWS

Pitch for Putin: Remember Stalingrad

Video made at memorial to WWII victory is part of patriotic wave ahead of Russia's March election

BY JAMES MARSON

VOLGOGRAD, Russia— Young police cadets at the imposing World War II memorial here belt out a tune pledging allegiance to President Vladimir Putin.

"If the commander in chief calls us into final battle, Uncle Vova, we are with you!" they sing, referring to the president with an affectionate form of his name.

The video performance, led by a lawmaker loyal to Mr. Putin, is part of a wave of patriotic agitation propelling the veteran leader toward a further six years in power in a March election. But the video has also been chided for taking things too far, including on state television, underscoring the tension around the Kremlin's efforts to drum up support despite a stagnant economy and a fall in living standards in recent years.

Military jets roared overhead and tanks rumbled through the streets here Friday as Mr. Putin oversaw commemorations for the 75th anniversary of victory in the Battle of Stalingrad, as Volgograd was known when the Soviet army defeated the Nazis. Some one million Soviet soldiers were left dead or wounded in the six-month battle, a turning point of World War II.

"We will always take pride in our heroic deeds, we won't allow a bad word about our great victories," Mr. Putin told an audience of veterans at a concert.

Raisa Burykina, an 85-year-old pensioner whose father was killed in the battle, said she was pleased to have



ALEXEI DRUZHININ/PRESS POOL

Mr. Putin, center, at a ceremony Friday in Volgograd to mark the Battle of Stalingrad.

seen Mr. Putin at the concert. Then, when asked about life in the city, she launched into a series of complaints:

Her friend had fallen on a potholed sidewalk; her pension barely covered the medicines she needs; and food was getting more expensive.

"Prices went down under Stalin; now they are going up," said Ms. Burykina, who had a clutch of Soviet orders pinned to her red sweater.

Volgograd is a city of some one million inhabitants sprawled along the Volga River. It is the capital of one of the country's poorest re-

gions, where the average monthly income stands at the equivalent of around \$350.

Like many Russian regional capitals, it has a lively downtown where shops and restaurants are interspersed with war memorials. Locals say public transport has improved recently with new trams and buses. Further from the center, however, the roads deteriorate.

"War glory is all the city has. They feed people with the idea of the hero city. But, sorry, you can't drive home on an asphalt road," said Anastasia Andreyeva, a 23-year-

old student who works for opposition leader Alexei Navalny. Mr. Navalny has been barred from the election.

Mr. Putin has made commemoration of the World War II victory a centerpiece of his rule, portraying Russia as standing firm under attack as tensions have risen with the West over the Kremlin's military interventions in Ukraine and Syria and its alleged interference in the U.S. presidential election, which Moscow denies. Russia's annexation of Crimea in 2014 boosted Mr. Putin's approval rating to over 80%, and it

has remained high.

Mr. Putin's political party United Russia held concerts across the country Saturday called "Russia in My Heart," aimed at commemorating Stalingrad and supporting Russian athletes heading to the Winter Olympics this week. The Russian team has been barred for an alleged state-sponsored doping program, but Russian athletes are allowed to compete as part of a so-called neutral team. Russia has denied systemic doping.

Anna Kuyuchko, the 38-year-old lawmaker behind the "Uncle Vova" music video, told state television that she wanted to show support for Mr. Putin's policies.

Kremlin spokesman Dmitry Peskov told reporters he hadn't seen the clip, but said that there are "various ways of showing affection" for the president.

Still, the video ran into some criticism, particularly after footage appeared showing schoolchildren singing the song in class. A popular late-night talk show produced a parody, and a commentator on a state news channel said the lawmaker "probably wanted to draw attention to herself."

Ms. Kuyuchko told state television, "For me and the majority of people of Volgograd, the idea of Russia and of a strong leader are inseparable. We shouldn't shy away from that."

During his visit, Mr. Putin laid a wreath at the memorial complex on a hill that overlooks Volgograd, where Ms. Kuyuchko made her video.

China Is Holding Bookseller As Swedes Find Fault

BY TE-PING CHEN

BELJING—China confirmed it was holding Swedish citizen Gui Minhai and that he would be dealt with according to Chinese law, as Stockholm stepped up criticism of Beijing for its "brutal" treatment of the Hong Kong bookseller.

Mr. Gui was snatched from a train in northeast China by plainclothes agents while traveling with Swedish diplomats late last month, according to people briefed on the case. It was a twist in a saga that began in 2015, when Mr. Gui disappeared from a vacation home in Thailand in unclear circumstances and reappeared in Chinese custody to face an old drunken-driving charge. He was released in October but forbidden to leave the country.

Mr. Gui was one of a number of Hong Kong-based booksellers who, starting in 2015, vanished and reappeared in Chinese custody. The booksellers' publications dealt with the kind of political gossip banned across the border in mainland China, often involving salacious material on Chinese leaders. Chinese Foreign Ministry spokesman Geng Shuang said Tuesday during a regular news briefing that Mr. Gui had violated Chinese law and was "subject to criminal coercive measures."

Under Chinese law, a person who obtains a foreign passport is no longer a Chinese citizen. Nonetheless, the situation of Mr. Gui, who was born in China and received Swedish citizenship in 1996, is a reminder of how authorities tend to treat detained China-born foreign passport holders as if they were still Chinese citizens.

Beijing says Hong Kong merchant taken from train is subject to 'coercive measures.'

Sweden has repeatedly called for Mr. Gui's release. Mr. Geng's comments Tuesday came after Swedish Foreign Minister Margot Wallström described Mr. Gui's removal from the train as a "brutal intervention" that had been conducted despite repeated assurances that he was a free man at the time.

In response, Mr. Geng said that Sweden should refrain from acts that would damage bilateral relations. "China will never accept the irresponsible remarks made by the Swedish side," he said. He didn't address the reasons for Mr. Gui's detention and gave no details of his whereabouts.

—Jeremy Page contributed to this article.

WORLD WATCH

SOUTH AFRICA

President's Speech On Nation Postponed

The speaker of South Africa's Parliament postponed the State of the Nation address scheduled for Thursday, amid a standoff in the ruling African National Congress over the future of President Jacob Zuma.

Baleka Mbete, who is an ANC member, said leaders of the assembly's political groups felt the speech was likely to face chaos and disruptions inside Parliament.

In recent years, opposition lawmakers have disrupted the speech, which traditionally spells out policy priorities for the year ahead, getting into fistfights with security guards or walking out in protest.

Ms. Mbete said no new date for the speech had been set, but that she hoped to delay it by no more than a week.

The delay was widely seen as yet another move by Cyril Ramaphosa, Mr. Zuma's deputy and the new ANC leader, to get the embattled president to step down after nine years in office that have been plagued by escalating allegations of corruption.

—Gabriele Steinhauser

HONG KONG

Court Throws Out Protest Sentences

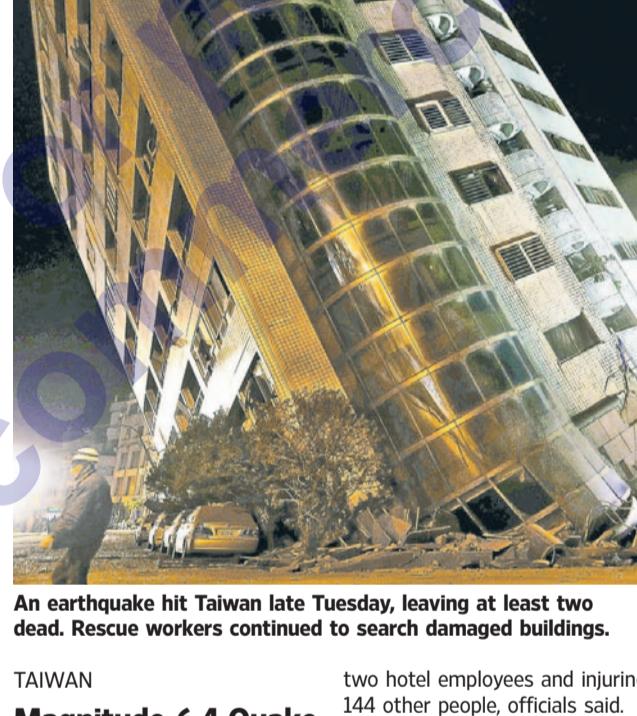
The city's highest court overturned prison sentences against Joshua Wong and two other student leaders of pro-democracy street protests in 2014.

The Court of Final Appeal struck down a six-month jail sentence given to Mr. Wong last August for storming a civic square at the start of the demonstrations, which paralyzed parts of the city for three months and became known as the "Umbrella Movement."

Two other pro-democracy campaigners, Alex Chow and Nathan Law, also had their jail sentences quashed by the five-judge panel, which said the lower-court judge was wrong to retroactively apply tougher new punishment guidelines.

Their jailing had sent a chill through lawyers and campaigners in the city, where people are entitled to free speech and greater freedoms than are allowed in the mainland. Democracy advocates described Tuesday's ruling as bittersweet, since the top court also endorsed harsher sentences for future public-disorder offenses.

—Natasha Khan



trapped inside.

Taiwanese media reported a separate hotel known as the Beautiful Life Hotel was tilting.

The agency also posted photos showing a road fractured in several parts.

The U.S. Geological Survey said the quake struck late Tuesday about 13 miles northeast of Hualien, on the island's east coast. It occurred at a depth of about six miles.

—Associated Press

THE PHILIPPINES

Flak Over China Spurs Undersea-Policy Shift

The Philippines said it was suspending joint exploration of undersea resources and would chase off foreign ships conducting research in its territorial waters, after a January agreement to allow a Chinese vessel to survey an area of the Philippine Sea called Benham Rise, off the country's northeast coast, triggered a nationalist backlash against President Rodrigo Duterte.

Opponents argued that to allow the exploration was to capitulate to aggressive foreign policy by Beijing and could compromise Philippine national security.

—Jake Maxwell Watts

WYNN

Continued from Page One vestigations. Stephen Crosby, chairman of the Massachusetts Gaming Commission, called the allegations in the Journal article "deeply troubling" during a hearing last week about that state's casino license for Wynn Resorts.

In his statement, Mr. Wynn said the allegations created an environment in which "a rush to judgment takes precedence over everything else, including the facts."

The company said Boone Wayson, a longtime Wynn Resorts board member, would become nonexecutive chairman. Mr. Wayson said in a statement that it was "with a collective heavy heart" that the board accepted the resignation of its "founder, CEO and friend." "Steve Wynn is an industry giant," he continued. "He is a philanthropist and a beloved leader and visionary. He played the pivotal role in transforming Las Vegas into the entertainment destination it is today."



mounted a comeback a few years later, gaining a lucrative license to operate in the Chinese gambling mecca of Macau and returned to the Las Vegas Strip in 2005 with the opening of the opulent Wynn Las Vegas.

Wynn Resorts operates two resorts in Macau that comprise more than 70% of the company's earnings before interest, taxes, depreciation and amortization.

Mr. Wynn will continue to live onsite in his villa at the casino in Las Vegas for another year and will keep his 12% stake in the company, according to a person familiar with the matter. A company spokesman didn't immediately respond to a request for comment on Mr. Wynn's accommodations.

In the past week, company executives appeared to be trying to mount a defensive strategy against the allegations through a series of highly unusual moves.

On several occasions in the last week, company film crews videotaped salon employees on site while asking them questions about Mr. Wynn, according

to people familiar with the matter.

The questions included, "When you're with Mr. Wynn, what is a typical interaction?" and "Do you feel comfortable with Mr. Wynn?" a person familiar with the matter said.

The company didn't immediately comment on the accounts of videotaping and questioning.

Otherwise, executives and front-line employees largely went about their normal business, according to a person familiar with the matter.

Mr. Wynn has been regarded as integral to the company's success. In a recent securities filing before the Journal's article last month citing possible risks to the business, the company said, "If we lose the services of Mr. Wynn, or if he is unable to devote sufficient attention to our operations for any other reason, our business may be significantly impaired."

Mr. Wynn on Sunday made his first public appearance since the allegations broke, attending the company's annual Super Bowl party featuring 1,500 guests, a person familiar with the matter said.

Billionaire Steve Wynn transformed the Las Vegas Strip with a series of posh casinos.

Mr. Wynn got his start in Las Vegas in the 1970s as a bingo parlor operator and liquor distributor. He rose to prominence after gaining a controlling stake in the Golden Nugget in downtown Las Vegas, transforming an aging gambling hall into one of Vegas' most popular resorts.

He went on to build the Mirage, Treasure Island and Bellagio casinos, megaresorts with artificial volcanoes and dancing fountains that brought a new level of ambition and scale to the Las Vegas Strip.

An hour and a half before the company announced the CEO's departure, trading was

halted in shares of Hong Kong-listed Wynn Macau Ltd., with no immediate explanation from the company.

In 2000 Mr. Wynn lost control of an earlier company, Mirage Resorts Inc., to Kirk Kerkorian's MGM Grand Inc. amid a declining stock price and pressure from investors. He

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IN DEPTH

STROKE

Continued from Page One
pulls clots from the brain. Leading stroke doctors concluded in a February 2016 analysis in the medical journal *The Lancet* that 2015 stroke studies showed 38 out of 100 patients treated with thrombectomy "will have a less disabled outcome" than with standard care, and that "20 more will achieve functional independence."

The procedure, says Denver-area stroke specialist Dr. Donald F. Frei, "has the same transformative effect on treating stroke as penicillin did for infections."

The contrasting experiences among patients such as the two in the Atlanta area show how far the U.S. medical establishment is from making the thrombectomy standard practice since it gained significant credibility from large clinical trials in 2014 and 2015.

A severe-stroke victim must get a thrombectomy before damage sets in. For every minute with blood flow blocked, by many estimates, two million brain cells die.

Ambulance crews' protocols, though, often don't specify driving a severe-stroke patient directly to a thrombectomy-capable hospital, many stroke specialists say, so a patient often lands first in a hospital that can't do the procedure.

Delayed treatment

In those hospitals, some medical research shows, there are often delays in getting patients who need a thrombectomy to the right hospital. Many patients with severe strokes aren't helped by conventional treatment with drugs, many stroke specialists say.

And a thrombectomy isn't an option at all in many regions. Many hospitals don't offer them, because it is hard to build thrombectomy teams of specialist doctors and assistants who can be on call 24 hours a day for the quick response such patients need. The procedure is new enough that there aren't enough specialists to hire, and doctors often must spend years learning it on the job.

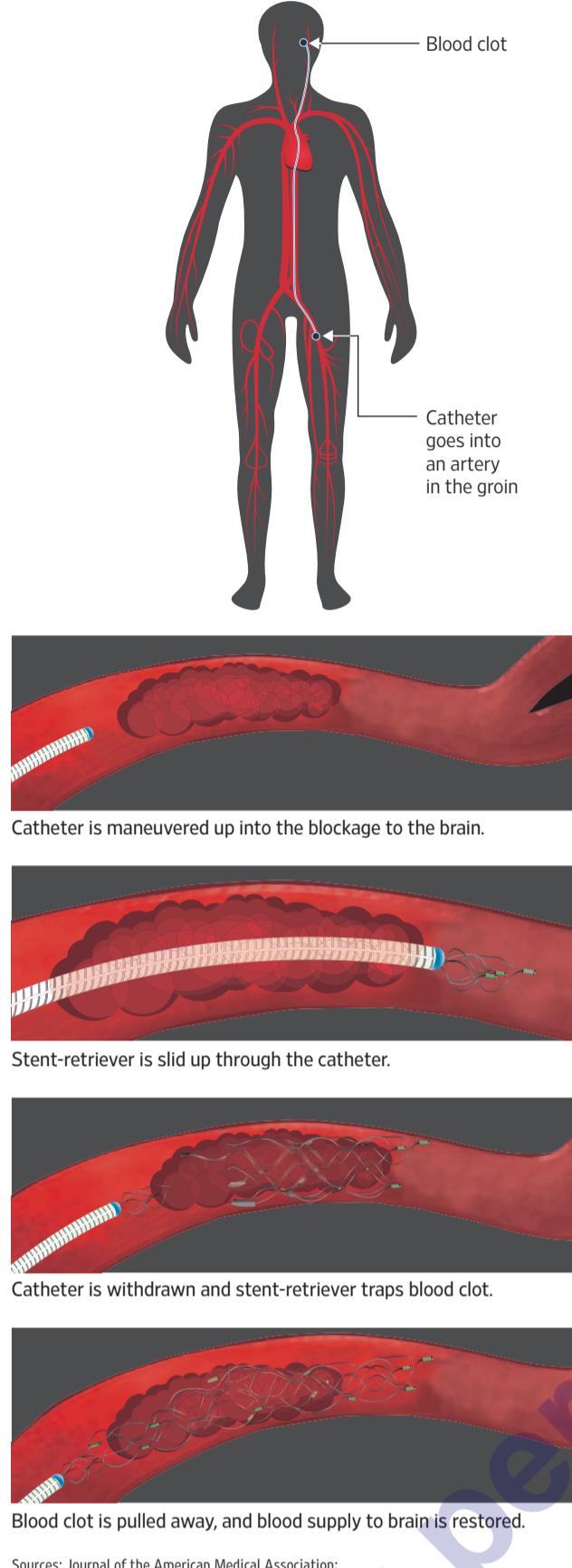
The U.S. system that creates low thrombectomy rates is "almost at the point of being unethical," says stroke neurologist S. Claiborne Johnston, dean of the University of Texas Dell Medical School.

Stroke experts estimate that, as a general rule, thrombectomies should be going to 20% or more of patients with clot-caused strokes. This subset of patients have "large-vessel occlusion," large clots in large vessels that often trigger the worst disabilities or death. Thrombectomies don't apply to a brain hemorrhage, another major type of stroke.

Washington, D.C., metro-area hospitals—including those in Virginia and Maryland suburbs—did thrombectomies in 2% of Medicare clot-caused-stroke patients in the 12 months ended June 30, 2017, the lowest rate among the 50 largest U.S. metro areas. Denver was the area with the highest rate, 9.3%. The Wall Street Journal determined those rates by merging

Restoring Blood Flow

In a thrombectomy, a doctor routes a catheter through a stroke patient's artery system into the brain, where a clot is blocking blood flow. A small mechanical device called a stent-retriever grabs and removes the clot.



Sources: Journal of the American Medical Association; Medtronic; Stryker Neurovascular; Banner Health

THE WALL STREET JOURNAL

population data with Medicare stroke-and-thrombectomy data compiled by Definitive HealthCare LLC, a medical-data analysis company. Among all U.S. hospitals, the rate was 2.8%.

Some hospitals do better. Atlanta's Grady gave thrombectomies to 28% of its clot-based Medicare stroke patients in the year ended June 30. The University of Toledo gave them to 26% and Swedish Medical Center in Englewood, Colo., to 24% in the same period.

Thrombectomies, which have been used in some hospitals for a decade, gained currency after the positive 2014 and 2015 clinical trials. In the procedure, a doctor typically slides a catheter through an artery to the brain and grabs a clot, often with a relatively simple device called a stent-retriever.

A hospital must spend millions of dollars to gear up with special equipment and staff. But thrombectomies are well-

reimbursed by Medicare and insurers, and ultimately are more profitable than a lower level of stroke treatment, says Tudor G. Jovin, chief of the University of Pittsburgh's renowned Stroke Institute.

Providence Regional Medical Center in Everett, Wash., treats about 750 clot-based stroke patients annually but doesn't do thrombectomies. Officials there say they are trying to build up a 24-hour-a-day thrombectomy capability.

Until they do, they say, the regional ambulance service transports thrombectomy candidates an hour south to Seattle. The hospital's medical director for stroke, Dr. Tarvinder Singh, says Providence has the equipment to do thrombectomy and that he hopes to hire two specialists soon.

There is debate over which stroke victims should go immediately to thrombectomy. Some hospitals that aren't capable of

doing thrombectomies say they can first give an anticoagulant drug called tPA, and, if it isn't enough, quickly transfer patients to a comprehensive center for a thrombectomy.

Many stroke specialists say some hospitals that don't do thrombectomies resist a change in ambulance protocols because these allow the hospitals to admit more patients and hold on to them longer. Officials in non-thrombectomy hospitals say there isn't a financial motive for resisting protocol changes that may send patients elsewhere. They say it is optimal to see a stroke patient as quickly as possible, and that they are capable of transferring patients in a timely fashion.

Robert P. Holman, medical director of the District of Columbia Fire and Emergency Medical Services, agrees that the protocol in the capital often sends patients first to a non-thrombectomy hospital but says patients can be transferred to a thrombectomy center quickly and arrive there with just a 20-minute drive. He defends the current system by saying it is "very hard for our first responders to assess in the field" a stroke's severity.

And it is hard to tell afterward if a given patient would have benefited from a timely thrombectomy, because a stroke's impact is unpredictable. Dr. Nogueira in Atlanta's Grady uses the metaphor of fighting a forest fire: Sometimes, it stops the fire after a few trees burn. Other times, "irreversible damage has already taken place."

Even the conventional wisdom that all patients have only a short window of opportunity has been challenged. A study presented in Europe in 2017 showed some patients even 24 hours after a stroke can have a 73% lower risk of disability with a thrombectomy. The outcome largely depends on the patient's individual physiology, the researchers said.

Protocol questions

Fewer than 20 states have ambulance protocols directing severe-stroke patients to thrombectomy hospitals, according to the Society of NeuroInterventional Surgery.

In Washington, D.C., there is no requirement ambulances take severely-stricken patients to the three hospitals capable of thrombectomies. Instead, a stroke patient often gets taken initially to a hospital designated as a "primary stroke center." That designation is largely given to U.S. hospitals able to give the drug tPA, which usually won't dissolve the largest clots in large arteries.

Most of these hospitals don't offer thrombectomies, often leading to delay for patients who need them, says Juliette Saussy, former medical director of D.C. Fire and EMS.

Dr. Saussy quit in January 2016, she says, after unsuccessfully urging changes, including a revised stroke protocol in which paramedics would assess the severity of strokes in ambulances and speed more in for thrombectomies.

Dr. Saussy says that in many cities, non-thrombectomy hospitals have resisted changing such protocols. "They have a fundamental belief, which I don't agree with, that paramedics can't diagnose severe

stroke," she says. "We're not doing the right thing for patients."

Dr. Holman, who succeeded her, says his department's protocol hasn't changed since Dr. Saussy's departure but the department is trying to find ways for emergency personnel to screen patients and better decide whom to take directly to thrombectomy-ready hospitals.

A 984-patient study published in September 2017 in the journal *Circulation* concluded "interhospital transfer was associated with significant treatment delays and lower chance of good outcomes" from a thrombectomy.

Thrombectomy advocates say it has been demonstrated that paramedics can conduct simple measures to determine how severe a stroke is.

Doctors from Barcelona wrote in the journal *Stroke* in December 2013 that they had created a scale that "is a simple tool that can accurately assess stroke severity" by emergency-medicine technicians. Authorities in some U.S. cities, including Pittsburgh, have adopted the scale.

Some U.S. regions have revamped their ambulance protocols to send stroke victims more quickly to thrombectomy hospitals, and many major hospitals have been gearing up procedures to get severe-

stroke victims quickly into the treatment.

Among them is the University of Pittsburgh's UPMC Presbyterian hospital. When a possible stroke patient arrives at the emergency room, a neurology team member is notified immediately. If it is the right kind of severe stroke, the patient goes in for a thrombectomy immediately. A stroke patient in the emergency department gets evaluated in a median of 22 minutes, down from 59 minutes in 2015, the hospital says.

Dr. Teleb says he and others are working toward a Phoenix-area ambulance protocol to send severe stroke patients more directly to thrombectomy-ready hospitals. He estimates it will take three to six months before that happens.

Dr. Teleb says the cases were "mirror images." The difference between the neighbors, he says, was that Mr. Noble was transferred "in a timely manner, while the other patient was transferred at least three or four hours later."

A spokeswoman for Banner Health, which includes both hospitals, says that at that time "medical literature did not clearly demonstrate that a thrombectomy was of benefit to patients suffering from an acute ischemic stroke" and that "once new literature and guidelines emerged, Banner took a lead in the early identification of patients who were candidates for this treatment."

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RAUL G. NOUEIRA

The impact of clots before a thrombectomy, top photos, and afterward, bottom, showing improved blood flow.

HEAL

Continued from Page One
ronmental Olympics, the IT Olympics, the cultural Olympics and...the healing Olympics."

Olympics organizers have embraced "healing," pointing to the unique geographical attributes of Pyeongchang. "Here, in this area, we are staying 700 meters above sea level...the best place for human beings to adjust," said Lee Hee-beom, the president of the Pyeongchang Olympics organizing committee.

The altitude, which is 2,300 feet, has a local brand, HAPPY700, as advertised along the freeway linking Seoul to Pyeongchang.

Local officials say the altitude offers the ideal atmospheric pressure for the human body and optimal conditions for wildlife growth.

The altitude also increases the production of melatonin, a type of hormone released from the brain, which enables people to get sufficient rest with only 5 to 6 hours of sleep, officials say.



Fake sheep hold signs promoting the host city of Pyeongchang.

Healing became popular in South Korea sometime after 2008, when the financial crisis battered the global economy. The craze took off here years later, when a local talk show called "Healing Camp" began airing on TV.

A test-prep textbook series for South Korea's civil service exam is called "Healing Math." The country has "healing gyms" and "healing tours" that range from tranquil forest visits to luxurious spa stays.

Scholars studying South Korea's "healing" phenomenon say healing has far outgrown its original meaning. It has become a noun, an adjective and

a general state of being unto itself—a catchall word for stressed-out South Koreans, one of the hardest-working populations in the developed world, according to data from the Organization for Economic Cooperation and Development.

Ko Jeong-hoon, a professor at Dongbang Culture University in Seoul teaches a course on healing design. "In the West, 'healing' is seen as a method of curing or treating an illness," says Mr. Ko. But in South Korea the concept encompasses "everything that seeks stability of the mind and body."

For some, South Korea's

free-for-all embrace of "healing" has been anything but soothing.

"It's the commodification of 'healing,'" said Cho Kwang-eik, a professor at Daegu Catholic University's department of tourism and management, who has conducted research on the social implications of South Korea's "healing" tourism.

Mr. Cho called the "healing Olympics" campaign a form of "political marketing" that allows the Moon administration to promote the Olympics as a way of "healing" relations between North and South Korea.

"The word doesn't carry the same connotation anymore," said Mr. Cho. "It's been hijacked."

Lately, the word has become something of a salve for a region coping with more than its fair share of geopolitical strife. The standoff between the two Koreas is in focus again as South and North Korea mark the 70th anniversaries of their rival regimes.

That's after a series of North Korean nuclear and missile tests last year, combined with public exchanges of threats between the leaders of the U.S. and North Korea,

which temporarily pushed many otherwise unruffled South Koreans to stock up on gas masks, flashlights and instant noodles.

In January, delegations from the two Koreas' National Olympic Committees agreed to march into the opening ceremony together under a "Korea unification" flag. They will also form a joint inter-Korean women's ice-hockey team.

The "healing Olympics" is an attempt not only to soothe the inter-Korean impasse, but also broader hostilities around race, gender, class and other sources of division, says Lee Young-joo, a cultural studies expert at Sungkyunkwan University in Seoul, who has researched how South Korea's "healing" culture has played out in the political realm.

Mr. Lee says healing politics has its limits. "It can comfort us, but it doesn't uproot the actual issues," he said.

Some retail and media executives say public fervor over "healing" has cooled somewhat in recent years. That doesn't appear to be the case for South Korea's tourism industry and the Olympics.

In November 2016, Pyeo-

ngchang held a "Korean Classical Healing Concert," which included traditional Korean music performances and break dancing.

Organizers also tout attractions near the Olympic venues, including the Daegwallyeong Healing Forest and the Woljeongsa, a tranquil Buddhist temple that offers a "healing experience," according to the official Pyeongchang Olympics website.

Roughly an hour's drive away from the main Olympics venues, a bed-and-breakfast called Pyeongchang Healing Stay overlooks the region's lush green mountains. Even closer is the Happy-700 Pension, a hotel with mineral water pumped from deep underground that it claims can cure allergies.

And for the full immersive experience, there is the Healing Zen Village, described by the Korea Tourism Organization as "a well-aging healing resort" run by Lee Si-hyung, a psychiatrist and best-selling author.

According to Mr. Lee, the word "healing" comes from combining the words "healing" and "science."

GREATER NEW YORK



WILLIAM ALARSTAD/NEW YORK CITY COUNCIL (2)

Public housing Chairwoman Shola Olatoye, below, was criticized by tenants and lawmakers Tuesday at the City Council hearing.

Residents Vent Over Housing Woes

BY MARA GAY

More than 143,000, or 80%, of New York City's 175,000 public housing apartments have been without heat or hot water at times this winter, city officials said Tuesday.

Temps flared over widespread heat and hot water outages in New York City public housing at an unusually contentious City Council hearing. Some residents were in tears. Lawmakers said they had lost confidence in Mayor Bill de Blasio's public housing chairwoman, Shola Olatoye.

"She has haplessly presided over a humanitarian crisis," Councilman Ritchie Torres said.

Residents have been left without heat sporadically throughout the winter, on average for two days at a time, according to city officials. The city has blamed the outages on aging boilers.

Ms. Olatoye said she was struggling to maintain even basic services after decades of declines in federal funding. The city's public housing agency has lost \$3 billion in federal aid since 2001.

Zachary Carter, the de Blas-



sio administration's top lawyer, stepped in during a moment of particularly aggressive questioning to say that Ms. Olatoye had answered a question, after council members said Ms. Olatoye was stonewalling them.

"It may not be the answer you want but it is her honest and earnest answer," he said.

Residents packed the City Council chambers, leaving standing room only. They sometimes shook their heads at answers from housing officials, and cheered when coun-

cil members asked pointed questions.

Ms. Olatoye has come under fire in recent months amid revelations that the New York City Housing Authority failed to conduct lead-paint inspections for four years, in violation of city law and federal rules.

Several council members criticized Ms. Olatoye for falsely saying under oath during a previous hearing late last year that workers the public housing agency used to make lead-paint-related repairs were

federally certified to do the work. Mr. Carter said Ms. Olatoye had been given incorrect information and made an honest mistake.

Mr. de Blasio, at an unrelated news conference at police headquarters, said the city's public housing authority shouldn't be held to the same standards as private landlords. He has stood by Ms. Olatoye, saying she has done a difficult job well.

"People in public housing deserve the very best living standard we can give them with the money we have," Mr. de Blasio said. "But do I think we in the public sector can achieve everything that a private sector can achieve, with much greater resources in the private sector? No, I don't have that illusion."

City officials also said Tuesday that the housing agency's infrastructure needs total about \$25 billion, up from \$17 billion several years ago.

A spokesman for the U.S. Department of Housing and Urban Development said it would help the authority work with the private sector to fund infrastructure improvements.

In the September 2016 Hoboken crash, an NJ Transit train failed to stop as it entered the station and slammed into the wall of the terminal, according to the NTSB. Fabiola Bittar de Kroon, who was standing on a platform, was killed by falling debris. Another 110 people were injured.

The train's engineer, Thomas Gallagher, was later diagnosed with severe sleep apnea. NTSB investigators said NJ Transit failed to refer Mr. Gallagher for a sleep study even though documentation from a 2013 medical exam showed the engineer met the criteria for a referral.

Mr. Gallagher's attorney didn't immediately respond to a request for comment Tuesday.

An NJ Transit spokeswoman said the engineer is on unpaid

'Why did the FRA withdraw this rule-making effort? It's unacceptable to me.'

leave. She said the railroad now screens for sleep apnea.

In January 2017, a Long Island Rail Road train derailed after striking the bumper at the end of the track in the Atlantic Terminal in Brooklyn. The engineer, Michael Bakalo, was later diagnosed with severe sleep apnea. NTSB investigators said he also likely suffered from fatigue due to irregular schedules and poor sleep habits.

Long Island Rail Road officials had planned but not yet implemented sleep-apnea screening when the accident occurred, according to the NTSB. More than 100 people were injured.

Mr. Bakalo couldn't be reached for comment. The MTA spokesman said Mr. Bakalo no longer operates trains.

The NTSB board also recommended that passenger railroads install technology that stops trains before they reach the end of the tracks.

Sleep Apnea Blamed for Rail Crashes

BY KATE KING

Undiagnosed sleep apnea suffered by two train engineers likely caused a fatal railroad crash in Hoboken, N.J., in 2016 and an accident last year in Brooklyn, in which more than 100 people were injured, federal safety investigators said Tuesday.

The National Transportation Safety Board voted 3-0 Tuesday to accept a special investigation report that identified the fatigue disorder as the "probable cause" for the crashes.

The two railroads, NJ Transit and the Long Island Rail Road, have implemented sleep-apnea screening and treatment programs, according to the NTSB. The agency recommended that federal officials require these types of programs on all railroads.

The crashes occurred inside terminals and caused more than \$11 million in combined damage. A spokeswoman for NJ Transit said the agency cooperated with the NTSB investigation and would comment after reviewing the report.

The Metropolitan Transportation Authority, which owns the Long Island Rail Road, said it was moving forward with its "established and aggressive" sleep-apnea screening program. "The safety of our passengers, our employees, and the general public is our highest priority," a MTA spokesman said in a statement.

At the board meeting, NTSB Chairman Robert Sumwalt criticized the Federal Railroad Administration for withdrawing a proposed regulation last year that would have required train engineers to be screened for sleep apnea. "Why did the FRA withdraw this rule-making effort?" Mr. Sumwalt said. "It's unacceptable to me."

A spokeswoman for the railroad administration said the agency will review the NTSB's recommendations. Last year, the agency said railroads should be allowed to decide whether to screen their employees.



Damage from the September 2016 train crash in Hoboken.

Judge Seeks Changes in Court System

BY CORINNE RAMEY

New York Chief Judge Janet DiFiore said Tuesday she would work to improve conditions in New York City's housing courts, aiming to reduce overcrowding and move cases faster through the system.

The city's housing courts are among the busiest, most overburdened courts in the nation, the judge said in Albany in the annual State of Our Judiciary address.

City housing courts, which handle more than 250,000 matters each year, hear disputes between landlords and

Associated Press
New York Chief Judge Janet DiFiore delivered her annual address on the state of the judiciary.

tenants, including issues around unpaid rent, unmade repairs, harassment and rent regulation. The stakes are high: Landlords rely on the courts to make sure they get paid, and for tenants, losing a case can result in eviction. While most tenants historically haven't had

lawyers, New York City-funded legal services have increased representation in recent years. In 2016, 27% of tenants in housing court had lawyers, up from 1% in 2013.

"And as you might imagine, the litigants in this court are overwhelmingly people of modest means, frightened of losing their homes, or frustrated by living conditions that threaten the health and well-being of their families," Judge DiFiore said.

A New York state court system report released Tuesday described litigants' experiences in housing court. Many

stand outside in line for an hour or longer to get into the courthouse. Lines to file papers or see a clerk are also long. Many cases—as many as 40 to 90—are scheduled for 9:30 a.m., which contributes to long waits.

Among the report's recommendations: Tenants should be assigned lawyers before they come to court. Cases could be staggered instead of being scheduled for the same time. Evening court sessions could be expanded so people don't have to miss work. Some cases could be resolved through arbitration or mediation.

Bribery-Trial Witness Tells Of World of Skirting Rules

BY ERICA ORDEN

Prosecutors in the corruption trial of a former aide to Gov. Andrew Cuomo called on their star witness for a day of testimony Tuesday that painted a picture of a clubby scene of favors and donations in Albany.

In one story, recounted by the witness, longtime Cuomo associate Todd Howe, Mr. Cuomo mingled with wealthy donors to his campaign and listened to their concerns about their business projects with the state in front of a shiny row of colorful Corvettes at a private home outside Syracuse in 2013.

Mr. Cuomo's primary donor at the event had been instructed by Mr. Howe to obscure the source and sum of his contributions by funneling them through limited-liability companies, according to Mr. Howe's testimony and evidence shown in Manhattan federal court Tuesday.

Mr. Cuomo isn't on trial or accused of any wrongdoing, but the weeklong prosecution has explored the inner workings of the Cuomo administration, with testimony from many of his current and former aides.

Prosecutors presented the evidence to illustrate the relationships between Mr. Howe, who helped organize the fundraiser, and several of the defendants, including Joseph Percoco, a former top Cuomo aide, and Steven Aiello, the primary donor at the Corvette event.

Mr. Howe has pleaded guilty to eight felonies and is a cooperating witness for the government. The donations and their circumstances aren't part of the crimes alleged in the trial.

Mr. Cuomo, a Democrat, has long campaigned against the so-called LLC loophole, a provision in the state campaign finance system that allows individuals to give near-unlimited sums through such companies, con-

sistently saying he seeks to eradicate it.

In an email, Mr. Howe, the Cuomo associate and former lobbyist who had helped arrange the fundraiser, told Mr. Percoco, who was then working as a senior staff member in the governor's office, and Mr. Cuomo's then-finance director, Tom Giordano, how he had instructed Mr. Aiello to skirt the contribution limits and obscure the source of his donations. It isn't clear how either responded.

Mr. Percoco, Mr. Aiello and two other defendants are on trial for bribery.

Mr. Giordano didn't respond to a request for comment. An attorney for Mr. Percoco said the contributions were lawful.

Mr. Cuomo hasn't been accused of wrongdoing and has said he was unaware of the alleged conduct by Mr. Percoco and the other defendants, as well as by Mr. Howe.

Bill Would Open Up Casino Bid

BY JOSEPH DE AVILA

State legislators from Bridgeport on Tuesday proposed a bill that would call for an open competition to build a new casino in Connecticut, creating an opportunity for MGM Resorts International, while possibly straining the state's relationship with the Indian tribes that manage the other casinos in the state.

At least four Democratic lawmakers suggested holding a bidding contest among developers to determine who would get to build a new casino in Bridgeport. Two tribes currently have exclusive rights to run casinos in the state.

The developers would be required to invest at least \$500 million in the casino and employ at least 2,000 people. The winning bidder also would have to give the state 25% of its annual revenue from slot machines and table games, as well as contribute an additional 10% of its annual revenue from video-slot machines to public-education funding.

"A competitive process will bring Connecticut the best deal, in terms of jobs, economic development, community benefits and support for our local businesses," said state Rep. Chris Rosario, a Democrat who represents Bridgeport.

A spokeswoman for state Sen. Len Fasano, the top-ranking Republican in the Senate, didn't return a request for comment. The state Legislature would have to approve the plan.

The proposed measure pits MGM, which says it wants to build a \$675 million casino in Bridgeport, against the two Native American tribes that operate the state's existing casinos. Mashantucket (Western) Pequot Tribal Nation runs the Foxwoods Resorts Casino, and the Mohegan Tribe operates the Mohegan Sun.

The tribes have teamed up to launch a third facility in East Windsor, Conn., to compete with a new MGM location opening this fall in nearby Springfield, Mass. Connecticut and the tribes are awaiting approval of changes to their rev-

enue-sharing arrangement by the Department of Interior before construction can begin in East Windsor.

Connecticut has a long-standing agreement with the Pequots and Mohegans that gives the tribes exclusive rights to operate casinos in the state in exchange for 25% of their slot revenue.

Andrew Doba, spokesman for the tribes, said the new proposed legislation is a bad idea for the state, which got \$264.1 million in revenue in the last full fiscal year from the tribes' two casinos. "Let's call this bill what it is—the MGM Massachusetts Protection Act," he said.

Uri Clinton, senior vice president for MGM Resorts, said the company believes Bridgeport—located on the coast about 45 miles from New York City—is a good location for a commercial casino because it would attract tourists and generate jobs. "That's really all MGM has asked for from day one, a fair chance to compete for Connecticut's first commercial casino license," he said.

GREATER NEW YORK

METRO MONEY | By Anne Kadet

Getting Creative in Co-Working Space

The fact that Ellie Lightfoot is an atheist only makes her choice of co-working spots all the more curious. The freelance radio reporter works out of St. Lydia's, a storefront church in Gowanus, Brooklyn.

For a monthly fee, she enjoys coffee, Wi-Fi, snacks, and a seat at one of the church's communal tables between the kitchen and the altar, with its gold cloth cover and Christ candle.

Ms. Lightfoot says she tried St. Lydia's because it was a few blocks from her home and cheap, but stayed for the people. "They're really welcoming and respectful," she says of fellow members.

Bob Wollenburg, St. Lydia's interim pastor, says the space offers connection to freelancers. "It's encouraging the kind of spirituality that happens around community," he says.

But there's a second reason the church offers co-working: "You gotta pay the rent!"

If you want an interesting spot to park your laptop, New York City is your town. Thanks to high rents, small outfits with big expenses are looking to co-working as a way to monetize underused space.

At the same time, the emergence of multi-location co-working giants offering a standardized experience has encouraged smaller players to differentiate themselves with unique services.

French entrepreneur Christophe Garnier says he didn't intend to go niche when in 2013 he launched Spark Labs, a co-working space near Union Square in Manhattan. But due to his network, he soon attracted a flock of European techies looking to expand in New York.

A Spark Labs monthly membership starting at \$350



TIM ROBINSON

includes a U.S. bank account, immigration and visa support, legal consulting and access to a network of fellow entrepreneurs dealing with the challenges of adapting to business in the U.S. About 70% of the firm's 300 members hail from overseas.

Mr. Garnier, who opened a second location near Bryant Park in late 2016, is glad he has adopted a narrow focus. Co-working giant WeWork, with its 42 New York City locations and hefty funding, "has been spending so much money on marketing and killing everybody that was mainstream," he says. "Unless you are niche-based, you can't compete."

In South Orange, N.J., former publicist Deborah Engel was expecting her third child when she found an ideal space

to house a combination co-working venue and preschool.

"Something about being 7-months pregnant made me go crazy, and I bought the building," she says.

Now, parents who join Work and Play drop their children at the first-floor school and head upstairs to work. "We put a lot of soundproofing between floors," Ms. Engel notes.

It isn't just the convenience that is appealing, says member Ambreen Ali, who leaves her 2-year-old daughter at the school. She's inspired by a community of fellow parents who swapped full-time gigs for freelancing. "It's like you have a group of cheerleaders around you."

Co-working is a tough field for small players. According to trade publication

Deskmag, a co-working magazine, 75% of co-working outfits with at least 200 members report earning a profit, while less than 25% of those with fewer than 50 members are in the black.

One way to compete: Cater to a specific occupation. Spaces around the city target industries from fashion to fintech.

A/D/O in the Greenpoint section of Brooklyn caters to designers. Its monthly \$600 full-time membership includes access to a staffed fabrication lab with tools including 3-D printers, a laser cutter and an etching press.

The venue is full, and A/D/O is doubling its workspace to accommodate 50 additional members, Managing Director Nate Pinsley says. Not every plan pans out.

Jennifer Jones offers the front loft of New Love City, her Greenpoint yoga studio, to co-workers. A \$350 monthly membership includes unlimited yoga classes.

Alas, many yoga students are finding they don't like bringing work to a space which previously served as an escape from work, she says.

The venue is more popular with drop-ins who pay by the day, but they require a lot of oversight, Ms. Jones says. "It isn't really worth money," she notes.

Still, judging by all the inquiries she gets, there's still plenty of opportunity for the co-working industry to experiment with how people work, she adds. "And I hope it continues to go crazy."

anne.kadet@wsj.com

NYPD's Data on Force Use Questioned

By ZOLAN KANNO-YOUNGS

The New York Police Department isn't properly reporting physical encounters with the public, according to a report issued on Tuesday by a watchdog agency tasked with monitoring the department.

During a three-month period in 2017, police said on arrest reports that they didn't use force in 55.9% of 136 arrests, but stated they used force during those same arrests on another form dedicated to forceful encounters, according to the Department of Investigation report.

The "systemic failure of force reporting" raises doubts about the NYPD's data in its Annual Use of Force Report, according to the agency. The most recent report, which relies on arrest-report data, said only 1.3% of 2016 arrests involved use of force by officers.

"Failures to comprehensively and accurately document the use of force by police officers are not only missed opportunities to improve policing, but risk jeopardizing the trust the NYPD has worked to build with communities across the city," said Philip Eure, the inspector general for the Department of Investigation.

At a crime-statistics briefing at One Police Plaza on Tuesday, Matthew Pontillo, assistant chief of the risk management bureau, said the report looked at a limited data set. He noted that there has been "dramatic improvement" to the reporting system since the probe was conducted.

Chief Pontillo attributed the improvement to new monthly meetings in which borough commanders are questioned about specific physical encounters and subsequent investigations.

OUT TODAY

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GREATER NEW YORK WATCH

IN THE COURTS

Judge: El Chapo Jury Will Be Anonymous

Notorious Mexican drug lord Joaquin "El Chapo" Guzman will have an anonymous jury at his Brooklyn trial later this year.

In a written order, U.S. District Judge Brian Cogan agreed with prosecutors who argued that withholding the names of jurors was needed to address any fears that they could be harassed or intimidated. Jurors also will be escorted to and from the Brooklyn courthouse by deputy U.S. Marshals and sequestered from the public while inside, the judge said.

Mr. Guzman's attorney, Eduardo Balarezo, said on Tuesday that his client was disappointed by the ruling. The defense had argued that an anonymous jury would give the false impression that Mr. Guzman is dangerous.

Mr. Guzman has pleaded not guilty to charges of running a massive international drug-trafficking operation. Since his extradition in January 2017, he has been held in solitary confinement at a high-security federal jail in Manhattan.

—Associated Press

NJ TRANSIT

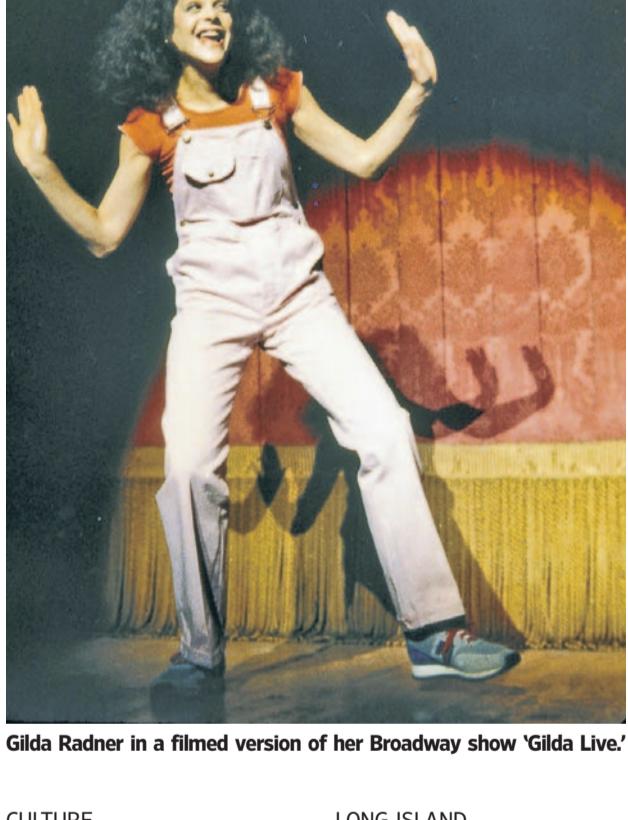
Rail Operations Chief Is Leaving Agency

The head of NJ Transit's rail operations is stepping down, continuing a shake-up at the top of the agency as it tackles financial challenges and rider dissatisfaction concerning delays.

Robert Lavell notified colleagues he will step down on March 1. Mr. Lavell has headed rail operations since 2014. Before that he was the rail division's acting vice president and general manager, and deputy general manager of equipment. He has more than 40 years' experience in the transportation industry.

Since his inauguration last month, Democratic Gov. Phil Murphy has named a new executive director to replace current chief Steve Santoro, as well as a new state transportation commissioner. Mr. Murphy has called NJ Transit "a national disgrace," citing recent problems with safety and reliability.

—Associated Press



Gilda Radner in a filmed version of her Broadway show 'Gilda Live.'

BROADWAY PRODUCTIONS/ENTERTAINMENT PICTURES/ZUMA PRESS

CULTURE

Radner Documentary To Kick Off Film Fest

A documentary about the comedian and original "Saturday Night Live" member Gilda Radner will kick off the 17th Tribeca Film Festival this year.

The New York City festival announced the opening-night selection of "Love, Gilda" on Tuesday. The movie, directed by first-time feature filmmaker Lisa D'Apolito, marks the sixth straight year Tribeca will open with a documentary.

Tribecca previously has begun with profiles of music producer Clive Davis, the Met Gala, "Saturday Night Live," the rapper Nas and the indie band the National.

Ms. Radner, who died at 42 from cancer in 1989, was renowned for "SNL" characters such as her broadcaster Roseanne Roseannadonna. "Love, Gilda" was made with the support of Ms. Radner's estate, along with audiotapes, home movies and diary entries left by Ms. Radner.

The Tribeca Film Festival runs April 18-29.

—Associated Press

LONG ISLAND

Police Officer Cleared Of Assault Charges

A Rockville Centre police officer has been acquitted of assault and other charges stemming from a violent arrest outside a Long Island bar.

Officer Anthony Federico's lawyer said his client merely was defending himself against an unruly mob outside a bar in May 2016.

A Nassau County state Supreme Court judge cleared Officer Federico on Tuesday of all charges.

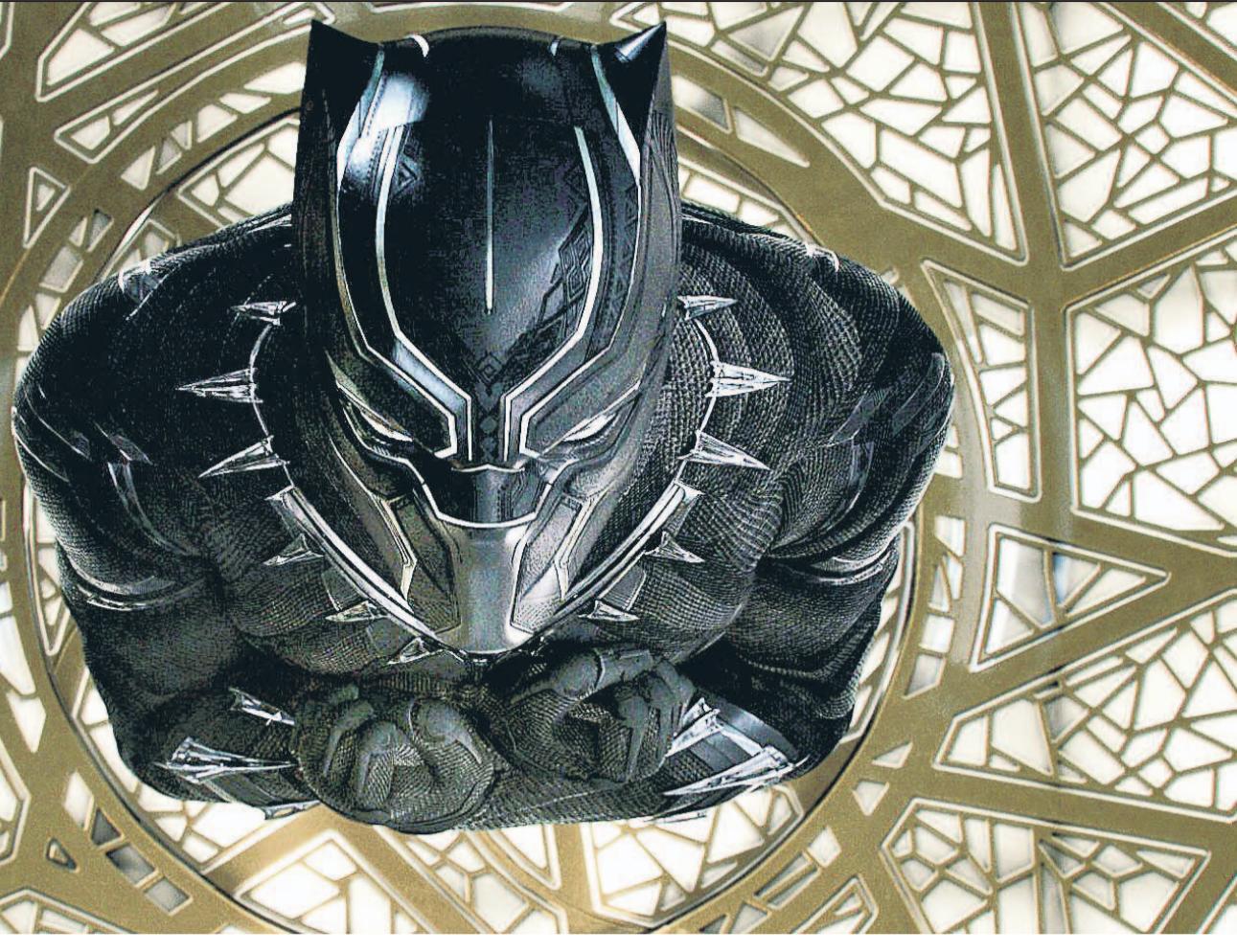
His lawyer, William Petrillo, said everything Officer Federico did "was reasonable and responsive to the attack" he faced.

Prosecutors said Officer Federico used excessive force by hitting then 25-year-old Kevin Kavanagh in the head with his stun gun while Mr. Kavanagh was on the ground, then filed false paperwork about the head injury.

Mr. Petrillo said Mr. Kavanagh had hit Officer Federico in the face and later grabbed the officer in a headlock.

—Associated Press

LIFE & ARTS



MARVEL (4)

MOVIES

In 'Black Panther,' Disney Seeks A New Kind of Blockbuster

BY JOHN JURGENSEN AND BEN FRITZ

FATIMA BARIE has never watched a superhero movie and rarely goes to the cinema at all, but for "Black Panther," she bought a ticket a month in advance.

Her reasons boil down to this: "It was exciting to see all those black people," says the 25-year-old teacher and writer in South Brunswick, N.J. "People who look like me."

The Marvel film, opening next Friday, features one of the first black superheroes in comic books, and its resonance for African-American moviegoers is transforming a typical action-movie rollout into a full-blown cultural event. Disney, which owns Marvel, hopes to translate that into the first international blockbuster whose cast and crew are mostly black.

Chadwick Boseman plays the title role in "Black Panther," an heir to the throne of the fictional African nation of Wakanda who possesses uncanny senses, strength and speed. With help from a female special-forces squadron, he protects his isolated, wealthy and technologically advanced kingdom from threats, including a villain played by Michael B. Jordan.

Prerelease surveys indicate "Black Panther" could open to \$150 million or higher in the U.S. and Canada over the four-day Presidents Day weekend. In advance sales, "Black Panther" is the top-selling superhero movie this far ahead of its release on the Fandango ticketing site.

After months of discussion and countdowns on social media, people



are buying up tickets in blocks, raising funds to send needy children to the movie and gearing up for a celebratory atmosphere at the multiplex.

Camille Stephens-Jamerson and her family bought 28 tickets for a showing in the Detroit suburbs on opening weekend. The 50-year-old business management consultant plans to wear a dashiki for the occasion and has watched YouTube tutorials to relearn how to put on a headwrap. She and her siblings now greet each other with the hand-shake-chest clap shown in a promo for the film.

"Everybody has started doing it," including her children and her mother, Ms. Stephens-Jamerson says.

Ryan Coogler, an African-American filmmaker who previously helmed "Creed" and "Fruitvale Station," is directing "Black Panther" with a cast that includes Oscar winners Lupita Nyong'o and Forest Wh-

itaker, Oscar nominees Daniel Kaluuya and Angela Bassett and Emmy winner Sterling K. Brown. The nearly all-black casting is a first for a big-budget Hollywood production.

"You go to a horror movie and you're like, 'The black guy's going to die,'" says Evan Narcisse, a cultural critic writing a Black Panther comic-book miniseries. "Somebody might die in this movie, but there are plenty of other black people."

There are nods to modern black culture, from a story line involving urban violence in Oakland, Calif., Mr. Coogler's hometown, to a scene in which actress Danai Gurira uses her wig as a weapon. Just as symbolic as the story on screen is that "Black Panther" is the focus of Disney's global marketing machine.

Movies starring African-American actors, like "Independence Day" with Will Smith, have been global blockbusters before, but no movie with a primarily black cast has.



Black Panther in costume, top; cast members Michael B. Jordan and Chadwick Boseman, left; Danai Gurira on set with director Ryan Coogler, above.

Such films are typically comedies like "Barbershop" and Tyler Perry's "Madea" series, made on a relatively low budget and intended primarily for American audiences.

Last summer's "Girls Trip" grossed \$115 million in the U.S. and Canada but only \$25 million overseas. It wasn't released in some foreign markets like Mexico, Russia and South Korea.

"Black Panther" will be released in every major market world-wide, most in the same week as the U.S. debut. It already has a date in the government-controlled Chinese market.

It remains to be seen, however, if "Black Panther" can draw crowds typical of past superhero movies in foreign countries with fewer people of African descent. Overseas grosses are a key component of such films' success. Every Marvel Studios production since 2010 has grossed more internationally than domestically.

50 Years of the Black Panther

1966: The Black Panther, created by Stan Lee and Jack Kirby, makes his first appearance in an issue of Fantastic Four.

1972: Marvel temporarily changes the character's name to Black Leopard in an effort to avoid confusion with the Black Panther political organization, which emerged after the comic-book hero did.

1973: As part of the Jungle Action comic series, Black Panther gets his first headlining stories. Writer Don McGregor's formative "Panther's Rage" arc featured work by African-American artist Billy Graham and saw the hero battle the Ku Klux Klan.

1998: An acclaimed series by writer Christopher Priest modernizes the character and adds depth and complexity.

2006: King T'Challa marries Ororo Munroe aka Storm, the meteorological mutant in the X-Men.

2016: Ta-Nehisi Coates, a long-time comics fan and National Book Award-winning author of a book confronting America's racial history, teams with illustrator Brian Stelfreeze to create a new Black Panther comic series.

2016: Black Panther makes his movie debut in "Captain America: Civil War," setting the stage for his 2018 solo film.

For Disney, the success of "Black Panther" will be measured not just at the box office but in merchandise sales and its effectiveness in setting up Marvel's main event for 2018: "Avengers: Infinity War," a May release featuring a superhero team that includes Black Panther.

There aren't direct precedents for a movie like "Black Panther." Wesley Snipes, who tried to get one featuring the Marvel character off the ground in the 1990s, starred in three movies about Blade, a sword-wielding vampire hunter. There were also comic-book vehicles for Mr. Smith ("Hancock") and Halle Berry ("Catwoman"), but their casts and filmmakers were predominantly white.

"Black Panther" arrives amid several projects focused on heroes of color. For example, the African-American superheroes Luke Cage and Black Lightning, who emerged in comic books in the 1970s, have TV series devoted to them on Netflix and the CW, respectively.

Hannah Beachler, a production designer who previously worked on Beyoncé's "Lemonade" and Mr. Coogler's other films, drew on ancient African imagery and circular symbolism as well as the original "Blade Runner" and "Star Wars" to create the sets in "Black Panther," which at times must reference Wakanda's past and elsewhere evoke futuristic technology.

"We talked about what it is to be African and what it is to be African-American," she says, "but also how we could make this global as well."

DINING

AT DINNERTIME, SNACKS BECOME THE MAIN EVENT

BY ALINA DIZIK

SNACKS AREN'T JUST FOR snacking anymore. Now, a handful of chips with the right staging—say, alongside carrots and hummus—can count as a meal.

Families with picky young palates, busy millennials and people living alone all are making a habit of this irresistible eating option: the snack dinner.

Companies are happy to help. Since 2016, a quarter of new food launches in the U.S. have been marketed as snacks, including traditional dinner fare billed as mac and cheese squares or cheesesteak bites, according to Beth Bloom, an associate director at Mintel, a market-research firm. "We are seeing products that

push the limit on what's considered a snack," she adds. In 2017, a quarter of consumers said that several snacks can make a meal, according to Mintel.

For his once-a-week snack dinner, 32-year-old Benjamin Rapoport likes

spreads such as patés or duck

rillettes. He pairs them with

cheese, tiny pickles called

cornichons and a handful

of pecans that he roasts in butter earlier in the

week for a more savory

taste. Mr. Rapoport arranges his solo repast on a slate board, to give it

more of a "meal-ey" feel even though it takes only a

few minutes to prepare. The

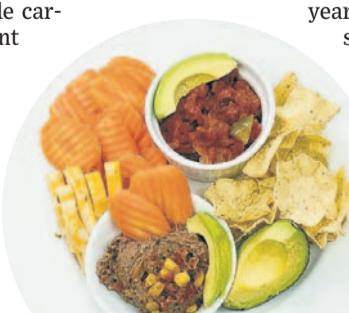
snack dinner allows him to

maintain a carb-free diet, which

was harder when ordering takeout.

"I cook a good amount, so this is my non-cooking option," says the New York-based

Please see SNACK page A11



Nutritionist Anna Hartman took just minutes to prepare an Instagram-worthy meal from a plate of snacks, above, including black bean hummus, fresh salsa, sliced avocado, carrots, cheese and chips.

LIFE & ARTS

MY RIDE | By A.J. Baime

A Coffee-Fueled Passion for Ferraris



PETER FRANK EDWARDS FOR THE WALL STREET JOURNAL

Katie Weinberger, 39, owner, with her husband, Kurt, of King Bean Coffee Roasters in North Charleston, S.C., on her family's 1986 Ferrari 412, as told to A.J. Baime.

For years at our business, my husband and I have worked with Italian machinery—a 60-kilo Petroncini coffee roaster, and espresso machines made by La Marzocco, Rancilio and Nuova Simonelli. There is something about the quality and the look of these machines that we have always loved. About two years ago, they inspired an idea for our family: to hunt for a Ferrari, the most famous of all Italian machines.

We decided on a 412 because it is so beautifully understated, it would be affordable, as far as Ferraris go, and it has back seats, so our family could fit in it. [According to Hagerty, an insurer of classic cars, a 1986 Ferrari 412 in "excellent" condition would be worth approximately \$41,600.] The only problem was, how would we find one? Only 576 of these cars were made.

It was a big investment, and Kurt took his time hunting for the right car. He went to Connecticut to look at one, then to Arizona, where he found the car pictured here. He was entranced by the red interior, and the car had only 25,000 miles.

I will never forget the day it arrived in an 18-wheeler. It was July 4 of last year, and I had my son and husband wear American-flag T-shirts. The truck was too big to turn into our street, so we had to walk out of our neighborhood to watch as the car came rolling out. My son, Kyle, who is 7, is mechanically minded like his father, and I will never



forget the look on his face when he saw this car for the first time. We all piled in and drove it back to our house.

The 412 is a dream to drive, and the leather seats are as comfortable as any I have ever sat in. While the car is understated for a Ferrari, it has a big, 4.9-liter Ferrari V-12 engine. It is loud and smooth, and people are attracted to it because they cannot figure out what it is. It does not fit the flashy image of what people think a Ferrari is supposed to be.

To us, it is in a way like a finely tuned Italian espresso machine: beautiful to look at and beautiful to use.

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



The Weinberger family—Kurt, Katie, and their son, Kyle—with their 1986 Ferrari 412 in North Charleston, S.C.



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16 911 Carrera 4S Cabriolet PDK	Black/Espresso	20K mi	CPO	\$109,900
13 911 Carrera S Cabriolet PDK	Agate Grey/Grey	29K mi	CPO	\$79,900
11 911 Carrera S Coupe PDK	Dark Blue/Beige	21K mi	CPO	\$69,900
08 911 GT3 RS Coupe Manual, 1 Owner	Green/Black	4K mi	\$329,900	
07 911 GT3 RS Coupe Manual	Arctic Silver/Black	18K mi	\$169,900	
05 911 Carrera S Coupe Tiptronic	Arctic Silver/Sea Blue	33K mi	\$44,900	
03 911 Turbo Coupe Manual	Seal Grey/Natural Grey	12K mi	\$69,900	
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16 Cayenne Diesel	Mahogany/Luxor Beige	25K mi	CPO	\$59,900
15 Cayenne Diesel	Black/Black	22K mi	CPO	\$54,900

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LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

More Group Expedition Than Solo Hike



Justin Timberlake performing at the Super Bowl halftime show on Sunday. His new album, 'Man of the Woods,' is out now.

CHRISTOPHER POLK/GTY IMAGES

THERE'S AN AWFUL LOT of chaff to sift through to get to the wheat of "Man of the Woods" (RCA), out now. Justin Timberlake's first new album since 2013's two-part "The 20/20 Experience" is pleasing at its best, but never does it rise to the exceptional.

To appreciate "Man of the Woods," one must manage expectations. It's wise to remember that Mr. Timberlake's instinct is to entertain, as illustrated by his Super Bowl halftime show: The 37-year-old began his career as a Disney product; like Christina Aguilera and Britney Spears, he was a cast member on "The All-New Mickey Mouse Club" where versatile showmanship was prized. Absent the distractions of choreography, stage craft and the like on disc, his voice is often revealed as an ordinary instrument. His preferred delivery is rooted in 1980s soul-pop and so it's all-but-impossible to listen to him without thinking of earlier recordings by funk, soul and R&B greats, most notably Michael Jackson. It can appear that as a musician Mr. Timberlake either lacks or suppresses the instinct to innovate.

As if aware of his shortcomings, on "Man of the Woods" Mr. Timberlake surrounds himself with

Justin Timberlake surrounds himself with superior talent, coming off as part of a creative collective instead of the album's lone shining star

top-shelf talent. Nine of its 16 tracks are collaborations with Chad Hugo and Pharrell Williams, aka the Neptunes, whose work here is often a delight. Four tracks feature the work of Timbaland, who has been producing tracks with Mr. Timberlake since the latter's 2002 debut album, "Justified." Other partners include Danja, Jerome Harmon and Rob Knox, all of whom contributed to earlier Justin Timberlake recordings.

While Mr. Timberlake's vocals provide the top line, he is often overshadowed by the dynamic backing tracks. On "Supplies," the rare funk tune in which he forsakes falsetto, the chiming staccato platform, typical of the Neptunes' witty, highly textured productions, is more satisfying than Mr. Timberlake's delivery of the song's static melody. Bass tones and synth strings propel "Montana" while, with its percussion and crackling funk guitar, "Midnight Summer Jam" calls to mind Mr. Williams's signature hits. Co-produced with Timbaland and Danja, "Sauce" features El-



The star's vocals are often overshadowed by the dynamic backing tracks

Illiott Ives's fat, stinging guitar that, along with a syncopated drum pattern, teases the attention away from the vocal. At these and other moments, Mr. Timberlake seems like a guest on his own album. That's not so—he's its cen-

terpiece and supervising force—and he shouldn't be faulted for working with superior talent. Whether one thinks he's been well served by his collaborators may depend on whether you're willing to see Mr. Timberlake as part of a creative collective or need him to be a lone shining star.

The newcomer to Mr. Timberlake's circle is Chris Stapleton, the Grammy-winning country artist. They sing the driving "Say Something" as a duo accompanied by acoustic guitars, misty synths and wub-wub tabla-like percussion. Mr. Timberlake just about holds his own with Mr. Stapleton, a mighty vocalist who is at ease in this setting that tilts more toward Memphis, where Mr. Timberlake was born, than Nashville. Mr. Stapleton contributed to the writing of "Morning Light," which features Alicia Keys on vocals in a warm environment of organ and a bluesy electric guitar, and "The Hard Stuff," in which Mr. Timberlake sings above folk guitars, a pedal steel and choppy percussion.

Several of the songs on "Man of

the Woods" are less than the sum of their parts. Country folk informs "Flannel," in which Mr. Timberlake overdubs his voice to create an amiable choir that is effective (unlike the off-putting boy band-style harmonies he builds for the title track) and "Breeze Off the Pond" profits from a midtempo funk setting, but neither track is particularly memorable. Tapping into ska, "Wave" bubbles happily, but without consequence.

Clocking in at more than 65 minutes, "Man of the Woods" feels padded with mediocrities that distract from its finest moments. Given Mr. Timberlake's status and past successes, it's easy to surrender to disappointment when experiencing the album. But while a superstar smash hit it most certainly is not, it's not a catastrophe by any means. Consider it a slight work with winning moments here and there. For maximum enjoyment, seek and savor the supporting pleasures Mr. Timberlake cooked up with his talented collaborators.

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SNACK

Continued from page A9
software developer.

The popularity stems in part from the changing definition of a meal. Diners in their 20s and 30s are consuming more snack foods during meals, and for some, a combination of snacks equals dinner, says Darren Seifer of NPD Group, another market-research consultancy. Fresh fruit and corn or potato chips are the most popular snacks to have as part of dinner, appearing about 22 percent of the time, according to the firm's 2017 data.

A "snack dinner" can range from chips and salsa in front of the TV to a full-blown, restaurant-style array of tastes and textures. The lineups—often veggies, dips, chips or smoked meats—seldom require much effort or cooking beyond a moment in the microwave.

A plate of carefully arranged snacks allows younger consumers to elevate the dinner experience, says Jeanine Bassett, vice president of global consumer insights at General Mills. "These folks aspire to cook, but there's a gap between their aspirations and the practical nature of what they are trying to do," she says. The company's Totino's frozen pizza rolls, which take about a minute to warm up in the microwave, are one of the most popular snacks for dinner, she says.

For Stephanie Loomis Pappas, a parenting blogger in Cleveland who launched snackdinner.com in 2015, minimal preparation is key. "The point is not to cook something," she says, beyond perhaps

reheating or melting cheese. And don't call it tapas: "It's not a snack dinner if it has evolved into lots of different appetizers," she says.

When setting out snack dinners on a cutting board, Ms. Loomis Pappas includes options so her 4-year-old can choose what he would like to have. The variety allows diners to stumble upon unexpected pairings. "You wouldn't put spread on something ahead of time," she says. "It takes the whimsy out of picking your own snacks."

Clare Langan, a personal chef in New York City, makes sure each plate in a snack dinner has crunchy, creamy, salty, sweet and fresh offerings.

Ms. Langan turns to fresh fruit and veggies, dips, crackers and cheese with a long shelf life, such as Parmesan or feta. The solo dinners she assembles are reminiscent of a restaurant meat-and-cheese appetizer. "It's taking the idea of an epic cheese board and making it work for a Tuesday," she says.

Snack dinners aren't without pitfalls, such as the risk of overeating. Willpower to eat healthily wanes later in the day, which has some people plowing into snacks at dinner time. "In the morning we see a lot of purposeful snacking," says Bob Nolan, senior vice president for insights and analytics at Conagra Brands in Chicago. "As we get tired as individuals, snacks become more indulgent."

To keep snack dinners healthy, Louisville, Ky.-based nutritionist Anna Hartman suggests composing plates with at least three different food groups, including high-fiber grains, which can be filling. For protein, she recommends meats and cheeses, in thin slices to control



A suggested meal from snackdinner.com, a website that advises keeping the options simple and casual.

portions. Also, instead of standing at the kitchen counter, she suggests sitting down and eating slowly.

The trend has yielded a number of surprises. Tara Murphy, chief executive of Vermont Smoke & Cure, had assumed that her customers—primarily fitness-focused men—were snacking on Vermont Smoke & Cure's meat sticks after working out.

But after conducting market re-

search in 2016, she learned that other customers were chopping the meat sticks into pieces and adding them to dinner.

Women were buying the meat sticks and serving them "to the whole family," Ms. Murphy says. The company recently began a social media campaign with ideas for including meat sticks in snack dinners.

This month Wilde Brands

founder Jason Wright, with an eye on the snack-dinner crowd, is launching chips made of chicken and tapioca flour. His year-old firm started out making smoked-meat bars for eating on the go. Those didn't catch on with consumers and now Mr. Wright is betting on Chicken Chips, which can be added to a plate for a shot of protein. "We looked at where trends are going," he says.

OPINION

What Amtrak Keeps Telling Us

**BUSINESS WORLD**

By Holman W. Jenkins, Jr.

The only good news for Amtrak is that none of its passengers died in the latest two crashes.

Last Wednesday's, with a train full of

GOP congressmen, killed a passenger in a garbage truck. Sunday's, in which an Amtrak train collided with a CSX freight, killed two Amtrak employees.

At least these weren't inexplicable cases of an Amtrak engineer driving off a curve at three times the posted speed limit, the type of accident that killed eight in Philadelphia in 2015 and three in Seattle in December.

Amtrak has problems to work through, but rail collisions are actually pretty routine and thus a complication for our federal government's strange obsession with making passenger trains go faster.

Of the 719 people killed in U.S. rail accidents in 2016, two were paying customers and 581 were "trespassers," individuals killed by a train while violating some barrier or warning sign. Another 117 were "nontrespassers," or people on foot or in cars who were killed while not in violation of any barrier or warning signal.

If 719 people were killed by airliners every year, Americans would go ape.

A bit of personal history:

The girl who sat in front of me in eighth-grade math was killed crossing the tracks when she apparently mistook an express for a local. Later, a chum and I were crossing a trestle over a local creek when trains arrived at both ends simultaneously. We managed to scramble out of the way but a few years later my friend was killed by the Paoli local.

OK, kids are kept on a tighter leash than in the 1970s, but a rail trestle near Pittsford, N.Y., still had to be outfitted in the 1990s with federal cameras and loudspeakers to discourage fatal trespassing.

And the faster the train, the greater the risk. Take a 2008 federal study promoting a "high-speed" service between Raleigh and Charlotte, N.C. It estimated that the difference between 79 mph and 110 mph would produce three additional deaths per decade (for a total of 51 in the absence of major changes to crossings).

That's where we are today. When fans fantasize about high-speed rail, they fantasize about trains *so fast* that a person could live in, say, Portland and commute to a job in Seattle.

These visions, as appealing as they are, run into insurmountable costs because of the need to create new, dedicated routes that are aggressively sealed against what the industry calls trespass.

That, in a nutshell, is why federal policy has largely if

confusedly devolved into trying to make trains go faster on existing mixed-use rail networks.

Indeed, accidents were expected on the newly refurbished Seattle line, just not the accident that actually happened during December's inaugural run when an engineer oversped on a curve. The 14.5-mile Point Defiance Bypass includes 15 existing crossings.

The real world is forever punching holes in the dream of high-speed rail.

Sprucing up a lightly used freight line with Obama stimulus dollars to accommodate passenger trains might well have been a sensible idea; mandating that trains hit 79 mph was not. A mere 10 minutes is saved between Seattle and points south of Tacoma. Meanwhile more crossing deaths were all but inevitable.

People will run the gates; they will misjudge the speed and arrival time of trains, especially when slow freights are mixed with faster passenger trains. That's a given.

One consequence is on display in Denver. Residents are being shaken out of their homes up to eight times an hour by federally mandated horn blasts because the city's new light-rail system can't meet its "constant warning

time" targets. These targets are deemed crucial to discouraging impatient motorists from crossing against a signal. The city spent an extra \$4 million last year to post cops at crossings.

Liberals like the idea of high-speed rail, so a political solution has been to throw money at projects that can be labeled high, or highish, speed, like the Seattle project, which cost \$180 million. Where it exists, commuter rail can certainly be a wise place for investing public money to increase capacity, but not for gratuitous pursuit of increased speed. Even less so now that modern electronics mean we don't have to interrupt our work or social life or Netflix consumption to ride the train.

California's bullet-train project is the tutti case in point. Hundreds of millions have been spent to rearrange places like Fresno in anticipation of a sealed corridor for 220-mph trains. The relentless Ralph Vartabedian of the Los Angeles Times last Sunday described how, up and down the planned route, properties seized by the state have become an arson- and crime-prone "linear ghetto."

California's bullet-train controversy is turning into a culture war between Sacramento's liberal dreamers and the people in its path who increasingly know in their hearts they are being pushed around and inconvenienced for a train that will never run.

BOOKSHELF | By Melanie Kirkpatrick

Behind the Pomp, Hunger Games

A River in Darkness

By Masaji Ishikawa

(AmazonCrossing, 159 pages, \$19.95)

Emotions will run high Friday at the opening ceremonies of the Winter Olympics when athletes from both sides of the long-divided country of Korea enter the arena together, marching under a jointly agreed-upon flag of "unification." The North Korean delegation to the games in Pyeongchang, South Korea, includes 22 athletes who will participate in five sports. But anyone who thinks that these Olympians represent a normal country needs to think again.

The most comprehensive account of the deprivations of life in North Korea is a 2014 United Nations human-rights report from a special Commission of Inquiry. The commission concluded that "the gravity, scale and nature of these violations [committed by North Korea] reveal a state that does not have any parallel in the contemporary world."

While the U.N. report provides a big-picture look at the "unspeakable atrocities" perpetrated by the ruling Kim-family regime, the dozen or so memoirs published in recent years by North Koreans who have escaped recount the horrors endured by individual families. The latest addition to this genre is Masaji Ishikawa's searing, swiftly paced *"A River in Darkness."* Like Kang Chol-hwan's *"The Aquariums of Pyongyang"* (2001)—the book that spurred President George W. Bush's commitment to helping the people of North Korea—Mr. Ishikawa's memoir recounts the fate of a family of Korean heritage that had been living in Japan. Mr. Ishikawa's family moved to North Korea in 1960 under a resettlement program sponsored by the Japanese government.

Mr. Ishikawa's father, who grew up in Korea when it was a Japanese colony, had been forcibly sent to Japan during World War II to work in a munitions factory. His decision to move his family to North Korea was rational, the son writes, given that in postwar Japan his father faced "endless bigotry, prejudice and discrimination." Mr. Ishikawa's Japanese mother objected but in the end agreed to go. The author was 13 when he arrived in the country he had been told was a "paradise on Earth."

Needless to say, the Ishikawas' life in North Korea was far from paradise. Their sole "luxury" was to live in the only house with a tiled roof in the village to which they were assigned. After the house and all their possessions were destroyed in a fire caused by a drunken neighbor, the Ishikawas were left with nothing. Mr. Ishikawa's descriptions of North Korean poverty are chilling, as are his accounts of the corruption and repression that dominated every aspect of life there. Death by starvation or lack of medical care was commonplace. Arbitrary arrest, disappearance into prison camps and official violence were standard. "Even as people faced incredible hardship and deprivation of both the physical and mental variety and wasted away under food shortages," he writes, "we weren't allowed to think for ourselves or take any initiative. The penalty for thinking was death."

As North Koreans take their place among the Olympic athletes, a memoir reminds us that they represent nothing like a normal country.

Especially eye-opening is his explanation of *songbun*, North Korea's apartheid system under which every citizen is assigned a status based on his perceived loyalty to the regime. A person's songbun determines his station in life, including where he lives, how much education he receives and, most cruelly of all, how much food he will get. Because of the Ishikawas' low songbun, Mr. Ishikawa could not go to university or marry the first woman he loved. As famine struck in the mid-1990s, the family's low songbun meant that they began to starve—and die.

As his wife and children suffered, Mr. Ishikawa made the decision to flee across the Yalu River to China, where he hoped to find a way to get to Japan and obtain help for his family. "If by some miracle I succeeded," he writes, "I could send money back to my family. I could save them." He swam across the river in the middle of the night.

Once in China, he succeeded in reaching Japan with the help of the Japanese government, which persuaded Beijing to grant him an exit permit on the basis of his Japanese nationality. In Japan, however, he failed to realize his dream of rescuing his wife and children, and he remains tormented by his memories of them. "It is a terrible curse to not even know if they are still alive," he writes at the book's conclusion.

"*A River in Darkness*" was first published in 2000 in Japan, where it sold nearly 400,000 copies. The book is now available in English, thanks to AmazonCrossing, an arm of the online shopping giant that translates and publishes literature written in foreign languages.

Little has changed in North Korea since Mr. Ishikawa fled in 1996, as reports from recent escapees confirm. An exception is the availability of information. The author's observation that a lack of access to news from the outside world meant that "North Koreans simply fell for the propaganda" put forward by the regime is less true today. A growing number of North Koreans—especially the elites in Pyongyang and those who live near the Chinese border—are better informed about life elsewhere and appear to be increasingly skeptical of the regime's pronouncements.

As for Mr. Ishikawa's family, the news is not good. He writes in an epilogue that his wife and daughter have died, and his literary agent in Japan tells me that the author learned recently that one son is dead and the other is presumed so.

That's the normality of life in the nation represented by athletes competing this month in the Olympic Games. The predominant emotion at the sight of the North Korean delegation in Friday's opening ceremonies ought to be rage at the regime that has engineered this publicity stunt and that continues to brutalize the 25 million men, women and children of that sad country.

Ms. Kirkpatrick, a former deputy editor of the Journal's editorial page, is a senior fellow at the Hudson Institute and the author of "Escape From North Korea: The Untold Story of Asia's Underground Railroad."

The Case for Merit-Based Immigration

**POLITICS & IDEAS**

By William A. Galston

As this column goes to press, it appears unlikely that congressional negotiators will reach an agreement on immigration before Thursday, the deadline for a bill to fund the government. If immigration isn't part of that deal, Senate Majority Leader Mitch McConnell has promised to take up the issue for open debate, in which the plan President Trump offered in his State of the Union address is sure to figure heavily.

The president's proposal would reduce legal immigration by 44%, or about 500,000 people a year over the next five decades, according to a study by the Cato Institute. This reflects anxiety, widespread among Mr. Trump's supporters, that immigrants are overwhelming the native-born population.

Few issues arouse greater passion. But the facts tell a different story.

The U.S. prides itself on being a nation of immigrants. But contrary to common belief, the pace of immigration to America is modest by international standards—just 0.3% a year as a share of the U.S. population. The comparable figure was higher in two-thirds of countries in the Organization for Economic Cooperation and Development, and between double and quadruple as high in

countries ranging from Canada to Norway.

This explains why, more than a half-century after the U.S. passed its landmark 1965 immigration reform, about half of OECD countries have relatively more immigrants. In the U.S., immigrants are between 13% and 14% of the population. In the 2013 data, that was roughly on par with Norway, Germany, the U.K. and France. But the figures for Australia and New Zealand were about twice as high, and for Canada about 1.5 times as high.

There is little evidence that immigrants are arriving too fast for the U.S. labor market to absorb. As a share of the American workforce, the annual inflow of workers with green cards was 0.04%, far below the OECD median.

The equivalent figure was 12 times as high in Australia, 10 times in New Zealand, and seven times in Canada.

This huge gap is easily explained: Two-thirds of immigrants to the U.S. were not workers but family members, only half of whom work. Family members were less than 50% of immigrants in every other OECD country, with the median in the low 30s. If there is a problem with legal immigration to the U.S., it has much less to do with competition in the workforce than with the distortions created by a system that gives pride of place to the unification of extended families.

In a recent visit to Canada, I encountered much more positive sentiments about immigration, which a 2017 survey

by the Enviroinics Institute confirmed. Only 35% of Canadians think immigration is too high, half the level of the mid-1990s. Seventy-eight percent believe that the economic impact of immigration is positive. Only 40% say they regard the claims of most refugees as illegitimate, compared with 79% three decades ago. By every measure, Canada's immigration system is more popular now than it was a generation back.

Beyond economics, it makes people feel the system is working in the national interest.

This is remarkable. Canada plans to accept 300,000 immigrants this year. A comparable figure for the U.S. would be nearly three million—about three times the current level. Moreover, Canada has accepted 35,000 Syrian refugees in recent years with a minimum of public controversy.

The chasm between American and Canadian sentiment, I believe, is due to the deep structural differences between the two countries' immigration systems. Canada awards about two-thirds of its slots based on potential economic contribution rather than family relationships. It uses a merit system that awards points for economic attainment, proficiency in English and French, age within the prime working

years, prior work experience, and offers of employment in hand. Those admitted based on merit are automatically set on a path to citizenship.

The advantages of a merit-based immigration system aren't only economic. A 2011 British study of points-based immigration by Centre Forum finds that its most attractive feature is its "power as a political tool." Such a system allows the government to tell the public that it is in control of the country's borders and is systematically limiting immigration in the national interest. Clear and measurable standards communicate objectivity and provide a defense against charges of racism and national bias.

President Trump has proposed moving toward a system like Canada's. This idea is worth discussing, as long as it is not a stalking horse for a dramatic reduction in overall immigration, as a number of senators have proposed. The U.S. is now in transition from an era in which the workforce grew rapidly to one in which it will grow much more slowly. If immigration is slashed, providing for the aging native-born Americans will weigh heavily on the shrinking share of the working-age population.

If we want robust economic growth, we need not only increased investment but a growing pool of skilled workers. If we emulate our neighbor to the north, we can have both. If we heed the restrictionists in our midst, we can't.

By Jayme Smaldone

than our shipping costs alone? The answer has to do with an international agency I'd never heard of—the Universal Postal Union, founded in 1874 and now a United Nations agency. It sets intercountry rates for mail delivery.

Overseas competitors undercut me thanks to an old mail treaty.

The UPU has 192 members divided into groups based on the strength of their economies. This classification dictates the amount each country pays in terminal dues—that is, the fee to a foreign postal service for delivering inbound mail. Less-developed countries get significant discounts on shipments to more-developed ones. The UPU classifies China a "Group 3" country, along with countries like Cuba and Gabon—even though China has

the world's largest e-commerce market.

Many developing countries can take advantage of this system, but China has done so like no other, partly because of the volume of its exports to the developed world and partly because its government aggressively subsidizes the trans-Pacific leg of the journey.

While it costs my company \$6.30 to deliver a one-pound package within the U.S., the USPS delivers the same package from a Chinese shipper for just \$1.40—less than a quarter of our cost. And the Chinese advantage increases with the weight of the package.

This low-cost shipping arrangement is not a two-way street. While a Chinese company can ship a mug here for a little more than \$1, the USPS would charge my company \$22 to ship a mug to China.

Adding insult to injury, the USPS loses money on these inbound China shipments. And American citizens are paying

for it. As the Government Accountability Office stated in a 2017 report, "inbound international terminal dues mail does not cover its costs for delivering that mail in the United States. As a result, USPS's net losses on this type of mail more than doubled from 2012 to 2016." Meanwhile, "rates for outbound international terminal dues mail has resulted in net positive revenues for USPS." In other words, American businesses are hurt by low-priced Chinese imports, and above-market shipping rates for exports.

This is not America first; it is America last. If our leaders want the U.S. to be able to compete in a global marketplace, they need to make changes now. I love and thrive on competition in business, but not if my competitor has both its government and mine in its corner.

Mr. Smaldone is founder and CEO of Mighty Mug.

We pay the USPS \$6.30 to ship a Mighty Mug within the U.S. In a web search for infringing items, we came across a fake Mighty Mug for \$5.69, with free shipping all the way from China. How is a Chinese retailer able to sell a product and send it 8,100 miles for less

OPINION

REVIEW & OUTLOOK

Wells Fargo's Political Penalty

The Dodd-Frank Act gave financial regulators more power and discretion, which some have used as a license to do whatever they want. The latest example is the Federal Reserve's arbitrary and seemingly political punishment of Wells Fargo for retail banking blunders.

Janet Yellen on her way out as Federal Reserve Chair on Friday imposed a sweeping consent order on Wells to punish "recent and widespread consumer abuses and other compliance breakdowns." To wit, its creation of as many as 3.5 million unauthorized consumer accounts and enrollment of 570,000 auto-loan customers in insurance they didn't want. The Fed is prohibiting the nation's third largest bank from growing its balance sheet until it "makes sufficient improvements" in risk management and compliance. Translation: Wells Fargo's board of directors must do whatever the Fed orders.

This new penalty comes after the bank made substantial reforms following settlements with the Consumer Financial Protection Bureau (CFPB) and Office of the Comptroller of the Currency (OCC) for creating the unauthorized accounts, which resulted from aggressive sales goals and misguided compensation incentives. The bank exploited unknowing customers, but they suffered a total of only \$6.1 million in harm—an average of \$1.75 per account. Wells compensated for those losses and paid \$185 million in regulatory fines and \$142 million to settle a class action.

Wells also fired executives and some 5,300 bankers. CEO John Stumpf resigned, and board chairman Stephen Sanger retired. The board last year clawed back \$69 million in compensation from Mr. Stumpf and \$67 million from Carrie Tolstedt, the deposed head of community banking. Wells itself discovered the auto-loan overcharges and notified regulators. And it promised to reimburse customers and removed culpable staff.

Notably, the CFPB and OCC missed—or failed to halt—Wells's blunders, which took place over several years during the Dodd-Frank era. Isn't rooting out such abuses what Senator Elizabeth Warren designed the CFPB to do? The Los Angeles Times revealed the unauthorized accounts in 2013. An internal OCC review last spring reported that its regulators had received 700 complaints by Wells employees related "to gaming of incentive plans" but failed

to act until the story went public.

The Fed blames the bank's mistakes on corporate governance failures, which is a catchall.

But it also acknowledges that Wells has "taken steps to review its corporate governance and risk management" and laudably identified errors to regulators. About half of its board has turned over in the past two years, and Wells plans to replace four more members this year.

All of which raises the question of why this double jeopardy now? One reason may be political pressure from the likes of Ms. Warren, who has been demanding heads at Wells. Ms. Yellen wrote to Ms. Warren on Friday crowing that the consent order is "unique and more stringent" than any that has been imposed for "similar unsafe and unsound practices." Ms. Warren was delighted.

The new growth restraint has no relation to Wells's transgressions and will hurt the bank's lending as the economy gains speed. Wells says its balance sheet provides flexibility to minimize the impact on customers, but it could also breed distortions within the bank's asset management as bankers look for ways to make up lost earnings. Wells estimates the penalty will reduce earnings by \$300 million to \$400 million this year, which may not sound like much on \$22.2 billion in profits for 2017.

But its arbitrary nature should cause shivers in bank boardrooms everywhere, which may have been Ms. Yellen's main point. The Fed hasn't provided a legal justification for its order, which requires Wells to waive "any issuance of a notice of charges"; judicial review; and the ability to "challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness, or enforceability."

The irony is that Wells didn't need the 2008 bank bailout because of its conservative asset management. Its decentralized decision-making, which regulators now claim contributed to the errors, was at the time considered a strength because risk was spread across business units.

Former CFPB director Richard Cordray abused his power time and again. The Financial Stability Oversight Council ignored its own guidance and tagged MetLife too-big-to-fail. President Trump promised to end lawless government, so we hope his appointed Fed Chair Jerome Powell will show more respect for due process than Ms. Yellen has.

Janet Yellen offers a Fed parting gift to Elizabeth Warren.

The Mattis Budget Rebuke

Congress spent Tuesday working on a budget deal to avoid another government shutdown, and one adult on Capitol Hill was Defense Secretary Jim Mattis, who ripped America's representatives for failing to provide reliable funding for the military.

Mr. Mattis testified at the House Armed Services Committee about the 2018 defense strategy, among other topics, but noted with some acidity: "Congress mandated, rightfully mandated, this National Defense Strategy—the first one in a decade—and then shut down the government the day of its release." Without "sustained, predictable appropriations, my presence here today wastes your time," he added.

Mr. Mattis said that stumbling into another year-long continuing resolution would mean: not recruiting 15,000 Army soldiers and 4,000 Air

Force airmen to fill shortfalls; grounding aircraft thanks to a lack of maintenance and spare parts; and worse. "Let me be clear," he said, "as hard as the last 16 years of war have been on our military, no enemy in the field has done as much to harm the readiness of the U.S. military than the combined impact of the Budget Control Act's defense spending caps, worsened by operating for 10 of the last 11 years under continuing resolutions of varied and unpredictable duration."

All of this should rattle Members obsessing over funding for this or that domestic account as a precondition for a deal that gives the military stable funding. Credit to Mr. Mattis for exposing this pathetic budget exercise, which has withheld resources from service members who have signed "a blank check payable to the American people with their lives."

Garbage In, Garbage Out in L.A.

When Los Angeles imposed a new trash-collection program last summer, supporters said the public would benefit from reduced landfill waste and greenhouse gas emissions and improved worker safety. Six months later, RecycLA has clearly benefitted the green and labor special interests that backed it, but for much of L.A. the experiment has been a dumpster fire.

Under the new recycling regime, the city gives a handful of haulers contracts granting exclusive waste-removal rights within parts of Los Angeles. These 10-year deals are worth a total of \$3.5 billion, and the only haulers who could bid were unionized or party to a labor peace agreement.

Businesses and multi-family housing units are now required to recycle. Under RecycLA, the city bans diesel trash trucks, mandates a clean fleet and requires haulers to invest \$200 million in recycling infrastructure, including the new trucks and other equipment. Customers ultimately pay the price for these mandates.

The City Council adopted RecycLA after years of pressure from groups like the Sierra Club and the Natural Resources Defense Council. Also instrumental was the Los Angeles Alliance for a New Economy, which received nearly \$2.8 million from unions between 2014 and 2017. Mayor Eric Garcetti later hired an alliance staffer who specialized in trash talk, Greg Good, and one of his tasks is implementing RecycLA.

Business owners and residents have seen their trash bills skyrocket. Eric Feingold operates five assisted-living facilities that cater to low-income senior citizens, and his trash-collection bill used to be less than \$500 a month. Now it's around \$1,500. Mr. Feingold says he can't pass along the cost to residents because many live on a fixed income of \$32 per day. The waste-collection bills have forced the facility

owners to consider admitting fewer poor residents, but "if I get rid of them, they're going to become homeless," Mr. Feingold says.

Prices have risen in part because the new city contracts let haulers charge customers more if drivers have to lift a gate latch or walk more than 100 feet to retrieve garbage.

Trash workers can also slap on extra fees if they decide that trash bins are too full or too heavy, among other inconveniences. Los Angeles claims the nickel-and-dime provisions prevent trash collectors from passing on costs to customers who are less of a hassle, and it insists some residents have seen their bills go down. But the city doesn't yet have the statistics to prove its point.

In RecycLA's first six months, the Bureau of Sanitation has received 28,000 complaints about missed collections. The city says that's a fraction of its 3.5 million-plus pickups, adding that these are growing pains. But the Los Angeles Times crunched the numbers and concluded that the quality of service has deteriorated with time instead of improving.

That's what you'd expect in a market devoid of competition. But Los Angeles insists the new system isn't a monopoly because, technically, seven different haulers hold waste-removal contracts. Nonetheless, customers who don't like their trash guy are no longer able to fire him and hire a new one. Before RecycLA, they could pick from among more than 100 competing haulers.

Instead of choice, Los Angeles now offers more bureaucratic utopia. Disgruntled consumers' only resort is complaining to the city about missed pickups, billing disputes or other issues. Naturally, the city hired 71 more unionized public workers to address RecycLA problems. Last July Los Angeles proclaimed that RecycLA would serve as a model for other municipalities—yes, a cautionary tale.

A new recycling program leaves residents feeling like Oscar the Grouch.

LETTERS TO THE EDITOR

How to Tell if Students Are Making the Grade

It is difficult to understand how Jennifer C. Braceras could argue that a single letter grade could provide a more "comprehensible and holistic measure of achievement" than a competence-based transcript that maps student achievement onto clear, consistent and detailed standards ("The War on Grades Deserves to Fail," op-ed, Jan. 30). Nor is her claim that only traditional letter grades can take into account "effort, ability to meet deadlines, or level of engagement" very persuasive. Students who meet rigorous academic standards in a competence-based system don't do so by happenstance. They must work just as hard, responsibly and with as much passion as their counterparts mired in a traditional grading system that reduces the complexity of human achievement to a single, unexplained letter.

But anyone who has seen the increasingly homogenized transcripts coming out of American high schools with their predictable mix of A's and B's has to wonder how a system that provides less information about students and schools is advantageous to high-school graduates coming from schools with fewer resources and connections.

In an increasingly competitive college environment in which too many accomplished students look identical on paper, the undeserved advantages of affluence, legacy and social capital are more likely to tip the scale among college admissions officials than a world in which colleges can make principled admissions decisions for which they have rich, detailed information and institutional context about student learning.

JED SILVERSTEIN, PH.D.
Latin School of Chicago
Chicago

Several public schools and some private schools have abandoned letter grades that are considered vestiges of a privilege-tilted system that stressed out high achievers and left the rest with low self-esteem. The new student-evaluation metrics communicate very little about relative student capabilities, performance and effort.

On some college campuses, it is offensive to perpetuate the "myth of

American meritocracy," so new measurement standards that level the precollege playing field should be welcomed. In the real world, merit-based systems that have an undesirable disparate impact on wages and promotions (disproportionately advancing employees in some demographic groups and leaving others behind) are creating headaches for companies and are under attack.

ALLEN GARRETT
Wilmington, N.C.

The less precise the grade, the less the teacher can be held accountable. As in nearly all work-performance appraisals, ratings are notoriously rosy. The need is for competent managers to insist on a bell-shaped curve of grades and ratings. The key is to select an appropriate cohort of population in which to force that normal distribution. Then, and only then, do grades or ratings have real meaning that will prevent illiterates from graduating high school and reverse the trend of colleges becoming remedial.

JAMES W. BENEFIEL
Dunedin, Fla.

Replacing grades with the canard of "competencies" that actually demonstrate no such thing shows the continued devolution of real competition with an ideology-driven effort to make all outcomes in life appear to be equal. With that mind-set taking over education, we can forget about meritocracies and simply reframe any effort as a success, since there is no "objective reality" in the postmodern world. Let's hope future bridge builders and surgeons aren't judged by such nonsense.

TOM O'HARE
Charlestown, R.I.

Competency-based grading isn't new. I was graded on a SIN (Satisfactory, Improving, Needs improvement) scale in 1953 at a Long Island grade school. I remember progressing smoothly from all N's to all S's by the end of the year. Progressive education hasn't really changed from the '50s, or the '20s for that matter. Bad ideas just keep being recycled.

PAUL NESBITT
Venice, Fla.

Hong Kong Following the Law in Wong Case

It is not uncommon to accuse courts of being unfair or political if one doesn't like their decisions. Martin Lee is doing just that in his Jan. 30 op-ed "Beijing Attacks Hong Kong's Rule of Law."

As an experienced lawyer in Hong Kong, Mr. Lee should know better. Joshua Wong was convicted because he was resisting the enforcement of a court injunction to reopen the roads in a blocked protest site. He pleaded guilty to contempt of court and was sentenced to imprisonment. Mr. Wong is out on bail pending his appeal.

Mr. Wong and others were also convicted and sentenced in another case, not for exercising their freedom of expression, but for their disorderly and intimidating behavior leading to violence and injuries to others.

Helping Students of the Poor Takes More Than Vouchers

School-voucher programs shouldn't be opened to middle-income families until academic success benchmarks for low-income students are met ("Do Vouchers Work? Look to Milwaukee," page one, Jan. 29). Government shouldn't be in the business of subsidizing private-school options for middle-income families. But when lower-performing public schools are forced to get creative and do better, everyone benefits.

HEIDI L. KUHN
La Jolla, Calif.

Parental support is one of the biggest variables in a child's success. If there is little or no support coming from the home, the likelihood of the child succeeding is gravely hampered, if even possible. Test scores don't take into consideration the combined effort, or lack thereof, of parents or guardians that went into that test score. The institution of the family, however you wish to describe it, needs to be factored into the equation before any substantive conclusion can be reached as to the effectiveness of voucher schools versus public schools. Experience has taught me that children who have support will survive regardless of the type of school or income level.

DEAN P. GAGNON
Waunakee, Wis.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"We've bookmarked your planet in case we want to come back."

OPINION

The Judicial 'Resistance' Is Futile

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

The U.S. Supreme Court does not act in haste, so the justices raised some eyebrows last month when they took only two weeks to agree to hear the government's appeal of an immigration case. Normally it would have taken several months, and a ruling might not have come until 2019. Instead the court is expected to issue a decision in *Trump v. Hawaii* by the end of the current term, in June.

The justices seem to have had enough of lower-court judges' playing games with the Trump 'travel ban.'

Why the rush? Because lower-court judges have been playing an extraordinary cat-and-mouse game with the Supreme Court over President Trump's three executive orders limiting immigration from several terror-prone countries. Over the past year, numerous trial and appellate courts have enjoined those orders, only to have the high court stay their decisions.

The lower-court judges have defied precedent by holding that the president has neither constitutional nor statutory authority to issue these orders. They have improperly questioned Mr. Trump's motives, even analyzing his campaign statements for

evidence of bad intent. And they have responded to each reversal from the high court by spinning new theories to strike down the orders. The judges appear to have joined the "resistance," and it wouldn't be surprising if the justices concluded enough is enough.

The case the court will now review is the handiwork of the Ninth U.S. Circuit Court of Appeals, which engaged in an analysis that ignored key precedents and misapplied accepted canons of statutory interpretation.

Any legal analysis of the travel orders must begin with the core constitutional propositions, articulated by the Supreme Court in *Knauff v. Shaughnessy* (1950), that "an alien who seeks admission to this country may not do so under any claim of right" and that the authority to exclude aliens "stems not alone from legislative power but is inherent in the executive power to control the foreign affairs of the nation." Congress has the leading role in determining who may immigrate, stay and become a citizen. But the president has independent plenary authority to exclude aliens for foreign-policy or national-security reasons.

The Ninth Circuit brushed aside *Knauff* and held that Mr. Trump "lacks independent constitutional authority to issue the Proclamation, as control over the entry of aliens is a power within the exclusive province of Congress." Then it went a step beyond that.



Protesters outside the Ninth U.S. Circuit Court of Appeals in San Francisco, Feb. 7, 2017.

whether admission of their nationals creates an unacceptable risk to the U.S.

That was an especially egregious error. The Constitution and Supreme Court cases going back to the seminal *Marbury v. Madison* (1803) grant the courts no authority to review the discretionary policy choices made by the political branches. When it comes to immigration, the judiciary's role is limited to determining whether any procedural requirements Congress had enacted have been satisfied. That is what the Supreme Court did in *Knauff* and what the Ninth Circuit should have done here.

The Supreme Court seems likely to correct this error. The justices voted 7-2 in December to stay any judicial order stopping implementation of the current immigration policy, even before the Ninth Circuit's decision was issued. One hopes the justices will strongly affirm that the president has the power to exclude aliens from the U.S. for foreign-policy and national-security purposes, and that the judiciary has no role in reviewing his policy choices in this area. A unanimous ruling would send an especially strong message.

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

Comedy Is Not Pretty, and Nowadays It Isn't Even Funny

By Joseph Epstein

I found myself seated at my computer last month, watching on YouTube the comedian Bill Maher talk about Donald Trump's marriage. If you don't share Mr. Maher's politics, you are likely to find him an odious, even loathsome character, for he doesn't really exist outside politics. His standard tone is mockery, his modus operandi to lacerate his targets with obscenities, flash a nervous smile, and then bask in applause from his audience.

I was watching Mr. Maher on YouTube to see how far he would go on the subject of the Trump marriage. Would he attack the Trumps' 11-year-old son, or perhaps attack the family for not having a dog? No surprise, he brought up the allegations of sexual harassment against Mr. Trump. Stormy Daniels was mentioned. His final punch line was that Melania Trump hadn't accompanied her husband to Davos, Switzerland, because she had spent the day having to "lay a wreath on the tomb of the unknown trophy wife."

Donald Trump has been a great

boon to late-night talk-show hosts. His baroque hairdo, his hyperbole, his general extravagance, his unabashed egotism—all these things and more are in the wheelhouse of today's liberal comedians. Without him, Bill Maher and Stephen Colbert, Jimmy Kimmel and Seth Meyers would be practically out of business. Jon Stewart must wake each morning filled with regret for his wretched timing at retiring just as Mr. Trump came into office.

Yet to have taken what I think of as the Trumpian option in their comedy has rendered these comedians charmless while strikingly limiting their audiences to those who share their politics. I recently wrote a book on the subject of charm, in preparation for which I asked a great many people to name five persons in public life they thought charming. No one could do it. In a political time as divisive as ours, a public figure loses roughly half his following—and hence his charm—just as soon as he announces his politics. For an entertainer to do so is perhaps even more hazardous.

That the late-night talk-show hosts are ready to give up a large

share of the audience to indulge their politics is something new in American comedy. Whatever Jack Benny, the Marx Brothers, Milton Berle, Joan Rivers or Johnny Carson might have thought about what was happening in Washington, they wisely kept it to themselves. When Charlie Chaplin was revealed as a

With sanctimony having replaced humor, the only thing left to laugh at is the farce of politics itself.

Communist fellow-traveler in the late 1930s it hurt his reputation, though he never allowed his politics directly to influence his art. On the other side, when Bob Hope found himself, because of his support for the Vietnam War, aligned with Richard Nixon, many of his most steadfast fans deserted him. The lesson, one should have thought, is that comedy and politics don't mix.

Unless, that is, the comedy is done with consummate subtlety.

Mort Sahl, whom Steve Allen called "the only real political philosopher we have in modern comedy," was one of the few with the talent to pull it off. I recall an instance when he appeared on the Johnny Carson show. Carson asked Mr. Sahl how he was. Not so good, the comedian answered. He had recently received a letter from the NAACP that admonished him, as a good liberal, for not having a black comedian in his act. Acknowledging his error, Mr. Sahl said he had hired a brilliant young black comic to work with him. Then he paused, looked down at his watch, and said, "He should have been here by now." It took the audience fully 15 seconds to get the joke, when ripples, then roars of laughter followed.

Yet even Mr. Sahl lost ground when he became caught up, obsessed really, with conspiracy theories about the assassination of John F. Kennedy, and he spent years trying to regain, which he never quite did, his former cachet as the most brilliant of our comics. Clearly, Americans prefer that comedians keep their distance from political involvement.

Mr. Sahl, now in his 90s, still

regularly appears before small audiences at a theater in California and occasionally sends out political tweets. Alas, none of this has the sharpness of Mort Sahl in his prime—but neither are his remarks about Donald Trump as coarse as the cheap-shot humor of our contemporary late-night hosts.

Enough people must share the views of these hosts to keep the careers of Maher, Colbert, Kimmel & Co. afloat, which is to say to keep their ratings high enough to be commercially viable. Yet these insufficiently funny comedians, with their crude political humor, do little more than add to the sad divisiveness that is rending the country. Something, surely, has been lost if one can no longer turn to comedy as a relief from the general woes of life and the greater farce that has for some years now been playing out in our everyday politics.

Mr. Epstein is author of the forthcoming "The Ideal of Culture and Other Essays" (Axios Press) and "Charm: The Elusive Enchantment" (Taylor Trade), both to be published in 2018.

It Takes Chutzpah to Call This the 'Obama Boom'

By Andy Puzder

Progressives are tying themselves in knots to avoid giving President Trump credit for anything positive. Take the economy. It isn't really booming, they say, but even if it is, President Obama is the man to thank.

The claim doesn't add up. In 2010 the Obama White House forecast gross domestic product growth would "accelerate in 2011 to 3.8%" and "exceed 4% per year in 2012-2014," consistent with the 4.3% growth rate in the other 10 recoveries since World War II. That never happened. Actual post-recession growth averaged anemic 2.1%. And Mr. Obama's last year in office saw measly 1.5% GDP growth—hardly the springboard to our current expansion.

Former Obama administration economists have circled the wagons in an attempt to explain away

their boss's dismal economic record as a product of structural factors rather than policy. Austan Goolsbee has called Mr. Trump's growth goals unrealistic. In May Larry Summers declared that accepting the Trump administration's forecast of 3% GDP growth was like believing "in tooth fairies."

These claims have made it difficult for progressives to explain the 3% average GDP growth rate during Mr. Trump's first three full quarters in office. They've resorted instead to diminishing the president's economic record by pointing to 2017's full-year GDP growth of 2.3%—relatively close to Mr. Obama's 2.1% post-recession average.

The problem for Mr. Obama's progressive defenders is that analysts traditionally attribute the first quarter of a new presidency to the previous administration.

President Bush, rather than Mr. Obama, got the blame for the negative 5.4% growth during the first quarter of 2009. What was fair then is fair now. The attempt to saddle Mr. Trump with responsibility for the economy's performance during the first quarter of 2017 is disingenuous.

A bigger problem for progressives is that Mr. Trump's numbers easily could have been much better. Two hurricanes held GDP growth down in the third quarter. In the fourth quarter, businesses were waiting to see if Congress would pass tax reform setting lower tax rates and enabling them immediately to write off 100% of their investments in plant and equipment. I was a CEO for 17 years; I would have waited too.

This hampered fourth-quarter growth but should accelerate growth in the first quarter of 2018. The Atlanta Fed's GDPNow

model is forecasting first-quarter growth of 4%.

The jobs numbers are similarly positive. In 2017 the economy added approximately 2.1 million jobs. Progressives counter that job growth actually slowed from the 2.2 million jobs added in 2016. But job quality

Hundreds of thousands of Americans are moving from part-time work to full-time employment.

also matters. The Obama economy was a "part time" economy that failed to generate the full-time jobs Americans need.

According to the Bureau of Labor Statistics, the number of people working full time increased by 2.4 million in 2017, compared with

only 1.6 million in 2016. In other words, the overall number of jobs added was lower in 2017, but only because hundreds of thousands of people left part-time for full-time jobs.

Both 2016 and 2017 set some year-end records. In 2016, BLS recorded the highest number of people working part time at year's end since it began recording the data in 1968. In 2017, it recorded the highest number of people working full time at year's end since 1968 and the fewest working part-time since 2011.

Regulatory relief and tax reform are bringing more growth and better jobs. It's a Trump Boom, but Senate Minority Leader Chuck Schumer says the president should "thank Obama." Perhaps, but only for setting economic bar so low.

Mr. Puzder is a former CEO of CKE Restaurants.

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Notable & Quotable: Franklin on the Germans

From Jason Riley's column at WSJ.com, Feb. 6:

In the 1750s, Benjamin Franklin was already complaining about the use of bilingual signposts in Pennsylvania to accommodate the swarthy hordes of German migrants. "Why should Pennsylvania, founded by the English, become a Colony of Aliens," wrote Franklin, "who will shortly be so numerous as to Germanize us instead of us Anglifying them, and will never adopt our Language and Customs, any more than they can acquire our Complexion?"

In the antebellum period, Samuel Morse, the inventor of the telegraph and a leader of the Know Nothing movement, called for banning Irish Catholics, whom he accused of subverting America's values and ideals.

Talk of the "Yellow Peril" came next. In a famous political cartoon from 1881, Lady Liberty is depicted as a Chinese coolie gripping an opium pipe. Italians, Jews, Poles and others shortly thereafter would experience similar treatment.

In recent decades, the boisterous conversation surrounding immigrants from Latin America has addressed similar themes. Are they stealing jobs and depressing wages? Are they driving up crime rates and stretching our social services? Are they assimilating? How much unskilled foreign labor can our modern economy absorb?

Those questions are complicated by the fact that there is no typical immigrant. They aren't all gang members, and they aren't all microbiologists.

Most are economic migrants in search of an opportunity to make a better life for themselves and their loved ones. Most are simply looking for a higher return on their human capital....

Franklin wasn't being paranoid. Germans in colonial America had a reputation for sticking to themselves in German-speaking communities. During the Civil War, there were all-German units in the Union Army with commands given in German. Germans have left giant cultural footprints on the country as well; they introduced America to kindergarten and marching bands and Christmas trees. And German immigrants ultimately did overtake the English in numbers. Today, Americans of German ancestry outnumber any other ethnic group.

WORLD NEWS

U.S.-Backed Fighters Put Focus on Turkey

Some members of force that battled ISIS have left to counter Ankara's push on Kurds

By NANCY A. YOUSSEF

Members of a U.S.-backed force of Syrian fighters who played a critical role in the collapse of Islamic State have begun leaving that operation to counter Turkey's offensive against Kurds along its border with Syria, according American officials and Syrian fighters.

U.S. officials have voiced repeated concerns about Ankara's assault in recent weeks against Kurds in the northwestern Syrian city of Afrin, warning it could become a security distraction that would draw the U.S.-backed force away from the fight to defeat remaining pockets of ISIS militants.

Now, as some members of the force begin to peel away, officials fear the group may be on the verge of breaking up. For the U.S. military, their departure also means that fighters it supported and armed in the fight against Islamic State now are gearing up to battle Turkey, an ally and fellow member of the North Atlantic Treaty Organization.

Over the weekend, the Syrian Military Council, a largely Assyrian Christian force that fought Islamic State in several cities, announced on Twitter



Syrian Kurds, Arabs, and Syriacs demonstrated Tuesday in the city of Afrin against Turkey's offensive in the Kurdish-held enclave.

SDF into a regional war that prevents the SDF from performing a stabilizing function and continuing to focus on counter ISIS operations," said Jennifer Cafarella, a Syria analyst at the Washington-based Institute for the Study of War.

While the U.S. has worked with Kurdish groups in Syria, it does not have direct ties to the Kurds in Afrin. Washington has exhorted Turkey and its opponents to exercise restraint and de-escalate hostilities. U.S. officials have threatened to halt support to SDF members for fighting against Turkey.

Army Gen. Joseph Votel, commander of U.S. Central Command, and other top Pentagon officials have said they are concerned that the fighting could extend from Afrin to Manbij.

"We are not ruling out that more could go," a defense official explained. "When we said [the Turkish incursion into Syria] could be a distraction, this is what a distraction looks like."

A unit of U.S. special operations forces is assigned to the area around Manbij, and American officials have said they do not intend to withdraw them.

Army Col. Ryan Dillon, a spokesman for U.S.-led war against Islamic State, said that the U.S. is monitoring the situation in Afrin and its possible effect on the anti-ISIS campaign. "I have not seen or heard any fracturing of the SDF," he said.

that it had "decided to send reinforcements to [the] Afrin battle to defend [the] Afrin people from Turkish invasion and attacks and its terrorist mercenaries."

Kurdish fighters also have said they are planning to head to Afrin, based on social media messages verified by military officials.

Both the Kurds and the

Syriac Military Council, known as RMS, are members of the U.S.-backed Syrian Democratic Forces, or SDF, which is predominantly Kurdish but also has Arab and Christian members. The SDF was considered essential to the recent defeat of Islamic State in Raqqa.

The RMS is fighting in Afrin out of loyalty to fellow Kurdish fighters, some of whom are

relatives of the Afrin Kurds under attack by the Turks.

In all, U.S. military officials said hundreds of Kurdish and Assyrian fighters from across eastern Syria have left to oppose Turkey's effort to wrest control of the border area from Kurds.

Turkey launched its "Olive Branch" operation Jan. 20 to drive the Kurdish YPG militia

out of the key border area. It makes little distinction between Syrian Kurds and Kurdish separatists in Turkey that it considers terrorists. It also has repeatedly threatened to move the military campaign east to the town of Manbij, also controlled by Kurds, who helped end an Islamic State occupation there.

"The Turks are drawing the

U.S. Open to North Korea Talks at Games

By MICHAEL R. GORDON
AND FELICIA SCHWARTZ

Vice President Mike Pence and Secretary of State Rex Tillerson are signaling that the Winter Olympics could be a venue for high-level contacts with North Korea, as Washington begins to explore whether its yearlong pressure campaign could translate into meaningful diplomacy.

Mr. Pence said Monday night that he wouldn't rule out a meeting with North Korean officials when he attends the Olympic events in South Korea this week.

"President Trump has said he always believes in talking, but I haven't requested any meetings," Mr. Pence said on Monday night as he headed on a trip to Asia. "But we'll see what happens."

The vice president's comments were remarkably simi-

lar to comments made in Lima, Peru, earlier Monday by Mr. Tillerson.

Administration officials said it wasn't a coincidence and that Messrs. Pence and Tillerson have spoken at least twice in recent days. The two were described by an administration official as liked-minded on how to approach North Korea.

"A message was being sent," an administration official said. "All it does is indicate that anything is possible."

Officials say the new stance doesn't represent a major change in the Trump administration's position and wasn't an indication it has dropped its preconditions for opening formal negotiations over the North's nuclear program.

Those conditions include North Korea's willingness to negotiate seriously about de-nuclearizing the Korean Peninsula and halt nuclear and mis-



Vice President Mike Pence and his wife Karen in Japan on Tuesday.

sile tests. Mr. Pence appeared to affirm those conditions.

"My message—whatever the setting, whoever is present—will be the same," Mr. Pence said. "And that is that

North Korea must once and for all abandon its nuclear weapons program and ballistic missile ambitions."

By demanding that Pyongyang demonstrate its commit-

ment to denuclearization upfront, the White House is hoping to avoid North Korea using negotiations to blunt an American-led push for tougher international sanctions or to drive a wedge between Seoul and Washington. At the same time, shunning all contact with North Korean officials at the Games could stoke anxiety in South Korea that Mr. Trump is only interested in a military solution.

Administration officials appear to be drawing a distinction between formal negotiations and more general meetings to establish contacts at senior levels.

"The secretary always believes that if there's an opportunity for a negotiation, regardless of what the issue is, we should try to take that," Steve Goldstein, an undersecretary of state, told reporters traveling with Mr. Tillerson in Latin America.

Pakistan Probes Killing of Executive

Counterterrorism police are investigating the killing of a Chinese executive in Pakistan's largest city, an attack that comes as Beijing is investing more than \$55 billion in an infrastructure-building program in the country.

By Saeed Shah in Islamabad, Pakistan, and Costas Paris in New York

Chen Zhu was the local managing director of Cosco Shipping Lines Co., which has operated in Pakistan since the 1990s. He was shot in the head Monday afternoon as he sat in the driver's seat of a parked car in an upscale area of Karachi, police said.

Azad Khan, a senior police officer, said the shooting appeared to be targeted, but it was too early to place a motive.

Pakistan is a showcase for China's \$1 trillion "one belt, one road" transport-and-logistics infrastructure-building program across Asia and beyond. Cosco plans to use the Pakistani port of Gwadar as a transhipment port in the Asia-Europe trade route with its peer China Overseas Port Holding Co., pumping more than \$1 billion into transhipment terminals and floating gas facilities when the port is developed, Chinese maritime executives said.

Mr. Chen wasn't working on any belt-and-road projects at the time, Pakistani officials said.

Experts said the attack could have come from Islamist militants or provincial nationalists, or as a result of a business or personal dispute. No group claimed responsibility.

The Pakistani Taliban, al Qaeda and Islamic State are among the militant groups active in the country, although beefed-up counterterrorism operations have sharply cut the number of terrorist attacks over the past three years.

High-Level Arrests Fuel Maldives Political Crisis

By NIHARIKA MANDHANA

The arrest of two Supreme Court judges and a former president brought a simmering Maldives political crisis to a boil, sparking calls for the international community to step in to stem the turmoil in the island nation best known as a tourist hot spot.

The three men, including the chief justice of the country's Supreme Court, were arrested after President Abdulla Yameen Abdul Gayoom declared a state of emergency late Monday, giving authorities broad powers. His steps to tighten control came in response to an order from the Supreme Court last week for the release and retrial of nine prisoners, among them Mr. Yameen's fiercest political opponents. The court's decision led to demonstrations by opposition parties. Three Maldives Supreme Court justices on Tuesday annulled the order to free the opposition politicians.

The most high-profile convict on the court's list was Mohamed Nasheed, who was elected president in 2008



when the country made a leap toward democracy after three decades of autocratic rule. He later received political asylum in the U.K., and his supporters hope for his return to the Maldives, paving the way for a run

for office.

International organizations and human-rights groups have accused Mr. Yameen's government of politically motivated trials of critics and opposition leaders, and of expanding

curbs on free speech.

Mr. Nasheed was sentenced to a 13-year prison term on terrorism charges in 2015, but he was permitted to leave the country for medical treatment.

On Tuesday, Mr. Nasheed

urged neighboring India to send an envoy, backed by its military, to free the imprisoned judges and other prisoners. He also called on the U.S. to stop Maldives government officials from making financial transactions through American banks.

A spokesman for the president's office, Ibrahim Hussain Shihab, said the solution to the political crisis "would have to be a Maldivian one."

The two judges had been arrested in connection with a corruption investigation, unconnected to last week's ruling, Mr. Shihab said. Maumoon Abdul Gayoom, who was formerly president and is half brother of the current president, had pressed the government to release the prisoners. He was also arrested on Monday and has been accused of offenses under terrorism laws, and of bribery and attempting to overthrow the government, his lawyer said.

The U.S. said on Monday that it was "troubled and disappointed" by the developments in the Maldives and called on the government to respect the Supreme Court's verdict.

Ailing Iranian-American Under Medical Care Ordered Back to Tehran Jail

By FARNAZ FASSIHI

NEW YORK—Iran's judiciary ordered an 81-year-old Iranian-American detainee to return to prison on Tuesday, even though the government medical examiner's office recommended his medical leave be extended because of his poor health.

Baquer Namazi's family and lawyer said returning him to prison from temporary medical leave was tantamount to a

death sentence and represented "a spectacular display of cruelty."

"Risking the life of my father is reckless and irresponsible," said Babak Namazi, speaking to reporters from Washington, where he plans to meet with officials in the Trump administration to press for efforts to gain the release of his father and brother, Siyamak, also an American citizen detained in Tehran.

U.S. officials denounced the government's move.

"We are deeply disturbed that the Iranian government has returned Mr. Namazi to prison," said Steve Goldstein, undersecretary of state for public diplomacy and public affairs. "We are concerned about his declining health and he remains in urgent need of sustained medical care. We continue to call for his unconditional release from his

unjust detention in Iran."

Iran's mission to the United Nations did not return a request for comment.

Iran sentenced the Namazis to 10 years in prison in 2016 on charges of working against national security with an enemy government, and has rejected their judicial appeal. The family has denied the charges.

The senior Mr. Namazi, a former Iranian provincial governor and onetime Unicef offi-

cial, has suffered from a heart ailment throughout his nearly two years in detention. In September, he had surgery to implant a pacemaker. He was moved to a hospital on Jan. 15 because of an irregular heartbeat, his family said.

Mr. Namazi was granted a four-day medical leave on Jan. 28 after his physicians said he was too frail for confinement. The judiciary referred him to the medical examiner who on

Feb. 4 recommended he be granted a three-month prison leave.

On Tuesday, the judiciary called the family and ordered Mr. Namazi to return to prison or lose the bail that had been posted for his temporary release, according to his son.

It was the second time this week that judicial officials did not follow official recommendations involving cases of dual nationals and their families.

TECHNOLOGY: JOANNA STERN ON APPLE'S NEW HOMEPOD B4

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, February 7, 2018 | B1

S&P 2695.14 ▲ 1.74%

S&P FIN ▲ 1.70%

S&P IT ▲ 2.82%

DJ TRANS ▲ 1.72%

WSJ \$IDX ▼ 0.06%

LIBOR 3M 1.791

NIKKEI (Midday) 22270.56 ▲ 3.06%

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Stock Swings Sink Popular Trade

By GREGORY ZUCKERMAN
AND LAURENCE FLETCHER

Large investment firms and individual investors made big profits over the past year betting markets would remain placid. Now they are suffering as stocks turn volatile.

Man Group PLC, the world's largest publicly traded hedge fund, suffered a 4.7% loss in its \$3.1 billion AHL Diversified fund on Monday. And New York-based **R.G. Niederhoffer Capital Management** Inc.'s \$517 million Diver-

sified fund, which trades short-term market moves and was up 16.2% this year at the end of January, saw those gains evaporate on Monday, an investor said.

For more than a year, one of Wall Street's most popular trades has been wagering that markets would remain calm or become even more quiescent. These bets have upended as markets whipsawed.

On Friday, the Dow Jones Industrial Average fell more than 666 points. That was followed by a decline of more

than 1,175 points on Monday. Then came a more-than-550-point rally Tuesday after trading in a range of nearly 1,200 points during the day.

The "short volatility" trade is unraveling, causing deep pain for investors of all sizes while raising questions about whether these difficulties might affect global markets and economies if the frenzied selling returns.

"Two years of huge gains of as much as 800% in these products have turned to catastrophic and even total losses

in just two weeks," said Blaze Tankersley, a partner at trading firm 3|5 Global Analytics, which deals with hedge funds and other large investors.

Among firms facing troubles around the world, Chicago-based **LJM Partners** told investors on Tuesday it had "suffered significant losses." The firm, which focuses on volatility strategies and says it manages \$547 million, is buying "as many futures as possible to attempt to insulate portfolios from further losses." And Netherlands-

based **Transtrend**, which manages \$5 billion, lost 5.3% on Monday, the firm said, due predominantly to losses in stocks, particularly technology stocks. The firm has now lost 7.5% in 2018. Man Group declined to comment.

Two funds managed by Stockholm-based **Lynx Asset Management**, which runs around \$6 billion in its trend-following strategy, lost 9.9% and 6.6% on Monday, said a person who had seen the numbers. Lynx declined to comment.

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Quiet Kingdom

Parks and resorts was the only segment with significant change.

Revenue by segment

	2017	2016
Media networks	\$6.24 billion	\$6.23
Parks and resorts	\$5.15	\$4.56
Studio entertainment	\$2.50	\$2.52
Consumer products and interactive media	\$1.45	\$1.48

Source: the company

THE WALL STREET JOURNAL.

Disney Enters Digital Future With ESPN

By BEN FRITZ
AND IMANI MOISE

Walt Disney Co. will charge \$4.99 a month for a new ESPN online service as it takes its first step into the digital future.

Chief Executive Robert Iger announced the pricing plans for ESPN Plus Tuesday as the media giant also returned to sales growth after two quarters of declines. Profitability was tempered, however, as declines in cable-TV subscribers continued.

Launching new direct-to-consumer digital businesses is Mr. Iger's top priority. It is the reason Disney paid nearly \$2.6 billion for majority control of technology company **BamTech** and in December agreed to spend \$52.4 billion on key assets of **21st Century Fox** Inc. (Fox and The Wall Street Journal publisher News Corp share common ownership.)

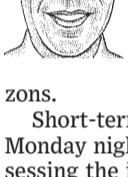
The first such launch will be ESPN Plus. Mr. Iger said on a conference call with analysts it will be part of a revamped ESPN app due this spring. The app will feature news and other ad-supported content along with feeds of the ESPN channels for cable subscribers and additional content—such as professional baseball, soccer and hockey games—for those who pay for ESPN Plus.

Disney has traditionally produced less content than competitors and sought to make more from each of its films and cable networks. But the company will need more content for its new digital services, including a Disney-branded one launching in late 2019, and for Hulu, of which it

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STREETWISE
By James Mackintosh

Inflation Could Eat Market Alive



Markets work best when the players have a mix of different time horizons.

Short-term traders spent Monday night tied up in assessing the impact of bets against volatility on their portfolios (short version: not looking good). Those with a longer-term outlook should be considering whether this is a buying opportunity. Much depends on their view of how companies will respond to President Donald Trump's tax cuts, but not all of it.

The basic question comes down to how stocks and bonds should interact. On Friday, rising bond yields were bad news for stocks. On Monday, the opposite was the case, with bond yields falling all the way back, and stocks falling perfectly in line with them.

This interacts with U.S. tax cuts in some complex

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For Global Markets, 48 Head-Spinning Hours

Volatility is back. Stock indexes opened sharply lower Monday in Asia and pulled back in Europe before the Dow posted its largest-ever daily point decline. On Tuesday, the rout deepened before a sharp U.S. bounceback took the 30-stock average to its largest gain in more than two years. What's next is anyone's guess.

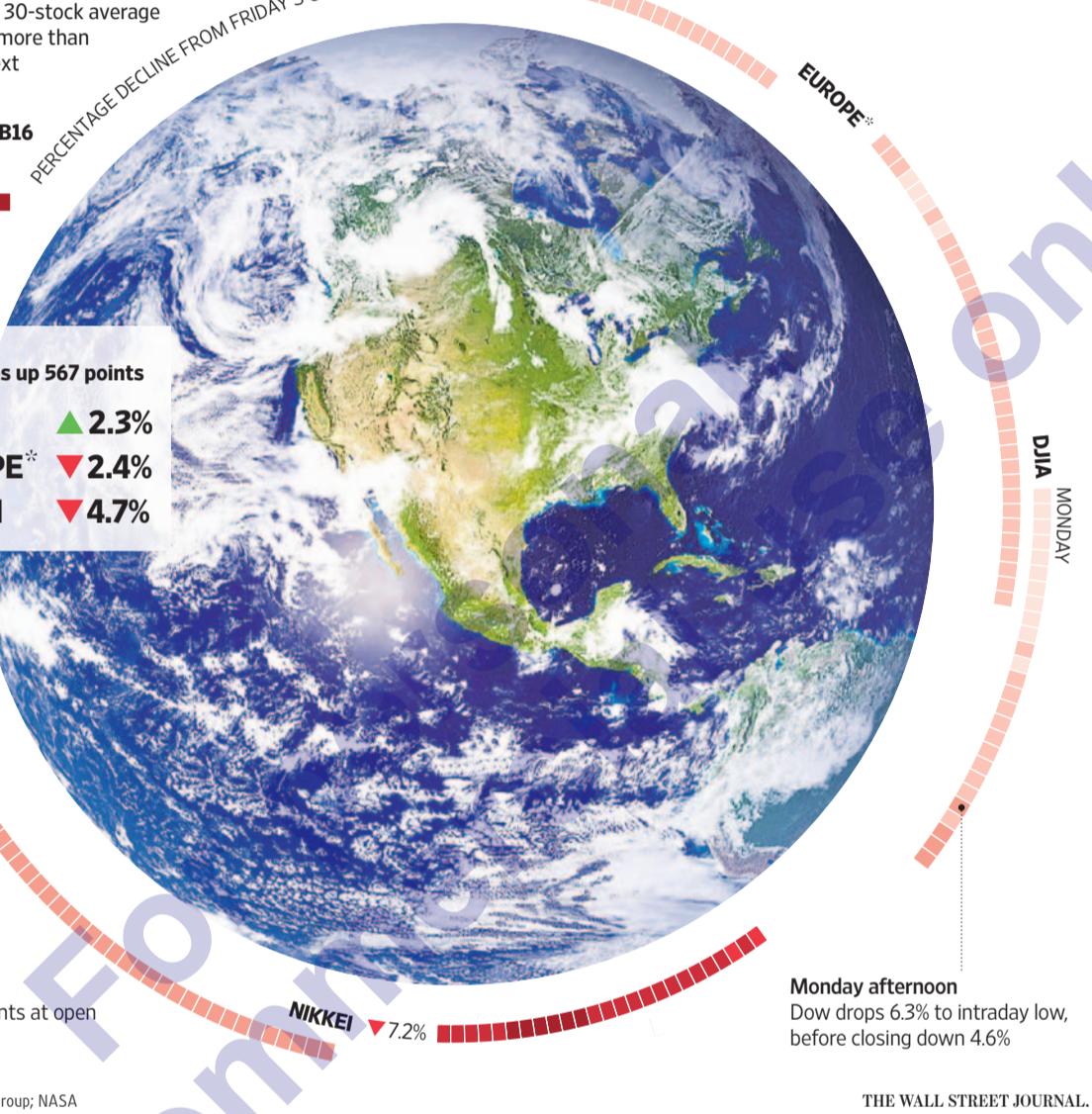
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DECLINE: 1% 3 5 7 8

TUESDAY
Dow closes up 567 points
DOW ▲ 2.3%
EUROPE* ▽ 2.4%
NIKKEI ▽ 4.7%

MONDAY
DJIA ▲ 2.4%
EUROPE* ▲ 3.9%
TUESDAY
Tuesday morning
Dow tumbles 567 points at open
NIKKEI ▽ 7.2%

*Stoxx Europe 600
Sources: WSJ Market Data Group; NASA



THE WALL STREET JOURNAL.

Snap's Shares Pop as Its Revenue Reignites

By GEORGIA WELLS

Snap Inc.'s stock surged more than 25% after the company reigned in revenue and user growth for the first time as a publicly traded firm, a promising sign that may reflect progress in persuading advertisers its Snapchat app is a viable alternative to Facebook and Google.

The social-media company said Tuesday it doubled its loss in the fourth quarter, but sales rose 72% to \$285.7 million from a year earlier, besting Wall Street's revenue forecast and reviving growth after three consecutive quarters of a slowdown. The loss, which shrank 20% from the prior quarter, was also better than analysts anticipated.

Snap added 8.9 million daily users during the fourth quarter—the largest addition of users since the third quarter of 2016, when it was still a privately held company. The 5% growth to 187 million users in the three months was an increase from 2.9% growth during the third quarter.

"We ended 2017 confident that we can grow our Snap-

chat community and monetize our products more efficiently than before," Chief Executive Evan Spiegel said in prepared remarks.

Shares rose 26% in after-hours trading to \$17.95, putting the stock back above the \$17 offering price. Snap's shares had fallen below that threshold over the past several months, including drop-

ping 20% shortly after a disappointing third-quarter report.

The wild stock swings from quarter to quarter suggest investors are unsure whether Snapchat can become a formidable competitor to the two dominant forces in digital advertising.

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INSIDE



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FAST-LANE IPO SWERVE OFF THE ROAD

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Your Heart, Your Job and Dating a Co-Worker

As concerns about sexual harassment grow, employers look closely at office-romance policies

By YOREE KOH
AND RACHEL FEINTZEIG

Is it still OK to date someone you work with?

Yes.

Well, actually, it's complicated.

U.S. companies are trying to keep romantic relationships from spiraling into a risk factor. The national conversation on sexual harassment and abuse of power has galvanized a wider discussion about whether consensual office relationships are acceptable.

In early January, four women at **Asana**—three from human resources and one from marketing—gathered around a conference table to tackle the San Francisco-based software startup's first dating policy. As they looked up at a large-screen projection of the document, the women labored over how to define a workplace romance, tweaking it and deleting phrases that de-

scribed it as a mutual attraction between two employees.

The group also grappled with the question of when employees who aren't each other's managers should disclose a relationship. What about a one-night sexual encounter? No, that felt too intrusive. What if they have gone on several dates, but it still wasn't a committed relationship? Anna Binder, Asana's head of people operations, suggested that employees might casually inform someone in human resources but not formally record it.

"I want to be reasonable," Ms. Binder said during the meeting. "I just don't want to be policing every kiss."

Over the past decade, the share of workers who say they have ever dated a colleague has hovered around 40%, according to an annual survey from CareerBuilder. In its survey conducted at the end of last year, the share dropped to 36%, a 10-

year-low, from 41%, a 10-year high in 2016.

Many companies have long had policies discouraging relationships between managers and direct reports, human-resources experts say. But some employers are

starting to review their rules and are now "drawing a hard line in the sand," said Doug Smith, managing principal of law firm Jackson Lewis' Pittsburgh office.

Mr. Smith said he has had a dramatic increase in em-

ployer clients calling about sexual-harassment policies since September. He is recommending that they put strict rules in place barring managers from dating anyone further down in the organization, with firing as a potential consequence. He said every company he makes the recommendation to is following suit.

"They're moving very quickly to get it on the books," he said.

Chatter about dating at work on Fishbowl, a social-media network for consulting, advertising and other professionals, increased in the last three months of 2017, the company said. Some employees chatting on the platform said they had started shying away from office banter or complimenting colleagues on their appearance. Others said they weren't changing their behavior at all, stressing that they are adults who understand that they are adults who under-

Please see DATING page B2



Jim and Pam (John Krasinski and Jenna Fischer) of 'The Office.'

PHOTO BY JEFF PITT/NETFLIX

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BUSINESS NEWS

A Grudging Recovery

BP reported a loss for 2017's fourth quarter but swung to a profit for the full year.

BP's net income*



*Replacement-cost profit
Source: the company
THE WALL STREET JOURNAL.

BP Takes Tax Hit But Shows Strength

BY SARAH KENT

LONDON—BP PLC took a big fourth-quarter hit from costs tied to the U.S. tax overhaul and the Gulf of Mexico oil spill, but otherwise performed well as it works to re-establish itself among Big Oil's elite.

The British oil-and-gas company has lagged behind its peers since the fatal Deepwater Horizon explosion in the Gulf of Mexico eight years ago. The disaster forced it to sell off billions of dollars in assets to help finance cleanup and legal costs that have ballooned to more than \$60 billion.

In the latest quarter, BP's underlying profit, which excludes one-time costs, soared to \$2.1 billion in the quarter, compared with \$400 million a year earlier. The company was buoyed by a recovering crude market during a quarter when oil prices averaged more than \$61 a barrel—up 24% from 2016's final period.

On paper, though, BP's earnings were effectively wiped out by a nearly \$1 billion loss related to U.S. corporate-tax changes and a \$1.7 billion charge from unexpectedly high settlements from the Deepwater Horizon accident in 2010. For the quarter, BP recorded a \$583 million replacement-cost loss—a measure analogous to the net income that U.S. oil companies report.

BP on Tuesday that the U.S. tax overhaul enacted late in 2017 will be positive in the long term. The company says its Gulf of Mexico costs are manageable and are largely wrapping up.

Despite the quarterly net loss, BP executives hailed the company's financial standing. For all of 2017, BP had a replacement-cost profit of \$2.8 billion, compared with a loss of \$1 billion in 2016. It was BP's first annual profit since 2014. The company reported stronger production and healthy earnings from its refining-and-marketing division.

The company's return to profit last year reflects early success in delivering on its growth plan. Excluding BP's nearly 20% share in Russian state-oil company PAO Rosneft, annual production rose 12%, and in a sign of growing financial resilience, the company began a share buyback program in the fourth quarter.

Chief Executive Bob Dudley described 2017 as "one of the strongest years in BP's recent history," adding that the company is increasingly confident it can continue to grow.

BP finance chief Brian Gilvary said the company should be able to cover its spending and dividend with cash from operations at \$50 a barrel this year. The company is targeting a break-even price of \$35 to \$40 a barrel by 2021.

The company's net debt rose 6% from a year earlier to \$37.8 billion, although it was on a downward trajectory in the fourth quarter compared with the previous three months.

BP's earnings are the latest in a choppy reporting season for big oil companies. Royal Dutch Shell PLC's profit tripled last year, but a drop in cash flow in the fourth quarter raised concerns among investors. U.S. rivals Exxon Mobil Corp. and Chevron Corp. both missed earnings expectations and their shares suffered substantial selloffs as a result.

Perry Ellis Founder Makes a Move

George Feldenkrais aims to take apparel company private with help from Fortress

BY MIRIAM GOTTFRIED AND DAVID BENOIT

The founder of Perry Ellis International Inc. has made a bid to buy the apparel company, less than six months after he was ousted as its executive chairman.

George Feldenkrais, who founded Perry Ellis's predecessor in the 1960s and led the company for 50 years, sent a letter to its board Tuesday proposing a deal at \$27.50 a share, or about \$430 million, people familiar with the matter said.

Mr. Feldenkrais controls 11.3% of the company's shares outstanding, according to a Dec. 8 regulatory filing, making him its largest shareholder. He is teaming up with private-equity firm Fortress Investment Group LLC on the bid to take Perry Ellis private, the people said.

The offer represents a roughly 19% premium to the \$23.18 closing price of Perry Ellis stock on Tuesday.

Mr. Feldenkrais, 82 years old, was removed from the position of executive chairman in September when the board,



The proposed \$430 million deal represents a 19% premium. A Perry Ellis show in New York in 2016.

which had been remade after an activist campaign, eliminated the role. It appointed J. David Scheiner, a former Macy's Inc. executive, as non-executive chairman.

Mr. Feldenkrais, who continues to sit on the board, has grown frustrated with what he sees as a short-term focus and an unwillingness to invest in the business on the part of his fellow directors, the people said.

He thinks that as a private

company, Perry Ellis would have an easier time beefing up its marketing, e-commerce and its international business, and possibly acquiring more brands, the people said.

Perry Ellis officials weren't immediately available for comment Tuesday afternoon.

Perry Ellis is one of many department-store brands that have struggled as midtier department-store chains such as Macy's, Kohl's Corp. and Dillard's Inc. have faltered in the

face of online competition. For the fiscal year ended January 2017, Perry Ellis got 85% of its \$861 million in revenue from department-store channels. Perry Ellis's sales fell 4.2% in its last fiscal year and were down slightly in the past three quarters.

The company operates 17 full-price stores and 54 outlet stores. It also owns the Original Penguin, Jantzen and Laundry by Shelli Segal brands and licenses sports brands from

Callaway Golf and Nike Inc., among others.

Mr. Feldenkrais, who was born in Cuba, trained as a lawyer and briefly worked in Fidel Castro's government before emigrating to the U.S. in the 1960s. He got his start in the clothing trade selling guayaberas, the button-down, short-sleeved shirts popular in Latin America.

Mr. Feldenkrais founded Supreme International in 1967. The company went public in 1993 and changed its name to Perry Ellis after acquiring the brand in 2000. Mr. Feldenkrais was chief executive of Perry Ellis until April 2016 when he handed the reins to his son Oscar Feldenkrais. The younger Mr. Feldenkrais, who is still CEO, owns a nearly 8% stake in the company and will be asked to contribute it to the transaction, the people familiar with the matter said.

Fortress has made a number of investments in licensing and branded intellectual property. In 2016, it agreed to lend \$300 million to Iconix Brand Group Inc., which includes clothing brands such as Mossimo, Rampage and Ed Hardy.

Fortress, which was recently purchased by Japan's SoftBank Group, had more than \$36 billion in assets as of Sept. 30.

—Suzanne Kapner contributed to this article.

Los Angeles Times Sale to Investor Discussed

BY LUKAS I. ALPERT

Tronc Inc. is in advanced talks to sell its troubled flagship newspaper, the Los Angeles Times, to billionaire biotech investor Dr. Patrick Soon-Shiong for around \$500 million, a person familiar with the matter said.

The deal being discussed also includes the San Diego Union-Tribune and a handful of community papers in Southern California, the person said. A spokesman for Dr. Soon-

Shiong and a spokeswoman for Tronc didn't immediately respond to messages seeking comment.

If completed, the deal will bring to a close an ugly shareholder fight between Dr. Soon-Shiong, who was ousted from Tronc's board last year, and the company's lead shareholder, Chicago entrepreneur Michael W. Ferro. Mr. Ferro bought a significant stake in the company in 2016 and changed its name from Tribune Publishing Co. to Tronc.

Talks between the two sides came together over the weekend and moved quickly toward the possible sale, the person said. A sale would also close the book on another turbulent chapter for the Times, which has recently endured a tense unionization push and tumult over Tronc's management style.

The deal would mark the latest dramatic shift for the storied paper since it was acquired by Tribune Co. in 2000 as part of an \$8 billion sale of Times Mirror Co.

Eight years later, Tribune would enter into a long and difficult bankruptcy process just a year after being acquired and taken private by Chicago real-estate investor Sam Zell. After re-emerging from bankruptcy, the company was split into two, one, Tribune Media Co., made up of broadcast assets, and the other, Tribune Publishing Co., composed of newspaper properties including the Times, Chicago Tribune and Baltimore Sun.

Mr. Ferro emerged in early 2016 when he offered a significant cash investment to help stabilize the debt-laden newspaper company. But within weeks, he had orchestrated a management and board takeover. Soon after, Mr. Ferro found himself fending off an unsolicited buyout effort by Gannett Co. during which he persuaded Dr. Soon-Shiong to buy a sizable block of shares at a discounted price and serve as a critical block against the Gannett bid.

Investor to Pursue Supervalu Breakup

BY DAVID BENOIT AND HEATHER HADDON

An activist investor is turning up its pressure on Supervalu Inc., planning a board fight and urging a breakup and potential sale of one of the nation's biggest grocery companies.

Blackwells Capital LLC, which owns about 4.35% of Supervalu's stock, privately urged the board to give it three seats and form a committee to review potentially separating Supervalu's retail and wholesale divisions and selling the wholesale group, according to a letter it sent to the board Tuesday evening.

When the board rejected those requests, Blackwells decided it would take its case to Supervalu shareholders and plans criticizing management and the board's oversight of the company and stock, which has been hit hard recently, said the letter, which was reviewed by The Wall Street Journal.

In a statement, the company said it already has "taken a number of critical steps to transform," including boosting wholesale revenue and selling down the retail arm. The company "continues to pursue options for certain retail banners and its real estate portfolio, while remaining focused on reducing costs," it added.

Blackwells's plan calls for a four-step transformation that

involves improving margins, selling real estate, spinning out the stores in the retail segment and then finding a buyer for the wholesale operation, which delivers the bulk of Supervalu's profits. Though the activist wants all potential outcomes on the table, a sale of the combined company seemed less likely to Blackwells, people familiar with the fund said.

The activist intends to nominate a group of directors and publish a website and presentation detailing the proposed changes, the letter said. That would ramp up the push Blackwells started in October, when it called for Supervalu to bring in new leadership and sell dozens of stores.

"We see multiple ways to win," Jason Aintabi, Blackwells managing partner, said in an interview. "We just need the company to stop rearranging deck chairs and start steering the course of the ship."

Shares of Supervalu, which has a market capitalization of about \$560 million, have plunged 32% this year and have been sliding for three years. The company has about \$1.9 billion of debt.

The Minneapolis-based company's wholesale division is a giant supplier of goods and food to grocery chains across the country. The retail segment operates five supermarket chains, such as Shop 'n Save and Cub Foods.



Supervalu's retail segment operates chains such as Cub Foods.

CSG Investments, Inc.
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TECHNOLOGY

WSJ.com/Tech

Apple Speaker Is Better at Tunes Than Tasks

By JOANNA STERN



"Hey Siri, should I get a HomePod or an Amazon Echo?"

"I say get a HomePod. I just love the sound of it."

Hey, Siri answered a question right! Well, half right.

With the **Apple** HomePod, the cotton that has been in our ears since the arrival of the first smart speaker has been removed. The HomePod sounds far better than the popular smart speakers from **Amazon**, **Google**—and even Sonos.

But will anyone care? That's what I've been asking myself during a week of testing the HomePod, which goes on sale Friday for \$350.

At the talking-speaker party, Apple's HomePod isn't just fashionably late—it's late late. In the last three years, Amazon Echo and Google Home have set tens of millions of us at ease with speakers that listen for our commands.

Of course, Apple has a long history of crushing incumbents—see MP3 players and smartphones. This time feels different, though, and not because the HomePod costs more than three times as much as an Echo. In the smart-speaker equation, the HomePod nails the speaker but struggles at smart.

Whether you want the HomePod in your home depends on what the speaker does after you say the magic words, "Hey Siri."

Hey Siri, play 'Tusk' by Fleetwood Mac

About 2 minutes into the song, you can hear everything Apple engineered the HomePod to be. The horns surge, the tom-toms thunder,

the guitar and bass keep pounding, yet I can also hear distinct band members yelling "Tusk." I could hear it all while walking around the speaker at my kitchen island.

On the Amazon Echo and the Google Home, that part of the song sounds like mush. The \$200 Alexa-enabled Sonos One gave the HomePod the stiffest competition, yet even with it I couldn't distinguish as many of the instruments on "Tusk," as well as on other test songs.

There's a but: Apple's tuning of the bass. The HomePod's bass is impressive for the size of the speaker, but in many songs, it's far too front-and-center in the mix. If we can trim the bass and treble in our cars, why not on your speaker, Apple?

The HomePod can only stream music directly from Apple Music—no Spotify, Google Play Music, Pandora or any third-party streaming music service. Despite its Bluetooth, you can't pair an Android phone, and you must use Apple's proprietary AirPlay to stream music (including Spotify) from Macs, iPhones and iPads. (Amazon and Google's speakers support various streaming services and Bluetooth pairing.)

Hey Siri, crank the volume up to 100%

"That's very loud, are you sure?" Siri warns. That's because even though the HomePod is only the height of three stacked New York bagels (sans schmear), it has some mean volume. When I put the HomePod on stage at a 450-seat theater, I could hear Ed Sheeran's "Shape of You" beautifully from the last row.

The \$400 throw-pillow-size Google Home Max is certainly louder, but not in a



The HomePod smart speaker is fairly small but projects well. Its microphones are also effective.

good way. At top volume, there was often distortion.

And Google's microphones struggled—far more than the HomePod—to hear me yell, "TURN DOWN THE VOLUME!" Throughout my testing, the HomePod's six microphones were very snappy to respond to "Hey Siri" commands.

I wasn't able to test two HomePods acting as a stereo pair, or in sync in multiple rooms. Apple says those features will show up in software this year.

Hey Siri, who played Elaine on 'Seinfeld'?

How can we trust a speaker that doesn't know the answer to such a pressing question?

Stumping Siri wasn't as easy as it has been—it knew

state capitals, kitchen measurements and the year

"Friends" premiered. But Alexa and Google Assistant not only knew more answers, they could better parse my questions. When I asked, "Who is the prime minister of England?" they both correctly named Theresa May. On the HomePod, Siri only knew the answer when I asked, more appropriately, "Who is the prime minister of Great Britain?"

There are other problems I won't shut up about. Many people will put HomePod in the kitchen, yet it can't set two simultaneous cooking timers. It can't wake me up to "Wake Me Up Before You Go-Go," either. Echo and Google Home can do both. Apple says it is improving Siri all the time.

Hey Siri, call Mom

The HomePod has an iPhone processor and pairs with your iPhone—yet it

can't make a phone call? To use it as a speakerphone, you need to start the call on your iPhone then select the HomePod as an audio source. You can, however, send text messages from the HomePod with just your voice.

There are more things the HomePod can't do, despite being hooked to your iCloud account and iPhone. It can't tell you your next calendar appointment. It can't alert you to new emails or texts. It's also missing crucial third-party apps like Uber and Venmo.

Hey Siri, turn on the bedroom lights

Siri turns out to be quite a

good butler. Through the Home app, you can set up various HomeKit-compatible smart-home devices, and the voice prompts to control them. With Philips Hue light bulbs and three iHome smart plugs, I was quickly commanding Siri to change my night light to a fuchsia hue, make tea in my electric kettle and turn on the humidifier.

For all the improvements Apple has made to HomeKit, however, the Home app remains an abyss of confusing menus and hard-to-find toggles. Plus, Alexa and Google Assistant support far more smart-home products, including the popular Nest thermostats.

The HomePod has a circular touch screen on top that indicates when Siri is listening. Annoyingly, its placement makes it difficult to see it from across the room.

Respect for your privacy may be one of the top HomePod selling points. While Google and Amazon upload recordings of your queries associated with your account, Apple anonymizes and encrypts anything it uploads to its servers.

Hey Siri, Sonos One or HomePod?

If you're an Apple Music user, the HomePod is the best matching speaker. There is a very close second though. The Sonos One now comes with Alexa, and Google Assistant is expected to arrive this year. It already plays Apple Music via the Sonos app. And Sonos is now offering two Ones for the price of a HomePod.

It really comes down to what you want your speaker to do. If you want the smartest smart speaker, this isn't it. But if you prize music above everything else, the HomePod isn't a dumb choice.

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For SpaceX, New Rocket Marks Coup

By ANDY PASZTOR

Space Exploration Technologies Corp. successfully launched the Falcon Heavy rocket Tuesday on its initial test flight, marking another coup for founder Elon Musk.

The blastoff from Florida's Kennedy Space Center, which was closely followed by the global aerospace industry, capped multiple design changes, years of delays and a roughly \$1 billion investment by SpaceX, as the company is commonly called.

With throngs of spectators on hand, the closely held Southern California company defied industry critics by flying the world's most powerful rocket since U.S. astronauts landed on the moon almost five decades ago.

The 230-foot rocket, which featured 27 engines with the combined thrust of some 18 Boeing 747 jumbo jets, climbed into clear skies at 3:45 p.m. local time. It carried a Tesla roadster as a dummy payload and publicity stunt.

The flight was a big boost not only for Mr. Musk—who

told reporters the day before that "it's always personal" when it involves the rocket—but also for the fast-growing cadre of entrepreneurs and startups seeking to turn space into more of a commercial marketplace. Following other milestones SpaceX has notched over the years, Falcon Heavy underscores the demise of what used to be the aerospace industry's reliance on federal dollars for technological breakthroughs.

Initiated and built using private funds, the rocket is a testament to SpaceX's persistence. It is emerging at a time of limited government demand for, and potential corporate rivalry to provide, such heavy-lift capabilities.

After a preliminary data review, Mr. Musk cracked jokes during a press conference and told reporters the launch "went as well as one could have hoped." Noting that early on, "I didn't really think this would work," he added that the symbolism of the mission, especially the car streaking toward Mars outfitted with a mannequin dressed in a functional space suit, is an image "that is



A SpaceX image of the car that was in the Falcon Heavy's payload. The rocket is a testament to SpaceX's persistence.

going to get people excited all over the world."

Tuesday's launch countdown had been delayed for about two hours because of winds.

As the rocket ascended, its two side boosters shut down, then separated as expected less than three minutes into the flight. All other systems worked apparently without any significant problems, and the cover protecting the payload separated precisely on cue.

"Everything you could want in a test flight," said one of the narrators on the company's video of the launch.

The flight demonstrated that the rocket's design was able to

withstand the stresses of so many engines operating simultaneously at supersonic speeds.

That was considered one of the biggest hazards, along with separation of the two side boosters in space.

The pair of boosters returned for a vertical landing not far from the historic pad from which Apollo astronauts lifted off for lunar exploits. The central part of the rocket crashed, however, instead of landing vertically as planned on a floating platform.

But because the company previously pulled off some 20 similar landings by spent boosters, the single failure was more

of a blemish than a significant setback.

The flight prompted repeated applause and cheering among SpaceX employees, particularly because Mr. Musk for months had emphasized the risks and played down the likelihood of success. Just the day before, he had said he considered the chances of pulling off the demonstration flight to be roughly 50-50.

The Falcon Heavy's performance could pave the way for it to carry payloads for paying customers within several months. In a congratulatory email, Sen. Bill Nelson, a Florida Democrat who over the

years has been most closely associated with traditional, government-run space programs, called it "a spectacular demonstration of the comeback of Florida's Space Coast and of the U.S. commercial launch sector."

SpaceX has revolutionized the launch business by vertically integrating operations, slashing prices and reusing the main engines and lower stage of its existing workhorse rockets, the Falcon 9 fleet. But throughout the years, Mr. Musk has remained focused on a longer-term goal: devising mammoth rockets and spacecraft able to eventually establish colonies on Mars.

Walmart, British Air Try Out Blockchain Technology

By KIM S. NASH

seems poised to play a broader role in business, where it could change how supply chains work.

CIO JOURNAL Walmart Inc. is beginning to use the online-ledger technology to manage supply-chain data for mangoes, berries and a couple of dozen other products. The system, built with

International Business Machines Corp., will help Walmart figure out where bad food came from during product recalls.

British Airways last year tested blockchain to maintain data on flights between London, Geneva and Miami. The idea was to stop conflicting flight information from appearing at gates, on airport monitors, at airline websites and in cus-

tomer apps.

Companies that move products and people through complex supply chains see promise in the inherent security and ease of use of blockchain, said David Schatsky, a managing director at Deloitte LLP who analyzes emerging technologies. The technology manages information handoffs between lots of parties, preserving one consistent history, he said.

Corporate spending on blockchain software is expected to reach \$2.1 billion this year, up from \$945 million in 2017, according to researcher International Data Corp. Distribution, retail and manufacturing are among the industries due to ramp up blockchain spending in 2018, IDC said.

A blockchain ledger allows

participants to add blocks of information after each party runs algorithms to evaluate a proposed transaction. If the parties agree that the transaction looks valid—identifying information matches the blockchain's history and follows the rules created by the participants—then it will be approved, timestamped and added to the chain.

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BUSINESS NEWS

Identity Fraud at High After Equifax Breach

By PETER RUDGEIRAI
AND ANNA MARIA ANDRIOTIS

Identity fraud struck more victims last year than at any point in more than a decade, a new report found, due in part to the data breach at **Equifax** Inc. and criminals becoming more skilled at gaining access to consumers' mobile-phone and email accounts.

Some 16.7 million U.S. consumers had their identities compromised in 2017, resulting in \$16.8 billion in losses, according to consulting firm Javelin Strategy & Research. The number of people affected was up 8% from 2016 and was the highest since Javelin, a unit of **Greenwich Associates** LLC, started tracking identity fraud in 2003.

The Equifax breach, in which personal information of poten-

tially 145.5 million Americans was compromised, increased overall fraud figures for 2017. Social Security numbers replaced credit-card numbers as the most breached piece of consumer information for the first time since Javelin began the study. Most consumers affected by the Equifax breach had their Social Security numbers compromised, while only about 209,000 U.S. consumers' credit cards were affected.

Separate from the Equifax matter, the report found that criminals were able to get around certain antifraud measures by taking control of consumers' mobile-phone and email accounts in addition to card or other accounts. Cross-account takeover occurred in 30% of cases in which victims were locked out of accounts, up from 18% in 2016.

SNAP

Continued from page B1

vertising, Facebook Inc. and Alphabet Inc.'s Google. Those companies together bring in about 65% of digital ad dollars in the U.S., compared with about 1% for Snapchat, according to research firm eMarketer.

"The reality is there is a segment of advertisers that find Snap to be really effective and useful," such as movie studios and those with younger audiences, said Brian Wieser, a senior analyst at Pivotal Research Group. "There's another segment who don't. Snap is a solid niche platform."

Other social-media platforms have similarly struggled as they have moved into the mainstream.

Facebook stumbled in its first 12 months as a public company, with shares falling about 30% from its IPO price as it struggled to adapt quickly enough to a consumer shift from desktop computers to mobile phones.

The company since turned itself into a mobile-ad powerhouse, and through acquisitions of WhatsApp and Instagram, has become one of the biggest U.S. companies with a market value more than \$500 billion.

Like Snap, Twitter in its first year as a public company dealt with double-digit fluctuations in stock price following each quarterly report, as investors tried to get a grip on whether it could take a bite out of Facebook.

Twitter, with a market value under \$20 billion, has sputtered at times to show meaningful user growth, and its revenue declined in the last quarter.

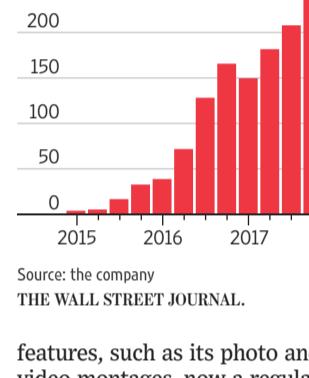
Before Snap went public, its fast growth as a startup and high engagement among young people impressed investors, while advertisers saw Snapchat as a way to reach users who weren't tuning into traditional media or other social networks.

But since holding one of the largest U.S. IPOs in years last March, Snapchat has struggled

Snap, Crackle, Pop

Snap's revenue has shown consistent growth and accelerated in the fourth quarter.

Snap total revenue, quarterly



Source: the company

THE WALL STREET JOURNAL.

features, such as its photo and video montages, now a regular feature of Instagram Stories.

"While Snap has been slow to ramp up auction-based buying, competitors are making their platforms easier and easier to buy," said Jim Cridlin, global head of innovation at Mindshare, a unit of ad-agency giant WPP PLC.

Facebook said in November that Instagram Stories had 300 million daily users, doubling the total from the start of 2017. Snapchat, by comparison, added about 29 million daily users for the entire year.

Snap in the past quarter doubled down on some of the features that distinguish it from its larger competitors, including separating the social, messaging portion of its app from the media and publisher content as part of a redesign.

On a conference call with analysts, Mr. Spiegel voiced optimism about the redesign. He said early results indicate that users are spending more time watching "publisher stories," the content that houses many of Snap's premium ads. The redesigned app also resulted in users viewing ads longer and engaging with them more, he said.

"We believe that the redesign has also made our application simpler and easier to use, especially for older users," Mr. Spiegel said.

Snap plans to make the new version of the app available to all users by the end of March.

The company also worked to improve the Android version of its app, which previously had been slower and had more bugs than the iPhone version of Snapchat. With the improvements, new Android users were nearly 20% more likely to stick around and become daily users, Mr. Spiegel said.

Snap also said it had launched partnerships with wireless carriers in more than a dozen markets to reduce mobile bandwidth costs for Snapchat users.

The company now plans to rein in some of its growing costs. After hiring more than 2,400 people over the past two years, the company will "moderate" the growth of Snap's team, Mr. Spiegel said in the prepared remarks.

"It has become clear that we can now unlock substantially more productivity simply by changing the way that we work and by continuing to build an inclusive and creative culture," he said.

For the fourth quarter, Snap recorded a loss of about \$350 million, or about 28 cents a share, compared with a loss of \$169.9 million, or 20 cents a share, a year earlier. Analysts had expected a loss of \$409 million, or 33 cents a share, according to a FactSet survey.

to lure new users. Snap has sought to counter the slowing growth by recently overhauling the app to make it simpler to use, though the company hasn't yet made the new design available to all users. The company also has been transitioning from direct ad sales to an auction-based model, in which advertisers bid on the amount they are willing to spend—the same method used by Facebook and Google.

That change had weighed on its business in the third quarter, because it wasn't attracting enough ad buyers to its automated auctions. Snap said Tuesday that during the fourth quarter, more than 90% of Snap ads were bought on the automated auction, and the number of advertisers buying ads in the auction more than doubled from the previous quarter.

Snap's gains don't offer complete protection from the existential threat that Facebook and its collection of apps pose to its business. Facebook's vastly deeper pockets have allowed the larger social-network to mimic some of Snapchat's best-performing

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made only by the Offer to Purchase, dated February 7, 2018, and the related Letter of Transmittal and any amendments or supplements thereto, and is being made to all holders of Shares. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction. In those jurisdictions where applicable laws or regulations require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser (as defined below) by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

Notice of Offer to Purchase All Outstanding Shares of Common Stock of Bioverativ Inc. at \$105.00 Per Share, Net In Cash Pursuant to the Offer to Purchase dated February 7, 2018 by Blink Acquisition Corp. an indirect, wholly-owned subsidiary of Sanofi

Blink Acquisition Corp., a Delaware corporation ("Purchaser") and an indirect, wholly-owned subsidiary of Sanofi, a French *société anonyme* ("Parent"), is offering to purchase all of the outstanding shares of common stock, par value \$0.001 per share (the "Shares"), of Bioverativ Inc., a Delaware corporation (the "Company"), at a purchase price of \$105.00 per Share in cash (the "Offer Price"), without interest thereon and net of any required tax withholding, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 7, 2018, and in the related Letter of Transmittal (which, together with the Offer to Purchase, as they may be amended or supplemented from time to time, collectively constitute the "Offer"). Stockholders of record who tender directly to Continental Stock Transfer & Trust Company (the "Depository") will not be obligated to pay brokerage fees or commissions or, except as may be set forth in the Letter of Transmittal, stock transfer taxes with respect to the purchase of Shares by Purchaser pursuant to the Offer. Stockholders who hold their Shares through a broker, banker or other nominee should consult such institution as to whether it charges any service fees or commissions.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT ONE MINUTE PAST 11:59 P.M., NEW YORK CITY TIME, ON MARCH 7, 2018, UNLESS THE OFFER IS EXTENDED OR EARLIER TERMINATED.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of January 21, 2018 (as it may be amended from time to time, the "Merger Agreement"), by and among the Company, Parent and Purchaser. The Merger Agreement provides, among other things, that, as soon as practicable following (and on the same day as) the consummation of the Offer and subject to the satisfaction or waiver of certain conditions, Purchaser will be merged with and into the Company pursuant to Section 251(h) of the General Corporation Law of the State of Delaware, as amended (the "DGCL"), upon the terms and subject to the conditions set forth in the Merger Agreement, with the Company continuing as the surviving corporation and becoming an indirect, wholly-owned subsidiary of Parent (the "Merger"). In the Merger, each Share issued and outstanding immediately prior to the effective time of the Merger (the "Effective Time") (other than (i) Shares owned by Purchaser, Parent, or any direct or indirect wholly-owned subsidiary of Parent immediately prior to the Effective Time, (ii) Shares owned by the Company (or held in the Company's treasury) or any direct or indirect wholly-owned subsidiary of the Company immediately prior to the Effective Time, or (iii) Shares held by any stockholder who is entitled to demand and has properly exercised and perfected a demand for appraisal of such Shares pursuant to, and who has complied in all respects with, Section 262 of the DGCL and who, as of the Effective Time, has neither effectively withdrawn nor lost such stockholder's rights to such appraisal and payment under the DGCL with respect to such Shares) will be converted into the right to receive an amount in cash equal to the Offer Price, without interest thereon and net of any required tax withholding.

The Offer is not subject to a financing condition. The obligation of Purchaser to accept for payment and pay for Shares validly tendered (and not withdrawn) pursuant to the Offer is subject to the conditions set forth in Section 15 of the Offer to Purchase (collectively, the "Offer Conditions"). Among the Offer Conditions are: (i) the Minimum Tender Condition (as defined in the Offer to Purchase), which is summarized below, (ii) the Antitrust Condition (as defined in the Offer to Purchase); (iii) the accuracy of the Company's representations and warranties set forth in the Merger Agreement, and the performance of the Company's covenants set forth in the Merger Agreement, in each case, to specified standards of materiality; (iv) the re-delivery of a tax opinion pursuant to the Tri-Party Agreement (as defined in the Offer to Purchase) and (v) no Company Material Adverse Effect (as defined in the Offer to Purchase) having occurred. The "Minimum Tender Condition" means that the number of Shares validly tendered and not validly withdrawn (excluding Shares tendered pursuant to guaranteed delivery procedures that have not yet been "received" (as such term is defined in Section 251(h)(6)(f) of the DGCL)), together with any Shares owned by Parent and its affiliates, represent at least a majority of the Shares outstanding immediately prior to the expiration of the Offer. The first time as of which Purchaser accepts any Shares for payment pursuant to the Offer is referred to as the "Acceptance Time."

The term "Expiration Date" means March 7, 2018, unless the expiration of the Offer is extended to a subsequent date in accordance with the terms of the Merger Agreement, in which event the term "Expiration Date" means such subsequent date.

The Board of Directors of the Company has unanimously: (i) declared that the Merger Agreement, the Merger and the other transactions contemplated thereby are advisable, fair to and in the best interests of the Company and its stockholders, (ii) adopted and approved the Merger Agreement and approved that the Company enter into the Merger Agreement and consummate the transactions contemplated thereby, including the Offer and the Merger, on the terms and subject to the conditions set forth therein, (iii) determined to recommend that the stockholders of the Company (other than Parent and its subsidiaries) accept the Offer and tender their shares to Purchaser pursuant to the Offer, (iv) resolved to take all actions necessary so that the restrictions on business combinations and stockholder vote requirements contained in Section 203 of the DGCL and any other applicable law with respect to a "moratorium," "control share acquisition," "business combination," "fair price" or other forms of anti-takeover laws or regulations that may purport to be applicable will not apply with respect to or as a result of the Merger, the Merger Agreement, and the transactions contemplated thereby and (v) agreed and authorized that the Merger be governed by Section 251(h) of the DGCL and consummated as soon as practicable following the consummation of the Offer.

The Merger Agreement provides that, subject to the parties' respective termination rights in the Merger Agreement, Purchaser will (and Parent will cause Purchaser to) extend the Offer: (i) for any period required by any applicable rule, regulation, interpretation or position of the SEC or the staff thereof or NASDAQ (including in order to comply with Exchange Act Rule 14e-1(b) in respect of any change in the Offer Price) or as may be necessary to resolve any comments of the SEC or the staff thereof or NASDAQ, in each case, as applicable to the Offer, the Schedule 14D-9 or the documents related to the Offer; and (ii) if, as of any then-scheduled Offer Expiration Time, any Offer Condition is not satisfied and has not been waived by Parent or Purchaser to the extent permitted under the Merger Agreement, on one or more occasions in consecutive increments of up to ten (10) Business Days each (or such longer or shorter period as the parties to the Merger Agreement may agree) in order to permit the satisfaction of such Offer Conditions. Without the Company's written consent, Purchaser will not, and without Parent's written consent, Purchaser will not be required to, extend the Offer beyond the earlier to occur of (x) the valid termination of the Merger Agreement in accordance therewith and (y) the End Date. The "End Date" means May 22, 2018 or, if on May 22, 2018 the Antitrust Condition has not been satisfied but all of the other Offer Conditions have been satisfied or waived, then the End Date will automatically be extended one time (but not more than one time) by a period of 120 calendar days.

If the Offer is consummated, Purchaser will not seek the approval of the Company's remaining stockholders before effecting the Merger. Parent, Purchaser and the Company have elected to have the Merger Agreement and the transactions contemplated thereby governed by Section 251(h) of the DGCL and agreed that the Merger will be effected as soon as practicable following (and on the same day as) the consummation of the Offer. Under Section 251(h) of the DGCL, the consummation of the Merger does not require a vote or action by written consent of the Company's stockholders.

The Merger Agreement provides, among other things, that, without the prior written consent of the Company, Purchaser will not (A) decrease the Offer Price, (B) change or waive the Minimum Tender Condition or Termination Condition (as defined in the Offer to Purchase), (C) impose conditions on the Offer in addition to the Offer Conditions, (D) extend or otherwise change the Expiration Date in a manner other than as required or permitted by the Merger Agreement, (E) change the form of consideration payable in the Offer, (F) decrease the number of Shares sought to be purchased in the Offer, (G) otherwise amend or modify or supplement any of the Offer Conditions or the other terms of the Offer in a manner that adversely affects any holder of Shares or that would, individually or in the aggregate, reasonably be expected to prevent or materially delay the consummation of the Offer or Merger or impair the ability of Parent or Purchaser to consummate the Offer or (H) provide for any "Subsequent Offering Period" (or any extension thereof) within the meaning of Rule 14d-1 under the Exchange Act.

Except as set forth above, subject to the terms of the Merger Agreement and the applicable rules and regulations of the SEC and other applicable laws and regulations, Parent and Purchaser expressly reserve the right to waive any Offer Condition at any time and from time to time, to increase the Offer Price and to make any other changes in the terms and conditions of the Offer. Any extension, delay, termination or amendment of the Offer will be followed as promptly as practicable by a public announcement thereof, and such announcement in the case of an extension will be made no later than 9:00 a.m., New York City Time, on the next business day after the previously scheduled Expiration Date.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered to the Purchaser and not withdrawn as, if and when it gives oral or written notice to the Depository of its acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price for such Shares with the Depository, which will act as agent for tendering stockholders for the purpose of receiving payments from Parent and Purchaser and transmitting such payments to tendering stockholders whose Shares have been accepted for payment. **Under no circumstances will Parent or Purchaser pay interest on the Offer Price for Shares, regardless of any extension of the Offer or any delay in making such payment.**

In all cases, Purchaser will pay for Shares accepted for payment pursuant to the Offer only after timely receipt by the Depository of (i) the certificates evidencing such Shares (the "Share Certificates") or timely confirmation of a book-entry transfer of such Shares into the Depository's account at The Depository Trust Company ("DTC") pursuant to the procedures set forth in Section 3 of the Offer to Purchase and (ii) the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees and (iii) any other documents required by the Letter of Transmittal or, in the case of a book-entry transfer, an Agent's Message in lieu of the Letter of Transmittal and such other documents.

Shares tendered pursuant to the Offer may be withdrawn at any time prior to the scheduled expiration of the Offer. Thereafter, tenders are irrevocable, except that Shares tendered may also be withdrawn after April 8, 2018 if Purchaser has not accepted them for payment by the end of April 8, 2018. For a withdrawal of Shares to be effective, the Depository must timely receive a written or facsimile transmission notice of withdrawal at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the names in which the Share Certificates are registered, if different from that of the person who tendered such Shares. If the Shares to be withdrawn have been delivered to the Depository, a signed notice of withdrawal with (except in the case of Shares tendered by an "eligible institution") signatures guaranteed by an eligible institution must be submitted before the release of such Shares. In addition, such notice must specify, in the case of Shares tendered by delivery, or other identification to the Depository, of Share Certificates, the serial numbers shown on the Share Certificates evidencing the Shares to be withdrawn or, in the case of Shares tendered by book-entry transfer, the name and number of the account at DTC to be credited with the withdrawn Shares. Withdrawals of tenders of Shares may not be rescinded and any Shares properly withdrawn will be deemed not validly tendered for purposes of the Offer. Withdrawn Shares may, however, be retendered by following one of the procedures for tendering Shares described in Section 3 of the Offer to Purchase at any time prior to the scheduled expiration of the Offer.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company provided Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to Purchase, the related Letter of Transmittal and related documents to holders of Shares. The Offer to Purchase and related Letter of Transmittal will be mailed to record holders of Shares whose names appear on the Company's stockholder list and will be furnished for subsequent transmittal to beneficial owners of Shares to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

The receipt of cash by a holder of Shares pursuant to the Offer or the Merger will be a taxable transaction to U.S. stockholders for U.S. federal income tax purposes. See Section 5 of the Offer to Purchase for a more detailed discussion of the tax treatment of the Offer. **Stockholders should consult with their own tax advisor to determine the particular tax consequences to them of the Offer and the Merger.**

The Offer to Purchase and the related Letter of Transmittal contain important information. Stockholders should carefully read both documents in their entirety before any decision is made with respect to the Offer.

Questions or requests for assistance may be directed to Mackenzie Partners, Inc. (the "Information Agent") at the address and telephone numbers set forth below. Requests for copies of the Offer to Purchase, the related Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent or to brokers, dealers, commercial banks or trust companies. Such copies will be furnished promptly at Purchaser's expense. Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Information Agent or the Depository) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

**MACKENZIE
PARTNERS, INC.**

</div

INTERNATIONAL PROPERTY REPORT

South Korea

Seoul's Downtown Core Gets Face-Lift

Redevelopment turns Jongno district into a glitzy business and commercial center

By JONATHAN CHENG

SEOUL—Starting in the 1960s, the “Miracle on the Han River” transformed South Korea from a war-ravaged backwater into one of the world’s most advanced economies.

But until recently, the capital city’s downtown core remained a warren of narrow alleys housing a dense network of aging mom-and-pop restaurants and decades-old low-rise buildings. Most of the new office development took place in the other two business districts, Gangnam and Yeouido.

That is changing. Over the past five years, a wave of redevelopment in Seoul’s downtown has quickly, and quietly, transformed the core of the South Korean capital into a glitzy business and commercial center.

The frenzy of new construction is turning the face of downtown Seoul into a cluster of glass-enclosed skyscrapers. Increasingly scarce are the dog-stew restaurants, low-end karaoke parlors and jewelry shops that once pervaded the area known as Jongno.

The gentrification of the downtown core mirrors recent face-lifts taking place in other big Asian cities, including in Singapore and Shanghai.

But there is a big difference. In other Asian cities, large-scale urban regeneration proj-



The gentrification of Seoul's core is similar in other big Asian cities. Pedestrians walk past an advertisement for the Winter Olympics.

SEUNGJIN CHOI/BLOOMBERG NEWS

ects typically have depended on government subsidies to get traction. While Seoul has had redevelopment plans in place since the 1970s, it has been up to developers to buy up individual plots in Jongno, a process that has taken years.

Construction companies and developers tied to the country’s large family-controlled *chaebol* conglomerates, along with some newer, smaller players, are betting more than \$3 billion that a more mixed-use approach

to modern office space—adding generous amounts of retail, entertainment and dining space—can attract international office tenants and upscale restaurants to the downtown core.

“The steady stream of construction has transformed Seoul’s downtown from an area with outdated office space and scarce dining options to something that would not look out of place in any of the world’s major financial hubs,” says Darren Krakowiak,

managing director of CBRE Korea Co.

Later this year, for example, construction will finish on Centropolis, a prime office building with a gross floor area of about 1.5 million square feet. The developer, **CTCore**, is a rare Western-style player in an industry dominated by South Korea’s *chaebols*. CTCore also was the project manager of downtown Seoul’s only new luxury lodging in the past decade, the

Four Seasons Hotel.

Other recent megaprojects that line Jongno’s main thoroughfare include Gran Seoul, D Tower and Tower 8, all of which feature several stories of retail and restaurants. Gran Seoul and D Tower were developed by **GS Engineering & Construction Corp.** and **Dae-lim Industrial Co.**, respectively—both *chaebol* affiliates. Tower 8 was built by **GL Metro City**, a small local developer that sold the building to De-

ustche Asset Management before construction was finished.

Financing for these new projects has come largely in loans from domestic insurers, including Samsung Life Insurance Co. and Samsung Fire & Marine Insurance Co.

To be sure, Seoul’s development boom has created headaches for some landlords. It will add 5.9 million square feet of new grade-A office space in the span of just four years from 2016 to 2020—equivalent to more than 10% of the current size of the market, according to CBRE.

That has given potential tenants the upper hand in negotiations over rent. The vacancy rate is expected to rise again this year, to more than 12%—among the highest in the past two decades.

But the area continues to attract foreign capital. The 33-story Jongno Tower, for instance, was bought early last year by Alpha Investment Partners, a developer tied to the Singaporean conglomerate **Keppel Corp.**, for 384 billion won (\$350.7 million).

The appeal of Jongno underscores the importance of retail in the rebirth of Asian downtowns. That trend, largely the result of weak office leasing and rising consumer spending, has not only pushed up the value of the buildings, but also made Jongno a burgeoning center of nightlife.

At the same time, part of Jongno’s appeal is that it occupies such a historic part of Seoul—the city has been Korea’s capital since 1392.

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Investors Look Past Threat

BY PETER GRANT

Investors in some real-estate markets might get a case of the jitters if a volatile dictator 120 miles away habitually warns he has the ability to obliterate his neighboring country.

But in South Korea, saber rattling over the past year has barely fazed investors in the real-estate market that would likely suffer the most damage if such an unthinkable event occurs.

Rather, office-building deal volume in Seoul, South Korea’s largest market, has stayed strong and prices have remained healthy. Investors, tenants, developers and others are focused more on conventional market forces than on possible Armageddon.

Some investors are even looking at the recent easing of tensions between South and North Korea in the run-up to the Winter Olympics as a buying opportunity.

“Smart institutional investors are not taking this as a time to flee,” said Steven Cha, a managing director of **Angelo Gordon** & Co., a private-equity firm that has been active in Korea. “It’s just business as usual.”

Real-estate investors aren’t oblivious when geopolitical tension intensifies. Several deals were sidelined last year when President Donald Trump was calling North Korea’s Kim Jong Un “little rocket man” in tweets and Pyongyang was warning that U.S. economic sanctions amounted to a declaration of war.

But last year, commercial-property deal volume in South



Brookfield Property Partners LP in 2016 purchased Seoul's International Finance Center from AIG Real Estate for \$2.1 billion.

Korea was \$17.9 billion, up from \$15.8 billion in 2016, according to data firm Real Capital Analytics.

Recent deals include Angelo Gordon’s sale of Metro Tower, an office tower near Seoul Station, to the South Korean unit of China’s **Anbang Life Insurance Co.** for 240 billion won (\$220 million). Private-equity fund **KKR & Co.** is in advanced talks to sell the K-Twin Tower to **Samsung SRA** for 700 billion won, a near-record price, according to people familiar with the matter.

Investors generally are unperturbed by threats of war. “There have been many instances over the 65 years that have created tension, but they’ve all come and gone,” said Wilson Leung, Angelo Gordon’s head of Asia.

Also, commercial real estate in South Korea, particularly office buildings in Seoul, is attractive to foreign investors because of their steady cash flows. Their tenants, especially

major employers like **Samsung Electronics Co.**, **LG Electronics Inc.** and **Hyundai Motor Co.**, tend to sign long-term leases and don’t move much.

South Korea was dominated by the country’s conglomerates, or *chaebols*, and off limits to most foreign investors until after the Asian financial crisis of the late 1990s. The country responded with a broad range of financial changes including those that opened up its commercial real-estate market.

Since then some of the biggest names in the business have invested in South Korea, including **Blackstone Group LP**, **Morgan Stanley**, Singapore sovereign-wealth fund GIC and **Canada Pension Plan Investment Board**. In one of the biggest deals in recent years, **Brookfield Property Partners LP** in 2016 purchased the International Finance Center, a 5.4-million-square-foot complex, from **AIG Real Estate** for \$2.1 billion.

PLOTS & PLOYS

BROOKLYN

Boutique Hotels Receive Cash Infusion

Investor interest is on the rise for boutique hotels in New York’s outer boroughs that charge less than \$100 a night while offering guests proximity to trendy attractions in emerging neighborhoods.

In the latest example, **Red Pine Capital Partners** is injecting new capital into two hotels in Brooklyn’s Gowanus neighborhood that values the properties at a total of \$33.5 million, said Michael Federman, Red Pine’s managing principal. New York-based Red Pine has about \$350 million of real-estate assets under management, he said.

The properties being recapitalized are the Gowanus Inn &

Yard, a 76-room hotel that opened in November, and the Union Hotel, a 42-room hotel that has been operating since 2010. The Gowanus Inn was developed by a group including **Greenwich Street Equities Ltd.**, which also owns a stake in the Union Hotel, Mr. Federman said.

—Peter Grant

SUPER BOWL

Blackstone's Gray Gets a TV Cameo

Sharp-eyed commercial-property investors watching the Philadelphia Eagles beat the New England Patriots in the Super Bowl on Sunday might have noticed an unlikely TV cameo from one of the biggest names in

their industry: Jonathan Gray, the head of real estate for **Blackstone Group LP**.

Mr. Gray was shown scrolling on his phone during a fan shot centering on Phil Basser, also known as “Philadelphia Phil.”

It turns out that Mr. Basser, who turns 100 next month, is Mr. Gray’s father-in-law.

And exactly why was Mr.

Gray staring at his phone during one of the most exciting football games ever? He said he wasn’t working on a deal. Rather, he said he was looking at messages he had received on his phone to congratulate him on his 48th birthday, which fell on Sunday.

“I must have gotten 100 texts and emails from people saying ‘Get off your phone. You’re on national TV,’ ” he said.

—Peter Grant

INTERNATIONAL PROPERTY REPORT: SOUTH KOREA

Foreign Investors Flock To Logistics Businesses

BY PETER GRANT

office.

Mr. Orbell said that investors in Korean logistics hope to re-create the success of the Japanese logistics market that is about a decade ahead of South Korea in terms of attracting foreign capital and know-how. South Korea's supply chain used to be controlled by its conglomerates, known as *chaebols*, but that is changing, he said.

"Over the course of the past five years, the government has put in place tax incentives to encourage conglomerates to outsource," Mr. Orbell said.

The new development being financed by foreign investors raises the specter of a supply glut. But, for now, values have been rising, market participants say.

'E-commerce growth requires [retailers] to be in highly strategic locations nearby Seoul.'

Three years ago, investors buying South Korean industrial real estate would initially get high single-digit-percentage yields from the properties' net income. Since then, those yields have fallen 2 to 3 percentage points, a sign of rising prices, according to market participants.

Many of the foreign investors and private-equity funds are developing properties, leasing and then selling them to more institutional buyers like pension funds or insurance companies looking for stabilized properties. These buyers can achieve yields that are 4 to 5 percentage points above the Korean government bond yield, said Steven Cha, who heads the Korea office of Angelo Gordon.

Developers Cautious on Olympics

BY KWANWOO JUN

SEOUL—With the opening ceremony of the 2018 Winter Olympics just days away, the South Korean economy is enjoying a boost from the roughly \$12 billion that has been spent on new hotels, housing projects, venues and infrastructure.

But concerns abound about whether the real-estate and infrastructure development tied to the Pyeongchang Olympics will be worth it to Asia's fourth-largest economy. Some economists worry it will hurt the country's long-term fiscal health and aggravate the financial burden on future generations.

A disproportionately large amount of the investment has been into highways and high-speed railways that will link Seoul to remote venues in the Olympics' host province of Gangwon, South Korea's most mountainous and sparsely populated area.

Whether that spending provides a long-term boost depends largely on Korea's tourism economy. In recent years, Korean tourism has been highly vulnerable to geopolitical repercussions from the tension level between North and South Korea. For example, China throttled back the number of Chinese tourists allowed to visit South Korea because of Seoul's decision to deploy an advanced U.S. missile defense system.

That has worsened the already high vacancy rate at hotels. Occupancy was 65.3% in 2017, compared with 70.4% in 2016 and 76.9% in 2011, according to data and analytics firm STR. Hotels in Gangwon province have performed worse, with half of the rooms empty, according to data from the Korea Hotel Association.

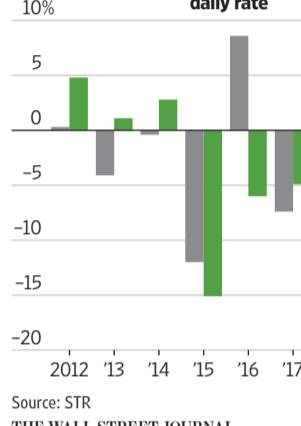
Olympics organizers decided against building the number of new hotel rooms originally anticipated in 2011



An Olympic village in Pyeongchang. The Games have boosted the economy but worries abound.

Downhill

Korean hotel occupancy and rates, change from a year earlier



Source: STR
THE WALL STREET JOURNAL.

future demand. Organizers wanted to ensure "they are not left with unused facilities," said a spokeswoman for South Korea's Olympic organizers in an email.

Concerns about the financial costs and benefits of Olympic host cities have become a perennial issue around the Games, deterring potential bids even from wealthy Western aspirants such as Oslo, Munich and Stockholm, which withdrew their bids for the 2022 Winter Games that eventually went to Beijing.

The International Olympic Committee has acknowledged the problem, adopting a new road map, dubbed Olympic Agenda 2020, to recast future Games with lower overhead.

Pyeongchang was approved before the new plan.

South Korea will spend less than one-quarter of the record \$50 billion tab for the 2014 Winter Olympics in Sochi, Russia. But the total still outpaces that of the country's supplemental national budget approved last year.

The Korea Institute for In-

dustrial Economics and Trade, a state-policy research arm, in 2008 estimated the Pyeongchang Olympics likely would create about \$18 billion in extra industrial output and 230,000 new jobs.

But some aren't convinced that these benefits will materialize. "It's not like building a department store or a shopping mall that's open from nine to nine. You're talking about building something that interacts poorly—generally speaking—with the rest of the economy," said Robert A. Baade, an economics professor at Lake Forest College in Illinois who has studied Olympics economics.

So far, the Olympics has been an economic boon for the province. Economic growth in Gangwon outpaced that of the country in 2015, while job growth edged out the nationwide rate in 2016, according to a Bank of Korea report last year. But the same report also warned that the benefits would likely fizzle out significantly without support from a post-Games tourism boom.

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BUSINESS & FINANCE

IPO Shortcuts Put Burden on Investors

Seven of eight companies that listed under JOBS act are below offer price

BY CORRIE DRIEBUSCH AND JULIET CHUNG

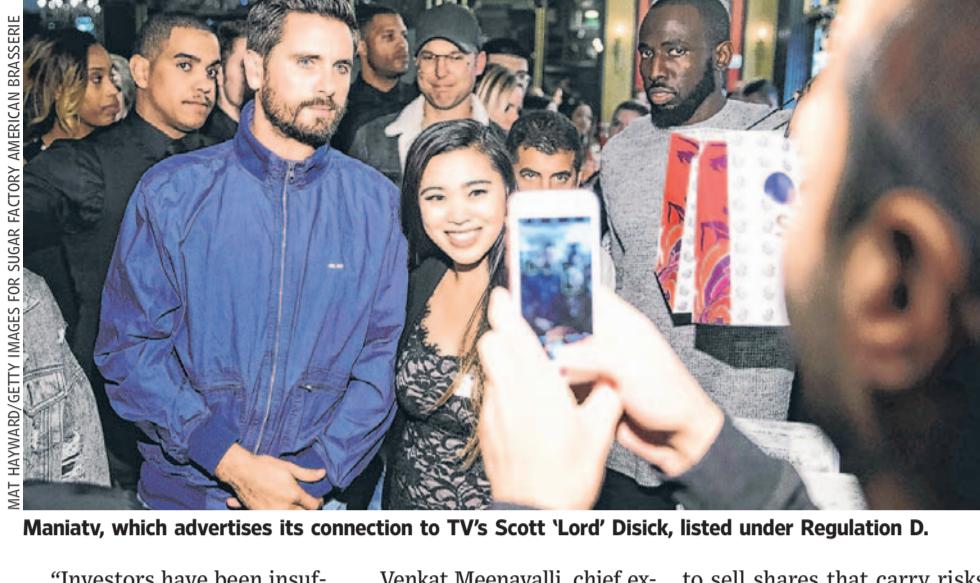
Rules giving small companies a quicker path to public listings aren't doing investors any favors.

Seven of the eight companies that listed on U.S. exchanges in 2017 under a provision of the Jumpstart Our Business Startups Act known as Reg A+ are trading at an average 41% below their offer prices, according to Dealogic.

The S&P 500 has risen 26% since the start of 2017. The average traditional initial offering on the major U.S. exchanges in 2017 has climbed roughly 20% since their IPOs through Monday's close, Dealogic said.

The poor showing is the latest episode to raise questions about the JOBS Act, a 2012 law that aimed to bolster employment by removing some IPO hurdles for emerging-growth companies with less than \$1 billion in annual sales. After final amendments were adopted in 2015, last year marked the first time companies used the rules to list shares on the New York Stock Exchange or Nasdaq Stock Market.

Many investors questioned the rationale for the rule at the time of its adoption, and some say the poor performance of the listings shows investors haven't always recognized the need to scrutinize firms coming public under the liberalized rules.



Maniatv, which advertises its connection to TV's Scott 'Lord' Disick, listed under Regulation D.

"Investors have been insufficiently skeptical," said Jay Ritter, a professor of finance at the University of Florida who studies IPOs. Mr. Ritter said his research shows IPOs of small, unprofitable companies don't generally do well in public markets.

Under Reg A+, companies can raise up to \$50 million by pitching their IPOs to all investors, not just those with a certain net worth or income, as in traditional IPOs. Qualifying firms can initially file for IPOs confidentially and aren't subject to all of the accounting and disclosure standards that apply to larger companies.

President Donald Trump's administration has advocated cutting red tape across industries as a way to improve business efficiency. Executives at firms that have used the Reg A+ process say it is a valuable tool for small firms to reach investors.

Venkat Meenavalli, chief executive of fintech firm **Longfin Corp.**—the sole Reg A+ listing whose shares are trading above their offer price—emphasized his company has had to follow the same compliance rules as any other company on Nasdaq. Executives at clean transportation company **Arcimoto Inc.** and gourmet hamburger chain **FAT Brands Inc.**

said restocking the IPO pipeline requires patience and short-term stock performance may not be indicative of a newly listed company's long-term prospects.

Arcimoto went public in September and has since seen a roughly 48% drop in its shares, while **FAT Brands** is down 30% from its October IPO.

Even those involved in some recent offerings warn that the surge of markets in the past year has made investors less skeptical, enabling some firms

to sell shares that carry risks that aren't necessarily suitable for many investors' portfolios.

"Some of the deals that have come out shouldn't be public companies, and unfortunately have given Reg A+ a taint," said Mark Elenowitz, chief executive officer of **TriPoint Global Equities.**

TriPoint, a longtime advocate of Reg A+, underwrote the stock offering by medical-robotics maker **Myomo Inc.**, which is trading 45% below its offer price, as well as the listing of **FAT Brands**.

Even the rare success story among Reg A+ listings raises caution flags. Longfin's stock languished near its \$5 offer price on its first day of trading in December, but two days later, it announced the acquisition of a company focused on blockchain, the technology underpinning the bitcoin digital currency. The Securities and Exchange Commission and

Risky Business

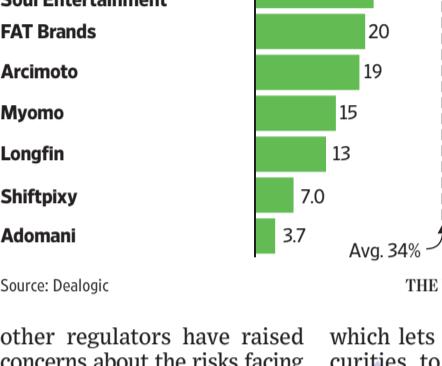
Most companies that used an IPO shortcut known as Reg A+ to list on U.S. exchanges in 2017 are trading well-below their IPO price. The eighth's success is based on its connection to cryptocurrencies.

Share performance since IPO



The average float for Reg A+ IPOs in 2017 was 15%, compared with roughly 34% for all U.S.-listed IPOs, making the Reg A+ stocks harder to trade and more volatile.

Percentage of company sold



Avg. 34%

THE WALL STREET JOURNAL.

other regulators have raised concerns about the risks facing retail investors in the lightly regulated cryptocurrencies market. Longfin's stock trades above \$35 a share.

Reg A+ offerings aren't the only area of light-touch regulation to raise some investors' eyebrows. Last month, **maniaTV Inc.** launched a stock sale using new loosened SEC social media rules. The offering is operating under Regulation D,

which lets companies sell securities to accredited investors, or those with a high net worth, while exempting the company from going through the SEC's registration and reporting requirements for public offerings. **maniaTV**, which won't be listed on an exchange, is advertising its connection with Scott "Lord" Disick, a regular on reality television show "Keeping Up With the Kardashians."

States Team Up on Fintech Licenses

BY LALITA CLOZEL

WASHINGTON—Banking regulators from seven states are streamlining the way they license some financial-technology companies, responding to the companies' complaints over having to obtain authorizations from each state in which they operate.

The states participating in the program, which went into effect Tuesday, are Georgia, Illinois, Kansas, Massachusetts, Tennessee, Texas and Washington.

"There's somewhat of a redundancy in that license applicants have to submit in many

cases the same submission to each individual state to meet the same licensing standards," said Charlie Clark, deputy director of Washington state's financial regulator.

Fintech companies have long complained that the process of obtaining licenses in each state is too burdensome, leading many to express interest in banking charters that come with a single regulatory framework. A federal regulator, the Office of the Comptroller of the Currency, in 2016 floated the idea of creating a national bank charter targeted at fintech firms.

But state regulators sued

the regulator, saying it was overstepping its authority. The seven states working together have agreed to create a system under which they partially recognize licenses from each other's jurisdictions.

"The internet is a borderless medium where you can reach customers everywhere," said Nat Hoopes, executive director of the Marketplace Lenders Association. "It's a challenge to have that medium broken up into 50 different regimes."

The common portion of the license would include the bulk of requirements imposed by states on payments compa-

nies, currency exchanges and other nonbank financial-services institutions. The changes won't affect licenses for online lenders.

But each state will still have to individually review applications for a second set of standards that vary from jurisdiction to jurisdiction, including requirements on the net worth of the person applying for the license.

"It's not complete reciprocity," said Mr. Clark, but "it would create greater efficiencies for the license applications and also create better turn times for license applications."

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes

Data provided by **LIPPER**

Top 250 mutual-funds listings based on total net assets for Nasdaq-listed share classes. NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. f—Previous day's quotation. p—Distribution costs apply. 12b-1 r—Redemption charge may apply. Footnotes p and r apply. NA—Not available due to incomplete price performance or cost data. NE—Not released by Lipper; data under review. NN—Fund not tracked. NS—Fund didn't exist at start of period.

Tuesday, February 6, 2018

Net NAV Chg % Ret Fund Net NAV Chg % Ret Fund Net NAV Chg % Ret Fund

American Century Inv 9.34 -0.03 -1.3 MuHYAdm 11.27 +0.05 -1.1 TgtRe2035 20.76 +0.21 0.3

OverS SF Inv 11.41 +0.15 0.9 MuLntAdm 13.95 +0.05 -1.0 TgtRe2040 35.95 +0.41 0.5

R2020 22.60 +0.16 0.3 MuLTAdm 11.47 +0.05 -1.4 TgtRe2045 22.63 +0.28 0.6

R2025 17.67 +0.15 0.5 MuLTAdm 10.86 +0.01 -0.1 TgtRe2050 36.41 +0.44 0.6

R2030 26.08 +0.25 0.6 MuShAdm 15.72 ... 0.2 TgtRetInc 13.49 +0.04 -0.4

R2035 19.12 +0.20 0.8 PrmcplAdm 136.67 +2.75 2.3 TottinBdlnxlv 10.79 ... -0.5

R2040 27.48 +0.31 0.9 REITAdm 11.06 +0.11 -0.8 Wellsl 26.48 +0.05 -1.7

Value 37.22 +0.46 -0.3 SmCapAdm 69.65 +0.65 -1.6 Welltn 41.76 +0.31 -0.6

PRIMECAP Odyssey Fds STBndAdm 10.31 -0.02 -0.5 Wndsr 37.97 +0.63 -0.4

AggGrowth r 46.60 +0.30 5.1 STIGradeAdm 10.57 -0.01 -0.3 VANGUARD INDEX FDS

Growth r 38.92 +0.50 4.5 TotBdAdm 10.56 -0.03 -1.5 500 249.12 +4.32 0.9

Principal Investors TotBdldlxAdm 21.58 +0.01 -0.5 ExtndlstPl 207.05 +1.96 -1.0

DivIntlst 14.08 +0.21 1.3 TotBdldlxdr 30.81 +0.31 0.1 SmValAdm 55.49 +0.50 -2.7

Prudential CI Z & I TotStAdm 67.13 +1.07 0.6 TotBd2 10.52 -0.03 -1.6

TRBdZ NA ... NA TxMln r 14.44 +0.20 0.2 TotTntl 18.42 +0.19 1.0

Schwab Funds ValAdm 41.31 +0.61 -0.2 TotSt 67.10 +1.06 0.6

S&P Sel 41.58 +0.72 0.9 VdwsrlAdm 67.37 +1.11 0.4 VANGUARD INSTL FDS

TIAA/CREF FUNDS WellsAdm 22.51 +0.20 ... 1.7 Ballnsl 34.65 +0.29 -0.2

Eqldnlx 19.76 +0.31 0.1 WldnlAdm 72.12 +0.53 -0.6 DevMktlsndlnx 14.46 +0.16 0.2

Eqldnlx 19.76 +0.31 0.1 WldnlAdm 72.12 +0.53 -0.6 DevMktlsndlnx 14.46 +0.16 0.2

DevMktlsndlnx 14.46 +0.16 0.2 TotBdlnx 22.61 +0.26 0.2

Tweedy Browne Fds 78.92 +0.16 -0.1 TotBdlnx 22.61 +0.26 0.2

GblValue 27.91 -0.50 -2.0 Extndlst 83.90 +0.79 -1.0 Ballnsl 34.65 +0.29 -0.2

VANGUARD ADMIRAL Hltchare 205.76 +1.52 0.1 InPrSel 10.27 -0.04 -1.5

500Adm 249.14 +4.31 1.7 InstIdx 245.75 +4.26 0.9

BalAdm 34.64 +0.28 -2.0 InstTRF2025 22.88 +0.15 -1.0 InstPlus 245.77 +4.26 0.9

CAITAdm 11.63 +0.03 -1.0 InstTRF2030 23.16 +0.21 0.2 InstStPls 59.84 +0.95 0.6

CapOpAdm r 156.72 +2.69 2.0 InstTRF2035 23.45 +0.24 0.3 MidCpstPl 42.18 +0.49 -0.3

EMAdm 39.61 +0.18 3.7 InstTRF2040 23.74 +0.27 0.5 MidCpstPl 208.02 +2.42 -0.3

EqInCpl 77.01 +1.04 +0.7 InstTRF2045 23.93 +0.29 0.5 SmCapInst 69.65 +0.66 -1.6

ExplrAdm 89.08 +0.94 0.8 IntVAl 40.35 +0.47 1.2 SmCapPl 201.05 +1.90 -1.6

Extndlst 83.90 +0.79 -1.0 LifeCon 19.88 +0.08 -0.4 STIGradeInst 10.57 -0.01 -0.3

IntVAl 40.35 +0.47 1.2 LifeGro 33.80 +0.36 0.4 STIGradeInst 10.57 -0.01 -0.3

GrwthAdm 74.09 +1.43 2.4 LifeMod 27.14 +0.20 ... TotBdlns2 10.52 -0.03 -1.6

HltchareAdm 86.78 +0.64 0.1 Prcmcpl 27.21 +0.51 1.2 TotBdlnsPl 10.52 -0.03 -1.6

HtcrAdm 37.82 +0.37 -0.1 SelValr 30.82 +0.37 -0.1 TotBdlnsPl 10.52 -0.03 -1.6

HYCorAdm 5.85 -0.01 -0.7 IntPro 25.21 -0.10 -1.5 STAR 26.93 +0.23 0.5 TotBdlnsPl 12.21 +1.23 1.0

IntProAdm 25.21 -0.10 -1.5 STIGrade 10.57 -0.01 -0.3 TotBdlnsPl 12.24 +1.24 1.0

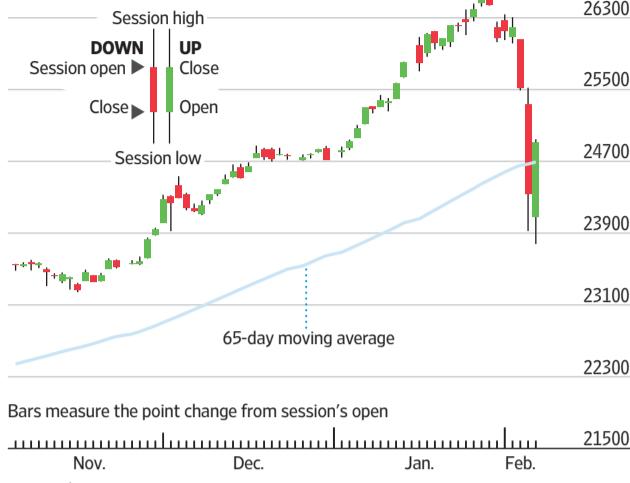
ITBond

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24912.77 ▲ 567.02, or 2.33%
High, low, open and close for each trading day of the past three months.



Current divisor 0.14523396877348
Session high
DOWN UP Close
Session open Open
Close Open
Session low
65-day moving average

Bars measure the point change from session's open

Nov. Dec. Jan. Feb.

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2695.14 ▲ 46.20, or 1.74%
High, low, open and close for each trading day of the past three months.



2900
2825
2750
2675
2600
2525

65-day moving average

Nov. Dec. Jan. Feb.

Nasdaq Composite Index

7115.88 ▲ 148.36, or 2.13%
High, low, open and close for each trading day of the past three months.



7500
7300
7100
6900
6700
6500

65-day moving average

Nov. Dec. Jan. Feb.

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	Nasdaq Composite	Nasdaq 100	S&P 500 Index	MidCap 400	SmallCap 600
Industrial Average	24946.23	23778.74	24912.77	567.02	▲ 2.33%	26616.71	20054.34	24.0	0.8	11.8	
Transportation Avg	10581.41	10121.40	10528.85	178.44	▲ 1.72%	11373.38	8783.74	14.3	-0.8	5.6	
Utility Average	668.67	649.76	662.32	-10.57	▼ -1.57%	774.47	662.32	-0.1	-8.4	2.6	
Total Stock Market	27872.28	26795.84	27804.76	438.86	▲ 1.60%	29630.47	23838.00	16.6	0.5	9.0	
Barron's 400	711.98	685.07	709.27	9.11	▲ 1.30%	757.37	608.59	16.5	-0.2	9.1	

Nasdaq Stock Market

Nasdaq Composite 7126.55 6824.82 **7115.88** 148.36 ▲ 2.13%

Nasdaq 100 6673.41 6370.48 **6665.98** 170.06 ▲ 2.62%

S&P

500 Index	2701.04	2593.07	2695.14	46.20	▲ 1.74%	2872.87	2293.08	17.5	0.8	9.5
MidCap 400	1872.26	1803.30	1864.03	14.50	▲ 0.78%	1995.23	1681.04	10.0	-1.9	8.1
SmallCap 600	922.49	891.06	918.41	9.67	▲ 1.06%	979.57	815.62	10.6	-1.9	9.6

Other Indexes

Russell 2000	1512.97	1461.45	1507.17	16.08	▲ 1.08%	1610.71	1345.24	10.7	-1.8	7.7
NYSE Composite	12779.15	12337.76	12745.45	172.53	▲ 1.37%	13637.02	11243.38	13.4	-0.5	5.5
Value Line	552.97	534.92	551.08	6.41	▲ 1.18%	589.69	503.24	7.5	-2.0	3.1
NYSE Arca Biotech	4604.53	4443.80	4599.01	83.81	▲ 1.86%	4939.86	3293.77	39.6	8.9	8.4
NYSE Arca Pharma	541.28	525.56	538.82	5.38	▲ 1.01%	593.12	484.49	11.2	-1.1	-0.4
KBW Bank	110.86	106.23	110.61	1.85	▲ 1.70%	116.52	88.02	19.7	3.7	15.7
PHLX® Gold/Silver	83.10	81.75	82.10	-0.97	▼ -1.17%	96.72	76.42	-13.8	-3.7	2.2
PHLX® Oil Service	147.75	141.11	146.68	2.42	▲ 1.68%	182.73	117.79	-17.5	-1.9	-10.2
PHLX® Semiconductor	1302.39	1238.64	1301.66	45.85	▲ 3.65%	1392.86	960.01	34.1	3.9	24.7
Cboe Volatility	50.30	22.42	29.98	-7.34	▼ -19.67%	37.32	9.14	165.5	171.6	20.1

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

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 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
ProSharesShtVIXST	SVXY	43,915.9	12.42	0.18	▲ 1.47%	13.50	11.79
Ford Motor	F	40,539.1	10.79	0.03	▲ 0.28%	10.79	10.24
SPDR S&P 500	SPY	25,994.8	268.68	-0.45	▼ -0.17%	269.63	259.51
Snap	SNAP	15,169.2	17.25	3.19	▲ 22.69%	18.37	13.86
Energy Transfer Equity	ETE	9,012.6	17.48	...	▼ unch.	17.56	17.48
iShares MSCI Emg Markets	EEM	6,771.1	49.05	0.18	▲ 0.37%	49.55	47.81
Bank of America	BAC	5,444.0	31.30	0.10	▲ 0.32%	31.30	30.26
iPath S&P 500 VIX ST Fut	VXX	4,946.3	47.02	4.14	▲ 9.65%	48.70	42.34

Percentage gainers...

Company	Symbol	UVXY	1,460.3	20.18	4.96	▲ 32.59%	20.21	14.50

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract		Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.								
Feb 3.1810	3.2005	3.1510	3.1775	-0.0330	761			
March 3.1915	3.2195	3.1600	3.1890	-0.0320	132,365			
Gold (CMX)-100 troy oz.; \$ per troy oz.								
Feb 1338.20	1343.70	1319.50	1326.10	-6.90	1,789			
April 1434.10	1349.30	1322.80	1329.50	-7.00	392,342			
June 1437.30	1354.40	1328.00	1344.70	-7.00	74,441			
Aug 1435.20	1359.20	1334.30	1340.10	-7.10	26,489			
Oct 1436.50	1362.50	1340.00	1345.30	-7.20	4,947			
Dec 1436.20	1369.80	1344.30	1351.00	-7.20	34,752			
Palladium (NYM)-50 troy oz.; \$ per troy oz.								
March 1028.15	1028.15	997.20	1002.50	-30.45	28,167			
June 1020.00	1020.95	993.50	998.55	-31.05	5,199			
Dec 990.00	990.00	990.00	989.20	-30.75	4			
Platinum (NYM)-50 troy oz.; \$ per troy oz.								
Feb 993.80	1002.90	987.00	994.30	-12.00	84,803			
Silver (CMX)-5,000 troy oz.; \$ per troy oz.								
Feb 16.705	16.705	16.540	16.548	-0.091	12			
March 16.710	16.955	16.540	16.580	-0.091	121,017			
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.								
March 63.43	64.29	63.12	63.39	-0.76	509,407			
April 63.15	63.94	62.80	63.11	-0.72	272,776			
May 62.72	63.47	62.40	62.70	-0.71	180,682			
June 62.28	62.97	61.95	62.26	-0.70	264,438			
July 61.89	62.40	61.48	61.75	-0.71	139,428			
Dec 59.29	59.73	59.03	59.30	-0.67	244,892			
NY Harbor Oil (NYM)-42,000 gal.; \$ per gal.								
March 2.0035	2.0145	1.9824	1.9851	-0.0435	153,008			
April 1.9951	2.0044	1.9748	1.9773	-0.0338	89,783			
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.								
March 1.8344	1.8377	1.8003	1.8052	-0.0414	147,966			
April 2.0099	2.0144	1.9857	1.9903	-0.0326	95,174			
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.								
March 2.767	2.785	2.695	2.759	.012	302,615			
April 2.747	2.754	2.681	2.723	-.003	158,054			
May 2.756	2.763	2.694	2.735	-.002	185,160			
June 2.785	2.795	2.730	2.769	-.003	70,835			
July 2.824	2.836	2.771	2.810	-.003	100,885			
Oct 2.835	2.841	2.783	2.819	-.003	122,958			

Agriculture Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.								
March 358.75	364.00	356.25	363.50	4.75	695,650			
May 366.50	371.50	364.25	371.25	4.75	353,417			
Oats (CBT)-5,000 bu.; cents per bu.								
March 266.25	270.75	266.00	269.00	1.75	2,658			
May 269.25	272.25	267.25	271.00	2.75	3,095			
Soybeans (CBT)-5,000 bu.; cents per bu.								
March 969.75	987.50	967.75	986.25	16.50	308,835			
May 981.00	998.50	979.25	997.75	16.50	212,337			
Soybean Meal (CBT)-100 tons; \$ per ton.								
March 326.80	333.80	326.50	331.70	4.75	151,082			
May 330.90	337.40	330.20	335.40	4.40	134,410			
Soybean Oil (CBT)-60,000 lbs.; cents per lb.								
March 32.53	33.31	32.36	33.16	.66	188,197			
May 32.72	33.50	32.57	33.35	.64	135,980			
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.								
March 120.50	125.00	124.80	125.00	2.00	6,349			
May 128.00	128.50	127.50	128.15	1.00	2,095			
Wheat (CBT)-5,000 bu.; cents per bu.								
March 442.00	447.75	438.75	446.25	6.00	229,648			
May 454.25	460.25	451.00	459.00	6.50	133,996			
Wheat (KCI)-5,000 bu.; cents per bu.								
March 462.50	470.25	459.50	469.00	7.25	116,947			
May 477.00	485.00	474.25	484.00	7.50	84,435			
Wheat (MPLS)-5,000 bu.; cents per bu.								
March 602.50	609.50	602.00	608.25	6.50	28,631			
May 613.50	620.75	613.50	619.75	6.50	16,458			
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.								
March 148.175	150.050	147.925	148.725	-.950	27,220			
April 149.100	151.000	148.875	149.425	-.100	9,816			
Cattle-Live (CME)-40,000 lbs.; cents per lb.								
Feb 125.375	126.425	125.125	125.625	-.500	22,333			
April 124.550	125.625	124.300	124.575	-.500	152,072			
Hogs-Lean (CME)-40,000 lbs.; cents per lb.								
Feb 75.500	75.500	74.075	74.750	-.1075	14,758			
April 72.775	72.825	70.600	71.425	-.1900	101,238			
Lumber (CME)-110,000 bd. ft.; \$ per 1,000 bd. ft.								
March 474.00	487.90	473.10	484.00	6.10	5,420			
May 469.80	481.10	467.40	477.40	5.30	1,554			
Milk (CME)-200,000 lbs.; cents per lb.								
Feb 125.90	126.425	125.125	125.625	-.500	22,333			
March 124.550	125.625	124.300	124.575	-.500	152,072			
Hogs-Lean (CME)-40,000 lbs.; cents per lb.								
Jan 75.500	75.500	74.075	74.750	-.1075	14,758			
Feb 72.775	72.825	70.600	71.425	-.1900	101,238			
March 70.800	71.875	69.375	71.425	-.1250	101,238			
May 68.900	70.875	66.375	71.425	-.1250	101,238			
Wool (CME)-645,stamp,lb,Portld,OR-u								
Feb 60.50	60.75	59.50	60.25	.50	1,554			
April 61.50	61.75	60.50	61.25	.				

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 table 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 from their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, February 6, 2018

A B C

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
ABB	ABB	26.39	.026	AvalonBay	AVB	160.25	1.23	Cabot	CTLT	41.76	-1.24	HD Supply	HDS	36.33	0.41	LibertyQVC A	QVCA	27.65	0.47	Oracle	ORCL	49.40	1.31
AES	AES	15.08	-0.02	Avera	AGR	45.83	-1.45	Caterpillar	CAT	156.41	5.33	HP Inc.	HPI	21.43	0.14	LibertyOne	FVNDA	34.23	-0.99	Seagate	SX	48.68	-0.97
Aflac	AFL	85.62	-0.59	AviaCoating	AITA	30.27	-0.46	CB&I Global	CBDE	116.94	-13.59	HBCS	HSCB	52.35	0.77	LibertyOne	FVNDB	36.56	-0.71	Orbital ATK	OA	131.63	0.61
AGNC Inv.	AGNC	16.88	0.44	B&T	BBT	55.71	-0.82	Celanese	CE	103.26	2.59	Hallibrund	HAL	50.63	0.59	LibertyBraves A	ALBRA	23.38	0.14	Oshkosh	OSK	85.14	0.89
ANGI Homesvc	ANGI	13.55	0.49	BCE	BCE	63.6	-0.11	Emerson	EDR	25.52	-0.09	Hawkins	HBI	21.63	0.78	LibertyBraves C	BAVRA	23.14	0.04	SemiconductrMfg	SM	6.75	..
Ansys	ANSS	157.10	1.08	BHP Billiton	BHP	74.49	-1.32	EOG Rscs	EOG	105.27	-1.29	Harris	HRS	148.64	0.48	SeniorsCom	OC	87.59	0.29	SeniorsTech	PCC	39.88	-0.47
ASML	ASML	194.11	7.43	BOK Fin	BOKF	93.55	0.89	EPAM Systems	EPAM	111.00	2.39	HartfordFin	HFI	55.13	-0.10	SensoryTech	SL	53.33	1.15	SensataTech	PHI	29.31	0.49
ATT&T	T	36.83	0.20	BP	BP	40.57	0.79	EQT	EQT	169.64	-2.37	Hasbro	HAS	93.92	2.60	HartfordFin C	LCM	42.44	-0.55	ServiceMaster	SERV	50.76	-0.31
AbbottLabs	ABT	58.80	0.13	BRCF	BRCF	20.10	-0.17	EQT Midstream	EQM	73.09	-0.28	Heico	HEA	63.29	-0.20	HartfordFin L	LLY	77.99	0.50	ServiceMaster	SERV	50.76	-0.31
AbbVie	ABBV	111.20	1.69	BRT Group	BRT	17.03	-0.15	E TRADE	ETFC	52.28	1.93	Heico	HEI	62.32	1.88	HartfordFin S	LBN	78.57	0.48	ScrippsNetworks	SNI	87.73	1.05
Abiomed	ABMD	232.31	-7.26	Baldwin	BIDU	228.77	-3.45	E TRADE	ETFC	64.03	1.92	HeinePhilips	HPI	68.32	1.52	HartfordFin T	LBN	60.69	0.43	Signtech	SIGN	104.20	-0.89
Accenture	ACN	154.69	2.86	BanqueBla	BHGF	29.22	-0.16	E TRADE	ETFC	73.57	-1.73	HeineScheln	HSH	73.25	-0.39	HartfordFin V	LBN	32.76	-0.39	Tyco	TYC	74.19	0.96
ActivisionBlitz	ATVI	67.90	1.72	BankBilbao	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	Heraeus	HSE	101.29	1.12	HartfordFin W	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AcuityBrands	AYI	148.93	3.69	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	Hilco	HIL	80.69	0.78	HartfordFin X	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
Adient	ADNT	63.55	1.57	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin Y	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AdobeSystems	ADBE	194.47	4.20	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin Z	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AdvanceAuto	AAPL	122.20	2.34	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin A	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AdvSimonErg	ADS	6.98	0.05	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin B	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
Aegon	AEG	6.64	0.02	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin C	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AerCap	AER	52.07	0.44	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin D	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
Aetna	AET	182.01	1.06	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin E	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AffiliatedMtrs	AMG	190.70	2.20	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin F	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
Allegion	ALLE	80.11	1.00	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin G	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
Allergan	AGN	163.33	3.33	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin H	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AllianceData	ADAT	241.47	2.69	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin I	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AlliantEnergy	LNT	37.51	-0.71	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin J	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AllisonTransm	ALSN	43.50	1.04	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin K	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
Allstate	ALL	96.60	1.58	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin L	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AllyFinancial	ALLY	28.21	0.44	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin M	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
AlnylamPharm	ALNY	122.17	2.25	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin N	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
Alphabit	AACB	106.80	22.43	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin O	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
Alphabit C	GOOG	108.63	22.04	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE	ETFC	80.43	-0.48	HilcoFinance	HIF	46.47	-1.47	HartfordFin P	LBN	34.04	-0.28	Tyco	TYC	146.43	0.97
Alphabit C	GOOG	108.63	22.04	BankBilbaoBVA	BVBF	8.97	-0.23	E TRADE</td															

MARKETS

Turmoil Threatens IPO Recovery

The IPO market can't catch a break.

After a protracted stretch in the dumps, January was a record month for U.S. initial public offerings as the strong equity market encouraged

*By Maureen Farrell,
Corrie Driebusch
and Dana Mattioli*

companies to list their shares.

But the stock-market turmoil that erupted last week threatens to stop that momentum. It also raises questions about whether a strong run in merger activity will continue.

No fewer than 11 companies were planning to debut on U.S. exchanges this week and raise a total of about \$1.8 billion, according to Dealogic. That would mark the busiest week since late June 2015, when there were 13 U.S.-listed IPOs.

So far this week, at least one company has postponed its IPO. **TFI Tab Food Investments** was set to price shares after the market closed Tuesday. Instead, it postponed its stock offering, according to people familiar with the deal. One of those people said the decision was made because of unfavorable equity-market conditions, and that the company will continue to evaluate the

timing of the proposed offering as market conditions develop.

The market chaos has clearly spooked investors and executives. Bankers say they are waiting to decide whether to pull or reprice IPOs that were scheduled for this week. An IPO can be pulled up until and even during the meeting at which a company and its bankers choose a price.

The market drop and the sharp uptick in volatility have made completing this week's deals like "hand-to-hand combat," one banker said. Underwriters have been in constant contact with potential investors to gauge how their appetite may be changing.

If they move forward with planned IPOs, companies could be forced to price them below their expected ranges as the valuations of their publicly traded peers have fallen, bankers said.

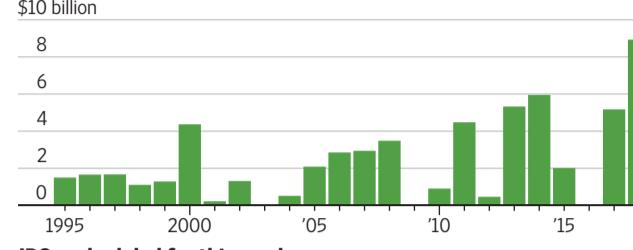
In addition to this week's busy calendar, some bellwether deals were expected to launch in coming weeks and months, including those of web-storage company Dropbox Inc. and music-streaming service Spotify AB.

Spotify is preparing an unusual process called a direct listing in which it would allow its shares to trade without selling any new ones. Since

Spoiling the Deal Deluge

The market sell-off is weighing on a record kickoff to the IPO calendar.

Volume of U.S. IPOs in January



IPOs scheduled for this week

Company name	Expected proceeds at midpoint of pricing range
Ipsco Tubulars	\$500 million
Cactus	375
TFI Tab Food Investments	220
Victory Capital Holdings	211
Bioceres	130
Quintana Energy Services	125
Huami	110
Cardlytics	76
Evolus	65
Adial Pharmaceuticals	14
ProLung	7

Source: Dealogic

THE WALL STREET JOURNAL.

the company isn't raising money, the market backdrop is unlikely to have much of an effect on its plan, one person familiar with the offering said.

The IPO market was just starting to gain altitude. In January, 20 companies made their debuts on U.S. exchanges, raising \$8.9 billion.

That was the best start to a year on record in terms of dollar volume, according to Dealogic. Even after the sell-off, 2018 IPOs were up 16% on average as of Monday's close.

Over the past several years, as U.S. stock indexes soared to records, the IPO market was sluggish by historical stan-

dards. Many companies that might have typically listed their shares opted to wait and instead get financing in private markets. That had started to change this year. As stocks continued to rise, bankers told clients they should move quickly to sell shares to the public while valuations were high.

The last time stocks experienced a similar stretch was in early 2016, when fears about China's economy spilled into U.S. markets. The result: zero U.S.-listed IPOs in January of that year. While the stock market recovered, 2016 was the slowest year for new offerings as measured by money raised in more than a decade.

The mergers-and-acquisitions market, meanwhile, held up better, losing only a modest amount of ground after a near-record year in 2015.

The M&A market also got off to a strong start in 2018, with more than \$176 billion in announced deals so far in the U.S., according to Dealogic.

That was the most for this period on record, it said. Chief executives feel emboldened when their stocks are high and can use them as currency. On the flip side, high stock prices have caused potential buyers to grouse about target prices being too rich.

Short Volatility ETN to Liquidate

BY GUNJAN BANERJI

Credit Suisse Group AG announced an "event acceleration" of its **VelocityShares Daily Inverse VIX Short Term Exchange-Traded Note**, effectively announcing the liquidation of a product that allows investors to bet on muted moves in the stock market.

The bank said the acceleration date of the note, called XIV, is expected to be Feb. 21. That is when investors still holding it will receive a cash payment equal to that day's closing value.

That could be far less than the level at which investors bought XIV. The ETN closed at \$99 a share Monday and then its "closing indicative value" dropped to \$4.22, according to the note's website.

Credit Suisse said Monday that because the "intraday indicative value" of XIV on Monday was equal to or less than 20% of the prior day's closing value, an "acceleration event" occurred. The product's prospectus has provisions that stated it can be liquidated in such scenarios.

Futures contracts tracking the Cboe Volatility Index, or VIX, soared Monday, dealing a blow to the product, which makes a bearish wager on volatility. XIV was halted in trading on Tuesday but resumed and settled at \$7.35, FactSet data show.

The New York Stock Exchange announced a trading halt for another popular exchange-traded product: the **ProShares Short VIX Short-Term Futures ETF**, called SVXY. It resumed trading and closed at \$12.24, down 83%.

The ETF's performance on Monday "was consistent with its objective and reflected the changes in the level of its underlying index," ProShares said in its statement.

The ETF, as well as other short-volatility products, also had huge losses Monday as the VIX posted its biggest one-day jump on record.

The short volatility trade, which has become wildly popular in recent years, backfired in recent days. Early Tuesday, the VIX spiked above 50, a level it hasn't closed at since 2009, before closing at 29.98. It is a dramatic reversal from the calm throughout global markets in 2017.

STOCKS

Continued from page B1

In some ways, the recent losses had their origin nearly a decade ago.

As the bull market began in early 2009, investors bought beaten-down stocks and many bonds. As confidence grew, global economies rebounded and global central banks pumped money into markets, investors added a range of risky debt products. Just last fall, a hydroelectric dam in Tajikistan, the government of Portugal and a cruise-ship operator all sold debt at unusually low interest rates.

As those bets paid off, investors became more confident that markets would continue their climb and that trading volatility would keep falling. Many investors bet the key volatility index, known as the VIX, would fall and stay low.

This "short-Vol" trade has mostly worked. Until Monday, the S&P 500 enjoyed 404 consecutive trading days without a 5% correction, the longest such streak since September 1959, according to Bianco Research LLC. The average close

Volatility Bets Fuel The Market's Fire

The recent plunge in global stock markets has shined a light on a popular strategy among investors: shorting volatility.

The use of this trade has contributed to the largest fall in some U.S. stock markets since 2011.

The Dow Jones Industrial Average fell 4.6% Monday as the Cboe Volatility Index, or VIX—a measure of U.S. stock-market volatility—surged to its highest closing level in 2½ years. On Tuesday, the Dow rebounded to climb 2.3%, while the VIX dropped 20%.

Shorting volatility means betting the VIX will remain low or fall further, often by buying

an exchange-traded product that rises in value when gauges of volatility decline.

In a research paper published in November, Vineer Bhansali, founder of investment advisory firm LongTail Alpha, and Professor Larry Harris of the USC Marshall School of Business explained how shorting volatility could feed through to tank the broader stock market.

They warned that "the extraordinary growth of short volatility strategies creates risks that may trigger the next serious market crash."

The paper suggests that the growth in the use of such strategies and the correlation between them risked a big reversal as investors scramble to cover their short positions.

To cover a short position, investors who are shorting vol-

atility buy back the asset they sold in the first place.

Risk parity or volatility target funds are a similar source of potential further sharp moves. Such funds aim to invest in assets based on their volatility.

When volatility spikes, that strategy involves selling the newly volatile underlying assets and rotating to more stable holdings such as cash.

Messrs. Bhansali and Harris estimated that \$1.5 trillion was invested in funds with volatility-linked strategies, a large sum capable of shifting global markets.

"When those positions start to unwind, they unwind rapidly as everyone goes in one direction," said Paul Flood, portfolio manager at Newton Investment Management.

—Mike Bird

of VIX was 11.09 last year, the lowest average on record going back to 1990.

To wager on low volatility, hedge funds and other investors usually sell VIX futures and options, sell options on the S&P 500 or other indexes or sell options on individual shares or other indexes.

Investors also placed \$4 billion in two exchange-traded products betting on continued stability for stocks—the ProShares Short VIX Short-Term Futures exchange-traded fund and the VelocityShares Daily Inverse VIX Short-Term exchange-traded note—that investors used to bet \$4 billion

on continued stability of stock prices.

On Monday, this strategy came undone. Much of the value of these two products was wiped out when the VIX jumped 115.6%, its biggest one-day increase on record. The gauge typically rises when stocks fall.

On Tuesday, it fell by 20%. Trading in the VelocityShares product was halted Tuesday morning in Europe.

Tim Glick of Mercer Island, Wash., was among the individual investors trading the ProShares short-volatility ETF over the past year. Last summer, Mr. Glick became nervous when he saw volumes surge.

He started shorting the ETF, or betting on its decline. As a result, he has scored about \$20,000 in profit as the ETF collapsed in the past few days, offsetting losses to his stock portfolio from the market's tumble.

Some large hedge funds may have exited the short-volatility trade in the nick of time. **Two Sigma Investments LLC**, a quant firm that manages over \$50 billion, had been a major holder of the VelocityShares product but didn't post losses from the investment on Monday, according to a person familiar with the matter.

Even though stocks recovered Tuesday, traders say more volatility could be ahead as some quantitative-oriented investors adjust their portfolios.

—Mike Bird contributed to this article.

For Bank Trading Desks, Wild Swings Bring Opportunity



Credit Suisse CEO Tidjane Thiam sees a robust pipeline of deals in the first quarter.

Banks have blamed placid markets for lackluster returns in their big trading operations. This week, they are cheering the big market swings, seeing hope for a boost in fees that dropped off a cliff last year.

"Anything that brings back

By Max Colchester,
Jenny Strasburg
and Liz Hoffman

volatility would be good," said Peter Tchir, macroinvesting strategist at New York-based **Academy Securities LLC**. "Maybe we could see a return to better quarters" for banks across their fixed-income trading businesses, from currencies to interest-rate hedging.

Dull markets during most of 2017 pushed lenders' trading revenue to historic lows as clients saw little reason to shuffle investments or buy derivatives to hedge risks in ever-rising markets. Now, as stocks have plunged recently on expectations of rising bond yields and higher inflation, the same banks, analysts and investors see a brighter picture. On Tuesday in the U.S., stocks rebounded, with the S&P 500 ending the day up 1.7%.

Trading volume for the shortest-duration U.S. Treasury bills hit their highest monthly average in January since October 2008, according to data from trade group Securities Industry and Financial Markets Association. Corporate-bond trading volume jumped to \$29 billion a day in January from \$18 billion a day in December, while stock trading volumes hit a seven-month high.

And with expectations of

interest-rate increases, traders report higher demand for hedges, swaps and other instruments that protect investors from the effect of rate swings.

"Is it the light at the end of the tunnel? No. Is it temporary relief? Yes," said George Kuznetsov, global head of research at London-based consulting firm Coalition.

The renewed volatility in the market may push revenue on trading desks up by 10% to 15% in the first quarter of this year, Mr. Kuznetsov said. Foreign exchange, macro trading and credit trading are expected to be the big winners of the market moves, said analysts.

One risk for trading desks

is that they will get too much of a good thing. Excessive volatility, particularly when asset prices depreciate, can chill investor appetite to trade more. And banks and dealers often hold inventories of stocks and bonds that they have to mark down in value during a broad selloff in prices.

For now though, the focus is on staying busy. Asian markets saw a rush of panic selling Tuesday, compared with calmer, more measured European markets. London traders said Japan's Nikkei Stock Average dropped 4.7%, while the U.K.'s FTSE 100 fell 2.6%.

"Market conditions can change and turn rapidly, and they have," Martin Chavez, Goldman Sachs Group Inc.'s chief financial officer, told analysts on a January earnings call.

There are some signs that the trading freeze is starting to thaw. Even before the wild market ride of recent days, investment banking chiefs sounded more upbeat about the first quarter of the year, which is traditionally a busy time for them.

Credit Suisse Group AG Chief Executive Officer Tidjane Thiam said in interviews at the World Economic Forum in Davos, Switzerland, last month that the Swiss bank sees a strong pipeline of deals coming through that it expects to be reflected in first-quarter numbers. **UBS Group AG** CEO Sergio Ermotti said at the start of the year that he expected volatility to return to the market.

Banks are starting from a low base. Full-year 2017 revenue across the investment banking industry was on course to decline 3% to 5% compared with the previous

year, the worst since the financial crisis, according to consulting firm **Oliver Wyman**.

There is little chance of trading desks morphing back into the megarevenue generators of yesteryear. Greater capital requirements have made it harder for banks to take on the risks they once did.

Banks have already cut thousands of trading jobs to pare costs. And not all volatility brings good news. Fees from merger advising, debt issuance and initial public offerings could be dented as clients put deals on ice.

Still, the boost in trading revenue could generate hundreds of millions of dollars for banks if the market volatility continues through the quarter, said Jonathan Wills, a London-based partner at Oliver Wyman. "It is going to be a good thing for sales and trading franchises," he said.

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Trading Jolt

Market volatility returned in January, sparking trading in corporate bonds.

MARKETS

Web Outages Continue to Dog Investors

Complaints abound of clients unable to log into accounts at Fidelity, TD, others

BY DAISY MAXEY

Investors continued to be frustrated by slowdowns and outages on the websites and mobile apps of investment firms hit by market volatility the last two days.

As markets opened sharply lower Tuesday, investors complained online that they weren't able to log into their accounts at a number of brokerage and investment firms, including Fidel-

ity Investments and TD Ameritrade Holding Corp., among others.

Those complaints follow similar frustrations vented during Monday's rout at firms including Vanguard Group, Betterment LLC and T. Rowe Price Group Inc.

While U.S. stocks rebounded from their early rout Tuesday, with the Dow Jones Industrial Average swinging from a 2.3% decline to a 2.3% gain, trading volume exploded. New York Stock Exchange composite volume was 5.79 billion shares, for example, the highest since November 2016.

At the heart of the matter: When the market is spooked

and activity picks up, millions of people seek to check their balances and execute trades, creating bandwidth problems.

"These are black swan kind of days where the system gets tested beyond its predicted maximum usage," said Javier Paz, a senior analyst at Aite Group, a research firm focused on the financial-services industry. "The thing that [investment firms] can't quite forecast accurately, it seems, is the number of simultaneous users. That has taken them aback."

TD Ameritrade made changes to address the capacity issues Monday night and planned to make more changes Tuesday night, said Vijay Sankaran, the

firm's chief information officer, who is responsible for the implementation of the company's data and analytics ecosystem.

"What we've experienced over the last couple of days is absolutely unprecedented volume for our firm, and, I think, really huge event in terms of the industry as well," Mr. Sankaran said. "After what we saw yesterday, we made capacity adjustments last night on the fly as we saw what was happening....I do know what caused the slowness this morning, and we plan to resolve the issue tonight." He declined to specify what caused Tuesday's slowness.

Asked if investors would be compensated in any way, he said

that TD Ameritrade works with clients on a one-to-one basis, and that it would depend on the situation.

At Fidelity, a spokesman on Tuesday said the "intermittent technical difficulties with our website" had been resolved. He declined to say when the glitches popped up, calling them sporadic.

Fidelity is authorized to waive commissions or offer free trades to clients on a case-by-case basis, he said.

Mr. Paz said underinvestment in some of the technologies that support systems and trading operations is the problem. In order to deliver information to consumers more effi-

ciently and in a less costly manner, he said, many of these companies are purchasing database storage, content delivery, computing power and other functionalities on the cloud from third parties.

But Mr. Sankaran said that the matter goes beyond simply adding capacity.

"We're buying more and more capacity every day, but part of it is not just buying capacity," he said. TD Ameritrade has to examine where the different pieces of the system come together, the different profiles of activity, the types of swings in the market to see where the bottlenecks are occurring, he said.

Oil Prices Slip on Supply, Output Worries



Oil prices fell Tuesday as traders anticipated an increase in U.S. stockpiles and expanding shale production.

Light, sweet crude settled down 76 cents, or 1.2%, to \$63.39 a barrel on the New York

Mercantile Exchange, its lowest close since Jan. 19. Brent, the global benchmark, declined 76 cents, or 1.1%, to \$66.86, a one-month low. Traders and analysts surveyed by The Wall Street Journal expect, on average, that

crude stockpiles increased by 2.5 million barrels in the week ended Feb. 2. The U.S. Energy Information Administration releases the official data Wednesday.

—Stephanie Yang and Christopher Alessi

Dow Recoups Half of Loss

BY AKANE OTANI AND LISA BEILFUSS

The Dow Jones Industrial Average gyrated wildly Tuesday, trading in a range of nearly 1,200 points, as financial markets attempted to regain their footing a day after the index suffered its biggest-ever daily point plunge.

TUESDAY'S MARKETS The blue-chip index changed direc-

tion 29 times over the course of the session before surging in the final hour to close up 567.02 points, or 2.3%, at 24912.77.

Investors struggled to keep pace as volatility returned in force to the stock market. Equity benchmarks from Tokyo to Madrid plunged overnight, and the opening hour of U.S. trading was especially frenetic with the Dow falling as much as 567 points and briefly flirting with correction levels.

Many individuals trying to place orders had trouble accessing their investment accounts, taking to Twitter to re-

port outages and slowdowns on the websites of discount brokers and mutual-fund firms.

Meanwhile, professional traders from New York to Hong Kong described a sense of lingering unease as major indexes oscillated in choppy trade.

But some novice investors, such as Kayleigh Kemper, a 31-year-old stay-at-home mother from Peoria, Ill., rushed to try to scoop up shares at a discount.

"I see the market dropping as an opportunity for those of us who don't have a chance to play all the time," said Ms. Kemper, who added \$500 to her new account on the stock-trading app Robinhood to buy the Vanguard Total Stock Market ETF.

The Dow's late-day gain put the index back in positive territory for the year, up 0.8%, and marked its largest jump of the year on a point and percentage basis. It is still down 6.4% from its Jan. 26 high.

The index swung 1,167.49 points from its high to its low on Tuesday. That marked the

second-biggest intraday trading range in the Dow's history. The largest was Monday's 1,596.65-point swing that ended with the index closing down 1,175.21 points.

The S&P 500, which lost \$965.9 billion in market value following Monday's declines, gained 1.7% on Tuesday, and the Nasdaq Composite rose 2.1%.

While U.S. markets stanching the red ink on Tuesday, losses overseas were steep. The Stoxx Europe 600 fell 2.4%, posting its largest one-day decline since June 2016, shortly after the surprise U.K. vote to leave the European Union. Hong Kong's Hang Seng Index lost 5.1%, or 1,650 points, its biggest point decline since January 2008. At midday Wednesday in Tokyo, the Nikkei was up 3.1%, while the Hang Seng was up 1.9%.

Meanwhile, the Cboe Volatility Index—known as Wall Street's fear gauge—fell 20% after surging 115.6% Monday in what was its biggest one-day jump on record.

—Riva Gold contributed to this article.

Bitcoin's Price Rebounds After Falling Below \$6,000

BY STEVEN RUSSOLILLO AND ANDREW JEONG

Bitcoin fell below \$6,000 on Tuesday, extending a steep slide that has wiped out over \$200 billion of its market value in nearly two months.

The digital currency's price

CURRENCIES slid as low as \$5,947.40 before re-

bounding and trading higher late in the U.S. trading day, according to research site CoinDesk. It has fallen 70% since reaching a high of near \$20,000 in December, a drop that has intensified in recent weeks following a global regulatory crack-down on the cryptocurrency market.

Bitcoin has become a "combination of a bubble, a Ponzi scheme and an environmental disaster," a top central-banking official cautioned Tuesday, referring to the large amount of electricity needed to create bitcoin.

"If authorities do not act pre-emptively, cryptocurrencies could become more interconnected with the main financial system and become a threat to financial stability," said Agustin Carstens, general manager of the Bank for International Settlements, a Basel,

Steep Decline

Bitcoin's fall from December highs



Source: CoinDesk

SEC, CFTC Chiefs Send Out Alarms

U.S. regulators on Tuesday said Congress should consider expanding federal oversight of bitcoin and other cryptocurrency trading, as market cops amplify alarms about an asset class that is largely exempt from investor-protection laws.

The chairmen of the Securities and Exchange Commission and Commodity Futures Trading Commission told senators that cryptocurrency trading has outgrown the state-based regulation that covers many platforms. The aggressive tone

adds to headwinds that bitcoin faces, including a crackdown in China and a move by U.S. banks to halt credit-card purchases of bitcoin.

"There is patchwork here, but there is not a comprehensive structure and that is something that is a policy discussion and an important one to be had," CFTC Chairman J. Christopher Giancarlo told the Senate Banking Committee.

SEC Chairman Jay Clayton said that his agency "may be back with our friends from Treasury and the Fed to ask for additional legislation."

Extending laws that were written to protect buyers of stocks, bonds and derivatives to

cryptocurrencies would require Congress's involvement because neither the SEC nor the CFTC has authority over what is known as the "spot" market for commodities such as bitcoin.

If Congress were to give market regulators jurisdiction over spot markets, it would be a "dramatic expansion of the CFTC's regulatory mission," Mr. Giancarlo said in testimony prepared for the hearing.

The SEC and CFTC have brought enforcement cases against fraudulent operations that tried to capitalize on investors' thirst for bitcoin's earlier stratospheric returns.

—Dave Michaels, Gabriel T. Rubin

STREET

Continued from page B1 ways, with two key variables: inflation and fear of inflation. From September until the start of last week almost all the rise in bond yields was due to a reassessment of what the Federal Reserve would do over the next decade.

A minority of that reassessment was because inflation was expected to be higher, pushing the Fed to tighter monetary policy, but the majority was because long-run growth was expected to be higher, allowing the Fed eventually to raise rates further than previously thought without harming the economy. In economic terms, the theoretical interest rate r^* —the rate compatible with steady inflation when the economy is at full capacity—went up.

In other words, investors

believed in a combination of global economic growth and that the tax cuts would encourage companies to invest and boost U.S. productivity. Bond yields went up, but that was good news for stocks because it reflected growth, most of it real, which is good for profits. With inflation far from worrisome levels, even a bit of inflation wasn't bad news.

Last week was quite different. Bond yields kept going up, but it wasn't because investors expected more Fed increases. Instead, it was because investors were less certain about the path of inflation and so of rates, and so demanded an extra reward to compensate them for this uncertainty. In bond-market jargon, the extra is called term premium.

For shareholders, bond yields pushed up by a rising term premium is all bad news. It means borrowing

costs are higher. It means future profits are less valuable when discounted back to today at the higher rate. It means bonds are a more attractive alternative to stocks. And, crucially, it does nothing to help future profits.

Even worse, inflation expectations suddenly started to rise fast, too. Shares usu-

ally fare better than bonds from inflation, but real growth is best. Inflation pushed up by fast-rising wages—as Friday's headline jobs data suggested—isn't great for stocks, since rising wages hit profit margins. Companies might

make it back from higher sales, but wage bills are more certain than revenue growth.

The pattern switched back on Monday. As markets went into free fall the bond yield fell because the term premium compressed again, according to Goldman Sachs's calculations.

Investors considering the future of stocks have to weigh these two factors. First, will the tax cuts (and at a broader level global economic growth) lead mainly to productivity-enhancing capital spending by companies, or will companies just feed it back to shareholders, consumption and inflation? If productivity is about to pick up, that helps justify high valuations because the economic cycle will be extended.

Second, are investors overconfident about the outlook for inflation? The 10-year term premium is very low—it turned positive

on Friday for the first time since July, Goldman estimates, before falling back on Monday—showing investors still believe strongly in the "new normal" of low and steady inflation. There is plenty of scope for inflation surprises to shock bondholders again, and as we saw on Friday bond yields rising because of inflation uncertainty is bad news for stocks.

There are other issues for the long-term investor, of course: Shares, especially in the U.S., are very expensive, profit margins are very high and so are corporate debts.

But when it comes to worrying about bonds, the question is whether higher yields are good or bad. Even those who think Mr. Trump can achieve sustainable faster real economic growth should worry about the danger that inflation surprises make higher bond yields bad again.

Bonds Drive Selloff

Yields on 10-year Treasurys rose from September to the start of last week mainly because of higher anticipated interest rates.

Sept. 1 to Jan. 26
Short rate over term 0.469 pct pts.
Term premium 0.023

Last week yields rose as uncertainty over inflation pushed up the term premium.

Short rate over term -0.065
Term premium 0.215

Yields fell on Monday mainly because the term premium fell.

Short rate over term -0.016
Term premium -0.076

Source: Goldman Sachs
THE WALL STREET JOURNAL.

MARKETS

Treasurys End Higher After Seesaw Day

BY DANIEL KRUGER
AND SAM GOLDFARB

U.S. government bonds fluctuated as a wave of volatility swept through financial markets, highlighting the competing pressures affecting bond prices in recent weeks.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.766%, down from 2.791% at its Monday close. The 10-year yield dropped as low as 2.648% in the overnight session, according to Tradeweb, before rising and falling as stocks swung between gains and losses, and remaining volatile in after-hours trading.

Yields, which fall when bond prices rise, had jumped this year as investors fretted about the potential for rising inflation and a global move toward tighter monetary policies. But they began falling Monday as investors fled riskier assets.

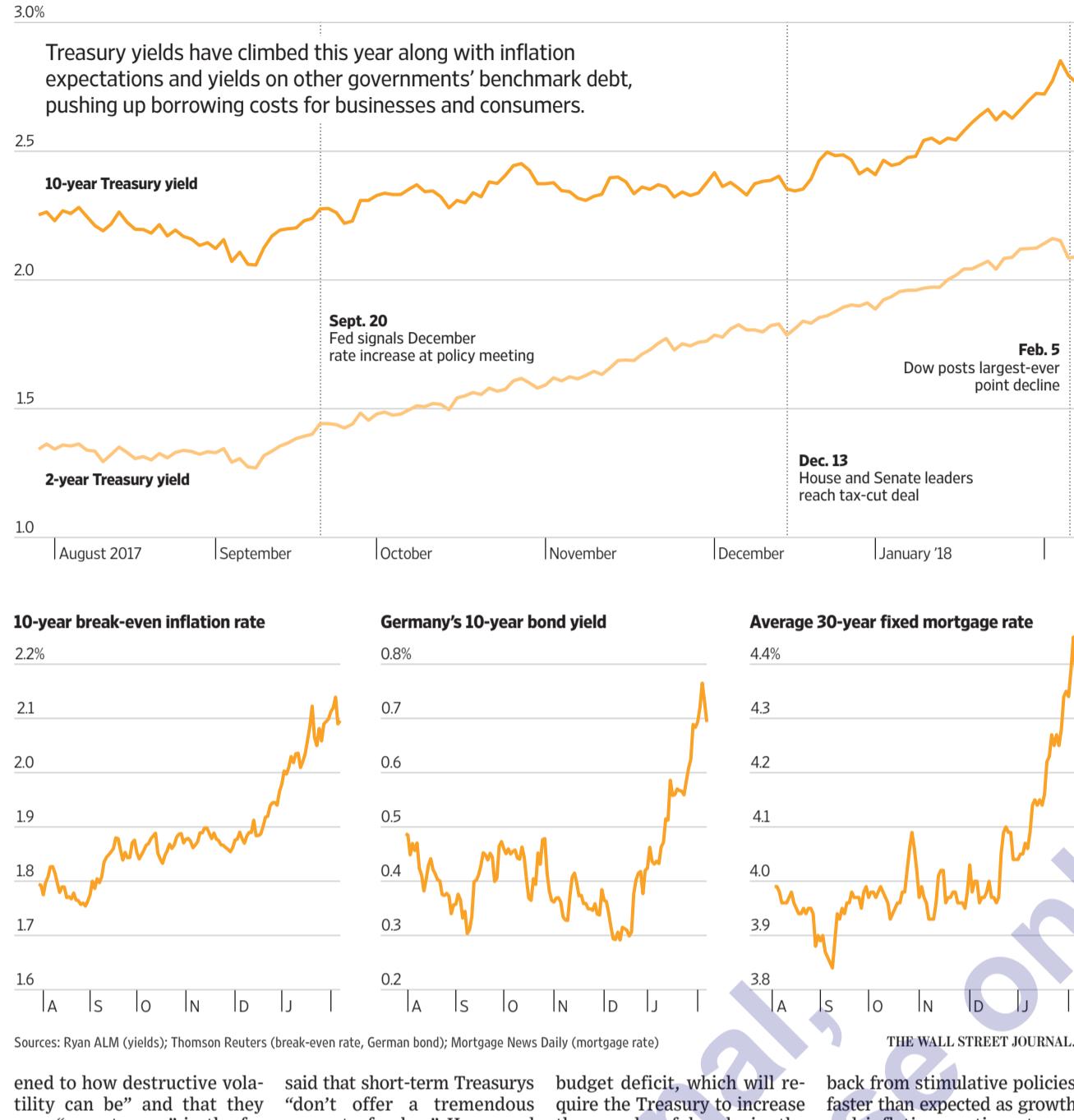
The crosscurrents of steady economic growth, concerns about inflation, expectations that the Federal Reserve will continue raising interest rates and growing anxiety over stock-market volatility have left investors wondering about the path of Treasury yields, days after the 10-year yield ended January by posting its biggest monthly climb since November 2016.

In a sign that demand for bonds remains shaky, investors showed relatively little appetite for a \$26 billion auction of three-year Treasury notes. Yields also ticked higher throughout the day when stocks moved into positive territory.

"As soon as stocks show the ability to get on their feet and stay there, people are selling fives, sevens and 10s fairly rapidly," said Jim Vogel, interest-rates strategist at FTN Financial, referring to five-, seven- and 10-year Treasurys.

The bounce in longer-term Treasurys since Monday shows that investors have "reawakened to how destructive volatility can be" and that they may "expect more" in the future, said Christopher Sullivan, a bond manager at the United Nations Federal Credit Union.

Still, with the economy showing signs of strength and the Fed signaling more interest-rate increases, Mr. Sullivan



Sources: Ryan ALM (yields); Thomson Reuters (break-even rate, German bond); Mortgage News Daily (mortgage rate)

said that short-term Treasurys "don't offer a tremendous amount of value." He passed on the opportunity to bid at Tuesday's note auction and has recently opted to purchase corporate and asset-backed floating-rate securities.

Some investors have been concerned that a rising federal budget deficit, which will require the Treasury to increase the supply of bonds in the market as it raises money to fund \$1.5 trillion in tax cuts through 2027, may sap demand for the debt, pushing yields higher.

Several worried that officials could be forced to pull

back from stimulative policies faster than expected as growth and inflation continue to accelerate. Economists at JPMorgan Chase & Co., are among those who have predicted that the Fed will raise rates four times this year. The Fed has penciled in three increases.

Speculation that the Fed

could become more aggressive rose last week after the Labor Department reported that average hourly earnings for private-sector workers jumped 2.9% in January from a year earlier. Some analysts said that the rise in long-term bond yields has underscored concerns that the Fed's response to rising inflation could impede the economic expansion.

The sell-off in stocks has shown that "risk appetite is much more fragile than the market expected," said Aaron Kohli, an interest-rate strategist at BMO Capital Markets.

Many investors are assessing how declining support for bonds from the world's central banks will play out in financial markets. Global growth is leading policy makers to take steps to either tighten monetary policy or to wind down stimulative policies, the effects of which are amplified because "they're all doing it together," Mr. Kohli said.

The Fed's decision to scale back its passive reinvestment in Treasurys and mortgage bonds will pull a significant amount of money from the economy at a time investors seem to be getting more jittery. That could spur further demand for government bonds, he said.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$47,456,734,800
Accepted bids	\$15,000,049,800
*noncompetitively	\$608,276,400
*foreign noncompetitively	\$536,000,000
Auction price (rate)	99.884899 (1.480%)

Coupon equivalent	1.50%
Bids at clearing yield accepted	46.82%
Cusip number	912796NU9

The bills, dated Feb. 8, 2018, mature on March 8, 2018.

THREE-YEAR NOTES

Applications	\$83,019,113,600
Accepted bids	\$30,914,178,300
*noncompetitively	\$61,991,500
*foreign noncompetitively	\$100,000,000
Auction price (rate)	99.913485 (2.280%)

Interest rate	2.250%
Bids at clearing yield accepted	9.79%
Cusip number	9128283X6

The notes, dated Feb. 15, 2018, mature on Feb. 15, 2021.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

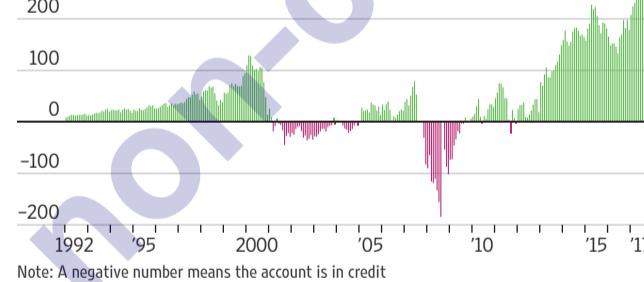
WSJ.com/Heard

Email: heard@wsj.com

Margin Lending Likely to Shrink

Fuel to the Fire

Debt balances on securities margin accounts reported to the New York Stock Exchange



Source: Haver Analytics

Net borrowing by U.S. investors in securities margin accounts is at record levels, according to data from Haver Analytics.

Debt balances of nearly \$290 billion at the end of November 2017 were more than double the levels of early 2000 ahead of the dot-com crash.

However, stock prices have risen significantly, too, which means all that debt is backed by more valuable

collateral. The total value of stock loans as a share of the market capitalization of all U.S. stocks is elevated but lower than during the financial crisis. In the past few years it has held relatively steady, suggesting debt was rising only in line with the market.

Even though margin lending is deemed low risk by regulators—because the shares that back the loans should be easy to sell in an

orderly downturn—banks have a big reason to cut their exposure.

Last year, a scandal around the South African retail group **Steinhoff International Holdings** landed many with huge losses on a single stock-backed loan to the group's former chairman.

For the banks involved that have reported 2017 results—**Bank of America**, **Citigroup**, **Goldman Sachs Group**, **JPMorgan Chase**, **UBS Group** and **BNP Paribas**—the losses they suffered were equivalent to seeing fourth-quarter revenue from equities trading cut between almost 10% and 20%.

That is hard to take, but what is worse is getting caught out again by a bigger market selloff. As investors adjust to where markets might go next, they are likely to be getting calls from brokers to say they won't have as much credit to play with as they have been recently enjoying. And that is probably no bad thing.

—Paul J. Davies

OVERHEARD

There was a tsunami of selling in global markets Tuesday morning, then there was a real tsunami, or at least a real tsunami warning, to add to the investor anxiety.

All ends well, though: Markets rebounded and the tsunami warning turned out to be a mistake.

The National Weather Service sent out a test tsunami warning message for the entire East Coast and Gulf Coast of the U.S.

But some weather services turned the message into a mobile alert, without the all-important identifier as a "test."

Soon after, a Twitter message posted to the National Weather Service's New York City account on Tuesday morning read in part: "We are currently trying to find out how a message went out as a warning. We will update you when we find out more."

Perhaps the weathermen felt battered market investors world-wide could use a distraction.

Snapchat Sharpens Up Its Results

For Snapchat, the fourth time proved to be the charm.

The social network's parent company **Snap Inc.** posted fourth-quarter results Tuesday afternoon. It was also the company's fourth quarterly report since going public last March.

But, unlike previous outings, Snap's numbers this time around proved to be a hit. The company's stock price jumped 20% after hours following the report.

User growth is key for social networks, so Snap's results contained some legitimate good news.

The company added about nine million daily average users during the quarter—more than it has added in any quarter in over a year. That also exceeded the six million net additions expected by Wall Street.

The additions also juiced sales. Snap's revenue grew by 72% year over year to hit \$285.7 million, marking an acceleration from the 62% growth rate reported in the previous quarter.

But the results also contained a sharp reminder that Snap is a relatively small player in an expensive game. The company's total costs surged by 93% year over year, generating an operating loss of nearly \$361 million for the fourth quarter.

Meanwhile, the company's daily average user base has remained about 13% that of **Facebook's** over the last two years.

For a young company still trying to prove its staying power as an advertising platform, Snap's latest results were a step in the right direction. But with its stock at 14 times forward sales, the company also still has a lot of growing up to do.

—Dan Gallagher

How One of the Bull Market's Greatest Trades Went Bust

Crowded Play

Value of VelocityShares Daily Inverse VIX Short-Term ETN



though, the combined value of the note fell 95% to less than \$15 million as trading was halted early Tuesday. Sponsor Credit Suisse Group says the last day of trading

will be later this month.

What went wrong? The product contained the seeds of its own destruction.

By selling short futures on the Cboe Volatility Index, or VIX, it profited in two ways in the recent market calm. It took advantage of the typical "contango" present in the market—longer-dated futures tended to be higher-priced than the VIX itself and fall in value.

Constantly rolling over the position to sell more distant futures was a money-maker. Another was simply profiting from volatility falling to near record lows.

But there was a fatal flaw in the way the note was

structured.

In the event of very sharp spikes in volatility, Credit Suisse reserved the right to "accelerate" the product—covering all of its positions and liquidating the note to avoid being on the hook if it.

Typically, when individuals short a futures contract or stock, they need to put up more cash if the value rises. But with an ETN, the sponsor can't go after investors for a margin call.

Even Monday's record rise in the underlying VIX index shouldn't have been enough to do that, but the record one-day rise created a feedback loop in the futures

market that prompted the sponsor to hedge itself in after-hours trading to keep the note's value above zero.

A gigantic forced buyer of VIX futures in such a narrow window after a harrowing session for stocks made their value spike temporarily.

That drove up the index and caused what is now a permanent loss in the fund. The old buy-the-dip trade in volatility finally failed.

The lesson in the trade's collapse isn't that volatility is a flawed asset class. Instead, it is one as old as markets: Crowded, "can't lose" trades often end in stampedes.

—Spencer Jakab