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THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

MONDAY, JANUARY 29, 2018 ~ VOL. CCLXXI NO. 23

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What's News

Business & Finance

Stocks around the world have staged one of the best-ever starts to a year, with the S&P 500's gain so far in January the biggest since 1987. A1

♦ Intel first notified a small group of customers, including Chinese firms, but not the U.S. government, after critical security flaws were discovered in its processors. A1

♦ Some financial firms have made it more expensive for customers to invest in Vanguard's funds. B1

♦ Oil giant Aramco and its advisers remain stuck on where to list its shares. B1

♦ Avon is under pressure from a group of activist investors calling on the company to seek a buyer. B2

♦ Wal-Mart closed 63 Sam's Club locations, cutting 10,000 jobs, in its strategy to attract more-affluent shoppers. B3

♦ Alibaba and Foxconn co-led a \$348 million funding round into Chinese electric-vehicle manufacturer Xiaopeng Motors. B4

♦ The Trump administration is being urged by NSA officials to consider extraordinary steps to clear the way for next-generation 5G wireless service. B10

♦ Died: Ingvar Kamprad, IKEA founder, 91. B5

World-Wide

♦ Republicans worked to distance themselves from Wynn, after a WSJ report of a pattern of sexual misconduct by the GOP donor. A1

♦ Mexico and Canada rejected a proposal by the Trump administration to remake a corporate arbitration system that is a key part of Nafta. A3

♦ Republican lawmakers warned Trump against firing Mueller, after reports the president considered dismissing him in June. A4

♦ Trump extended his threats of action against America's trading partners, hinting at retaliation against the EU. A8

♦ New York Gov. Cuomo is facing a split in the state over the impact of the new federal tax law. A3

♦ Prince al-Waleed was among a handful of businessmen freed after agreeing to make payments to the Saudi government, following a sweeping anticorruption campaign. A6

♦ Afghan officials accused Pakistan of supporting militants behind an attack that killed 103 people and wounded 235. A6

♦ Honduras' President Hernández took office for a second term, despite protests calling for a new vote. A9

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Russian Opposition Leader Calls for Election Boycott



NEW FRONT: Alexei Navalny, a prominent opposition leader, attended a rally in Moscow on Sunday, one of several protests across Russia. Mr. Navalny, who called for a boycott of the March presidential elections, was arrested at the demonstration and later released. A9

Intel Told China of Flaw Before U.S.

Lenovo and Alibaba got word of chips' security issues ahead of federal government

In initial disclosures about critical security flaws discovered in its processors, Intel Corp. notified a small group of customers, including Chinese technology companies, but left out the U.S. government, according to people familiar with the matter and some of the companies involved.

The decision late last year raises concerns as it could have allowed information about the chip flaws, dubbed Spectre and Meltdown, to fall into the hands of the Chinese government before being publicly divulged, security researchers said.

Weeks after word of the defects first surfaced, Intel's choices about who would receive advance warning continue to ripple through the security and tech industries.

The flaws were first identified last June by Google's Proj-

ect Zero security team. Intel had planned to make the discovery public on Jan. 9—people working to protect systems from hacks often hold off on announcements while fixes are devised—but sped up its timetable when the news became widely known on Jan. 3, a day after U.K. website the Register wrote about the flaws.

Because the flaws could be leveraged to sneak sensitive data out of cloud-based computer systems, information about them would be of great interest to any intelligence-gathering agency, said Jake Williams, president of the security company Rendition Infosec LLC and a former National Security Agency employee.

In the past, Chinese state-linked hackers have exploited software vulnerabilities to gain leverage on their targets or expand surveillance.

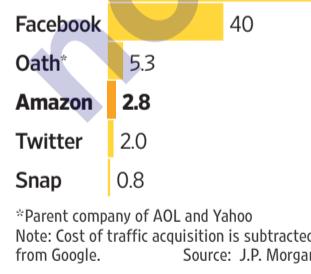
It is a "near certainty" Bei-

Please see INTEL page A8

Amazon Stalks Giants' Ad Turf

Amazon.com is starting to make a dent in online advertising, long controlled by two tech titans. B1

World-wide estimated ad revenue, 2017



Wynn Allegations Ripple as Republicans Seek Distance

Republicans on Sunday worked to distance themselves from Steve Wynn in the wake of a Wall Street Journal report of former employees describing a

By Kristina Peterson,
Chris Kirkham
and Chris Gordon

decadeslong pattern of sexual misconduct by the casino mogul and GOP financial bigwig.

The allegations against one of Las Vegas's most powerful figures reverberated in the political world over the weekend,

as Mr. Wynn stepped down from his post as Republican National Committee finance chairman. He had donated hundreds of thousands of dollars to GOP candidates and political committees, and a number of Republican officials said they would redirect his contributions to charities.

"If the allegations have merit, then we should return the money," Sen. Lindsey Graham (R., S.C.) said Sunday on ABC. Federal Election Commission records don't show that Mr. Graham received any con-

tributions from Mr. Wynn, or the political-action committee affiliated with his company, Wynn Resorts Ltd.

A spokesman for House Speaker Paul Ryan (R., Wis.) said Sunday that he would donate the \$1,000 he received from a PAC affiliated with Wynn Resorts to a charity.

Rep. Karen Handel (R., Ga.) over the weekend gave Mr. Wynn's contribution to a charity in her district that helps victims of domestic violence, sexual assault and elder abuse.

Please see WYNN page A4

The Great Bookshelf Debate Of 2018: Spine In or Out

* * *

Decorators store books backwards, sparking howls from the literati

By KHADEEJA SAFDAR

Interior designer Natasha Meininger shared what she thought was an innocuous Instagram picture of her bookshelf. How little did she know.

"Man, do people hate it," she says, talking about the way she stacked her books. "It's silly that I have to say this, but I do read and I like books, too."

Why might anyone wonder? Maybe because Ms. Meininger, 33, who lives in Hannibal, Mo., had arranged her books backward, with the spines facing the wall.



The minimalist look has caught on in certain design circles. By turning books around, the taupe and white page edges are shown on a shelf instead of book spines that often don't match the rest of the décor.

"It can give a really sculptural effect," says Ms. Meininger, who arranged some books horizontally and others vertically. There are other advantages, too. "You can get a little crazier with other things in the home if you have a neutral palette."

There's just one catch. Hide

Please see BOOKS page A10

INSIDE



SIGNS OF CHANGE AT THE GRAMMYS

LIFE & ARTS, A11



VANGUARD IN RIVALS' BULL'S-EYE

BUSINESS & FINANCE, B1

Do Vouchers Work? Look to Milwaukee

They operate best when schools limit the number of public students, analysis shows

By TAWNELL D. HOBBES

MILWAUKEE—Almost three decades ago, Milwaukee started offering the nation's first-ever school vouchers. Starting small, the program allowed poor children to use taxpayer money to attend private schools. Today, about a quarter of Milwaukee children educated with public funds take advantage, making the program a testing ground for a big experiment in education.

Did students in the program get a better education? That depends on how participating schools handled a critical issue: how many

voucher students to let in.

A Wall Street Journal analysis of the data suggests vouchers worked best when enrollment from voucher students was kept low. As the percentage of voucher students rises, the returns diminish until the point when there is little difference between the performance of public and private institutions. The vast majority of private schools participating in the program today have high percentages of publicly funded students.

The city's nearly 29,000 voucher students, on average, have performed about

Please see SCHOOL page A10

U.S. NEWS

THE OUTLOOK | By Greg Ip

Trump Can't Quell Anxiety on Trade



President Donald Trump and members of his cabinet set out in Davos last week to soothe the anxieties of business elites and world political leaders fearful of U.S. protectionism.

The message: The U.S. still believes in the World Trade Organization, it isn't surrendering leadership and nobody wants trade wars. After saying a weak dollar was good for U.S. trade, Treasury Secretary Steven Mnuchin reassured the world the U.S. stood by its longstanding commitment against competitive devaluation. In his address Friday Mr. Trump promised to "reform the international trading system so that it...rewards those who play by the rules."

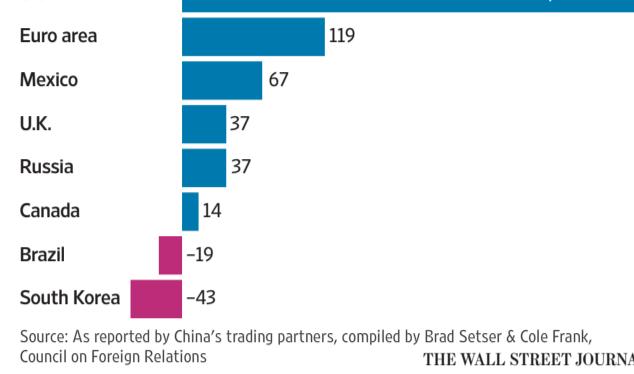
That reassuring message, however, left the world unsettled: Whose rules does the U.S. intend to abide by? And why does it punish so many countries when only one, China, is systematically breaking the rules?

For the last two decades American administrations have sought to establish global rules binding on everyone, and to accept the resulting outcomes. Mr. Trump has inverted those priorities: He aims for outcomes, such as lower trade deficits and more sales by U.S. companies, and will apply whatever

Beijing, We Have a Problem

China runs large trade surpluses with many major trading partners, not just the U.S.

Merchandise trade balance, latest 12 months



Source: As reported by China's trading partners, compiled by Brad Setser & Cole Frank, Council on Foreign Relations

THE WALL STREET JOURNAL

rules to achieve that.

This frustrates U.S. trading partners because they worry that even when they play by the rules they face retaliation simply because Mr. Trump or American companies are unhappy with the results. This is the real protectionist risk: Not that the U.S. deliberately dismantles the global trade system, but that it triggers cycles of unilateral action that make the rules increasingly irrelevant and the business landscape less predictable.

The world's frustration was crystallized by last week's announcement that the U.S. would apply tariffs to imports of washing machines and solar panels.

This wasn't because the al-

leged offenders—primarily South Korean and Chinese companies, respectively—benefited from government subsidies or "dumped" their products at below domestic price. In such circumstances the World Trade Organization permits countervailing or anti-dumping duties.

Instead, the U.S. had previously used both against imported washers and solar panels, but manufacturers moved production to other countries. This time, the U.S. claims the imports seriously injured domestic producers who thus qualified for "safeguard" protection. Safeguards have fallen into disuse by the U.S. because they often violate the conditions permitted under

the WTO. When President George W. Bush used them against steel imports in 2002, they were found illegal by the WTO and were dropped in 2003 as the European Union prepared to retaliate.

Safeguard duties often punish a competitor more for being successful, rather than breaking the rules. The frustration expressed by Korean officials at the announcement echoes that of Mexican and Canadian officials over the U.S. push to renegotiate the North American Free Trade Agreement. That push is driven primarily by Mr. Trump's unhappiness with the U.S. merchandise trade deficit with Mexico and Canada, rather than evidence that either flouts the rules.

South Korea threatened to take the U.S. to the WTO over last week's action. Canada last year launched a WTO complaint against the U.S. because of its imposition of duties on softwood lumber. All sides, for now, hope the escalation is limited; even Chinese officials are expressing restraint.

U.S. trading partners also feel they are being punished for the misbehavior of China.

In his address, Mr. Trump said the U.S. would no longer tolerate "massive intellectual property theft, industrial subsidies, and pervasive state-led economic planning." Only one country fits that definition. Moreover, it is a charge with which U.S. trading partners

concur. Not just the U.S. but the eurozone, U.K., Canada and Mexico all run large trade deficits with China (which took a much lower profile at Davos than last year, when President Xi Jinping stole the show).

Those with surpluses are often selling commodities or inputs into China's own exports, such as South Korea with semiconductors.

In this frustration, however, both U.S. and foreign officials see a potential solution: for the U.S. to unite with its partners to compel better behavior out of China. Even as the International Monetary Fund warned protectionism threatened the global economy, its No. 2 official, David Lipton, urged the rest of the world to listen to the "legitimate" U.S. complaints of "distortionary" or "unfair" trade practices. His remarks were directed in particular at China.

Mr. Trump surprised Davos by saying he was open to rejoining the Trans-Pacific Partnership, the draft trade pact with 11 other countries he renounced within days of taking office. Though rejoining remains a long shot, it suggests the U.S. may agree with proponents that TPP can be a bulwark against China's state-led capitalism—the economic power most U.S. trading partners consider the true rule breaker.

ECONOMIC CALENDAR

MONDAY: The U.S. Commerce Department publishes **personal income, spending** and **inflation** figures for the end of 2017. The release could signal robust outlay growth and stronger inflation after the most recent gross domestic product report showed consumer spending rose at the strongest clip since late 2014 and inflation gained at the fastest rate in about six years.

TUESDAY: Figures from the European Union's statistics office will show just how rapidly the eurozone economy grew in 2017, what some see as a banner year. Economists estimate that **gross domestic product** in 2017 was around 2.4% higher than in 2016, which would be the fastest rate of growth in a decade.

WEDNESDAY: Eurostat releases eurozone **inflation** figures for January and **unemployment** for December. Faster economic growth has led some investors to speculate that the European Central Bank will move more decisively this year to wind down its stimulus programs.

FRIDAY: The Labor Department releases U.S. **employment** data for January as the labor market sits at 4.1% unemployment rate. The number of Americans applying for unemployment benefit applications remains ultralow, and the Fed has reported employers are struggling to find qualified labor. Continued business and consumer optimism points to the unemployment rate falling further or remaining at 4.1%.

The University of Michigan releases its final reading for **consumer sentiment** in January.

U.S. WATCH

FLORIDA

Allegations Prompt Rubio to Fire Chief

Sen. Marco Rubio said late Saturday night that he had fired his chief of staff after learning a day earlier of allegations of improper conduct.

The Florida Republican said he first learned Friday of allegations that Clint H. Reed had "violated office policies regarding proper relations between a supervisor and their subordinates."

Mr. Reed didn't respond to a request for comment.

—Kristina Peterson

OBITUARY

'Beetle Bailey' Cartoonist Dies at 94

Comic strip artist Mort Walker, a World War II veteran who satirized the Army and amused millions of newspaper readers with the antics of the lazy private "Beetle Bailey," died Saturday.

Mr. Walker, 94, died at his home in Stamford, Conn., from advanced age, said Greg Walker, his eldest son and a collaborator.

He began publishing cartoons at age 11. He found his greatest success drawing slacker Beetle,

his hot-tempered sergeant and the rest of the gang at fictional Camp Swampy for nearly 70 years.

Addison Morton Walker was born Sept. 3, 1923, in El Dorado, Kansas. He was drafted into the U.S. Army in 1943, served in Europe during World II and was discharged as a first lieutenant.

—Associated Press

PENNSYLVANIA

Shooter Kills Four People, Injures One

A man opened fire and killed four people early Sunday morning in rural Pennsylvania, while a woman hiding in the back of a pickup truck suffered minor injuries, according to state police and family of the victims.

Police said Timothy Smith, 28, was on life support and not expected to survive after suffering a gunshot wound to his head during the attack at Ed's Car Wash around 3 a.m. in Saltlick Township, about 55 miles southeast of Pittsburgh. Police said it was possible the gunshot wound was self-inflicted.

Police said Mr. Smith had several magazines for a semiautomatic rifle and a handgun.

—Associated Press



People comforted each other Sunday in Saltlick Township, Pa., where four people were killed in a shooting before daybreak.

STEPHANIE STRASBURG/PITTSBURGH POST-GAZETTE/ASSOCIATED PRESS

RALLY

Continued from Page One based on its 'new valuation range,' Mr. Paulsen said in a note last week to clients, referring to that record-high price-to-earnings multiple.

Overall, the MSCI All Country World Index, which captures equity returns from 23 developed and 24 emerging markets, has risen 6.9% so far in January, on pace for its best monthly start to a year over the past three decades.

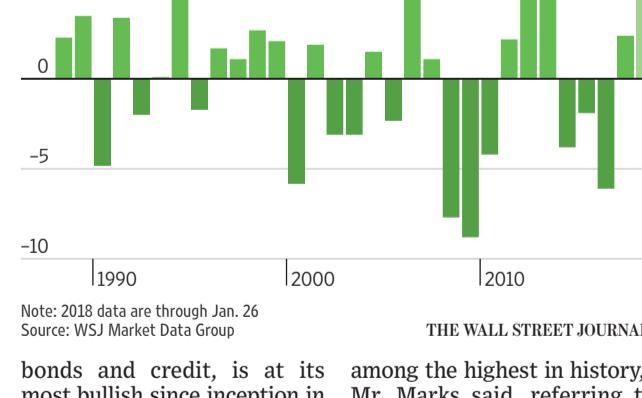
"I figured we'd rally again in 2018, but I wasn't expecting a full year's worth of gains in the first few weeks of January," said Andrew Clarke, director of trading at brokerage firm Mirabaud Asia Ltd. in Hong Kong.

The surge in U.S. stock indexes this year has extended a roaring postelection rally that few analysts predicted, taking the S&P 500 index to 14 record closes in 2018, alongside 13 in the Nasdaq Composite Index and 11 in the Dow Jones Industrial Average.

Stocks and Treasurys are in the midst of what Goldman Sachs calls the most "extreme" start to a year ever. The bank says its cross-asset risk indicator, a measure of how investors are positioned across various asset classes like stocks,

Outsize Gains

MSCI All Country World Index, January performance over the past three decades



Note: 2018 data are through Jan. 26

Source: WSJ Market Data Group

bonds and credit, is at its most bullish since inception in 1991.

"Risk appetite is now at its highest level on record," Goldman analysts wrote to clients, "which leads to the question what future returns can be."

The investing environment has made billionaire investor Howard Marks nervous. The co-founder of Los Angeles-based Oaktree Capital Management, which has about \$100 billion of assets under management, said investors shouldn't get caught up in the rally and be defensive.

"Most valuation parameters are either the richest ever or

flows for any comparable stretch in records going back to 2002, according to Bank of America Merrill Lynch.

In its monthly summary of market positioning, the bank said that investors' allocations to equities had jumped to a

'Risk appetite is now at its highest level on record,' Goldman analysts wrote.

two-year high, whereas their positioning in bonds had fallen to a four-year low.

But for some investors, that is evidence of a long-awaited rotation into equities, one that might be just the beginning of more cash supporting stock markets.

"I'm not yet observing that we're at peak optimism," said Samuel Le Cornu, co-head of Asian equities at Macquarie Investment Management in Hong Kong. "I could definitely understand if the market continued to rally from here."

Analysts and investors remain upbeat about emerging markets. "We think emerging market macro fundamentals are the best they've been in 20 years," said Ajay Kapur, head of Asia Pacific and global

emerging market strategy at Bank of America Merrill Lynch, pointing to indicators such as current account balances, lending metrics and currency fluctuations. "Out of 17 countries we monitor, not one is sick. That's a very rare thing."

He predicts the MSCI Emerging Markets Index—a broad measure of emerging-market equities—will double in two years, supported by a weak U.S. dollar and valuations that are cheaper relative to developed markets.

Much of his optimism is due to China, which Mr. Kapur says is his firm's biggest overweight position in emerging markets. With Chinese economic growth accelerating again and memories of the 2015 stock market crash fading, he said conditions are ripe

for more gains.

"There are a lot of skeptics out there, but you don't really hear much from them these days," Mr. Kapur said. "They're burrowed into some caves."

THE WALL STREET JOURNAL

(USPS 664-880)

(Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935)

(Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY, 10036

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

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020. All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY, 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

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Netflix shares were up

U.S. NEWS

Museum Rift in Norman Rockwell Town

Berkshire Museum's plan to auction some of the artist's work divides a community

BY JENNIFER LEVITZ

STOCKBRIDGE, Mass.—It's a scene that Norman Rockwell never would have painted.

A local museum, saying it is struggling to stay afloat, wants to sell off Rockwell paintings here in the very heart of Rockwell country, a plan that is dividing the community.

"This is a betrayal," said Geoffrey Rockwell, 58, and the eldest grandson of Mr. Rockwell, the esteemed chronicler of small-town America who lived in Stockbridge amid the rolling hills of this Berkshires region until his death in 1978.

The 115-year-old Berkshire Museum's curio-cabinet style collection of 40,000 objects includes an Egyptian mummy, a live octogenarian tortoise named Chuck, and the fur suit worn in an early 1900s expedition to the North Pole. It is proposing to sell 40 paintings to fund a \$60 million plan to boost its roughly \$6 million endowment and renovate its building for a "heightened emphasis on science and history as well as the arts."

Much of the largess would come from the sale of two paintings that Mr. Rockwell personally donated to the museum, "Shuffleton's Barber Shop" in 1958 and "Shaftsbury Blacksmith Shop" in 1966. "Shuffleton's" alone could fetch as much as \$30 million, according to estimates by Sotheby's.



People protesting outside the Berkshire Museum in August hold images of two original Norman Rockwell paintings targeted for sale.

studies art policy as an associate professor at the University of Kentucky College of Law. Rural or urban museums that are struggling to maintain their buildings or draw new audiences are tempted to take advantage of the strong global art market, he said.

In Philadelphia, La Salle University has generated controversy with a plan to sell 46 pieces from its museum, while the Delaware Art Museum drew ire for a planned sale of a Winslow Homer painting.

National museum groups—which publicly rebuked the Berkshire Museum's proposal—take a hard line, saying museums should only sell art to buy more art or to preserve existing collections because art is part of the "public trust."

Critics of strict rules on sales say, however, that it can make sense for museums to sell assets to better serve the community. And they say that some sales may actually give the pieces a wider audience.

"Over all, it's an extremely stuffy tradition-bound industry," said Michael O'Hare, an art policy professor at the University of California, Berkeley.

Mr. Rockwell, who rose to fame as an illustrator for The Saturday Evening Post, moved in 1953 to Stockbridge where he tapped neighbors, children and even a local state trooper as models for his work. He wouldn't want his paintings moved but he would be upset to see the community torn, said his grandson, Geoffrey Rockwell. "He would be trying to figure out how to heal what is a sort of a painful split now," he said.

The museum, a prominent beaux-arts building in the county seat of Pittsfield, says it is broke and on a path toward oblivion. Museum leaders say the area, which has lost population and big manufacturers over the decades, can no longer support the museum. Too many nonprofits in the Berkshires, now a cultural hub, are vying for too few donor dollars, they say.

"I just have this sadness," said museum trustee Douglas Crane, whose paper-magnate

forefather Zenas Crane founded the Berkshire Museum in 1903. "Those who are so vocal against the museum don't have an understanding of what the museum needs to do to stay alive."

Opponents of the sale say the museum is overstating its predicament and could try harder to find other solutions. They say the paintings were meant to benefit Berkshire County residents—not to be possibly sold to wealthy investors for private collections.

The paintings weren't meant to "end up in Dubai," said Michael B. Keating, a lawyer who represents the Rockwell family and others opposed to the sale.

Tensions are rippling through the small towns that Mr. Rockwell celebrated in his artwork.

"It's terrible what it's done to this community," said Laurie Green, a Pittsfield frame-company owner who has participated in demonstrations against the sale. "Friends don't talk to friends anymore."

A Massachusetts judge has put the proposed sale on hold until at least Jan. 29 at the request of Massachusetts Attorney General Maura Healey, who is reviewing the plan. In court documents, Ms. Healey, who oversees nonprofits for the state, has argued that the museum may be substantially changing its purpose so a sale may require court approval.

Similar battles over what is known as "deaccessioning" are happening more frequently, according to Brian Frye, who

U.S. Nafta Proposal Fails To Move Mexico, Canada

BY WILLIAM MAULDIN

MONTREAL—Mexico and Canada have rejected a proposal by the Trump administration to remake a corporate arbitration system that is a key part of the North American Free Trade Agreement, people involved in talks to update the pact said.

The two countries' resistance to the U.S. plan to change the system, known as investor-state dispute settlement, or ISDS, could lead to its removal from Nafta, as neither Canada nor Mexico is interested in allowing countries to opt out of the system, as the U.S. has proposed. The U.S. made the proposal with an eye to opting out of the ISDS system, which it says erodes the sovereignty of the U.S. by allowing multinational companies to circumvent domestic courts.

Under the dispute mechanism, arbitration panels now hear complaints from corporations that their overseas investments were unfairly treated by an action by another Nafta government. The system is widely backed by multinational businesses because it allows them to avoid lengthy court battles and potentially discriminatory treatment abroad.

Officials from the U.S. Trade Representative's office

declined to comment on the proposal or the trading partners' reaction to it.

The future of the system, along with other dispute-resolution issues, is among the thorniest parts of Nafta negotiations, and is expected to be among the last to be resolved if negotiators are to be successful in rewriting the 24-year-old agreement. The three countries have aimed to complete the talks by the end of March, but many lobbyists and other officials watching the negotiations

The Trump administration seeks to remake a corporate arbitration system.

say they will have to accelerate their pace in order for that deadline to be met.

But the complicated struggle over ISDS is characteristic of the challenges the negotiators are up against. The Trump administration's opt-out proposal would mean that the country opting out wouldn't be subject to arbitration claims from companies from the other two.

Mexico and Canada, people

close to the negotiations said, say they won't accept the opt-out proposal because if the U.S. were to leave the system, as would be expected, it would protect U.S. companies by allowing their complaints to go to arbitration but wouldn't allow Mexican and Canadian companies to use the system in challenges against the U.S. government.

The possibility of dismantling the system has worried big companies, who are lobbying for its preservation by pressing U.S. lawmakers to insist that any Nafta deal contain some form of investor-state dispute settlement.

Lawmakers get a vote on any major Nafta overhaul, so they can use their influence with U.S. trade representative Robert Lighthizer to press to keep the dispute system.

The system has especially strong support from investors in long-term projects, such as energy exploration, that might be sensitive to domestic political changes.

Mexican and Canadian officials have said that they would prefer to remove the investor-state provision from the three-way Nafta agreement and form their own bilateral investor pact rather than remain a part of a system under Nafta where different countries have differ-

ent rights, people familiar with the talks said. Under a bilateral system between Canada and Mexico, the U.S. wouldn't be included, so Washington wouldn't face arbitration challenges, but its companies also wouldn't enjoy protections in the other two countries. One official said the bilateral proposal is in its very early stages but Canada and Mexico believe it is worth pursuing.

While business groups like ISDS, labor unions and environmental groups see the system as giving companies a green light to invest abroad while cutting the risk of environmental fines or regulatory actions by foreign governments.

—Paul Vieira contributed to this article.

The sixth round of Nafta talks was scheduled to conclude on Monday, after which U.S. trade representative Robert Lighthizer and his Mexican and Canadian counterparts were expected to issue a joint statement on the negotiations' progress.

In Montreal, negotiators finalized a chapter on anticorruption issues, an official with one of the Nafta parties said.

Overall, officials and stakeholders briefed said the talks have taken a tentatively promising turn, after Canada came

Negotiators Record Tentative Progress

forth with an informal proposal to bridge the gap on U.S. demands over auto production.

"I think it was a positive week. We are moving in the right direction, but there's a long way to go," Canada's chief Nafta negotiator, Steve Verheul, said on Saturday. "We are still negotiating, and that's the main thing."

In an interview on Sunday, Rep. Suzan DelBene (D., Wash.), said, "I think there are some areas where there's progress, but there are other areas where there's a lot of work to do." Mr. Lighthizer

briefed Ms. DelBene and a handful of Democratic and Republican lawmakers.

—William Mauldin

A Governor's Protest of Federal Tax Law Faces Resistance

BY MIKE VILENSKY

How will the politics of the new federal tax law play out in high-tax states? It depends where you live.

New York Gov. Andrew Cuomo, an outspoken critic of the law, is facing a split over the issue between upstate and downstate, where New Yorkers are expecting different impacts.

The new law caps the federal deduction for state and local taxes at \$10,000 while almost doubling the standard deduction. That could hurt affluent counties clustered around New York City where residents routinely deduct more than \$10,000. But it may help New Yorkers—many of them upstate—who deduct less than \$10,000 and can benefit from other elements of the law.

Other governors are likely to come up against the same problem as Mr. Cuomo. Taxpayers and small businesses in more conservative, lower-income swaths of their states

MELANIE STETSON FREEMAN/CHRISTIAN SCIENCE MONITOR



A view of downtown Buffalo in upstate New York.

have embraced the law and are likely to benefit from it in the near term.

"We believe the federal tax reform was overall a net positive," said Zack Hutchins, a spokesman for the New York Business Council in Albany.

In other high-tax states, such as California, state lawmakers are exploring steps to

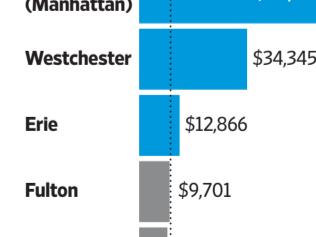
soften the blow.

On Friday, Mr. Cuomo joined with Connecticut Gov. Daniel Malloy and New Jersey Gov. Phil Murphy, all Democrats, in announcing a shared lawsuit against the federal government over the law.

"I'm getting a mixed message, because on one hand the Democrats say, 'Tax the rich,'"

Differing Deductions

Average state and local tax deduction for selected New York counties, 2015



Source: Office of the New York State Comptroller

THE WALL STREET JOURNAL

Ric Lucia, 66 years old, who runs a trucking business in Delanson, an upstate town, and supports the new federal law. "If you're deducting above \$10,000, you're wealthier. Who

would be complaining about losing the Salt deduction? People with \$2 million Long Island homes."

The divide, of course, isn't strictly geographic. The new state and local tax cap affects nearly 500,000 people outside New York City, Westchester and Long Island who previously filed more than \$10,000 in such deductions, according to the state's Office of Budget.

A spokeswoman for the governor, Abby Fashouer, said 1.7 million New Yorkers itemize more than \$10,000 in state and local tax deductions.

Mr. Cuomo's office is arguing that new burdens on the state's higher earners will have negative impacts because the state's tax base is heavily dependent on that revenue.

The new law also caps the deductibility of mortgage interest, which is expected to hurt the home market around New York City.

Through the money New York sends to the federal gov-

ernment, "we are effectively subsidizing the tax reduction that is going to attract our population and talent to other states," said Kathryn Wylde, president of business group Partnership for New York City.

The law has exacerbated a political divide among upstate and downstate. For Republicans and Democrats who represent areas such as Long Island that have depended on the state and local tax deduction, offsetting the consequences of the new cap is urgent. Not so for upstate politicians.

U.S. Rep. Tom Reed, an upstate Republican, said "99%" of his constituents are under the \$10,000 cap and expect tax relief from the new law. He said the state should cut its spending to lower state taxes if lawmakers are concerned about the people who could be negatively affected by the federal law.

Mr. Cuomo has proposed shifting part of the state's income tax to a new payroll tax; the plan is in its early stages.

U.S. NEWS

Trump to Soften Tone in Speech

State of the Union will be a 'forward-looking' and bipartisan address, White House says

BY LOUISE RADNOFSKY
AND PETER NICHOLAS

WASHINGTON—When President Donald Trump makes his first State of the Union address at the U.S. Capitol on Tuesday, it will offer an opportunity to build momentum behind his second-year agenda on the heels of a government shutdown and ahead of a contentious immigration policy fight.

Even for Mr. Trump, who has ready access to millions of Twitter followers, the speech is an extraordinary megaphone, reaching a national TV audience and foreign capitals.

The White House has said "the tone will be one of bipartisanship" and "very forward-looking" in previewing the speech, which will tout economic achievements, push for national-security priorities and reiterate Mr. Trump's vision of "fair and reciprocal" trade. He also will press for progress on immigration and infrastructure.

Sean Spicer, Mr. Trump's former press secretary, said that "last year's joint address was probably among the top three high points of the Trump administration's first year, and the expectations are going to be equally high for this year."

Frank Newport, editor in chief of Gallup, said there was little evidence that the address led to significant changes in perceptions of any president. That was particularly true in the case of Mr. Trump, whose approval ratings have been consistent, Mr. Newport said. Mr. Trump's approval measured by Gallup stood at 36% for the



Mr. Trump addressed a joint session of Congress last year, which some of his supporters called a high point of his first year in office.

week of Jan. 15–21, and averaged 38.4% over his first year in office.

"That's the amazing thing about Trump, is his stability of approval," he said.

Mr. Trump is expected to acknowledge the U.S. is "a nation of immigrants" before saying that nation-states have a right and responsibility to control their borders, according to one adviser. The language is intended to shift the debate away from fights around perceived racism, particularly in the wake of reports that Mr. Trump referred to the homes of some U.S. immigrants as "shithouses," the person said.

Another adviser said he had been pressing the White House

to reframe the issue of family-based migration around a preference for the legal immigration of spouses and minor children, rather than as an exclusion of other family members.

That approach had made its way into White House talking points for its proposed framework for an immigration deal, in which the administration said its goal was to "protect the nuclear family by emphasizing close familiar relationships."

Democrats showed little sign of warming to Mr. Trump's proposal ahead of the weekend, with many saying they planned to invite young immigrant guests who they claim are being used as pawns because Mr. Trump was rejecting a different

bill favored by some Senate Republicans and Democrats.

"The take-it-or-leave-it proposals put out by the White House will not make our country safer and will only serve to encourage illegal immigration because families will not be permitted to lawfully reunite," said Sen. Dianne Feinstein of California, the top Democrat on the Senate Judiciary Committee.

Mr. Trump also will highlight the state of the economy, in which he will credit tax-overhaul legislation and deregulation efforts with low unemployment, increased wages and stock-market highs, echoing many of the messages the president offered in a speech to the

World Economic Forum in Davos, Switzerland, on Friday, a senior administration official said in previewing the speech.

The theme of "building a safe, strong and proud America" also will carry into discussion of national-security priorities such as North Korea, the senior administration official said.

The senior administration official said Mr. Trump would renew his focus on a \$1 trillion infrastructure package, though that effort has dragged in recent months. Health care isn't expected to get much attention, though the opioid epidemic, declared by Mr. Trump's White House to be a public-health emergency, will get a mention.

Lawmakers Express Support For Mueller

BY KRISTINA PETERSON
AND CHRIS GORDON

WASHINGTON—Republican lawmakers warned President Donald Trump Sunday against firing special counsel Robert Mueller, in the wake of reports last week that the president considered dismissing him in June.

"It's pretty clear to me that everybody in the White House knows it would be the end of President Trump's presidency if he fired Mr. Mueller," Sen. Lindsey Graham (R., S.C.) said Sunday on ABC.

GOP leaders have remained supportive of Mr. Mueller, who is leading an investigation into Russian interference in the 2016 election.

Mr. Trump has repeatedly criticized the investigation and dismissed the reports that he sought to fire Mr. Mueller last summer, but backed off when his top White House lawyer said he would resign rather than carry out the order. Mr. Trump called the reports "fake news" on Friday.

Republican lawmakers said Sunday that it would be a mistake for Mr. Trump to attempt to dislodge Mr. Mueller, who is investigating whether the president's campaign colluded

Republicans are divided over legislation to protect the special counsel.

with Russia. Mr. Mueller is also looking into whether Mr. Trump obstructed justice when he fired former Federal Bureau of Investigation Director James Comey. The president denies both allegations and Moscow has said it didn't meddle in the election.

Mr. Mueller "didn't raise his hand and say 'pick me.' We as a country asked him to do this," Rep. Trey Gowdy (R., S.C.), chairman of the House Oversight Committee, said on Fox. Mr. Gowdy said his GOP colleagues should "leave him in hell alone."

Republicans were divided Sunday over whether Congress should pass legislation protecting Mr. Mueller's independence. Mr. Graham introduced legislation in August that would ensure any action by the attorney general or acting attorney general to remove a special counsel would have to first be reviewed by a panel of federal judges.

Mr. Graham on Sunday said he was ready to pass the bipartisan bill immediately.

But House Majority Leader Kevin McCarthy (R., Calif.) said such legislation was unnecessary at the moment. "I don't think there's a need for legislation right now to protect Mueller," Mr. McCarthy said on NBC. Mr. McCarthy did say he has confidence in Mr. Mueller.

Koch Groups Shift Focus to Midterm Races

BY JULIE BYKOWICZ

INDIAN WELLS, Calif.—The billionaire Koch brothers' political organization spent more than \$200 million in the past decade on what official Tim Phillips calls "without question our biggest policy defeat," the quest to kill the Affordable Care Act.

Now, the network of donors is turning to the more urgent matter of protecting Republican majorities in both chambers of Congress this fall.

"You can't pout; you have to move on," said Mr. Phillips, the longtime president of Americans for Prosperity, the Kochs' primary vehicle for advocating on health care and other state and federal policies. "We won't hold the majority forever, and we have many more policy goals."

Like Republicans on Capitol Hill, the Koch groups have set aside their priority of overturning the 2010 health law in favor of passing, and now selling to the public, the new tax law.

Charles and David Koch, executives of Koch Industries, first gathered 12 like-minded conservative and libertarian donors in 2003. This weekend,



David Koch speaking at an event in New York in 2015.

more than 550 people attended the annual retreat near Palm Springs. Giving at least \$100,000 each annually, they fund a variety of scholarships, company investments, institutions, and policy and political groups.

Most of the policy and political operations are conducted through AFP and Freedom Partners. James Davis, spokesman for Freedom Partners, said such groups plan to spend as much as \$400 million in 2017 and 2018—more than they spent in the 2016 elections, when they refused to

back President Donald Trump, viewing him as divisive and insufficiently conservative.

Mr. Trump factors into what Mr. Phillips calls a "challenging environment" for Republicans in the coming elections. The party that takes the White House typically loses legislative seats in the next election, and Republicans note that Democratic voters have turned out in droves in special elections since Mr. Trump took office, creating a potential enthusiasm gap.

For the first time since then-President Barack Obama

signed the health law that came to be known as Obamacare, Koch political and policy officials have judged that there is little room for a discussion about health care in politics, Mr. Phillips said.

The tax law also helped Republicans out of the vexing health-care issue, as the lawmakers at the Koch conference pointed out. Sen. John Cornyn, a Texas Republican who spoke to Koch donors Saturday night, said "we've literally made Obamacare optional, not mandatory" by using the tax law to remove the ACA's requirement that people get health care or pay a fine.

After GOP health legislation failed three times in Congress last year, the Trump administration has used its regulatory power to loosen the requirements on states under the 2010 law. "If Congress is not going to move in the direction of full repeal, it would be a waste to advertise on it," Mr. Davis said.

"There are more effective and efficient ways for us to work on this." As an example, he said, Koch officials and activists continue to talk about health care on a one-on-one basis with lawmakers.

Koch operatives had chan-

neled conservative opposition to the health-care law to build up their activist base and become a well-funded and focused political force. The network's entire unsuccessful 2012 campaign to prevent Mr. Obama's re-election focused on health care, and Koch groups' engagement in Senate battles in 2016 nearly always touched on the issue.

"After the failure to repeal and replace Obamacare, there was a sense of desperation that maybe we were going to fail to take advantage of the majorities we have in both House and Senate and this president to actually do big things," Mr. Cornyn said. "I think the tax vote, hopefully, laid that to rest."

The tax legislation, which Mr. Trump signed into law at the end of 2017, reduced rates for a majority of Americans and corporations, including Koch Industries. Mr. Davis said the Koch groups spent \$20 million advertising in favor of the legislation before it passed and will spend another \$20 million promoting it in advertisements and direct contact with voters, through town halls, door-knocking and commercials.

didn't respond to requests for comment Sunday. Mr. Trump hasn't commented on the Wynn allegations. Representatives for the presidential campaigns either are closed or didn't respond to requests for comment.

Lawmakers who have recently accepted contributions from Mr. Wynn include Nevada's Dean Heller, a Senate Republican up for re-election this year, and Sen. Jeff Flake (R., Ariz.), who isn't seeking re-election. Neither responded to requests for comment.

Democratic Rep. Jacky Rosen, who is challenging Mr. Heller, called on him Friday to return funds from Mr. Wynn.

"No matter how powerful you are, there should be zero tolerance for sexual harassment, and I stand with the women bravely coming forward to share their stories," Ms. Rosen said in a statement.

Mr. Wynn hosted a Jan. 20 fundraiser at the president's Florida resort, Mar-a-Lago. Mr. Wynn gave more than \$80,000 to the RNC in 2016 and \$70,000 in 2017. The RNC hasn't yet said whether it would return Mr. Wynn's donations.

—Rebecca Ballhaus contributed to this article.

WYNN

Continued from Page One according to her spokesman. Mr. Wynn and his wife, Andrea, each donated \$2,700 to Mrs. Handel last year. The congresswoman's spokesman didn't specify the size of her charitable donation.

A spokesman for Rep. Greg Gianforte said Sunday the Montana Republican would donate the \$2,700 he received to charity. Mr. Wynn donated \$6,350 to Mr. Gianforte's joint fundraising committee with the Montana GOP last May, of which \$2,700 went to Mr. Gianforte and the rest to the Montana GOP state party. Mr. Wynn's wife also donated \$6,350 to the joint committee, which isn't being returned.

A spokeswoman for Rep. Gus Bilirakis (R., Fla.) said that he believes he has received a total of \$1,000 in donations connected to Mr. Wynn and will be donating those to a nonprofit organization which empowers local girls.

The Journal on Friday reported that shortly after Mr. Wynn opened his flagship Wynn

Las Vegas in 2005, a manicurist who worked there told people that Mr. Wynn forced her to have sex. The casino billionaire later paid the manicurist a \$7.5 million settlement, the Journal reported. Beyond that incident, dozens of people the Journal interviewed who have worked at Mr. Wynn's casinos described a pattern of sexual misconduct.

Mr. Wynn 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 Friday's article. He said the accusations were the work of his ex-wife, Elaine Wynn, as part of litigation between them. An attorney for Ms. Wynn denied that.

Ms. Wynn declined to speak to the Journal, which contacted more than 150 people who work or had worked for Mr. Wynn; none reached out to the Journal on their own.

A notice posted for employees at the Wynn Las Vegas on Friday, a copy of which was sent to the Journal, said: "We are all supportive of Mr. Wynn and his leadership, and while he is unfortunate that the news media has been used to assault

Mr. Wynn and us in this way, we are doing everything we can to protect our employees." The notice also blamed Mr. Wynn's ex-wife's "latest litigation strategy" for the allegations against him.

After the Friday report, Wynn Resorts' share price fell more than 10%, and regulators in Massachusetts, where the company is building a \$2.4 billion casino, said they would conduct a review.

Board members of Wynn Resorts said Friday they formed a special committee to investigate allegations of sexual misconduct. The committee will be headed by Patricia Mulroy, the board's lone female member and a former member of the Nevada Gaming Commission.

She and other Wynn Resorts board members didn't respond to requests for comment.

Mr. Wynn has given money to lawmakers from both parties, and he hasn't staked out hard ideological stances. He also hasn't been ranked among the megadonors who have come onto the political scene in recent years: In the 2016 cycle, he wasn't ranked among the top 100 individual donors, according to the Center for Responsible

Politics.

But since the political emergence of Donald Trump, Mr. Wynn's former casino-business rival who called him a "great friend" in 2016, his giving has tilted toward the GOP, according to FEC records. In that year's cycle, Mr. Wynn donated money to GOP Sens. Ron Johnson of Wisconsin, Marco Rubio of Florida, Ted Cruz of Texas, Lisa Murkowski of Alaska, Tim Scott of South Carolina and now-Sen. Todd Young of Indiana, as well as GOP Reps. Mark Amodei of Nevada, Ron DeSan-

tis of Florida and Ryan Zinke of Montana, who is now the interior secretary.

Mr. Wynn's political committee also donated to Democrats, including Reps. Dina Titus of Nevada and Cedric Richmond of Louisiana.

He provided financial backing to multiple presidential campaigns in 2016, that of Democratic nominee Hillary Clinton and several Republicans, including Mr. Cruz, Jeb Bush, Chris Christie and Mr. Trump.

The offices of the lawmakers



Steve Wynn at a conference in California last May.

MIKE BLAKE/REUTERS

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—Rebecca Ballhaus contributed to this article.

U.S. NEWS

Boston Sees Rising Floods—and Costs

By RUSSELL GOLD

BOSTON—Steven Miller watched the flooding of New York City during superstorm Sandy with a mixture of awe and dread. If New York's subway tunnels could be inundated, he wondered, what about Boston's "Big Dig," the road network under the city and harbor?

Mr. Miller, a geologist at the Massachusetts Department of Transportation, helped develop a computer model to answer that question. It concluded that while the Big Dig could handle the floods of the past, it couldn't withstand what was predicted for the future. Neither would entire Boston neighborhoods.

What to do about extreme weather has become one of the most vexing questions facing public officials in cities around the country. After a succession of storms with steep price tags—including hurricanes last year that battered Houston, Florida and Puerto Rico—many have concluded they aren't prepared, if predictions of rising seas and more intense storms come to pass.

Compounding the challenge is the difficulty of predicting with certainty future sea levels and storms, in a time when climate change remains politically polarizing.

The estimated long-term tab for storm-proofing the Big Dig: \$196 million. Using Mr. Miller's model, the city in October identified between \$151 million and \$253 million in projects for two vulnerable neighborhoods by 2040.

The cost for securing the rest of Boston? Nobody has even tried to hazard a guess.

"I don't think any city in

America, or quite honestly in the world, is prepared for one of these devastating storms," said Boston Mayor Martin J. Walsh in an interview.

Spending money today to fight the floods of tomorrow carries its own risks. Computer models aren't crystal balls for peering into the future. Cities could build costly flood-control projects that turn out to be unnecessary.

R.J. Lehmann, a senior fellow at the free-market think tank R Street Institute, says the nation needs to be careful about starting to spend money to protect against sea-level rise, because the costs might be too high.

Spending for mitigation and improved infrastructure "has to be done on a cost-benefit basis," he says, "and there will be places where the costs exceed the benefits. And where that happens, we might lose some communities." Buyouts of property owners, he says, "are part of the future."

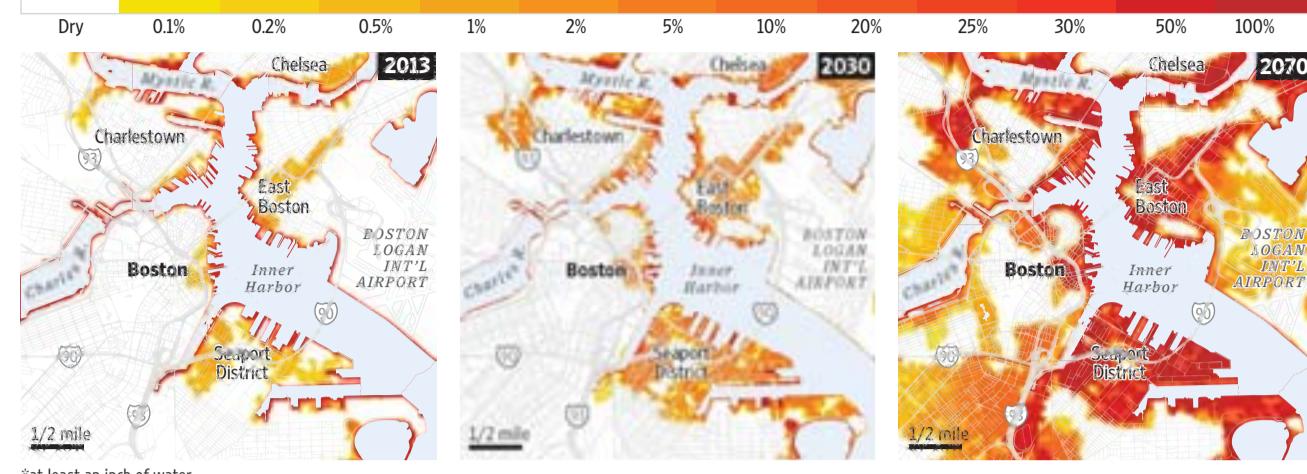
Existing infrastructure was generally built to withstand yesterday's storms and rain—and there is debate over what tomorrow's might look like. Engineers relied on records of prior floods, storm surges and river flows to build levees, bridges and tunnels.

Texas state officials in October asked for \$61 billion from the federal government to "future proof" the Gulf Coast, following historic flooding from Hurricane Harvey. The storm displaced tens of thousands of people and damaged more than 130,000 homes in Harris County, which includes Houston. Florida and Puerto Rico have yet to compile their wish lists, and it remains to be seen what Con-

Modeling Future Flooding

The Massachusetts Department of Transportation has developed a computer model to predict flooding in Boston from future storms.

Probability of inundation* each year based on weather conditions in 2013 and those projected for coming years



*at least an inch of water

Sources: Massachusetts Department of Transportation; Woods Hole Group

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gress and President Donald Trump will ultimately approve.

Last year, New York City issued guidelines that require all new municipal buildings to plan for urban flooding from extreme precipitation, higher heat and rising rivers. "New York can no longer look to the past for how we build for the future," says Jainey Bavishi, the director of the city's Office of Recovery and Resiliency.

Boston's growth over the years makes it particularly susceptible to flooding. Many of its neighborhoods were built on landfill only a foot or two above the high-tide level.

A city report in December 2016 noted that sea levels in Boston rose 9 inches relative to land during the 20th century. The report said they are expected to rise another 8 inches by 2030, and 18 inches by 2050. "The ocean is taking back the places where there has been land filled in," says Bud Ris, the former chief executive of the New England Aquarium.

Mr. Miller, the state transportation official, helped sound the alarm. A few months after superstorm Sandy, a 2012 storm that caused widespread damage in New Jersey and New York City, he secured a federal grant and assembled a team to examine the Big Dig. Planners of Boston's tunnel system, which cost about \$20 billion, hadn't thought about



A firefighter wades through flood waters on Long Wharf in Boston during a winter storm on Jan. 4.

whether storm surges in 2030 would be higher than in 1990, the team concluded. Mr. Miller's group mapped the tunnel system and built a computer model to predict flooding from future storms.

The Woods Hole Group, a consulting group in Cape Cod, ran computer simulation after simulation. What happens if a Category 3 hurricane hits at high tide? What if a nor'easter blows in at median tide?

The team's Boston Harbor Flood Risk Model predicts that by 2030, 12 tunnel entrances have a 1% chance each year of flooding. By 2070, the entrance to the Ted Williams Tunnel, which takes people

under the harbor and to the airport, could flood almost every year. Twenty-five buildings, including some that hold vital ventilation equipment and storm pumps, are vulnerable in 2030, up from six today.

The model predicted water could move through city streets in unexpected ways, finding paths to subway entrances, tunnels and neighborhoods that few had predicted.

In East Boston, the city plans to spend \$2 million to \$3 million raising a section of street by 2 feet to block floodwaters. But most of the flood-control projects identified for the neighborhood are currently unfunded.

"We are taking on the projects that are most impactful that we can afford right now," says Austin Blackmon, Boston's head of Environment, Energy, and Open Space.

Even relatively inexpensive projects are too costly for some cities. Chelsea, for instance, used the model's data to pinpoint a pathway that could flood one-third of the city. A relatively small berm could protect it for decades, says John DePriest, the city's planning director.

Design is complete, but finding the \$4 million it is estimated to cost will take longer. "It is more than the city can budget itself," he says.

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1. Source: BlackRock and Morningstar, as of 12/31/16. Comparison is between the average Prospectus Net Expense Ratio for the iShares Core Series ETFs (0.08%) and the average Prospectus Net Expense Ratio of active open-end mutual funds (1.17%) available in the U.S. on 12/31/16. Visit www.iShares.com or www.BlackRock.com to view a prospectus, which includes investment objectives, risks, fees, expenses and other information that you should read and consider carefully before investing. Investing involves risk, including possible loss of principal. Buying and selling shares of ETFs will result in brokerage commissions. The iShares funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock"). © 2017 BlackRock. All rights reserved. iSHARES and BLACKROCK are registered trademarks of BlackRock. All other marks are the property of their respective owners. 242339

WORLD NEWS

Money Plea Preceded Saudi Crackdown

King and crown prince sought cash to help strengthen the government's finances

A sweeping, self-styled anti-corruption campaign that has upended Saudi Arabian politics and business started with a request from the country's king

*By Summer Said,
Benoit Faucon
and Georgi Kantchev*

and new crown prince to prominent citizens: Make patriotic contributions to help shore up government finances.

When the plea for cash was largely rebuffed, people familiar with the matter said, the prince, Mohammed bin Salman, decided on sterner steps. Members of the elite were lured to the Ritz-Carlton luxury hotel, arrested, accused of bribery and other crimes and pressed to make what the government has termed settlement payments.

Billionaire Prince al-Waleed bin Talal was among a handful of businessmen freed over the weekend after agreeing to make payments and, in some cases, hand over corporate holdings, a senior Saudi official said Sunday.

Efforts to reach Prince al-Waleed were unsuccessful. People close to him have said he maintains his innocence. In a video interview with Reuters aired Saturday, the prince said his business was a "clean operation" and that he would retain control of his company, King-



A Reuters interview with Prince al-Waleed bin Talal aired on Saturday.

KATE PAUL/REUTERS

dom Holding Co.

Others released on Saturday and Sunday, the senior Saudi official said, include construction magnate Bakr bin Laden, whose company has been effectively nationalized, and media investor Waleed al-Ibrahim, who founded Mideast television network MBC. Neither could be reached for comment.

The Saudi official said those let go after months of confinement had signed documents admitting wrongdoing. He declined to discuss details of the settlement deals.

Saudi officials had earlier demanded that Prince al-Waleed pay more than \$6 billion, The Wall Street Journal has reported. It was unclear what deal

was eventually reached.

Last week, Saudi Finance Minister Mohammed Al-Jadaan said authorities had received a total of roughly \$100 billion in payments from around 350 people accused in the crackdown.

On Sunday, the senior Saudi official said about 40 remaining holdouts could go on trial.

Saudi government officials have described the recent crackdown as a campaign against corruption and vowed that the proceeds would help ordinary Saudis. Human-rights groups have called the moves a power grab by the crown prince, who was named heir to the throne in June.

The crown prince and his father King Salman held intense

Iran-Deal 'Flaws' Already the Subject Of Four-Way Talks

WARSAW—American, British, French and German officials met last week to begin formal discussions on addressing U.S. concerns about the Iran nuclear deal, Secretary of State Rex Tillerson said.

"President Trump's been quite clear on his view that that agreement had a number of flaws and he intends to have those flaws addressed," Mr. Tillerson said on Saturday. "What we have agreed to do is work with our European counterparts...and ultimately the [European Union] to identify what

areas we believe have to be addressed and the mechanism by which we can address those."

Mr. Tillerson earlier last week said working groups would meet as early as this week to discuss the deal, but a person briefed on the meeting said Brian Hook, Mr. Tillerson's close aide and the State Department's policy-planning director, met with European officials to begin the formal talks in London while Mr. Tillerson was in Switzerland for the World Economic Forum.

The U.S. chief diplomat said Washington envisions an effort in which Iranian officials will ultimately take part. Iranian officials have said they won't participate in any efforts to change the 2015 landmark ac-

cord, in which Iran agreed to curb its nuclear program in exchange for sanctions relief.

"Working groups have already begun meeting on the effort to agree principles, what is the scope of what we will intend to address and also how might we engage the Iranians on discussions to address these issues," Mr. Tillerson said on Saturday in Warsaw, after a meeting with Polish Prime Minister Mateusz Morawiecki and Foreign Minister Jacek Czaputowicz.

Mr. Tillerson said the Trump administration is also concerned about Iran's general behavior in its region, including its support for Houthi rebels in Yemen and what he called its destabilizing of Syria and Iraq.

—*Felicia Schwartz*

"It's no problem at all," he said.

Other detained businessmen have had to give up substantial stakes in their businesses.

Mr. bin Laden, chairman of construction company Saudi Binladin Group, was released after agreeing to surrender his stake in the company to the government, the senior Saudi official said. Saudi Binladin Group said it would remain a private-sector company, although it has said some shareholders had possibly agreed to transfer some of the company's shares to the Saudi government.

—*Nicolas Parasie contributed to this article.*

◆ Saudis struggle over where to list Aramco B1

Afghans, Fearful of Next Attack, Blame Kabul

BY CRAIG NELSON

KABUL—After one of the deadliest attacks to hit Kabul in years, the Afghan government accused its usual nemesis, Pakistan, of supporting the Islamist militants behind the massacre. But the focus of dismay and anger for many Afghans was closer to home: the government's U.S.-trained Afghan security forces.

Afghan officials, led by the country's spy chief, Masoom Stanikzai, said Pakistan was directly responsible for Saturday's attack, which killed 103 people and wounded 235 others. The officials accused Islamabad of using the Taliban and its Haqqani network affiliate—as well as Islamic State—to exact revenge for the Trump administration's decision to increase pressure on Pakistan to end its purported support for radical Islamists in Afghanistan.

"Pakistan is behind these attacks, and it's a fact that nobody can deny," Mr. Stanikzai told reporters.

Islamabad on Sunday rejected allegations that it supports the Taliban and insurgent groups in Afghanistan. But in the wake of Saturday's bloodshed in central Kabul, U.S. President Donald Trump suggested that international pressure would, if anything, increase on Pakistan: "Now, all countries should take decisive action against the Taliban and the terrorist infrastructure that supports them."

Abid Amiri, a senior policy analyst at the Finance Ministry, wrote on Twitter that he blamed the government of President Ashraf Ghani, along with the army and the police, for failing to protect citizens.

"At a basic level, people expect govt to provide them w/ security. If a govt can't guarantee that, then there's no need for such a govt," Mr. Amiri wrote.

The instability in Afghanistan poses a range of concerns for the Trump administration, which recently announced plans to suspend as much as \$2 billion in security assistance for Pakistan to protest what it says is Islamabad's refusal to



Men carried the coffin of one of the victims of Saturday's car-bomb attack inside Kabul's 'Ring of Steel' to a funeral on Sunday.

crack down on insurgent sanctuaries in the country.

"Early indications point to a role by the Haqqani network in yesterday's car bombing," one senior U.S. administration official said on Sunday. "Given that Haqqani network operatives and leaders continue to be protected in Pakistan, the attack shows that the suspension of U.S. security aid is the right policy."

The Trump administration framed Saturday's attack in Kabul as one in a series that pre-dates the decision to suspend aid to Pakistan, including a car-bomb attack last May that killed 150 people.

But the latest bombing occurred inside the government's security cordon known as the "Ring of Steel," raising fresh

Afghanistan faults Pakistan for attack that killed 103 people and wounded 235.

concerns about the ability of Afghan security forces, recipients of at least \$74.8 billion in U.S. aid since 2002, to protect Kabul and the country's other major cities.

Some U.S. military officials in Kabul said they feared that extremists were shifting attacks increasingly toward civilian targets—rather than security forces—in an attempt to undermine the U.S.-backed Afghan government and turn the

population against it.

For many here, more bloodshed seems inevitable. Despite the government's warning and the deployment of additional soldiers and police around the city, Kabul residents were bracing for more violence a day after the third major urban assault by militants in less than a week, this one claimed by the Taliban.

Abdullah Yadgare, also writing on Twitter, says he passes by the site of the bombing every day. "I am afraid that tomorrow I will not see the guy who was polishing shoes, the one selling pens, the other one selling juice and many other poor civilians who were working on the street to feed their kids," he said.

Saturday's toll brought to at

least 132 the number of dead in attacks by militant groups in Afghanistan in the past week.

The Taliban said they were behind the raid on the Inter-Continental Hotel in Kabul last weekend that left at least 23 people dead, including four Americans. Glenn Selig, a former spokesman for an indicted Trump campaign official, was among the Americans killed in that attack.

The local affiliate of Islamic State said it carried out the attack in the eastern city of Jalalabad on the local office of the international charity Save the Children, in which at least six people died.

—*Habib Khan Totakhil, Dion Nissenbaum and Nancy A. Youssef contributed to this article.*

Errant U.S.-Led Strike Kills Iraq Forces

A U.S.-led coalition airstrike in support of an Iraqi military raid mistakenly killed several members of the country's security forces, Iraqi officials said, in an incident seized upon by Iraqi factions that oppose the international coalition's continued presence after victory was declared over Islamic State.

By Ghassan Adnan in Baghdad and Isabel Coles in Dubai

Ryan Dillon, a spokesman for the U.S.-led coalition, said it had provided support for the raid early Saturday in the town of Baghda, but wouldn't confirm whether it had carried out any airstrikes in the vicinity until an investigation was concluded.

The incident took place after Iraqi security forces went to detain an Islamic State leader who was convening with members of a "terrorist cell" in Baghda, a spokesman for the Joint Operations Command said, adding that the coalition provided air support for the mission. The JOC coordinates between the Iraqi forces and the coalition.

As the force returned early Saturday, it encountered a group of police officers and armed locals with which it hadn't coordinated its movements and assumed they were hostile. "The supporting aircraft targeted them," the Joint Operations Command said.

Anas al-Ani, the head of the health directorate in Anbar province, where Baghda is located, said seven people had been killed and 18 wounded.

The incident was condemned by the leaders of two Shiite militias that fought American troops after the U.S.-led invasion of Iraq in 2003, but in recent years became de facto—albeit awkward—allies in the war against Islamic State.

"It begs important and dangerous questions about the American military presence in Iraq...and the justifications for its presence after the demise of Daesh [Islamic State] militarily," said Qais al-Khazaali, the head of the Iran-backed Asaib Ahl al-Haq militias in a tweet following the incident.

There been several friendly-fire incidents between the coalition and Iraqi forces since the start of the war against Islamic State in 2014.

Trump Tells Leaders Tillerson Will Visit Africa in March

BY CHRIS GORDON

WASHINGTON—President Donald Trump sent a letter to African leaders informing them that Secretary of State Rex Tillerson will make his first visit to the continent as the top American diplomat in March, U.S. officials said.

His visit was scheduled af-

ter Mr. Trump angered leaders there by complaining about African immigration from "shithole countries" in a White House meeting, according to Sens. Dick Durbin (D., Ill.) and Lindsey Graham (R., S.C.). The president has said he used different language.

State Department spokeswoman Heather Nauert said

the details of Mr. Tillerson's trip have yet to be finalized.

"I want to underscore that the United States deeply respects the people of Africa, and my commitment to strong and respectful relationships with African states as sovereign nations is firm," Mr. Trump wrote in the letter, which was first reported by

the Associated Press.

The letter, dated Thursday, was addressed to African Union heads of state who met over the weekend in Addis Ababa, Ethiopia.

Mr. Trump said he looked forward to welcoming many of them to the White House and that they could rely on strong cooperation with the U.S. to

fight terrorism.

The letter also said the U.S. is committed to increasing trade, assisting development, fighting corruption and improving regional security on the continent.

The president said he wants to work with African countries to "safeguard legal immigration."

We manufacture prescription opioids. How could we not help fight the prescription and illicit opioid abuse crisis?

Two doctors founded a company in 1892 now known as Purdue Pharma. Continuing the strong heritage of a research-driven, science-based company, another doctor is currently at the helm as CEO. We're the pharmaceutical company that manufactures OxyContin®. Patients' needs and safety have guided our steps. It's what led us to research and develop medications to help patients. Today, it's what has spurred us to redouble our efforts in the fight against the prescription and illicit opioid abuse crisis. It's why we're taking action.

We support recommendations in *The President's Commission on Combating Drug Addiction and the Opioid Crisis* and the FDA's *Opioid Action Plan*. There are too many prescription opioid pills in people's medicine cabinets. We support initiatives to limit the length of first opioid prescriptions. Reducing the number of excess tablets won't end the epidemic, but we believe it will help rein in the problem. We believe doctors should check their state Prescription Drug Monitoring Program (PDMP) databases before writing an opioid prescription, to guard against doctor-shopping by those trying to game the system. Information sharing between state databases must improve.

Our industry and our company have and will continue to take meaningful action to reduce opioid abuse. We focused our talented research scientists and applied our innovative thinking to making opioids with abuse-deterrent properties, making them harder to crush and, therefore, harder to be abused by snorting or injection. With this investment, we pioneered the pharmaceutical industry's movement toward developing opioids with abuse-deterrent properties when we were the first to receive FDA approval.¹ Developing new formulations is risky and there are never any guarantees, but we did it anyway. Our company also took the initiative to distribute the CDC Guideline for Prescribing Opioids to thousands of prescribers and pharmacists shortly after it was released.

As we continue to fight the prescription opioid and illicit substance abuse crisis, we are applying our resources and our best scientific minds to discover and develop new, non-opioid pain medicines for patients.

No one solution will end the crisis, but multiple, overlapping efforts will. We want everyone engaged to know you have a partner in Purdue Pharma. This is our fight, too.



www.purduepharma.com

¹Opioids with abuse-deterrent properties are not abuse-proof and don't prevent addiction, but they are part of a multifaceted approach to addressing the prescription opioid abuse crisis.

WORLD NEWS

Trump Calls Trade With EU Unfair

President Donald Trump extended his threats of action against America's trading partners, this time hinting at major retaliation against the European Union for what he described as its "very unfair" trade policy toward the U.S.

By Wiktor Szary in London and Emre Peker in Brussels

Mr. Trump has repeatedly complained about global trading arrangements that he says discriminate against the U.S. and threatened steps that have fanned anxieties around the world about U.S. protectionism and the possibility it could set off a global trade war.

His comments about the EU come days after he imposed steep tariffs on imports of solar panels and washing machines, a move aimed mainly at curbing imports from Asia.

They were the first of what officials said would be a series of trade-enforcement actions in the coming months.

"I've had a lot of problems with European Union, and it may morph into something very big from that standpoint, from a trade standpoint," Mr. Trump said in an interview with the U.K. broadcaster ITV. The U.S. response would be "very much to their detriment," he said of the EU.

"It's a very unfair situation. We cannot get our product in.



Theresa May speaking with Donald Trump last week at the World Economic Forum in Davos.

washing machines drew ire from Brussels. European solar panels make up about 2% of all U.S. imports. An EU official said the bloc would react "firmly and proportionately" if the measures significantly affect European exports.

Mr. Trump has promised to pursue a harder trade line in defense of U.S. manufacturers. On his first workday in office a year ago, he signed an order withdrawing from the Trans-Pacific Partnership, a 12-nation trade agreement being negotiated by his predecessor, Barack Obama. The president, however, signaled a possible shift on Friday in Davos, saying the U.S. "would consider negotiating" a trade deal with TPP countries, individually or as a group. Mr. Trump also is renegotiating the North American Free Trade Agreement, a 1994 trade pact between the U.S., Canada and Mexico.

In the interview Sunday, Mr. Trump also criticized Britain's approach to negotiating its exit from the EU, scheduled for March 2019, saying he "wouldn't negotiate it the way it's [being] negotiated."

However, he reiterated his commitment to striking a bilateral trade deal with the U.K. once its departure from the EU made that possible, saying the U.S. will be Britain's "great trading partner."

"We are going to make a deal with U.K. that'll be great."

Czech Voters Re-Elect Russia Ally

BY PHILIP HELJMANS AND DREW HINSHAW

PRAGUE—Czech voters re-elected their Russia-friendly president, dealing a defeat to a center-left candidate who had pledged to reverse a growing tide of euroskepticism in the region.

Milos Zeman, the 73-year-old incumbent—who argued in his campaign that Czechs needed him to stop a wave of Muslim immigrants—took 51.4% of Saturday's vote.

His opponent, Jiri Drahos, a 68-year-old chemistry professor who presented himself as a centrist outsider who could unite a country polarized over Mr. Zeman's presidency, took 48.6%.

"If it weren't for you, we didn't win," Mr. Zeman told supporters in his victory speech. "I would like to tell you, as my friends, one message: This, my dears, is my last political victory."

His win highlights the solid position of incumbent parties in Central and Eastern Europe that are skeptical of the European Union's aims to build a closer, more unified Europe.

Israel Reaches Out to Arab World on Social Media

Seeking to counter Iran and its sympathizers, the military takes to Twitter and Facebook, in Arabic, to make its case

As Saudi Arabia and Iran spar for influence across the Middle East, Israel is using the Arabic language to seek common ground with Tehran's enemies and sway its sympathizers.

By Rory Jones in Tel Aviv and Nazih Osseiran in Beirut

The efforts have been met at times with hostility and ridicule—in part because Maj. Avichay Adraee, the Israeli army spokesman leading the outreach, doesn't shy away from provocation.

For Israel, which doesn't have diplomatic relations with most of its neighbors, social media has become a way to engage with Arabs and reinforce a growing alignment with Sunni Muslim Arab states.

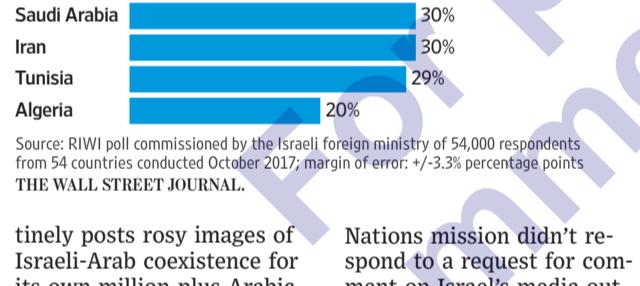
Maj. Adraee's recent output includes a Facebook post of an image of Iran's flag superimposed over the Gaza Strip and a Twitter video simulating an Israeli invasion of southern Lebanon, home of the Iran-backed group Hezbollah.

With 1.2 million followers on his Arabic Facebook page and more than 181,000 on Twitter, Maj. Adraee is the face of the Israeli messaging campaign. Prime Minister Benjamin Netanyahu has issued videos with Arabic subtitles denouncing Iran, and the foreign ministry rou-

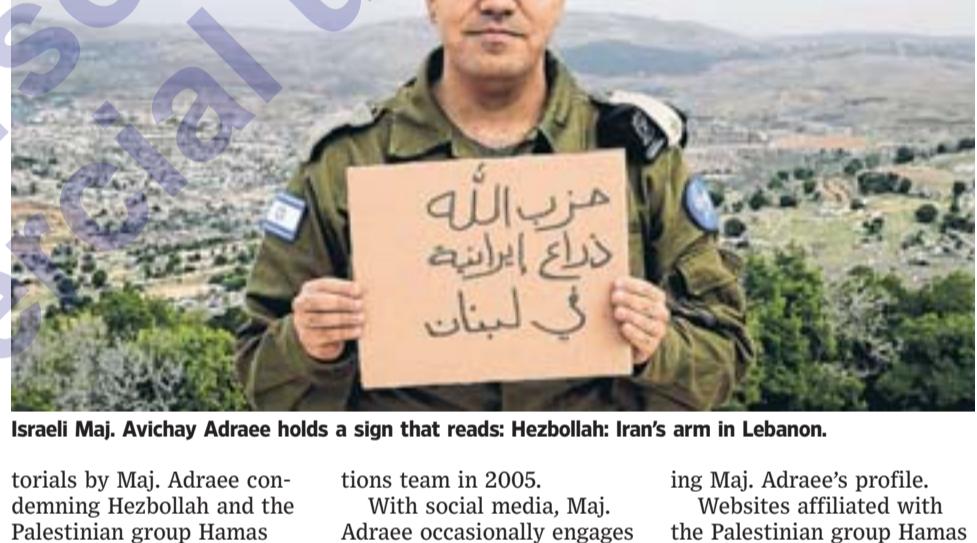
Regional Outreach

As part of a global survey to gauge attitudes on Israel, the country's foreign ministry polled people in Arab countries about whether they would be open to relations. Officials said the responses, though not overwhelmingly positive, were encouraging.

Percentage of respondents willing to have relations with Israel either publicly or discreetly



Source: RIWI poll commissioned by the Israeli foreign ministry of 54,000 respondents from 54 countries conducted October 2017; margin of error: +/- 3.3% percentage points



Israeli Maj. Avichay Adraee holds a sign that reads: Hezbollah: Iran's arm in Lebanon.

tions by Maj. Adraee condemning Hezbollah and the Palestinian group Hamas has prompted speculation in Lebanese media that Saudi Arabia is deepening ties further with Israel.

Elaph's publisher, Othman al Omeir, said Elaph is independent and blocked in Saudi Arabia because of its liberal-leaning tone. Yet, Mr. Omeir said, there is now "a different position toward Israel" in the Arab world.

Maj. Adraee, who is 35 years old and Jewish, said he learned Arabic from his mother, who immigrated from Iraq. He joined the army more than 12 years ago and helped set up the Arabic-language communica-

tions team in 2005.

With social media, Maj. Adraee occasionally engages directly with followers, alongside tweets and posts promoting the strength of the Israeli military and seeking to undermine its foes.

The response is often negative. Qatar-based news organization Al Jazeera published a video that framed Maj. Adraee's attempts to engage with Arab youth as an Israeli intelligence campaign to brainwash them.

Egyptian comic Tamer Gamal has dressed up as the spokesman in videos—donning reading glasses and a uniform with a beret under the shoulder strap—and set up a Facebook page parody-

ing Maj. Adraee's profile.

Websites affiliated with the Palestinian group Hamas and Lebanon's Hezbollah have warned Arabs against following Israeli social-media channels.

Yonatan Gonen, head of Arabic digital diplomacy at Israel's foreign ministry, said the impact of the media efforts is often limited. He said social-media users might now refer to his country as Israel instead of "the Zionist entity," calling it a small improvement but progress nonetheless.

For Maj. Adraee, the latest media efforts are a small step toward better relations. "I see a change," he said. "But it's a slow change."

INTEL

Continued from Page One
jing was aware of the conversations between Intel and its Chinese tech partners, because authorities there routinely monitor all such communications, Mr. Williams said.

There is no evidence any information was misused, the security researchers said.

Representatives from China's ministry in charge of information technology didn't respond to requests for comment. The country's foreign ministry has in the past said it is "resolutely opposed" to cyberhacking in any form.

An Intel spokesman declined to identify the companies it had briefed before the scheduled Jan. 9 announcement. The Silicon Valley company wasn't able to tell everyone it had planned to, including the U.S. government, because the news was made public earlier than expected, he said.

Intel's tricky path—inform

enough big customers to head off significant damage while keeping the information as contained as possible to limit potential leaks—continues to weigh on smaller companies that weren't given an early nod.

Joyent Inc., a U.S.-based cloud-services provider owned by Korea's Samsung Electronics Co., is still playing catch-up, said Bryan Cantrill, the company's chief technology officer.

"Other folks had a six-month head start," he said. "We're scrambling."

In the months before the flaws were publicly disclosed, Intel worked on fixes with Alphabet Inc.'s Google unit as well as "key" computer makers and cloud-computing companies, Intel said in an emailed statement to The Wall Street Journal.

An official at the Department of Homeland Security said its staffers learned of the chip flaws from the Jan. 3 news reports. The department is often informed of bug discoveries in advance of the

public, and it acts as an authoritative source for information on how to address them.

"We certainly would have liked to have been notified of this," the official said.

The NSA was similarly in the dark, according to Rob Joyce, the White House's top cybersecurity official. In a message posted Jan. 13 on Twitter, he said the NSA "did not know about these flaws."

A White House spokesman declined to comment further, referring instead to the tweet.

Chinese computer maker Lenovo Group Ltd. was among the large tech companies, including Microsoft Corp., Amazon.com Inc. and U.K.-based ARM Holdings, that were notified of the flaws beforehand.

Lenovo was able to issue a statement Jan. 3 advising customers on the flaws because of "the work we'd done ahead

of that date with industry processor and operating system partners," a spokeswoman said in an email.

Alibaba Group Holding Ltd., China's top seller of cloud-computing services, also was notified ahead of time, according to a person familiar with the company.

A spokeswoman for Alibaba's cloud unit declined to comment on when the company was informed. She said any idea that the company might have shared information with Chinese authorities was "speculative and baseless."

A Lenovo spokeswoman said Intel's information was protected by a nondisclosure agreement.

Despite the security concerns, an early heads up to a select number of large global companies made sense, said Dave Aitel, chief executive of Immunity Inc., a company that sells security services. "They're going to tell as few people as possible" to contain possible leaks, he said.

Because they had early warning, Microsoft, Google

and Amazon were able to release statements after news of the flaws leaked out saying their cloud-computing customers were largely protected.

Smaller competitors, though, continue to struggle. DigitalOcean Inc., a cloud-services seller, said Jan. 19 it was still testing a workaround for its customers. Rackspace Inc. said last Wednesday it has several teams working on a fix. The cloud company earlier in January told customers it understood the situation "can be frustrating."

The DHS also stumbled with its initial guidance. The agency's Computer Emergency Response Team first linked to an advisory stating the only way to "fully remove" the flaws was by replacing the chip. CERT now advises users instead to patch their systems.

The DHS should have been looped in early on to help coordinate the flaws' disclosure, Joyent's Mr. Cantrill said.

"I don't understand why CERT would not be your first stop," he said.



The security flaws can help sneak sensitive data out of the cloud.

SASCHA STEINBACH/EPA/SHUTTERSTOCK

FROM PAGE ONE

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The DHS should have been looped in early on to help coordinate the flaws' disclosure, Joyent's Mr. Cantrill said.

WORLD WATCH

RUSSIA

Opposition Leader Arrested, Released

Protesters gathered across Russia on Sunday to support prominent opposition leader Alexei Navalny's call to boycott the March presidential election.

Mr. Navalny himself was arrested at the Moscow demonstration; he was later released.

Protests were reported in Moscow, St. Petersburg and dozens of other cities. Many of the crowds skewed young, reflecting discontent among Russians who have lived most or all of their lives under President Vladimir Putin, who came to power on New Year's Eve 1999.

Mr. Navalny organized the protests to urge a boycott of the March 18 presidential vote, in which Mr. Putin is set to win a fourth term. Mr. Navalny was denied permission to be a candidate because of an embezzlement conviction, in a case widely seen as politically motivated.

—Associated Press

CYPRUS

Incumbent President Leads in First Round

Incumbent Cypriot President Nicos Anastasiades was the top finisher in Sunday's first round of presidential elections, but failed to garner a majority needed to avoid a runoff. The conservative leader will face Stavros Malas, an independent candidate backed by Communist

party AKEL, in a runoff Feb. 4.

Mr. Anastasiades secured 35.5% support while Mr. Malas was backed by 30.2% of voters.

The 71-year-old Mr. Anastasiades is credited with leading Cyprus's economy back to growth after its near-collapse in 2013 and for leading talks to bring the divided island closer to reunifying. Cyprus has been split between the Greek south and the Turkish north since 1974. The latest round of reunification talks collapsed in July.

—Nektaria Stamouli

THE PHILIPPINES

Authorities Warn Of Volcano's Impact

Authorities sought to enforce the strict evacuation of tens of thousands of people around the erupting Mayon volcano, as they warned of the increasing threat of mudslides and heavy rains.

The volcano has been spewing lava and ash for days, threatening the livelihoods of the people who live and farm in the mostly rural area in the central Philippines. Authorities said an additional danger was posed by heavy rain combining with the ash and debris to form deadly mudslides.

More than 100,000 people have been evacuated from a five-mile-radius danger zone around the volcano, most to evacuation centers.

The volcano, one of the most active in the Philippines, could continue to pose a danger for days or even weeks.

—Jake Maxwell Watts



Juan Orlando Hernández, at center with his wife, waved as he arrived at the National Stadium in Tegucigalpa for his inauguration Saturday.

WORLD NEWS

Honduran Leader Re-Inaugurated

By JOSÉ DE CÓRDOBA

TEGUCIGALPA, Honduras—

The inauguration was held at 9 a.m. local time on Saturday at a soccer stadium. Until the day before, no one was sure where the ceremony would take place. No heads of state were invited. Most reporters weren't allowed inside.

Outside, protesters battled with riot police, who were on hand to assure that Juan Orlando Hernández was able to take office for a second term as president of Honduras—where re-election had been banned for decades.

In November, 49-year-old Mr. Hernández won an election the Organization of American States said couldn't be validated as it urged a new vote. Since then, at least 30 people have died in protests related to the election.

Supporters of Mr. Hernández say he is a man on a mission to modernize the country, one who has had notable success in trimming the country's

homicide rate. Critics have said his consolidation of power could turn him into another Latin American强人.

"I think he sees himself as the leader of a Singapore, imposing discipline," says Moises Starkman, who was a minister in a previous administration and is now an economics professor. "The question is whether you can do it without becoming an authoritarian."

The unrest is a reminder that the former lawyer and congressman will have a difficult time governing this nation of nine million, where poverty and gang violence have led hundreds of thousands to emigrate to the U.S. Honduras has also become a transportation hub for shipments of cocaine and other drugs headed to U.S. markets.

"The country will be ungovernable," said Salvador Nasralla, who lost the November election. Mr. Nasralla identifies himself on his Twitter account as the true president.

During his inaugural speech, Mr. Hernández tried to quell

fears of his staying in power indefinitely. Having worked for years to overturn a ban on re-election, he said the presidency should be limited to two terms.

"It's a good thing to have limits on re-election," he said. "Most countries in the world allow some kind of re-election, yes, but only once."

Juan Orlando Hernández is the first president in decades to take a second term.

The U.S., which is the top donor to Honduras, has recognized Mr. Hernández's victory but also has acknowledged that there were irregularities in the election process.

Aides to Mr. Hernández, one of 17 children of a rural political boss, say he is a results-driven manager. His chief of staff, Jorge Hernández, who isn't related to the president, said he is obsessed with performance, requiring government ministers to grade themselves weekly.

Critics, however, have said Mr. Hernández is an authoritarian who has stacked key institutions with supporters and consolidated power.

During his first term, Mr. Hernández oversaw an easing of the homicide rate. His administration boosted the security budget and retrained the national police. He also has been dogged by corruption allegations.

For his second term, Mr. Hernández has said he would concentrate on improving the economy.

TOMAS AVILA/BLOOMBERG NEWS



CELEBRATING IN COSTUME: Masked revelers marked Carnival with traditional costumes Sunday in St. Mark's Square in Venice.

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IN DEPTH

SCHOOL

Continued from Page One

the same as their peers in public schools on state exams, the analysis shows. The successful voucher students, who often performed better than their public-school peers, were mainly found at private schools that worked to balance numbers of voucher students and paying ones.

"The schools that have 20% to 30% voucher kids and 70% to 80% fee-paying kids, they look more like the private schools that we sort of put on a pedestal—that have very ambitious programs," says Patrick Wolf, a professor of education policy at the University of Arkansas who has studied private-school choice programs for about 19 years.

The Milwaukee findings offer a potential road map for the Trump administration, which is preparing a national push for school-choice programs to provide an alternative to traditional public schools. President Donald Trump has called for allocating \$250 million for scholarships for low-income students to attend private schools, part of a plan to eventually pump \$20 billion of federal money into school-choice measures, including vouchers.

Some educators suggest the voucher students who score well do so precisely because they attend private schools with lower proportions of their peers. They benefit from superior resources and support services funded by wealthier families who pay hefty fees to attend. Better performing private schools often restrict the number of voucher-paying students because they can afford to subsidize only a certain number.

Funding gaps

At Marquette University High School, an all-boys private school where voucher students notch high state-exam scores, annual tuition was \$12,445 this past school year, not including books and fees—about \$5,000 more than the voucher program pays to the school. A school official said voucher enrollment is kept low, about 12.5% in the past school year, because the school can't afford to make up the difference for any more.

Jim Bender, president of School Choice Wisconsin, says schools that don't raise outside money and are made up largely of voucher students find "it's difficult to have high-powered leadership and high-powered staff—that's just the reality."

Private schools receive less money per student under the Milwaukee voucher program—from \$7,323 to \$7,969 per student in the last school year—compared with an average of \$10,122 for public-school students. The amount, which has increased over the years, was initially set low to help pass the voucher bill in a split legislature.

Public-school officials say they have greater expenses, such as for transportation and providing services to special-needs students, although they say they haven't done comprehensive cost comparisons.

Mr. Bender has pushed to



Students last year at Milwaukee's Greater Holy Temple Christian Academy, where all use vouchers, above. Wisconsin Lutheran High School, below, has an even split of private and voucher students.



LAUREN JUSTICE FOR THE WALL STREET JOURNAL (2)

expand the funding for the voucher program. Like many proponents, he says the ability of parents to choose is a big benefit in itself.

Mike Ruzicka, president of the 4,000-member Greater Milwaukee Association of Realtors, which supports Milwaukee's voucher program, says at the outset supporters were too optimistic about the program's potential impact.

"We've come to the realization that it's not going to be a panacea," he says. He says the voucher program helped some students and has also pushed public schools to do better.

Local opponents call the program a failure based on its academic record. Wisconsin state Rep. Christine Sinicki (D, Milwaukee), an opponent who was on the Milwaukee school board during the program's early years, says the program's expansion beyond poor students stretched public-school financing by enabling middle-class students who had been paying for private school to attend them with vouchers.

As for arguments the program needs better funding, Ms. Sinicki says: "They've said for years money is not going to fix the problem. Now they're saying they need more money to educate kids."

The socioeconomic makeup of the two groups doesn't appear to be a factor in test scores. The Journal analysis shows that 82% of Milwaukee's public-school students qualified for free or reduced-price lunches last school year, compared with 79% of those in the voucher program, which suggests the voucher system doesn't seem to be burdened by a larger number of disadvantaged students.

It is difficult to assess how

teacher salaries and quality might contribute. Private voucher schools, unlike public schools, don't have to employ certified teachers or disclose pay, making it difficult to compare the two sectors.

Previous studies of voucher programs have produced varying results. Recent examinations of Louisiana and Indiana programs, which reviewed the progress of small numbers of students, showed that voucher recipients lost academic ground in the first couple of years but caught up to public-school students afterward.

The Journal's analysis went

beyond test scores to determine what effect the percentage of voucher students in each participating school had on performance.

About 13 states and Washington, D.C., use voucher programs, which served about 175,000 students last school year. The Journal reviewed standardized test scores of statewide voucher programs in Wisconsin, Louisiana and Ohio and voucher programs serving the cities of Racine, Wis., Cleveland and Washington that had data for comparison. All serve low-income students or struggling schools, or both. The review didn't include about a dozen voucher programs that only serve special-needs students because testing requirements vary greatly.

The Journal's analysis of

test results showed the majority of the voucher programs, when compared with public schools, had outcomes similar to those for Milwaukee.

No other voucher program in the U.S. targeting poor children and underperforming schools has penetrated as deeply or been around as long as the Milwaukee program. Former Wisconsin state Rep. Annette "Polly" Williams—an African-American Democrat who once referred to children in Milwaukee Public Schools as "hostages" in a struggling system—pushed through the city's voucher program, formally called the Milwaukee Parental Choice Program. She worked with Republicans, drawing opposition from some members of her own party.

In its 1990 inaugural year, the program drew 341 students, the poorest targeted through household-income data. About a half-dozen private schools participated, with no religious schools allowed.

The program was capped at 1% of the public-school enrollment, or about 1,000 students, to prevent a financial hit on public schools. Individual schools couldn't enroll more than 49% voucher students.

In 1995, the cap was lifted for individual schools, which current Wisconsin education Superintendent Tony Evers calls a "defining moment" that brought campuses with large majorities of voucher students. Last school year, the majority of private schools participating—81 of 120—had at least 75% voucher students.

Some schools with lots of voucher students perform well. Nativity Jesuit Academy and Yeshiva Elementary School had good state test

scores last school year and voucher enrollments of 93% and 91%, respectively.

But the bulk of those with the highest voucher enrollments fall in the bottom quartiles of private schools for results on state exams, which voucher students are required to take.

A review of available state proficiency rates for 108 of the 120 private schools in the Milwaukee voucher program last school year found those ranking in the top quartile in English language arts had an average voucher enrollment of 54%, and in math, 53%. In schools in the lowest two quartiles on the exams, average voucher enrollment ranged from 91% to 94%.

The University of Arkansas' Dr. Wolf says some schools with high voucher enrollments aren't equipped to educate large numbers of economically disadvantaged students who can require more resources, while those with lower voucher enrollments tend to have more financial resources and paying families.

At Word of Life Lutheran School in Milwaukee, test scores in 2011 were much higher than those in the public-school system in English language arts and a few points higher in math. In 2017, after voucher enrollment grew from 69% to 93%, scores were lower than public schools' in English language arts and the same in math.

Milwaukee's private schools with high voucher percentages have demographics similar to the city's public schools: mostly poor and minority. Research by the U.S. Education Department shows public schools with high numbers of poor children are more likely to be low performing and have fewer advanced students around to help their struggling peers. The research also shows the schools usually have more discipline problems, less parental involvement and poorer-quality teachers.

In 1998, following a Wisconsin Supreme Court decision that allowed religious schools to participate, enrollment in Milwaukee's voucher program grew by 294%. Thirty re-

ligious schools that have been in the program since the ruling have gone from a combined paying-student population of 72% in the 1998-99 school year to 19% in 2016-17. Religious-based schools last school year accounted for about 90% of participating campuses in Milwaukee.

The Greater Holy Temple Christian Academy was formed in 2003 to serve voucher students. All of its students, about 630, use vouchers this school year. Their scores on state exams are lower than the average for their peers in the public-school system.

Income limits

A cap on voucher participation that had helped limit overall growth ended in 2011, and income limits expanded to allow middle-class families. Voucher students make up 77% of the overall student population at private schools participating in the Milwaukee program this school year, according to the state.

Milwaukee's program is estimated to cost \$213.3 million this school year. Most funding is expected to come from state revenue. Milwaukee Public Schools also funds a portion, which this school year is estimated at \$47.8 million, according to state education officials.

Wisconsin Lutheran High School has a near-even split of private and voucher students. The Rev. Kenneth Fisher, the school's president, says that mix provides a desirable socio-economic balance.

On state exams, the school's voucher students scored at least 9 percentage points higher in math and English language arts than Milwaukee public high-school students.

Rev. Fisher says some paying parents voiced concern at first that they would be subsidizing the voucher students' education, which cost \$11,100 in tuition and fees this past school year. He says the school's marketing efforts, including fundraisers, helped bridge a gap of about \$3,000 for voucher students.

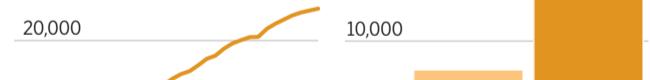
Milwaukee's Voucher Experiment

Enrollment of voucher students in Milwaukee has soared, especially in religious schools. Test results for voucher students roughly match those for public-school students.

Milwaukee student enrollment, by type of school



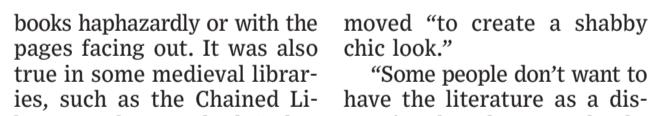
Schools in the Milwaukee voucher program



Students at religious schools in Milwaukee



Percentage of students meeting proficiency standards on state exams, 2016-17



Sources: Wisconsin Department of Public Instruction; Milwaukee Public Schools

THE WALL STREET JOURNAL.

BOOKS

Continued from Page One

ing a book's spine also obscures useful information, like the title of the book or its author—and that has some people feeling snubbed.

"The spine of a book is like a hand reaching out," says Peter Pearson, an author of children's books such as "How to Eat an Airplane." "You are trading the generosity of a book for eggshell white."

Mr. Pearson, 37, who lives in Minneapolis, says he often finds reading material by perusing shelves at other people's homes and wouldn't want to go to a home where book spines face the wall.

"It's like pulling out the welcome mat," he says. "Seeing books with the pages facing outward is like walking into an art gallery with all the paintings turned backward."

Hundreds of years after the first printed works were published, people are caught in an emotional debate about the correct way to store a book on a shelf. At the heart of the



Natasha Meininger's books have their spines facing the wall.

controversy is the question of whether design considerations should transcend practical necessities, such as locating any one particular book, or respect for the object itself.

"Why do you even have books if you're not interested in finding them?" says Lauryn Soorani, a graphic designer specializing in book design who goes by Lauryn Ipsum.

Ms. Soorani, a 27-year-old who lives in Los Angeles, says it's hard not to be offended.

"We spent all this time making a nice spine just so you can find your book on your shelf, and now you are looking at blank pages."

Claire Birnie, a professional organizer in Edinburgh, Scotland, chalks up this kind of criticism to "intellectual snobbery."

Ms. Birnie, 26, says she changes the arrangement of her books frequently. Last summer, she implemented the spine-in method for a few weeks, and now plans to re-

configure her books that way again, in protest of those who disapprove.

"It's really elitist to say there's a right way to enjoy books," she says. "They are my books. I paid for them."

Despite today's custom of shelving books with the spine out, there's no correct way to store a book, says Henry Petroski, a Duke professor who wrote a book on the subject.

"There are always many ways to do just about everything."

For centuries, books were stored every which way, except the way they are now, according to Mr. Petroski's "The Book on the Bookshelf." Before the 16th century, spines had no printed titles and were considered the least presentable part of a book.

Early librarians often knew the location of books without relying on titles (or modern aids like computers). Sometimes the exposed pages, known as the fore edge, had text or embellishments, including extravagantly painted scenes from the book.

Proof of this can be found in early Renaissance depictions of scholars such as St. Jerome, who arranged his

books haphazardly or with the pages facing out. It was also true in some medieval libraries, such as the Chained Library at the Hereford Cathedral in England.

The books at Hereford are shelved with fore edges out to avoid tangling chains attached to the book—an effective, if ancient, security system. The TV series "Game of Thrones" mimics the custom at the library at the Citadel.

Hannah Briggs, a spine-in proponent in Muscle Shoals, Ala., says she, too, usually knows where her 500-plus books are, even when spines are hidden. "Books are really special to me, but I'm just not a color person," says the 34-year-old lifestyle blogger. "I read 55 books last year."

She sometimes turns out the spines of some books to draw attention to them, she says. "It's a great conversation starter."

In recent years, designers and decorators have been buying books by color. At Books-by-the-Foot.com, says its website, a designer can order 50 feet of "luscious creams" or opt for vintage hardbacks that have had their covers re-

moved "to create a shabby chic look."

"Some people don't want to have the literature as a distraction, but they want books as objects on a shelf," says Chuck Roberts, president of Wonder Book, which operates the site and three bookstores in Maryland.

Mr. Roberts says he started the Books by the Foot service to rescue books that would otherwise get pulped. "Books bring a sense of warmth that other knickknacks won't."

The Center for Book Arts, a nonprofit in New York, has featured exhibitions of sculptures made of books. "A book collection has both aesthetic meaning and intellectual meaning," says Alexander Campos, executive director of the group, whose mission is to promote the book as an art object.

"Buying a book solely for aesthetic reasons is a very strange thing," says Penny Reeve, 33, a publicity manager for Angry Robot, a U.K. publishing house of sci-fi and fantasy titles. "Hopefully, one day when they are sitting there drinking coffee, they pick one up and actually read it."

GREATER NEW YORK



Safe but Scarred by Terror

Weeks after explosion, bystanders who barely escaped injury struggle to get past the trauma

By ZOLAN KANNO-YOUNGS

A burning smell this month on a Bronx subway platform sparked terror for David Wall.

The incident, which turned out to be a routine track fire, reminded him of the December morning when a pipe bomb detonated near him close to the Port Authority Bus Terminal.

On the Bronx subway platform, Mr. Wall froze. He let six trains pass. He called his wife. "I know nothing is going to go wrong," he told her. "But I just can't."

By some measures, New York got off easy from the attack near the Port Authority on Dec. 11. No one was killed. Four people were injured, including Akayed Ullah, a 27-year-old Bangladeshi man now accused of carrying out the bombing. Mr. Ullah has pleaded not guilty.

Most New Yorkers went on with their lives, as they have done after earlier terrorist attacks.

"This is the most resilient place on Earth, we've proven it time and time again," Mayor Bill de Blasio said that day. "We are going to keep being New Yorkers. Let's get back to work."

But for those present during an attack, even one that claims no lives, the psycholog-



David Wall, top, and Veronica Chavez, above, were just feet from a pipe-bomb blast near the Port Authority Bus Terminal on Dec. 11.

ical wounds can endure.

Mr. Wall, 64 years old, now struggles to step onto the subway cars. His anxiety during the day leaves him exhausted by the time he gets home to his family each night in northern New Jersey from his Queens job as project manager for city housing and schools.

"It's an invisible injury or illness," forensic psychologist Stacy Cecchet of the National Center for Victims of Crime said from Las Vegas, where she was working with people

traumatized from the Oct. 1 mass shooting that killed 58 people and wounded 851. "You can't see they're hurting or suffering."

Veronica Chavez, 46, of Queens, was also a few feet away when the pipe bomb was detonated in pedestrian passage near the Port Authority. Now the drop of a dish in the kitchen is enough to send her into shock, she said.

Ms. Chavez has dreams about the bombing and said she only gets about two hours of sleep a night. Her daughter,

Michelle Garcia, 25, said she checks in on her mom throughout the night.

The noise at the Manhattan factory where she worked as a seamstress made it difficult to focus, Ms. Chavez said. That and her decision to take off about a week after the attack got her fired this month, she said.

She felt vulnerable commuting between Manhattan and Queens.

"Is somebody else going to come and do something?" Ms. Chavez said through a translator. "What's the next thing that's going to come? I'm always thinking about what's next."

Mr. Wall thought he could work the day after the attack. Instead, he began shaking and couldn't stop for about 12 hours, he said. He didn't go back to work for a week.

His wife, Helen Wall, realized the extent of his pain when her husband suddenly dropped to the floor of their home and broke down in tears. He talked about their two daughters and their son, who died at age 34 of a heart attack in his sleep three years ago.

"If it's me dying, fine. But I can't get out of my mind that you and the girls could have another death in the family and it would be my fault," Ms. Wall recalled him saying.

A Jehovah's Witness, Mr. Wall thought it would be good to attend a service shortly after the attack. When he realized people would probe him about the bombing, he stayed

Please see VICTIM page A10B

GREATER NEW YORK WATCH

NEW YORK CITY

Carl's Jr. Opens First Manhattan Location

New York City has given the world all manner of burgers. But Carl's Jr. is betting it can beef up the city's offerings.

The fast-food chain, operated by Tennessee-based **CKE Restaurant Holdings Inc.**, is opening its first Manhattan location this week, bringing its signature menu items, such as the Western Bacon Cheeseburger, to midtown.

The company opened a Brooklyn location earlier and has three locations in upstate New York. CKE executives plan to expand the chain in New York City and state over the coming year, with the goal of having 10 locations statewide by the end of 2018. The company has curtailed its racy ads featuring models devouring burgers, but its menu still includes over-the-top options.

The Center for an Urban Future, a New York group that tracks the local retail scene, said the number of fast-food restaurants in the city has increased 14% since 2008 and currently tops 1,200.

New Yorkers will go for fast food if presented in a creative, dynamic way, said Jonathan Bowles, executive director of Center for an Urban Future.

In other words, it isn't yesterday's "Do you want fries with that?" quick-serve burger joint. Brands like Carl's Jr. have "come in with a new look," said Mr. Bowles.

—Charles Passy

NEW JERSEY

Menendez Faces Primary Challenge

A Democratic political pundit and attorney is challenging U.S. Sen. Robert Menendez for the party's nomination.

Michael Starr Hopkins has filed paperwork to run in the June primary against the two-term incumbent, who is facing a retrial on federal corruption charges after his first trial ended in a hung jury last fall. Mr. Menendez has denied allegations of bribery, fraud and conspiracy.

Mr. Hopkins, a Jersey City resident, said it is important that politicians reflect their constituents' values.

—Associated Press

BRONX

Man Found on Street Later Declared Dead

A man has been pronounced dead after being found unconscious on the street.

The New York Police Department said officers responding to an emergency call saw the man around 4:15 a.m. Sunday on 143rd Street and Brook Avenue in the Bronx. He was on the ground with trauma to his head and body.

Authorities said the unresponsive 30-year-old man was taken to the hospital, where he was pronounced dead. No identification has been released.

—Associated Press

Warehouse Plans Turn Vertical in Tight Market

By KEIKO MORRIS AND PETER GRANT

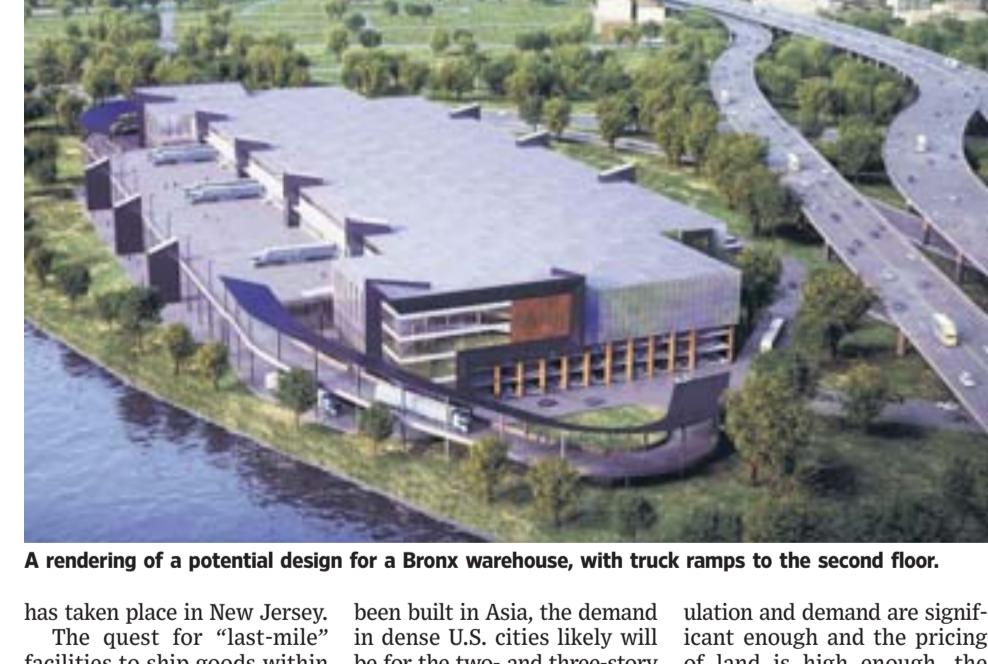
An insatiable demand for warehouse space in New York is colliding with a chronic land shortage. The only place for property developers to go is up.

At least two development teams have unveiled designs for multistory warehouse projects, one in Brooklyn and the other in the Bronx, that would be the first of their kind in New York and among the first in the U.S.

Next year, Goldman Sachs Group Inc. and its operating partner, developer Dov Hertz, expect to begin building a three-story, 370,000-square-foot warehouse in the Red Hook section of Brooklyn, with truck ramps to the second floor and elevators that can hold a forklift going to the third floor.

Meanwhile, a joint venture of Innovate Property Group and Square Mile Capital Management LLC is planning a two-story, 840,000-square-foot warehouse on the site of the former Whitestone Multiplex Cinemas in the Bronx.

There are plenty of old multistory warehouses in New York City that aren't modernized, but new warehouse development for decades has been a horizontal affair because it is less costly. And most of that new development



A rendering of a potential design for a Bronx warehouse, with truck ramps to the second floor.

has taken place in New Jersey.

The quest for "last-mile" facilities to ship goods within hours directly to customers in dense cities such as New York is changing that, real-estate investors and brokers said.

"Our thesis is to build it and they will come," said Joseph Gorin, co-head of the private real-estate group of Goldman Sachs's asset-management business. Mr. Gorin's group has about \$2.7 billion in assets under management.

While warehouses with

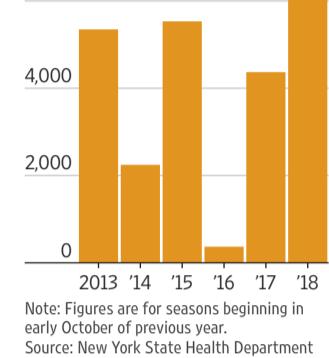
Flu Hits State Hard Early On As Cases Pile Up

By JOSH BARBANEL

Stuffy Season

Reported number of patients admitted to hospitals in New York state with the flu by the third week of January

8,000 patients



Note: Figures are for seasons beginning in early October of previous year.

Source: New York State Health Department

THE WALL STREET JOURNAL.

showed up in emergency room with multiple sick children, doctors said.

The early flu season here is part of a pattern all across the country. Last week, the Centers for Disease Control and Prevention said flu was widespread in all states except for Hawaii, where only "local activity" was reported.

State officials said it was too soon to tell whether this flu season will be any worse than the busy flu seasons in the winters of 2012-2013 and 2013-2014, when similar variations of the virus predominated. Those flu seasons peaked early and then trailed off.

The early flu season in New York state is part of a pattern all across the country.

One possible sign of moderation this year is that flu cases rose by only 5% during the latest week compared with the week before, when they increased 22% across New York, according to the state.

It is clear that we are in the middle of a moderately severe flu season," said Michael Phillips, chief epidemiologist at NYU Langone Health, a Manhattan-based academic medical center.

At Maimonides Medical Center on the border of Borough Park and Sunset Park in Brooklyn, entire Chinese and Orthodox Hasidic families

Many of those hospitalized were older patients or people with chronic conditions, who had some difficulty or distress in breathing, he said. Of those hospitalized across the state, 58% were age 65 or older, and more than three-quarters were 50 or older.

Other hospitals have stepped up measures to prevent the spread of the virus within hospitals. At Northwell Health's 21 hospitals in the New York City area, doctors, nurses and other staff are wearing masks for all contact with patients, said Terry Lynam, a senior vice president.

Because pregnant women and young children are especially at risk for flu complications, the hospital system said it would ban all visitors under age 14 from its maternity, pediatric and neonatal intensive care units.

Gov. Andrew Cuomo issued an executive order last week to allow pharmacists to administer flu vaccines to children between ages 2 and 18. Under previous rules they could administer flu shots only to adults.

been built in Asia, the demand in dense U.S. cities likely will be for the two- and three-story designs, which can accommodate the much larger trucks used here, said Rob Kossar, head of the Northeast industrial region for real-estate services firm JLL.

But constructing towers with even more floors isn't out of the question, said John Morris, the head of Cushman & Wakefield's national industrial division. "There aren't any true limitations," Mr. Morris said. "If the density of pop-

ulation and demand are significant enough and the pricing of land is high enough, the same principle that justifies three stories can justify many more."

By 2020, same-day and instant delivery to consumers will make up 15% of last-mile volume and will grow from there, according to a 2016 McKinsey & Co. report.

That prospect has led retailers to target places such as New York, which has a huge population and a large num-

Please see BUILD page A10B

GREATER NEW YORK

BUILD

Continued from page A10A
ber of millennials with disposable and discretionary income, Mr. Kossar said. Distribution locations within those urban centers also could be a way to solve the conundrum of reducing last-mile shipping costs, which, according to McKinsey, reach and often exceed 50% of the total parcel-delivery expense.

"In New York City, it's amplified because of congestion and hefty tolls, so you essentially need to be inside those city limits in order to get the delivery times and service the customer is expecting," said Mr. Kossar, whose team is handling the leasing and management for the two multilevel warehouse developments in New York.

In Asia and Europe, multi-story warehouses with truck ramps to upper floors are more common. In the U.S. the concept is new, but developers have been scrambling to meet demand, scouting sites and making plans for more in New York City and San Francisco, real-estate brokers said.

Total cost estimates for the Bronx project, at 2505 Bruckner Blvd., could range from \$300 million to \$500 million, depending on whether and how a potential tenant might customize features, according to industry analysts.

Experts estimate that Goldman's project at 640 Columbia St. in Brooklyn is costing about \$100 a square foot for the land and an additional \$200 a square foot to build. That is expensive by warehouse standards, but if rents are in the \$30-a-square-foot range, as some believe, it will be well worth it.

Prologis Inc., a global industrial real-estate investment trust, was the first to break ground on a three-story facility in Seattle. The company also bought and converted the old ABC Carpet & Home building in the Bronx, an existing two-level structure that sits on a slope, into a warehouse with docks on each level.



Columbia student Puyang Zhang digs in at Junzi Kitchen, one of several Asian spots that have opened near the school. Right, his dish as well as others from Panda Express.



VICTIM

Continued from page A10A

When he attended a service later in December, the big crowd made him dizzy and his vision became blurred. He left. This month, he is feeling better and attends services.

His wife worried. One family friend couldn't bring himself to return to Manhattan after he survived the 1993 World Trade Center bombing. Twenty years later, he committed suicide, she said.

"My fear is down the road, will this affect him?" Ms. Wall said of her husband.

Mr. Wall's daughter Kate-lyn Schiano, 30, pushed him to see a therapist. Ms. Schiano said the toughness of New Yorkers may help in the short term, but "I don't think that helps when you're alone at night and you have these real feelings you're dealing with."

To avoid the pedestrian passageway, Mr. Wall began to drive to the Port Authority and take a different route to work. When Port Authority police called Mr. Wall to see how he was doing, he said he was ready to return to the passageway.

The police sent Officer Stephen Streicher and Sgt. Edward Chapman to escort him just before Christmas.

Officer Streicher, noticing Mr. Wall was struggling as he made his way through the tunnel, tried to distract him by asking about the weather.

"I saw it in his face, his distress," Officer Streicher said.

Mr. Wall recognized the location of the explosion when he saw a poster on the wall that he had bumped into while he fled. He made himself walk the whole way through the tunnel and board the train.

He was still trembling when he left the two officers at the subway platform, he said, and stepped onto the train to go to work. He shut his eyes the whole ride, he said, so other New Yorkers wouldn't see his tears.

—Mike Vilensky
and Lisa Schwartz
contributed to this article.

Asian Fare Heats Up Near Columbia

By V.L. HENDRICKSON

From hand-pulled noodles to Chinese crepes, a new wave of Asian food options is spicing up the dining scene near Columbia University in upper Manhattan.

The Asian restaurants are targeting Columbia's international students, who make up 19% of the undergraduate class of 2018. Twenty-nine percent of international students identified as Asian or Asian-American, according to a report from its admissions office.

"Demand is high," said Sarah Lu, a sophomore at Columbia who grew up in Beijing. "I know a lot of Chinese students who come to New York for school."

Many of the new eateries showcase a different kind of Asian fare, one that goes beyond cheap Chinese food in cardboard containers, Ms. Lu said.

She rattled off several of her favorite Asian spots, including La Salle Dumpling Room, just north of campus; Legend, a more traditional spot; Junzi Kitchen; and Xi'an Famous Foods, a New York City chainlet.

International students "are still going to prefer the food they grew up with. It's comfort food for them," said Xi'an co-founder Jason Wang.

Until recently, the Asian options uptown were limited, Mr. Wang noted. Xi'an was one of the first brick-and-mortar additions to the neighborhood. Other businesses have taken note, he said.

Asian grocery chain H Mart, based in Lyndhurst, N.J., is planning to open a 7,500-square-foot store at the corner of Broadway and West 110th Street in the next few weeks. Specializing in Korean, Chinese and Japanese products,

the market will stock everything from short ribs to Korean radishes.

H Mart has more than 60 locations nationwide, although its Koreatown store is currently its only Manhattan market. The company looks to open in areas

'It really has to do with there being more international students.'

Xian Famous Foods co-founder

more international students."

The national chain Panda Express opened in the area in December. The restaurant 108 Food Dried Hot Pot began serving last summer. Junzi Kitchen also opened last summer on Broadway between West 112th and West 113th streets.

Junzi is the brainchild of three Yale University students, said co-founder Yong Zhao. The first location opened in 2015 across from the Yale campus in New Haven, with the hopes of bringing "a new generation of Chinese food" to the area, he said.

The Columbia outpost is only Junzi's second location, although it is planning another store near New York University in downtown Manhattan. "We're trying to establish the brand with younger people," Mr. Zhao said. "Universities are the first step."

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MUSIC

At the Grammys, Signs of Change

Rap and R&B nominees take center stage, competing for the music industry's biggest awards

BY NEIL SHAH

R&B STAR Bruno Mars won Album of the Year at the Grammy Awards, the music industry's most prestigious award, while one of his rivals for the prize, Kendrick Lamar, took home five trophies, sweeping the rap categories.

During his acceptance speech, Mr. Mars, one of the music industry's commercial powerhouses, talked about growing up in Hawaii and nodded to his fellow Album of the Year nominees, which also included rapper Jay-Z, singer-songwriter Lorde and R&B artist and rapper Childish Gambino.

"Thank you guys for blessing the world with your music," he said.

Mr. Mars also won Song and Record of the Year for "That's What I Like" from his album "24K Magic." "That's What I Like" was the second-biggest song on the radio last year, after Ed Sheeran's "Shape Of You," according to Nielsen Music.

Messrs. Mars' and Lamar's wins on Sunday signaled the growing clout of R&B and hip-hop in the music business, though some of Mr. Lamar's fans were disappointed that he didn't take the top award after being nominated for it three times.

Mr. Lamar did, however, win Best Rap Album, Best Rap Song and Best Music Video. During his acceptance speech for Best Rap Album, he named rappers who inspired him, including Jay-Z and Nas. "This trophy [goes] to hip-hop," he said.

Canadian singer-songwriter Alessia Cara was named Best New Artist.

Organized by the Recording Academy and emceed by "Late Late Show" host James Corden, the night kicked off with a dramatic performance by Mr. Lamar that included appearances by U2's Bono and the Edge as well as comedian Dave Chappelle. At one point, Mr. Lamar was surrounded onstage by men dressed in red, who fell to the ground in rapid succession amid the sound of gunfire.

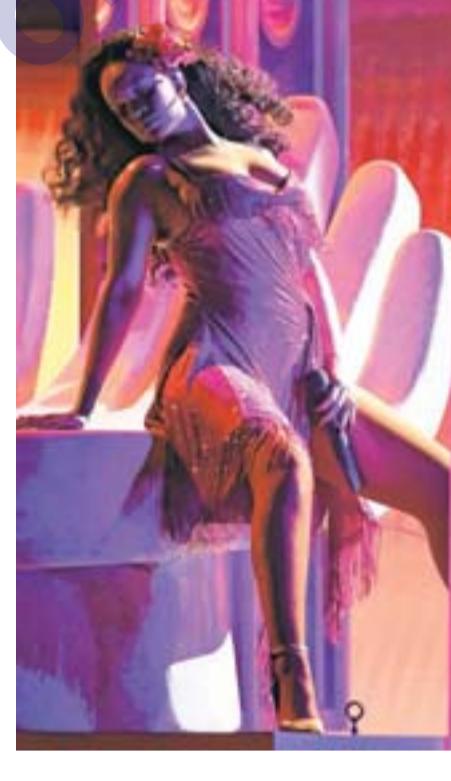
In a nod to the birthplace of hip-hop, the Grammy Awards were held in New York City for the first time in 15 years. Singers Tony Bennett and John Legend presented the evening's first televised award, singing a few bars of "New York, New York" before reading the nominees.

Four of this year's five nominees for Album of the Year, including Mr. Mars, were nonwhite hip-hop and R&B artists. Mr. Corden, who is white and hosting the show for the second time, acknowledged it during his opening monologue, joking that "we don't just have the most diverse group of nominees in Grammys history, we also have, for the second year in a row, the least diverse host in Grammys history."

While the Grammys have for years given awards for Best Rap Album and other genre-specific categories, 2018 marked a significant increase in the number of hip-hop and R&B artists competing for the top awards: Album of the Year; Re-



Bruno Mars, above, swept Album, Record and Song of the Year at the Grammy Awards. Below, clockwise from left, Best New Artist winner Alessia Cara; Kesha onstage with Camila Cabello; Rihanna; and Kendrick Lamar, whose performance kicked off the evening.



cord of the Year, which recognizes a song's performers, producers and engineers; Song of the Year, awarded to songwriters; and Best New Artist.

For hip-hop and R&B artists, winning big prizes isn't just academic: Of the 84 trophies, only a dozen or so are televised, and these widely watched TV moments can attract mainstream fans and drive sales and streams.

Among the evening's snubs: SZA, a 27-year-old R&B singer whose "Ctrl" album was among 2017's best-reviewed records. She was nominated for five awards but didn't win any. Jay-Z, 48, was the

night's most nominated artist with eight nods, yet he failed to win any trophies.

Chris Stapleton won three Grammys, including Best Country Album, for "From A Room: Volume I."

On Sunday, the U.S.'s conversation about sexual misconduct, and the extent to which artists would speak to it, hung over the proceedings. Several attendees wore or held white roses to support #TimesUp, a Hollywood-driven anti-sexual-harassment initiative, including rapper Cardi B and Ron Perry, chief executive of Columbia Records.

One of the night's poignant moments was pop singer Kesha's per-

formance of her song, "Praying," about overcoming feeling wronged. Surrounded onstage by stars dressed in white, including Cyndi Lauper and Camila Cabello, Kesha finished in tears, hugging those around her.

Janelle Monáe, the R&B singer who introduced Kesha, spoke directly to the need for sexual equality in the workplace. "We come in peace, but we mean business," she said.

The move by the Recording Academy's roughly 13,000 voting members to include more hip-hop and R&B nominees in the major categories was a long time coming.

This decade, previous Album of the Year winners have been white artists in other genres: Arcade Fire, Mumford & Sons, Daft Punk, Beck, as well as Taylor Swift and Adele, both of whom have won twice. In 2018, the seven most-nominated artists, led by Jay-Z and Mr. Lamar, were hip-hop and R&B performers.

Another closely watched nominee was "Despacito," by Luis Fonsi and Daddy Yankee featuring Justin Bieber. Co-written by Erika Ender, the song is mostly in Spanish, a rarity for a Song of the Year nominee, but it spent 16 weeks at No. 1. This year, it was up for that award as well as Record of the Year.

WHAT'S YOUR WORKOUT? | By Jen Murphy

A BETTER SWEAT FROM A MORE CHILL GAME



Douglas Peterson, center, participates in a group skate hockey game at Darien Sportsplex in Darien, Ill. He feels he gets a better workout from less intense games. He also stays in shape with Brazilian jujitsu and boxing.

DOUGLAS PETERSON has been playing in ice hockey leagues since he bought his first pair of skates at age 10. But the physicality of the game started to rattle him as he entered his 50s. "You run into these lunkhead guys who think they are in the NHL and take the game way too seriously," he says.

Mr. Peterson, 61, decided to stop playing in his hockey league last year. But rather than give up the game completely, he now participates in group skates, which, he says, deliver a better workout. He pairs this ice time with mixed martial arts and boxing.

While league games last an hour with stop time, group skates are 90 minutes of nonstop action. Players use the honor system in lieu of a referee, which speeds up the game. There are usually 15 to 20 players, ranging in age from 35 to 72, at any given game. They throw their sticks in the center of the ice and the game organizer randomly tosses sticks into two piles to select teams. "It is a to-

tally different vibe," he says. "I can compliment a great play by an opponent without having my own colleagues frown at me."

The Naperville, Ill.-based owner of Performance Lighting Chicago, a lighting design and production company, credits 10 years of boxing and mixed martial arts training for keeping him physically and mentally fit for the ice.

"Mixed martial arts works your lower body, upper body and core, and it's improved my reaction time and agility, which translates on the ice," he says.

The Workout

Mr. Peterson plays hockey Wednesday afternoons and Thursday nights in Darien, Ill. During the winter he also plays Sunday mornings at an outdoor ice arena at a nearby YMCA. "A few weeks ago we played in a blizzard," he says.

Mr. Peterson's daughter, Jasmine, now 25, helped introduce him to mixed martial arts 15 years

Please see WORKOUT page A12

LIFE & ARTS

TELEVISION

A Hit German Drama Crosses The Atlantic

'Babylon Berlin,' set in 1929, has drawn attention for its portrayal of a society in flux

BY TOBIAS GREY

"Babylon Berlin," a lavish television series that chronicles the social turmoil leading up to the Third Reich, premiered last October in Germany and became one of the country's most-watched shows, just behind the seventh season of "Game of Thrones."

On Tuesday the German-language series begins streaming in the U.S. via Netflix, with subtitles. Though it is set in the 1920s, the show's depiction of crime, corruption and political unrest led German newspaper Die Zeit to note its "almost eerie parallels to the present."

"At the time people did not realize how absolutely unstable this new construction of society which the Weimar Republic represented was," says series co-director Tom Tykwer. "It interested us because the fragility of democracy has been put to the test quite profoundly in recent years."

Hitler's name is only mentioned once during the show's first sea-

son, and then only when he is referred to as a joke candidate. In the German federal election of 1928, Nazis won a mere 2.6% of the vote. Five years later, they took 44%.

Based on novels by the German crime writer Volker Kutscher, "Babylon Berlin" cost about \$40 million, making it one of the most expensive German TV series ever made, according to a spokeswoman for Beta Film, which sold the series in 60 countries. It is also the first German co-production between a public broadcaster, ARD, and a private one, Sky, she said.

Co-written and co-directed by Mr. Tykwer and fellow German filmmakers Henk Handloegten and Achim von Borries, the show required 180 days of shooting, nearly 300 locations, 5,000 extras and features a jazzy soundtrack from Bryan Ferry. It stars 37-year-old Volker Bruch—one of the leads in the Emmy-winning "Generation War"—as Gereon Rath, a haunted, self-medication police commissioner from Cologne who is transferred to the vice squad in Berlin,



Volker Bruch plays Gereon Rath, a police inspector transferred from Cologne to Berlin in 'Babylon Berlin.'

a city he knows little about.

"The city swallows him up in a big breath," says producer Stefan Arndt, who helped develop the show. "Cologne is old-fashioned, while in Berlin there's sex, drugs and women with short hair."

One of these women is Charlotte Ritter (Liv Lisa Fries) who supports her impoverished family by working

as an archivist for the police by day and a prostitute by night. Her dream is to become the first woman to be employed as a detective in the all-male Berlin police force.

"By 1929, new opportunities were arising," says Mr. Tykwer, whose fast-paced direction is reminiscent of his 1998 breakout film "Run Lola Run." "Women had more possibilities to take part in society, especially in the labor market as Berlin became crowded with new thinking, new art, theater, music and journalistic writing."

Nonetheless Mr. Tykwer says that he and his co-directors were determined not to idealize those days. "People tend to forget that it was also a very rough era in German history," the 52-year-old director says. "There was a lot of poverty, and people who had survived the war were suffering from a great deal of trauma."

Mr. Rath's first case when he arrives in Berlin is to bust a pornography ring whose members have been covertly filming prominent public figures having sex with prostitutes. The show also examines police brutality toward communists in the Weimar Republic and the stealthy, post-World War I buildup of a secret army that is far greater than the one permitted by the Treaty of Versailles.

"From an historical perspective the series is very acute in showing how Weimar democracy was under attack both from the communist

left, as well as by traditional conservatives, in a kind of unholy alliance," says Thomas Weber, a German historian not involved with the show. His 2010 book "Hitler's First War" is in development as a TV series.

By the end of season two of "Babylon Berlin," which has already aired in Germany, the Nazi Party is beginning to make its xenophobic presence felt, as citizens grow disillusioned with the Weimar Republic—a period Mr. Weber sees as mirrored in Germany today with the rise of the far-right Alternative for Germany party.

The AfD has rejected any comparison with the Nazi party. But it is robustly anti-immigration and some of its leaders have called for a reassessment of 20th-century German history.

On Netflix, the two eight-episode seasons of "Babylon Berlin" are joining other foreign-language shows available to U.S. subscribers, including France's "The Frozen Dead," South Korea's "Black" and Spain's "La Casa de Papel."

Mr. Handloegten says the show's third season, now being written, will encompass the 1929 stock market crash, which was devastating to Germany's working class.

"One of the main reasons to make 'Babylon Berlin' was to show how all these Nazis did not just fall from the sky," he says. "They were human beings who reacted to German society's changes and made their decisions accordingly."



Tom Tykwer, middle, previously directed 'Run Lola Run' and other films before tackling the TV series 'Babylon Berlin.'

WORKOUT

Continued from page A11
ago. "Now when she's home, we spar. At Thanksgiving, I thought I could hold her off, but she locked me in a choke hold seven times." His new favorite style is Brazilian jiu-jitsu, which focuses on ground fighting and self-defense. He also boxes. "I love the rhythm of the mitt work: jab, cross, slip, slip, jab, roll under, hook," he says. "And it's kind of fun hitting things hard, but not another person."

He boxes for one hour and then does a 75-minute Brazilian jiu-jitsu class twice a week. He takes an additional 75-minute jiu-jitsu class Wednesday mornings. "I skip the boxing so I have energy for afternoon hockey," he says.

Mr. Peterson is religious about stretching after hockey and before bed. He says performing stretches such as the iron cross, where you lay on your back, raise a straight leg in the air and lay it back down to the ground across your body while keeping arms outstretched in a T-shape and shoulders on the ground, have helped alleviate lower-back pain.

The Diet

In the morning, he eats blueberries, blackberries, raspberries and strawberries and Quaker Oats with raisins and apples. His guilty pleasure is Frosted Mini-Wheats. A "not too yellow" banana is his go-to post-workout fuel. He also enjoys a protein powder shake and mixed nuts. He tends to skip lunch.

Throughout a hockey game he keeps hydrated with diluted Gatorade G2, a low-calorie version of the sports drink. Dinner might include short ribs, kale and a spinach salad. "Five minutes before dinner is served, my wife yells out, 'Honey, go ahead and make your broccoli,'" he says. "She won't eat it, but that is my power food. I steam it in the microwave to go with almost every meal."



The Gear & Cost

Mr. Peterson bought his Bauer Vapor skates for \$950. He owns a half-dozen high-end sticks ranging from \$100 to \$300 each. Protective gear cost just over \$1,000 and includes helmet, shoulder and elbow pads, gloves and shin and ankle guards.

He contributes between \$15 and \$20 for ice time.

Mr. Peterson pays \$135 a month for MMA and boxing classes at Carlson Gracie Team MMA studio in North Aurora, Ill. He wears a gi, a kimono-like outfit comprised of pants, a jacket and a belt (\$100) made by Fuji, with a 100% polyester Nike Dri-Fit shirt (\$35) underneath.

"I perspire a great deal when I work out, and this fabric wicks so well that I barely look like I'm covered in sweat," he says. His Ringside boxing shoes cost \$56 and his Title Gel boxing gloves cost \$120.

Mr. Peterson, top and below left, takes Brazilian jiu-jitsu and boxing classes at Carlson Gracie Team MMA studio in North Aurora, Ill. He says they have helped his agility and stickhandling, respectively, when he plays hockey.



How to Shift Gears on Your Favorite Sport

Competition motivates many people to push harder, but too much pressure can have the opposite impact on performance.

"The stress of pushing oneself can be a real positive thing," says David Coppel, a clinical sports psychologist at the University of Washington. "But sometimes, it can get to a point where it has detrimental effects and impacts how you perceive yourself." Dr. Coppel says competition is a highly individual experience.

"Some people are more comfortable not being challenged," he says. "Whereas other people can turn a recreational situation into a highly competitive one because they crave that pressure."

He says it's important to ask yourself how you feel if you don't perform well. Can you say, "This is great. I'm being challenged and progressing," or do you feel badly about yourself? If you start to get preoccupied with performance or winning to the point it affects your sleep or causes anxiety, he says, it may be time to take a break or join a less competitive league.

Runners might consider ditching a watch to monitor their splits, for example. If you find the activity is becoming less fun, it's probably time to re-evaluate, Dr. Coppel says. "Try to return to the origin of why you started doing the activity in the first place," he says. "A lot of times, if you only focus on the outcome, you miss out on the scenery along the way."

LIFE & ARTS

ART REVIEW

Renaissance Artist Cloaked in Mystery

BY JUDITH H. DOBRZYNSKI

Washington
JUST AS THE NATIONAL Gallery of Art was about to close its widely heralded "Vermeer and the Masters of Genre Painting" in its premier exhibition space, it was hanging the works of an earlier Northern European artist in a gallery off to the side. "Michel Sittow: Estonian Painter at the Courts of Renaissance Europe" lacks the branding power of Vermeer and is unlikely to draw his crowds—sadly. No-shows will be missing out on a superb exhibit of paintings by a powerful, somewhat mysterious painter who deserves to be better-known.

Sittow (c. 1469-1525) was popular in his day, painting for monarchs including Isabella of Castile, Margaret of Austria and Christian II of Denmark. He was born in Revel, now Tallinn, the capital of Estonia. He first studied with his artist father, then left in his mid-teens for Bruges, where he is thought to have been a pupil of Hans Memling, the city's pre-eminent artist. He was hired by Isabella at age 23—as her fifth-highest-paid official—and moved with her court around Spain from 1492 to 1502. He also traveled to Brussels, Copenhagen, back to Tallinn, and probably elsewhere in Europe.

Yet this is the first monographic exhibition of his work. It came about as part of Estonia's celebration of the 100th anniversary of its proclamation as an independent republic in 1918, following the dissolution of the Russian Empire. The National Gallery was a natural partner because it owns two paintings by Sittow, including the brilliant "Portrait of Diego de Guevara (?)" (c. 1515/1518), which is arguably his best work.

Correction: his best known work. Sittow apparently never signed his paintings. In records, he is listed under various names and confused with others with the same given name. His works were copied. Over the years experts had attributed some of them to



NATIONAL GALLERY OF ART, WASHINGTON (2)

Jan Gossart, Hans Holbein the younger or others, and he was largely forgotten until the early 20th century. Despite attempts to catalog Sittow's works, no one knows the extent of his surviving paintings: a 2011 catalogue raisonné lists 111 works as by Sittow but confirms him as the artist in only 13 cases.

All but one of them—his "Christ Carrying the Cross" (c. 1518/1525)—is here. Owned by the Pushkin State Museum in Moscow, it was not lent because a court ruling in a completely unrelated claim could allow American authorities to seize any

Russian artwork in the U.S. in enforcement. They are accompanied by some "attributed to" and workshop paintings, plus a sampling of works by Memling, Gossart and Juan de Flandes, who also served Isabella.

Sittow's paintings fall into two categories: portraits and small religious narrative scenes, including two commissioned by Isabella as part of a 47-piece devotional suite. One, "The Ascension of Christ" (c. 1500/1504), is a delicately rendered tableau unfortunately marred by dark varnish and water damage. The other, "The Assumption



Michel Sittow's 'Portrait of Diego de Guevara (?)' (c. 1515/1518), left, and 'The Assumption of the Virgin' (c. 1500/1504), above

tion of the Virgin" (c. 1500/1504), is incandescent—a demure Mary, clad in a dazzling blue robe and attended by a flock of angels, rises above the earth, shown as a little landscape, to meet a gleaming gold crown, held in place by three additional angels. Here and there, Sittow piles up the paint—adding a three-dimensional glint to that crown, for example.

Still, while admittedly difficult to judge from such a small number of works, Sittow's greater gift seems to lie in his portraits. Finely modeled, refined in style, rendered in rich but subtle colors, they usually share the pose of many of Memling's works—a three-quarter view of the sitter against a dark background. They are very true to life, down to tiny details like the dirty fingernails and stubble on the face of "Portrait of a Man" (c. 1510), which was once attributed to Jan van Eyck, and the deep furrow between the eyes in "The Portrait of the Man With the Pearl" (1515-17).

Where Sittow seems to outshine other painters of his era is in the way he paints textiles, like the diaphanous veil draped over the forehead of "Portrait of a Woman" (early 16th century), and textures, especially fur, like the mink collar worn by the man with the pearl. They are completely realistic, showing color variations, wear and natural folds.

These talents all come together exquisitely in the De Guevara portrait, which was part of a diptych, and its other half, "Madonna and Child" (c. 1515/1518). A Spanish courtier and ambassador (who once owned Van Eyck's masterpiece,

"Arnolfini Portrait"), De Guevara looks adoringly at the infant Jesus in a way best described by the exhibition catalog—"with a pensiveness bordering on melancholy that in its humanity is without parallel in early Netherlandish art." Mary and her baby are less distinctive in their pose and emotion, but very tender: With downcast eyes, she looks lovingly at her child while he touches her chin.

This rewarding exhibition, curated by the Gallery's John Oliver Hand and Greta Koppel of the Art Museum of Estonia, left me with a fanciful hope: that a search of storerooms and attics would turn up more paintings that can be reliably attributed to Sittow.

Michel Sittow: Estonian Painter at the Courts of Renaissance Europe
National Gallery of Art, through May 13

Ms. Dobrzynski writes about culture for many publications and blogs at www.artsjournal.com/realecleararts.

FILM

A PIONEER'S LONG RUN IN SKI FILMMAKING

BY JOHN JURGENSEN

WARREN MILLER, a trailblazer in skiing films who died Wednesday at age 93, was famous for his mountain footage, but he really built his business on the road.

The World War II vet turned ski bum made his first film in 1950, screening it for West Coast ski clubs that asked him to come back the next year with a new one. Soon he was barnstorming theaters around the country, creating an annual ritual that many ski communities anticipated like the first snowfall.

Mr. Miller took a new powder-packed documentary on tour every fall. Local ski clubs, shops and resorts sold tickets. And snow-starved audiences gathered in theaters to watch elite skiers on screen and get psyched to hit the slopes themselves.

Mr. Miller sold the film business in 1989 and later abandoned his role in producing and narrating the films. But his roadshow model never stopped. This season, the company that still bears his name did 152 screenings in 88 cities with its latest film, "Warren Miller's Line of Descent." It sold 305,000 seats, up 6% from last year.

The brand has survived despite shifting trends in snow sports, several sales of Warren Miller Entertainment (which at one point battled Mr. Miller in court) and business decisions made by the filmmaker that even he questioned.

"You don't enter the ski filmmaking business to make money, at least not with me running the show," Mr. Miller wrote in his 2016 autobiography "Freedom Found."

The longevity of the Warren Miller theater tour is surprising too because of the avalanche of competing video producers, from massive marketers like Red Bull to everyday skiers and snowboarders armed with Go-Pros, camera drones and YouTube accounts.

"We get that question a lot: How does this still work?" says Andy Hawk, managing director of Boulder, Colo.-based Warren Miller Entertainment.

The arrival of a Warren Miller film each year has continued over generations in some ski and snowboard communities. "It's as much a rock concert as it is a ski movie for a lot of people," Mr. Hawk says.

Five crews and hosts hit theaters throughout the fall. The title sponsor of this year's film is Volkswagen; other sponsors include travel companies and equipment manufacturers. Ticket sales, though, remain the primary source of revenue, Mr. Hawk says. The movies get a digital and DVD release but only after the season's theatrical tour is over.



Warren Miller in Sun Valley, Idaho, in 1951.

Into the 1960s, when Mr. Miller was still shooting and editing himself, he crisscrossed the country in a station wagon with his skis, "often filming during the day before showing the film at night," he wrote. He hosted every screening and narrated the films live, introducing them with the theme song to "Dragnet"—which he played on a reel-to-reel tape recorder to avoid licensing fees.

Mr. Miller's films created a mini-economy for local groups. In Connecticut, the Hartford Ski Club booked his films at the Bushnell theater starting in the 1950s. Annual ticket sales over some 17 years allowed the club to pay off the mortgage on the lodge it owns at the Mad River Glen resort in Vermont, club historian Mark Vining says.

The industry was booming in the '60s and '70s, with new venues, sponsors and revenue sources, as Mr. Miller documented the rise of extreme skiing on the slopes. He sold the company in 1989 to his son, Kurt Miller, and Kurt's partner, Peter Speek. They sought big sponsors outside the ski industry.

"Beer and airline money," Mr. Speek recalls. "That upset Warren because he was a purist and a rabble rouser."

One of the biggest barriers to entering the snow-doc business—the cost of film stock and camera gear—fell with the advent of digital video. Still, Warren Miller continued to draw top athletes and filmmakers. "We were at the top of the mountain, so we always had the best people," Mr. Speek says.



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SPORTS



Roger Federer
celebrates after beating
Marin Cilic to win the
Australian Open.

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TENNIS | By Jason Gay

Federer Again? It's Getting Crazy.

Another Australian Open championship gives the tennis legend 20 Grand Slam titles. Catch him if you can, fellas.

It's supernutso-bananas that we're here again, but we're here again.

Roger Federer has won another Grand

Slam. This one, at age 36.

OK, so he's 36. But you know what I mean. If you follow tennis, you did not see this coming a couple of years ago. After collecting a record 17 major tournaments, Federer cooled off as he entered his 30s. He remained one of the best players in the world, but he wasn't winning tennis's most prestigious trophies. After Wimbledon in 2012, he didn't win a Slam for almost five years.

This was normal. Federer was getting older, creakier. He even hurt his knee giving his kids a bath, in the world's most Dad injury ever.

Now Daddy Fed's won three of the last five majors, after an up-and-down five-set triumph over Marin Cilic Sunday at the Australian Open. That means back-to-back men's singles title trophies in Melbourne for a man who won his first of six in Oz in 2004. That means 20–20!—major titles in total, improving on Federer's own men's singles record. The closest

guy in the men's Slam chase rear view is Rafael Nadal, with 16.

As I said: it's *supernutso-bananas*. Last year we were calling this a Federer revival. I don't think it's a revival anymore. It's a whole new chapter—Federer re-writing the rules for what's possible for an aging player in Open-era men's singles.

Truthfully, Federer's real contemporary is his fellow 36-year-old legend Serena Williams, who has 23 Slams, is hanging out at home with her young daughter, is thrilled for her buddy Caroline Wozniacki (who won her first Slam Saturday in the Australian Open women's final) and will be a favorite whenever she decides to return to tennis.

You're lucky, folks. You lived in an era in which you can order a burrito on an iPad, and you saw Serena and Roger.

Slams are never easy, though. Cilic, who knocked out a hobbling Nadal in the quarters, made Federer work for No. 20. The Journal's tennis czar, Tom Perrotta, told you it wouldn't be easy—and the 29-year-old Croatian gave Federer a much harder final than he did last summer at Wimbledon, where Cilic was undone by blisters.

But Federer—to re-emphasize,

the man is 102 years old, with 12 great-grandchildren, and a *print subscription* to several newspapers—has been here again and again and again. Five sets to him is a bowl of oatmeal. Nice, but he's not going to freak out.

That fifth set Sunday? After Federer fended off break points in the first game, it was a calm canoe trip. The Fed-Maniacs must have enjoyed that it wasn't so stressful.

Federer 6-2, 6-7(5), 6-3, 3-6, 6-1.

I have often thought of the Fed-Maniacs during this renaissance (and who is kidding whom—I'm basically a Fed-Maniac myself) and how they stuck with him during that near-half-decade in the wilderness—the heartbreak losses; those stunner upsets to unknowns; those injuries that shut his season down in 2016.

But those losses and injuries did something: they humanized Federer. Gone was the Swiss superhuman who made it all seem so routine. Federer became vulnerable. He developed skeptics, people who thought he should quit before it got sad. He'd heard that cynicism before. After Sunday's final old Journal pal and "Thirty Love" tennis podcaster Carl Bialik posted a piece from the Guardian in 2008 arguing

that Federer may have peaked and might not win another Slam.

That was 2008! George W. Bush was still in office! So you can't call this a comeback for Federer. It's a whole new deal. Even Tom Brady's like: *wow, what Roger Federer's doing is pretty nuts.*

This is the part where you tell me: *OK, buddy, you have to talk about the injuries to the competition.* And it's a fair point. Last year, I always made sure to note that Federer's ascension was happening at a time when nemeses like Novak Djokovic, Andy Murray and even Stan Wawrinka were banged-up and on the bench. And those dudes are still struggling.

Murray just had hip surgery. Djokovic and Wawrinka were back for Australia, though it's clear they're not yet anywhere near 100%. Nadal had to quit early himself.

At the same time, I'm starting to think that the "yeah, but" is unfair. Yes, tennis can occasionally give you an easier road—Federer cruised in Melbourne, not surrendering a single set until Cilic, and his semifinal opponent, South Korea's Hyeon Chung, retired from injury in the second set—but there's always lucky breaks and in-

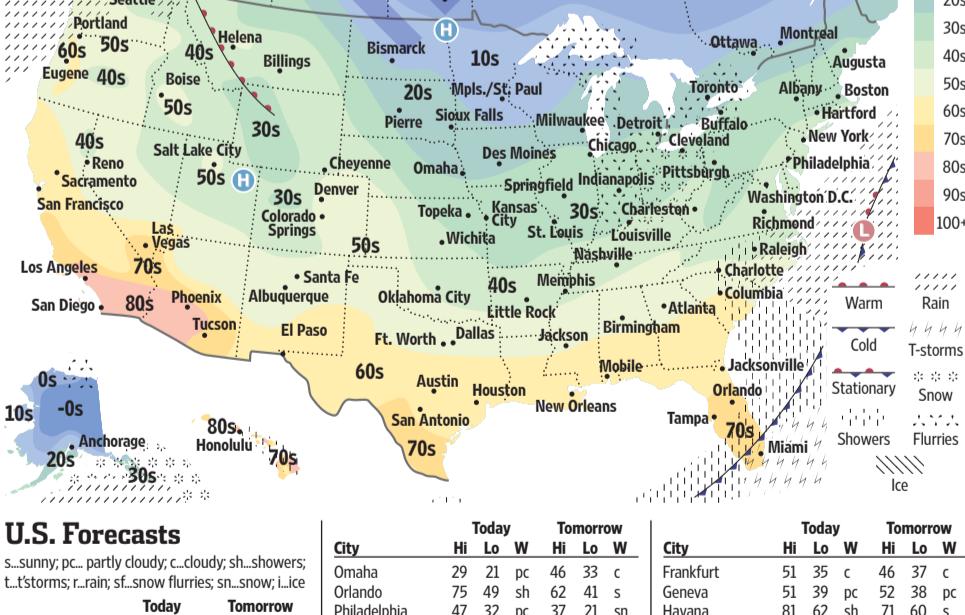
juries here and there. Durability needs to count for something.

Besides, Federer isn't simply the Last Man Standing. He's very clearly playing better tennis than he was a few years ago. He switched up equipment, remodeled his game—shortening points, and turning his elegant one-handed backhand into a devastating weapon. He listens to his body, plays less, picks his spots. We'll see, but it's possible that Federer will again hibernate during clay-court season, as he did last year, and come back fresh for Wimbledon.

Men's tennis is transforming, as it should. Rafa and Roger continue to roll—No. 1 and No. 2 in the world at the moment—but it's possible we'll never get back to the Masters of the Universe "Big 4" era with Andy and Nole. There are impressive young stars like Chung, Sascha Zverev, and Denis Shapovalov, and Nick Kyrgios is going to put it together one day. Hopefully, Grigor Dimitrov, too.

But I should get out of the tennis prediction business. All of us should. I just saw Roger Federer win his 20th Grand Slam, and I don't know what to believe anymore. It's *supernutso-bananas*.

Weather



U.S. Forecasts

S...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

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The WSJ Daily Crossword | Edited by Mike Shenk



SO TRUE! | By Zhouquin Burnikel

Across

- 1 Part of a three-piece suit
- 5 Dirty trick on the campaign trail
- 10 Giant Mel in Cooperstown
- 13 Poker hand payment
- 14 Bald nestling
- 16 "Shoulda worn my jacket!"
- 17 *Industrial Revolution power source
- 19 Language spoken along the Mekong River
- 20 Drink slowly
- 21 Airport screeners' org.
- 22 Sign up
- 24 Sign after Pisces
- 26 *Family time for Monopoly, say
- 29 Tear into pieces
- 30 Bigfoot's Himalayan cousin
- 31 Walk back and forth
- 32 Sense of self
- 34 Injury remnant
- 36 *Sing, in a way
- 38 "Anyone agree with me?" and a hint to what's hidden in the starred answers
- 39 Language spoken along the Mekong River
- 40 'Holy cow!'
- 43 Fundraising event
- 44 Binary base
- 45 "Yeah, right!"
- 47 ___ out (scraps by)
- 49 "Dancing Queen"
- 53 *Sing, in a way
- 56 Maker of Asteroids and Space Invaders
- 57 Enjoy, as a dog's bone
- 58 Beret or beanie
- 60 ___ Misérables"
- 61 Great deal
- 62 *Voice of Elsa in "Frozen"
- 66 Cain's mother
- 67 Cooking aid
- 68 Bring down
- 69 Downcast

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

70 Sides in an unending battle

71 Flexible cards in blackjack

30 Exercise on mats

33 Band's engagement

35 Industrial insects

36 Inexperienced

38 Lothario

39 Full of spirit

40 Grade sch. level

41 Castle protection

42 Botches badly

46 Not many

48 Outfox the prison guards

50 "La Comédie Humaine" author

51 Gentle wind

52 Grocery store paths

54 Dark film genre

55 Machu Picchu's range

56 King Kong, for one

59 Home of Iowa State

63 Cubes in a glass

64 Say no to

65 Armed org.

Previous Puzzle's Solution

TAXI	DAMP	AMPAKS
OMAR	EGOS	RAITI
INCA	CALIFORNIA	LOT
ELIE	AND HIDE	LAVE LUSTER
ELF	ROBE	REASON
PIEFACED	ELIE	OPEL KIMONOS
KILO	TAKEAHIT	ITALIA SINO BIT
KANSAN	ONES ENE	GOLDENGATE RELY
ELIE	AND HIDE	OTTER EVER OREL
ELF	ROBE	MESS OGRE

The contest answer is FAULT. The names of three California faults (CALAVERAS, SAN ANDREAS and ELSINORE) are found in the broken pieces in the grid, with starts and ends indicated in the clues.

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage Atlanta Austin Baltimore Boise Boston Burlington Charlotte Chicago Cleveland Dallas Denver Detroit Honolulu Houston Indianapolis Kansas City Las Vegas Little Rock Los Angeles Miami Milwaukee Minneapolis Nashville New Orleans New York City Oklahoma City

Hi Lo W

Hi Lo W

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage Atlanta Austin Baltimore Boise Boston Burlington Charlotte Chicago Cleveland Dallas Denver Detroit Honolulu Houston Indianapolis Kansas City Las Vegas Little Rock Los Angeles Miami Milwaukee Minneapolis Nashville New Orleans New York City Oklahoma City

Hi Lo W

Hi Lo W

OPINION

The Truth in Trump's Vulgarity

AMERICAS
By Mary Anastasia O'Grady

In a closed-door meeting with lawmakers in the Oval Office on Jan. 11, President Trump is alleged to have used a vulgarity to describe the origin countries of some immigrants, including Haitians and Salvadorans. Or so Sen. Dick Durbin (D., Ill.) claimed, in an obvious attempt to embarrass Republicans.

Mr. Trump denies having used the expletive. Yet the gist of the remark is grounded in fact: A great many migrants to the U.S. are fleeing insufferable conditions, driven by poor governance. People vote with their feet.

At a Senate Judiciary Committee hearing Jan. 16, New Jersey's Sen. Cory Booker ranted for 11 minutes at Homeland Security Secretary Kirstjen Nielsen because she would not corroborate Mr. Durbin's claim that the president had used a bad word in the meeting.

Mr. Booker's histrionics bordered on parody. But the real trouble with all the righteous indignation from him and others about the alleged Trump insult is their cluelessness.

It should be obvious that when there's no rule of law or property rights or strong civic institutions, daily life often degenerates into chaos. What is more, there is a long history in Mr. Booker's party

of supporting the ambitions of power-hungry, corrupt demagogues and left-wing populism in the Western Hemisphere.

It's silly to ask why there are not more migrants to the U.S. from Norway, which has one of the highest standards of living in the world. Economically secure nations do not generate large waves of emigration.

The irony of Mr. Booker's outburst is that most migrants, by pulling up stakes, have shown that they agree with Mr. Trump—whether they admit it or not. They feel so strongly about it that they've left loved ones, gambled life savings and set off on precarious journeys to find better lives. The squalor of their homelands is not for them. They think they can do better.

Yet if Mr. Booker doesn't understand the hell that migrants often leave, Mr. Trump doesn't understand the value they bring with them. The president doesn't want the U.S. to take in so many "huddled masses yearning to breathe free" as Emma Lazarus called them in her famed 1883 poem, "The New Colossus." He prefers a merit-based system that would award points for attributes like education, skills and English-language proficiency.

This is not racism, and providing that Mr. Trump doesn't sharply cut immigration at the same time, it is not nativism. But it is likely a mistake. The U.S. has been built on the hard work of hungry migrants willing to make sacrifices for

a future generation. They are ambitious risk-takers like none other.

It is doubtful they will be stopped. The U.S. has a large number of illegal workers because the labor market absorbs them. Most Americans don't think it should be a crime to work, so employers ignore the law and hire them. The underground economy swells.

Migrants leave their homes for a reason—often fleeing chaos from poor governance.

I've never met an immigrant delivering fast food on a bicycle in the middle of winter in New York City who wouldn't rather be home in the village where he was born and raised—if it offered him a future. The most humanitarian thing people like Mr. Booker could do is to support U.S. policies that encourage more Norways and fewer Haitis. That is to say, policies that promote open markets, limited government, low taxes and reliable legal systems.

The secret to this is not something that can be bottled and exported, and nation building has a dismal record. But rich countries like the U.S. might help if they would take a Hippocratic oath: First, do no harm.

Mr. Booker's "tears of rage," which he professed to have felt

upon hearing Mr. Trump's alleged characterization of migrant homelands, is especially rich given the history of his party.

Haiti's Jean-Bertrand Aristide was a corrupt tyrant. But he shared the wealth with Democrats, going into business with Joseph P. Kennedy II and Clintonista "Mack" McLarty in a telecom scam that I documented in a 2008 column. The partnership happened to coincide with the years when President Clinton protected Mr. Aristide, even as he pillaged Haiti.

Connecticut Sen. Chris Dodd threw a hissy fit when the Venezuelan military tried to force Hugo Chávez from office for his violations of civil liberties in 2002. More recently, the Obama administration insisted on pouring millions of dollars into El Salvador, while the ruling FMLN party, made up of former guerrillas, tore up contracts and threatened its political opponents.

Competition through free trade is one of the best ways to force countries into reform. But Democrats have long resisted open commerce with Latin America, most recently with the Colombia free-trade agreement signed in 2006. Now Mr. Trump has joined them.

Millions have fled these countries. Their migration is a familiar American story. Caring about them includes admitting that they left for a reason.

Write to O'Grady@wsj.com.

BOOKSHELF | By George Melloan

When Assets Are Intangible

Capitalism Without Capital

By Jonathan Haskel and Stian Westlake
(Princeton, 278 pages, \$29.95)

Why is an airliner like a song? Both can be capital assets, according to Jonathan Haskel and Stian Westlake. An airliner is tangible capital, a song intangible. The two British authors argue that the growing importance of intangible capital requires us to change the way we think about business in postindustrial economies.

Intangible capital, as defined by the authors, is not new. One could argue that the Phoenician alphabet, invented three millennia ago, was software, the capital base for the spread of knowledge throughout the ancient world. Today management gurus write about "human capital" and the "knowledge industry." We all know that most people in the developed world make their living delivering services, some of which could be regarded as intangible capital, rather than producing goods.

Intellectual property is a big concern in global trade negotiations.

But the historical view of "capital" as something tangible persists and limits our thinking, the authors argue. To be sure, exactly which intangible assets qualify as capital can be debated endlessly. In "Capitalism Without Capital," the authors choose a broad definition and explore its implications.

In so doing, they provide insights into some puzzling questions.

For example, why is Uber, a company with few assets and huge losses, so popular with investors? Why are stock-market prices soaring at a time when capital investment, as typically measured, is creeping upward at only a 4% annual rate? Why are banks losing their role as business lenders to other forms of finance, such as private equity? Why haven't rock-bottom interest rates spurred more economic growth? Why is income inequality suddenly a political issue again?

There are lots of possible answers to these questions, but the authors start by offering two broad responses: "We are now trying to measure capitalism without counting all the capital"; and "the basic economic properties of intangibles makes an intangible-rich economy behave differently from a tangible-rich one." To explain the difference, they cite what they see as the four distinctive "S's" of intangible capital that set it apart from the tangible kind: sunk costs, scalability, spillovers and synergies.

By sunk costs, they mean that if an intangible investment fails to produce a salable product, there is little that investors can do to recover some of their stake. If you have invested in training employees to manage the algorithms that are the basis for your business, your investment can literally walk out the door. But if a tangible investment fails, you can at least sell the factory and machinery. Intangibles trouble bankers who are accustomed to collateral that they can lay their hands on in case of a default.

In today's postindustrial world, our thinking about capital—how it should be measured, how it acts in the economy—is badly out of date.

If an intangible investment succeeds, you can usually go big quickly at little additional cost—that's what scalability refers to. The authors cite the British company Electric and Musical Industries Ltd., which owned the rights to the Beatles catalog in the 1960s. When a global public clamored for Beatles music, EMI could run off records by the millions at a handsome profit. Beatles music accounted for 30% of EMI's profits in 1967. The authors note that Google rose out of a pack of search-engine developers and quickly scaled up to industry dominance. That sort of thing doesn't usually happen with tangible investments. To scale up the production of autos, for example, you need time and a great deal more investment.

Spillover is another risk that bankers worry about. EMI used its Beatles cash partly to develop the now-ubiquitous CT scanner for medical diagnosis. But intangibles—in this case, the idea behind an invention—can spill out to other companies that are more skilled at product development and marketing. GE and Siemens, not EMI, cashed in on CT scanners.

The fourth "S" is synergy. Unlike tangible capital, intangible investments often mate up with one another to form a marketable product. The authors cite the microwave oven. The idea was born when a Raytheon engineer, Percy Spenser, found that magnetrons, a radar component, could heat food. In the 1960s, Raytheon bought Amana, an appliance manufacturer, and together they produced microwave ovens.

All this sounds a bit formulaic, but Messrs. Haskel and Westlake enliven their book with anecdotes and reach some thought-provoking conclusions. They find that today's much-debated inequality is increased dramatically by what occurs at high income levels and results partly from the growing importance of intangibles. Entrepreneurs like Bill Gates and Mark Zuckerberg built companies capitalized with intangibles and quickly became wealthy on the scalability of their assets. Managing or producing intangibles, the authors suggest, often requires more talent, and that talent has a price tag. The concentration of such companies in places like Silicon Valley sends property values upward, creating pockets of wealth far more opulent than the home bases of traditional factories.

Alongside calls for improving education and encouraging research and development, Messrs. Haskel and Westlake think that "government should create the conditions for a shift from debt to equity financing," partly through changes in tax policy, which now favors debt with interest deductibility. Their logic is that, since intangibles rely heavily on equity investment, equalizing the tax burden would hasten the reaping of benefits from this growing sector of the economy.

Some readers might argue that "Capitalism Without Capital" restates much that we already know, but the authors make a good case that we don't know as much as we think because some of our tools for measuring economic performance are out of date. It is certainly believable that, in the 1960s, a big part of EMI's capital base was "I Want to Hold Your Hand."

Mr. Melloan is a former deputy editor of the Journal editorial page and author of "Free People, Free Markets: How the Wall Street Journal Opinion Pages Shaped America."

What About Social-Media Neutrality?

By Daniel Gallant

Most arguments about "net neutrality" neglect an important reality: The internet most of us use is already far from neutral, thanks to the profit-focused algorithms and opaque content guidelines by which social-media companies such as Facebook, Twitter and Instagram govern their sites.

Through these personalized online portals, we read news stories, share videos, learn about our friends' lives, and discuss social trends. But these platforms don't treat all content equally or distribute it fairly. Facebook and Instagram manage content in a decidedly nonneutral manner, using pay-to-play tactics that favor deep-pocketed advertisers and marketers versed in content targeting.

Whereas some paid promotions reach millions of Facebook and Instagram users, these platforms' policies ensure that most unpaid content reaches few. Many Facebook users have seen the audience response for their nonpromoted posts shrink recently. If your holiday posts received half as many likes as in past years, it isn't necessarily because your content is stale or your friends have lost interest. Instead, the platform you use might have changed its algorithms to compel you—and the entities vying for your attention—to spend more on posts. Even if you're an amateur photographer or a recreational blogger, and particularly if

you're a sole proprietor or small-business owner, Facebook wants to convert you from an "organic" user to a paying customer who boosts posts and buys ads.

For the past decade, I've used social media to market arts programs for the Nuyorican Poets Cafe, Arts Japan 2020 and other organizations. Social-media marketing has undoubtedly improved the fortunes of these small businesses and nonprofits, as well

Facebook's algorithms have outsize power, both culturally and economically.

as many other institutions. But the platforms we use are fickle. Even experienced online marketers can be stymied when Facebook and Instagram tweak their algorithms to favor one type of content over another, to reduce the impact of posts from certain groups, or to prioritize paid material in a new way.

If you post a Facebook update without "boosting"—paying for it—the post may reach between 1% and 5% of the people who like your page. It probably won't be seen by anyone who doesn't already follow you on social media, unless a bunch of your fans or friends repost it. But if you boost that same post for \$10, Facebook will show it to hundreds or thousands more customers.

Facebook claims to have improved transparency and enforcement, especially since the revelations about election-related posts from Russia and elsewhere. Recent tweaks, according to CEO Mark Zuckerberg, will democratize the vetting of news items and offer Facebook users "more meaningful social interactions." But we

Even then, your post could languish in obscurity, if it fails to meet Facebook's opaque content guidelines, which have been known to filter out innocuous material (Christmas cards, the names of certain cities) while allowing fact-challenged content from extremists to flourish.

The visibility of posts varies tremendously, depending on how desirable the target audience is to various advertisers. Five dollars might allow you to reach 50 big-spending New England Patriots fans or 2,000 unemployed students. The cost to reach a particular audience shifts constantly and is not disclosed until after your ad has run.

Facebook's nonneutral landscape is inscrutable and forbidding. Trial-and-error experiments help businesses and nonprofits improve their return on social-media investment, but many small entities can't afford to do market research. Some companies give up on social media advertising entirely if their first campaign fails. It's frustrating to learn that your value as a customer and your expenses as a marketer fluctuate at an algorithm's whim.

Facebook claims to have improved transparency and enforcement, especially since the revelations about election-related posts from Russia and elsewhere. Recent tweaks, according to CEO Mark Zuckerberg, will democratize the vetting of news items and offer Facebook users "more meaningful social interactions." But we

have no way of knowing the extent or soundness of a corporate entity's policy reforms. We do know that Facebook's experiments with shifting content guidelines sometimes hurt free speech and small businesses' finances.

As social-media activity continues to dominate internet use, the survival of small businesses and nonprofits will increasingly depend on their online marketing strategies. And social-media companies offer powerful tools to help organizations compete.

But considering their huge impact on the finances of companies large and small, on the political system, and on every aspect of our interpersonal relationships, social-media platforms shouldn't be left to corporate self-policing. They should be regulated, ideally by a committee of representatives from the corporate, nonprofit and government sectors.

Regardless of whether net neutrality protections continue, regulation of social-media platforms could help even the online playing field and foster innovation, creativity and free speech while guarding against malicious manipulation of content.

Without regulation, the internet's most sprawling content marketplaces will continue to favor deep pockets and endanger free expression.

Mr. Gallant is executive director of the Nuyorican Poets Cafe and a social-media marketing consultant.

Mayors, Say No to Amazon

By Richard Florida

When Donald Trump handed Carrier a boatload of money in 2016 to save a handful of jobs in Indiana, many people shuddered. When Carrier pocketed the cash and fired some of the workers a year later, the skeptics nodded knowingly. But when Amazon dangles the opportunity to host its HQ2, asking the most progressive mayors on the planet to bend over backward to lavish it with corporate welfare, many excuse it away as required to compete for the jobs and investment this project will bring. It isn't. It is a disgrace.

The roster of mayors in Amazon's 20 finalist cities reads like a who's who of leading Democrats: New York's Bill de Blasio, Los Angeles's Eric Garcetti, Chicago's Rahm Emanuel, Washington's Muriel Bowser,

incentives, while proposing that the city make much-needed local investments in its workforce, transit and other areas.

At heart the HQ2 competition is a ruse. Amazon without a doubt already has a very good idea of where it wants to put its new headquarters. The map of the 20 cities on the short list has clusters that give away the game. New York City and Newark are next to each other. So are the District of Columbia, Northern Virginia and Montgomery County, Md. Clearly, Amazon wants to be in either the New York metro region or Greater Washington. (Jeff Bezos, not coincidentally, has homes in both.) Those five options are in four separate states, plus the capital—and states are the entities likely to contribute the most money to incentive packages.

Amazon's plan is surely intended to pit those five cities

and states against each other to come away with the biggest deal.

Will America's progressive leaders stand by as Amazon picks the public fisc? They don't have to. These big-city mayors must know one another. They could take the high road and organize a mutual nonaggression pact, pledging to renounce incentives for Amazon and compete on the merits.

It's often said we'd be better off if mayors ruled the world. If the mayors on Amazon's short list want to stay true to their progressive roots, they should stand together instead of allowing Amazon to divide and conquer.

Mr. Florida is a professor at the University of Toronto, distinguished fellow at New York University, and editor at large for the Atlantic's CityLab. His most recent book is "The New Urban Crisis" (Basic Books, 2017).

OPINION

REVIEW & OUTLOOK

Fusion's Russian Dirty Work

Media defenders of Fusion GPS and the FBI are criticizing as friends of the Kremlin anyone who dares raise questions about their behavior during the 2016 campaign. You almost have to admire their loyalty to sources, if not to readers. We'll wait for the evidence, thanks, including the memo that the House Intelligence Committee understandably wants to make public.

Meantime, regarding Russia, the recent Congressional testimony by Fusion founder Glenn Simpson deserves more attention—specifically for what it reveals about Fusion's campaign against Bill Browder, the human-rights and anti-Kremlin activist.

Mr. Browder hired Russian lawyer Sergei Magnitsky to investigate a 2007 Russian raid on Mr. Browder's investment company. Magnitsky ultimately exposed a financial fraud perpetrated by corrupt officials and the mafia. Russia responded by arresting Magnitsky and keeping him in pre-trial detention for 358 days, where he was tortured and denied vital medical care. He was found dead on a cell floor in 2009.

Magnitsky and his lawyers meticulously documented his abuse while in prison. His evidence was affirmed by multiple governments and outside organizations, including U.S. prosecutors. In a rare instance of bipartisanship, Congress in 2012 passed the Magnitsky Act, which sanctioned individuals involved in Magnitsky's death and other Russian rights abusers.

Russian President Vladimir Putin responded by banning U.S. adoptions of Russian children. The Kremlin then embarked on a disinformation campaign against Mr. Browder and Magnitsky, claiming they had defrauded the Kremlin and lied about abuse. A Russian filmmaker produced a "documentary" that spread the Kremlin lies.

Fusion was hired in 2014 to flog this Russian propaganda to help a Russian company named Prevezon that was the focus of a federal civil money-laundering case tied to the fraud Magnitsky uncovered. (Prevezon ultimately settled with the U.S. government for \$5.9 million, without admitting wrongdoing.) In his Senate testimony Mr. Simpson embraced his role as a Kremlin megaphone, confirming that he sought to question Mr. Browder's "credibility" and hound him with subpoenas, chasing him in public places and digging through his business records.

He accuses Mr. Browder of an elaborate

scheme (albeit without evidence) to defraud the poor Kremlin and of engaging in "unsupported wild allegations." He complains about Mr. Browder's refusal to answer questions from Prevezon (which is run by the son of a Putin crony). And he explains that he planted information about Mr. Browder's "activities in Russia" and his "history of tax avoidance" with U.S. media.

Mr. Simpson also speaks up for Natalia Veselnitskaya, the Kremlin-linked lawyer who worked for Prevezon and has headed the Russian lobbying campaign to repeal the Magnitsky Act. Recall that Donald Trump Jr. and Jared Kushner have been roundly and rightly criticized for meeting with Ms. Veselnitskaya in June 2016.

Yet Mr. Simpson accuses the Justice Department of interfering with her visa "to inhibit her from collaborating with us on the case." He admits to knowing she and others were engaged in anti-Magnitsky lobbying in Washington and that he helped get the anti-Browder documentary attention in Washington, D.C.

All of this goes to the question of Mr. Simpson's credibility and that of the Christopher Steele dossier he commissioned. Mr. Simpson in a recent op-ed claims he was motivated to protect the U.S. against a Russian "attack" and by his worry that Donald Trump was willing to engage with a "notoriously corrupt police state."

Yet Mr. Simpson admits to abetting one of the uglier Russian disinformation campaigns of recent years. Asked by investigators if he understood he was helping Mr. Putin, Mr. Simpson said it had been "presented" to him that he was working for a "successful real estate investor." He admits to knowing Ms. Veselnitskaya had worked for Russia's government but guesses that she was "not like a big political player in the Kremlin."

Mr. Simpson was doing this Kremlin dirty work at the same time he was working with Mr. Steele to compile the Steele dossier. He says he didn't share information about the dossier with Ms. Veselnitskaya or other Russians but he can't guarantee there was a "Chinese wall of separation" at his firm between the cases.

All of this is worth keeping in mind the next time you hear defenders say Fusion was merely a patriotic outfit trying to protect America from the Kremlin. Mr. Simpson admits that Fusion was paid to spread Kremlin disinformation to smear a critic and change U.S. law. Who was really serving Mr. Putin's interests?

Marquette and the First Amendment

A political-science professor who says Marquette University violated his employment contract's guarantee of academic freedom will get his day in court. Though a judge for a lower state court earlier ruled for the university, last week the Wisconsin Supreme Court agreed to John McAdams's request that it bypass the appeals courts and take up his suit directly.

Professor McAdams is now in his seventh semester outside the classroom because of a November 2014 post on his Marquette Warrior blog. The post criticized a graduate instructor, Cheryl Abbate, for telling a student with more traditional views that she would tolerate no dissent on same-sex marriage in her class on ethics.

After the post Ms. Abbate received several ugly emails. Mr. McAdams was blamed and pun-

ished, though he had nothing to do with those messages. The university contends that Mr. McAdams's offense is having identified a student by name—Ms. Abbate. The characterization is telling, because though Ms. Abbate was indeed a grad student she was also a paid employee of the university teaching a course. If any student was harmed here,

it was the Marquette undergraduate who was told there was no room for his views in Ms. Abbate's classroom.

No one forced Marquette to enter into an employment contract with Mr. McAdams. But it did. And that contract says he cannot be fired for exercising a right guaranteed by the U.S. Constitution. By any reasonable standard that would include the First Amendment—even at a Jesuit university.

"As a result, short-term borrowing costs have increased for many states and local governments, hospitals, schools, housing authorities, and businesses," he says.

He is overstating the case. New SEC Chairman Jay Clayton explained in an October letter to Rep. Bill Huizenga: "Since the October 2016 compliance date for reforms, in-

vestor fund reallocations have not significantly changed, with assets in both government and prime [money-market funds] largely stabilizing." Municipal debt costs have adjusted mostly with the general ebb and flow of market interest rates.

But so what if debt costs have risen? The investment shift out of prime funds may result from a more realistic assessment of risks, which was the point of the floating-NAV reform. Congress already subsidizes municipal debt issuance. It doesn't also need to imply with a fixed NAV that the value of debt funds will never decline.

If Mr. Rothfus and Republicans want to help money funds, they should focus on the "fees and gates" the SEC also imposed on prime funds during its 2014 reforms. These penalize withdrawals during a market scare or suspend redemptions entirely, adding to the incentive for a redemption run as investors fear they'll be blocked from selling once the gates shut. Or Mr. Rothfus could propose to level the playing field by extending a floating NAV to all funds.

Money-market funds were never intended to be risk-free investments benefiting from taxpayer guarantees like insured deposits at banks. Republicans like to complain about the bank bailout of 2008, but the best way to avoid a bailout is to prevent a run by giving investors an accurate picture of market risks. A floating NAV is part of that crucial project.

Republicans want to tee

up mutual funds for taxpayer guarantees.

The Next Money-Fund Bailout

One of the few useful reforms after the 2008 financial panic added a modicum of market discipline for money-market funds. Wouldn't you know, Republicans on Capitol Hill want to dismantle it.

That's the message of a bill that cleared the House Financial Services Committee on Jan. 18, on a 34-21 vote. The bill would let institutional prime and tax-exempt money-market mutual funds once again hide behind a \$1 NAV, or net-asset value. Funds would be allowed to report a \$1 NAV even if the market value of the underlying securities fell below it. This is the opposite of truth-in-advertising for investors.

In 2014 the Securities and Exchange Commission voted to require so-called institutional prime money-market mutual funds to float their net-asset value. The idea is to show investors that money-market funds aren't risk-free and are investments with values that rise and fall. The \$1 NAV became a marketing tool to make the funds appear as if they never lose value, but that illusion went bust in 2008.

The Reserve Primary fund had piled into \$785 million of Lehman Brothers debt and broke the buck after Lehman went bust. That caused a run on nearly all money funds, which in turn froze the market for commercial paper that money funds invest in. The Treasury intervened with a trillion-dollar taxpayer guarantee to stem the panic.

Rep. Keith Rothfus apparently wants to relieve that experience. The Western Pennsylvania Republican is fronting for Federated Investors of Pittsburgh, which wants the burden of market discipline to be lifted. Mr. Rothfus claims the floating NAV has caused institutional investors to shift \$1 trillion into funds that invest in federal debt that can still round their values to \$1.

How the firm sought to discredit an anti-Kremlin activist.

OPINION

LETTERS TO THE EDITOR

Stocks: What Goes Up Must Come Down?

Martin Feldstein ("Stocks Are Headed for a Fall," op-ed, Jan. 17) seems to be ignoring recent experience when he suggests that U.S. stocks could be headed for a big fall yet interest rates are bound to increase. Following the 2008-09 stock-market meltdown, interest rates were quickly reduced to their zero bound and remained there for almost eight years.

Prof. Feldstein is probably correct to suggest that a \$10 trillion decline in the value of stocks would constitute a 2% of GDP hit to the economy. However, surprisingly, he fails to see that if that were to occur, the U.S. economy would slump and inflation would decline. In those circumstances, one would expect a renewed easing in monetary policy and a decline in interest rates.

A more plausible scenario than that suggested by Prof. Feldstein would be for a temporary increase in interest rates to precipitate a major stock-market correction. However, once that correction occurred, it is more than likely that interest rates would decline and stay very low for a prolonged time.

DESMOND LACHMAN
American Enterprise Institute
Washington

Monetary policy is considered to be unbiased as it attempts to focus on macro conditions, but its current operating framework of price targeting has the potential for creating biases or unintended microconsequences. For example, the current focus on consumer prices excludes house prices and financial assets. Has their exclusion led to any uneven distributional effects in the economy? I can think of at least three important ones. First, house-price inflation has become unhinged from general inflation, rising much faster during upturns and

reversing much more in downturns. Second, wealth creation has exploded relative to income growth, indicating owners of assets (real and financial) have benefited appreciably more than workers. Third, the share of corporate profits has increased relative to GDP, driven almost entirely by the finance sector, a sector that benefits from asset inflation. None of these examples prove causation. But it is hard to arrive at that conclusion as the shift to a price-targeting regime means the relative outperformance of asset prices is a mere coincidence. The current price-targeting framework has clearly benefited a narrow group of households and sectors.

JOSEPH CARSON
Westport, Conn.

A belief has seeped into market psychology that using central banks as a sort of off-balance-sheet entity, a la Enron, to absolve individuals, businesses and governments of financial profligacy will have no consequence. If the natural cause-effect relationship between actions and outcomes has been suspended, we'll be fine. If not, Mr. Feldstein is correct.

But he's not correct that the Federal Reserve at this point has begun shrinking its balance sheet. So far, it's talk. The Fed did reduce its balance sheet by about \$20 billion, or 0.4%, from December 2014 to January 2016, and markets gyrated. On Jan. 18, 2017, the Fed's balance sheet was \$4.503 trillion, including \$1.744 trillion of mortgages. On Jan. 18 this year, it was \$4.491 trillion, nearly identical, and mortgages are now \$1.770 trillion—up, not down.

If the Fed were to try to sell \$1 trillion of securities, we would know by watching the collapsing value of risk assets.

TIM QUAST
Denver

Lost Texts, Sunlight and Draining the Swamp

Regarding your editorial "The FBI's Missing Emails" (Jan. 24): I am concerned the term "missing emails" doesn't fully capture the gravity of this story. As you note, the FBI "failed to capture text messages" between Peter Strzok and Lisa Page from Dec. 14, 2016 through May 17, 2017. We can't look at these dates in a vacuum.

During that time, President Trump took office, Michael Flynn was hired, fired and interviewed (by Peter Strzok), BuzzFeed published the Christopher Steele dossier and Robert Mueller was appointed special counsel. (It's odd that Mr. Strzok and Ms. Page's text messages resurfaced May 17, the day Mr. Mueller was appointed.) Yet in a Dec. 13 letter to Sen. Ron Johnson, Inspector General Michael Horowitz said the Office of the Inspector General received all Strzok/Page text messages from November 2016 through July 2017. Either the OIG didn't notice a five-month gap—hard to be-

lieve, since Mr. Strzok and Ms. Page texted more than high-school cheerleaders—or they received the texts, and now say they're lost. Is it carelessness or maliciousness?

Your conclusion that Americans should be concerned is too mild. Richard Nixon's 17 minutes of missing tape pales in comparison to the FBI's five-month blackout. Consider Mr. Strzok and Ms. Page's other messages: Attorney General Loretta Lynch knowing Hillary Clinton wouldn't face charges, secret cabals in the FBI, mysterious and ominous "insurance policies" reveal an existential threat to our democracy, developed within the Justice Department.

We must find these missing texts and shed light on abuses of power by the FBI and Justice. The American public deserves to see what we find. Sunlight is the best disinfectant, and we've got a lot of swamp slime to clean up.

REP. MATT GAETZ (R., Fla.)
Fort Walton Beach, Fla.

Gerrymanders: One State Election Tells Little

Your Jan. 19 editorial "The Wisconsin Gerrymander Lesson" claims that the Democratic victory in a special election for Wisconsin's 10th Senate district "refutes [the] legal case at the Supreme Court for letting judges overturn partisan gerrymanders." That claim is wrong.

Special elections may, in the aggregate, foreshadow results in subsequent elections, but a single result in one state does not. Drawing such a

There Is a Political Logic To President Trump's Tweets

In "Psychiatrists With Press Passes" (op-ed, Jan. 11), Karl Rove suggests (again) that President Trump should stop tweeting. Mr. Rove's piece had an audience of the 2.5 million Journal subscribers. President Trump's Twitter account has 46.6 million followers and is increasing by 65,000 followers per day. Followers enjoy his tweets because they are clear, unfiltered by critics and often funny.

President Trump is in a public relations war with the media, which ridicule his vision of American greatness. The circulation of the hypercritical digital New York Times is 2.5 million subscribers, which is 0.54% of President Trump's Twitter audience. If you were competing to sell your vision of American greatness and outperforming your competitors by 19 to 1, would you stop doing what makes you successful?

sweeping conclusion on the basis of the result in the 10th is no more valid than believing that Doug Jones's defeat of Roy Moore in the recent U.S. Senate special election proves that Alabama is now a blue state.

The 2011-12 recall elections in Wisconsin—in which Democratic candidates defeated three incumbent Republican state senators to take temporary control of the chamber—also didn't mean that the Democrats would win legislative majorities in November 2012.

In fact, Democrats won over 53% of the statewide two-party presidential vote in 2012, and 168,000 more votes than Republicans in Assembly races, but wound up with only 39% of Assembly seats. As the three-judge panel recognized in *Gill v. Whitford*, that is the harm of a partisan gerrymander. Keith Gaddie, the consultant who helped Republicans draw the map, concurred.

BARRY C. BURDEN
KENNETH R. MAYER
University of Wisconsin-Madison
Madison, Wis.

Pepper ... And Salt

THE WALL STREET JOURNAL



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JOHN CASE

Denver

OPINION

The Steele Dossier Fits the Kremlin Playbook

By Daniel Hoffman

When the "Steele dossier" was first published a year ago, it looked like a bombshell. The document, drawn up by the British ex-spy Christopher Steele, contained salacious allegations against President Trump and suggested that Russia had helped him win the 2016 election. No one has been able to corroborate its charges, but Democrats continue to see the dossier as a road map for impeaching Mr. Trump. Republicans, on the other hand, point out that it was created as opposition research, leading them to see it as an elaborate partisan ploy.

The likely objective was to undermine Republicans, Democrats—and American democracy.

There is a third possibility, namely that the dossier was part of a Russian espionage disinformation plot targeting both parties and America's political process. This is what seems most likely to me, having spent much of my 30-year government career, including with the CIA, observing Soviet and then Russian intelligence operations. If there is one thing I have learned, it's that Vladimir Putin continues in the Soviet tradition of using disinformation and espionage as foreign-policy tools.

There are three reasons the Kremlin would have detected Mr. Steele's information gathering and seen an opportunity to intervene. First, Mr. Steele

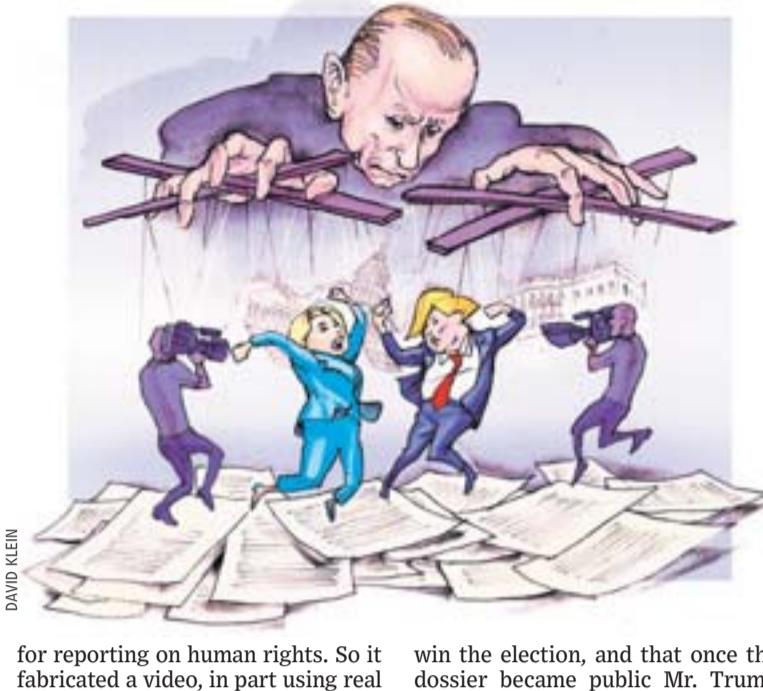
did not travel to Russia to acquire his information and instead relied on intermediaries. That is a weak link, since Russia's internal police service, the FSB, devotes significant technical and human resources to blanket surveillance of Western private citizens and government officials, with a particular focus on uncovering their Russian contacts.

Second, Mr. Steele was an especially likely target for such surveillance given that he had retired from MI-6, the British spy agency, after serving in Moscow. Russians are fond of saying that there is no such thing as a "former" intelligence officer. The FSB would have had its eye on him.

Third, the Kremlin successfully hacked into the Democratic National Committee. Emails there could have tipped it off that the Clinton campaign was collecting information on Mr. Trump's dealings in Russia.

If the FSB did discover that Mr. Steele was poking around for information, it hardly could have resisted using the gravitas of a retired MI-6 agent to plant false information. After hacking the DNC and senior Democratic officials, Russian intelligence chose to pass the information to WikiLeaks, most likely to capitalize on that group's "self-proclaimed reputation for authenticity," according to a 2017 report from the U.S. Office of the Director of National Intelligence. Simultaneously the Kremlin was conducting influence operations on Facebook and other social-media sites.

The pattern of such Russian operations is to sprinkle false information, designed to degrade the enemy's social and political infrastructure, among true statements that enhance the veracity of the overall report. In 2009 the FSB wanted to soil the reputation of a U.S. diplomat responsible



for reporting on human rights. So it fabricated a video, in part using real surveillance footage of the diplomat, that purported to show him with a prostitute in Moscow.

Similarly, some of the information in the Steele dossier is true. Carter Page, a Trump campaign adviser, did travel to Moscow in the summer of 2016. But he insists that the secret meetings the dossier alleges never happened. This is exactly what you'd expect if the Kremlin followed its usual playbook: accurate basic facts provided as bait to convince Americans that the fake info is real.

Mr. Trump repeatedly criticized the "rigged system" working against his campaign, but his victories in the primaries and the general election blunted this narrative. The FSB probably believed that Mrs. Clinton would

win the election, and that once the dossier became public Mr. Trump would vociferously argue that she had played dirty. Thus the dossier would have had dual benefits: The salacious portions would undermine the Republican candidate, and then his attacks would delegitimize the eventual Democratic administration. The 2017 ODNI report says that pro-Russia bloggers even prepared an election-night Twitter campaign, #DemocracyRIP, designed to question the election's validity after a Clinton victory.

That is not how events unfolded, but Russia still appears to have enjoyed a major return on its 2016 election meddling. For more than a year, Democrats and Republicans have traded charges of collusion, obstruction and conspiracy. Rather than

serve Russia's interests with increasingly intense partisan bickering, everyone should focus on the common enemy: Mr. Putin and his nefarious attempt to undermine America's political system.

One credible response would be to pass a bipartisan bill such as the one introduced by Sens. Marco Rubio and Chris Van Hollen that would punish Moscow if intelligence concludes Russia interferes in future elections. Meanwhile, the Trump administration should shine a brighter spotlight on the Kremlin's espionage and covert-influence operations against the U.S.

Special counsel Robert Mueller should be able to lift the veil on whether the Steele dossier was, as I suspect, a tool of Russia's espionage. Mr. Steele has reportedly revealed details about his sources to Mr. Mueller, who has also been conducting interviews to determine which parts of the dossier are true and which are false.

Russia considers the U.S. an existential threat to its national security, not because of a military threat—which Mr. Putin purposely exaggerates—but because Western ideals of liberty, freedom and democracy have the power to break his regime's grip on the country. Americans must enhance their understanding of Mr. Putin's strategy and tactics better to defend against the Kremlin's relentless propaganda. Otherwise the Steele dossier controversy will continue to be a victory for Mr. Putin and a loss for our democracy.

Mr. Hoffman, a retired chief of station with the Central Intelligence Agency who served in the former Soviet Union, is vice president of SPG, a political consulting group in Washington.

The New Tax Law Should Spur Long-Term Growth, Too

By David Malpass

The U.S. economy accelerated in 2017 as tax reform became a realistic possibility. Growth topped 3% in the second and third quarters. While the first estimate of the fourth quarter, released Friday at 2.6%, was a bit slower, it was paced by an 11.4% increase in equipment investment. That type of investment raises productivity, adds to the skills of the labor force, and pays dividends for years.

The strong 2017 increase in jobs and equity prices confirms a substantial improvement in economic prospects that went well beyond the slow year-ago forecasts of those who argued that the incoming president's economic program wouldn't work.

A key issue for markets and policy makers is whether the economic improvement is temporary, giving way to slower growth later, or longer-lasting, opening a structural reform path to higher sustained growth. The International Monetary Fund's just-released outlook takes the former stance, increasing its near-term U.S. growth forecast substantially—to 2.7% in 2018 and 2.5% in 2019 from

its pre-tax-reform forecasts of 2.3% and 1.9%. But the IMF argues that "the tax policy package is projected to lower growth for a few years from 2022 onwards."

Many forecasting models lowball the longer-term growth effect of the new tax law by focusing on its fiscal mechanisms rather than the structural change. The law has a provision allowing expensing of new investments for five years, and many of the tax benefits for individuals will expire after 2025 unless Congress extends them. As per the IMF model—which expects U.S. growth to fade to only 1.5% a year in the longer term, even lower than during the Obama years—the dominant features of the tax bill are captured in the "fiscal stimulus" in the early years and fiscal tightening in the middle of the next decade.

This forecasting approach misses the purpose of tax reform, which is to allow the economy to change so that it grows faster. The real-world effect of tax cuts comes from businesses, large and small, responding to improvements in growth policies, including lasting regulatory, tax and energy reforms. Many of the provisions in the

law will increase U.S. business investment, allow a better allocation of capital, and encourage small-business dynamism. This combination of structural improvements will draw more workers into the labor force, improving their skills. This will allow the economy to rebuild from the low

Many forecasting models lowball the effect by ignoring the structural changes to the economy.

average growth rate that preceded the Trump administration, rather than reducing long-term growth as many of the inbred government-centric models of growth envision.

By lowering the corporate tax rate to 21% from 35%, the new law aligns incentives so that managers focus more on creating profitable businesses and building their labor pool rather than offshoring jobs and devising expensive financial structures to minimize taxes.

Importantly, the new law will benefit many unincorporated businesses. They are often the nimblest and best able to hire and train workers new to their industry—precisely the workers the president wants to draw into the labor force. The new law provides small pass-through businesses with a 20% tax deduction, helping them compete with big companies and government-dominated industries. As their workers gain skills, their productivity increases rapidly, allowing more growth than assumed in the models.

Many aspects of the growth outlook can't be reduced to models. A key growth provision in the bill limits the federal deduction for state and local taxes to \$10,000 a year. Without that limit, previous law provided a massive federal subsidy to high-tax states, especially wealthy households in those states.

Standard macroeconomic models treat a reduction in a tax deduction as a drag on growth because it reduces the fiscal "stimulus." But the bigger impact of the so-called SALT limitation will be structural and favorable for growth. Reducing the giant transfer

of resources from small-government states to big-government states will allow capital and investment to flow more freely to profitable, job-creating investments around the country. The poorer counties in high-tax states have huge growth potential if their state and local governments were to restrain their spending and taxes in response to the tax-law change. Similarly, low-tax states can grow even faster as the tax headwind from subsidized high-tax states diminishes.

The most important variables in the outlook are whether business and workers respond favorably—all signs are that they will—and whether the economic acceleration and the success with the new tax law will lead to a series of growth-oriented reforms in the U.S. and abroad. A highly favorable outcome would be for other countries to compete with the U.S. on growth-oriented structural reforms. If so, average long-term growth can be substantially faster than the consensus models expect.

Mr. Malpass is Treasury undersecretary for international affairs.

Hezbollah Has Destroyed the Lebanon I Once Knew

By Hanin Ghaddar

I recently learned that Lebanon's Military Tribunal has sentenced me in absentia to six months in prison. After speaking about Hezbollah's role in Lebanon and Syria, I was charged with defaming the Lebanese army. When my lawyer called to notify me of the ruling, I realized the Lebanon I once knew is gone.

In 2014 I spoke at a Washington Institute conference in the U.S. capital. During a panel discussion, I noted that the Lebanese military targets Sunni groups while showing preferences for Shiite groups like Hezbollah. This prompted Hezbollah's media to launch a campaign of threats against me. Because former Israeli Prime Minister Ehud Barak was at the conference, the Hezbollah media claimed it was treason for me, a Lebanese Shiite, to attend.

Lebanese citizenship, in theory, provides a constitutionally guaranteed right to free expression. But Lebanon today is no longer about the constitution or citizenship. Hezbollah's influence matters more. Simply because I

I was sentenced to six months in jail simply for criticizing the Iran-backed terror group's role.

am a Lebanese Shiite journalist who is critical of Hezbollah, I have been sentenced to prison.

As the news of my punishment emerged, another journalist was summoned to another court. The list of Lebanese journalists being tried for publishing articles or posting on

social media is growing. The message is clear: Lebanese citizens have the right to speak only if they conform to the dictates of the authorities and their rhetoric.

Increasingly authority belongs to Hezbollah, which state institutions, under pressure, recognize as "the resistance, the army and the people." The group claims power over the state and its citizens, and consecutive governments have acquiesced. Hezbollah persecutes those who criticize this arrangement—especially if they're Shiite. Being a woman doesn't help.

Opposition to Israel drives every aspect of Hezbollah's politics. Protest the organization's actions in Lebanon or the region, and you're tagged a servant of Israel, a traitor. Hezbollah uses its "existential war" against the Jewish

state as a pretext to clamp down on basic freedoms. In the name of Palestine, Hezbollah is terrorizing everyday Lebanese citizens. It has isolated the Shiite community and waged wars in the region on behalf of Iran. And it does all of this while appropriating Lebanon's state institutions.

Lebanon was once a unique, free country in a region brimming with dictatorships and autocrats. Today its state institutions are eradicating those freedoms. Refugees are suffering, the economy is collapsing, and Lebanese are flocking to embassies in Beirut seeking to emigrate. Garbage fills the streets and pollution has reached dangerous levels. All this happens in the name of Palestine.

And if people prefer not to perish for "the resistance," they can go to

prison. For Lebanon's military court, a journalist expressing a critical opinion endangers the country more than the litany of crimes committed by Hezbollah abroad and at home.

Lebanese people used to say that Hezbollah is a state within the Lebanese state. Today, it seems that Lebanon is a small state within Hezbollah's state. Thankfully, because I enjoy the safety of a fellowship in Washington, I won't be going to prison. But there's something that only those living inside Lebanon can feel: The country is now becoming one large prison.

Ms. Ghaddar, former managing editor of Lebanon's Now website, is a visiting fellow at the Washington Institute for Near East Policy.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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How Not to Answer an Accusation

By Merrie Spaeth

Gov. Eric Greitens of Missouri is in trouble thanks to an allegation that he had an affair with a hairdresser. He didn't do himself any favors with his emphatic denial: "I have no plans to resign. There was no blackmail, there was no violence, there was no threat of violence, there was no threat of using a photograph for blackmail."

This kind of denial leads listeners to believe the opposite. Words like "blackmail" and "violence" grab much more attention than "no" or "not." At my firm we call such comments "bimbos," after a comment from a young woman in a 1980s sex scandal: "I am not a bimbo."

In 2013 General Motors CEO Mary Barra characterized her message to employees: "No more crappy cars." A reporter followed up and repeated

the word "crappy" three times. Sometimes reporters are the ones who introduce the words in the denial. New Jersey's Gov. Chris Christie was once asked: "Are you a bully?" Answer: "I am not a bully."

I write this with regret because my late husband, Tex Lezar, wrote the speech into which President Nixon inserted the memorable assertion "I'm not a crook"—the best political example until President Clinton's "I did not have sexual relations with that woman." These days social media, particularly Twitter, picks up negative words like a vacuum cleaner and spews them out.

What's a better approach? When the Greitens story broke, the governor and his wife issued a joint statement saying "it was a deeply personal mistake" and they had "dealt with this together honestly and privately." He should have stuck

to that. He'll be criticized, and he should be. He ran on a family values platform. But by repeating all the negative words—threat, blackmail, violence—he keeps them in the headlines.

The governor's attorney, James Bennett, made a similar error when he issued a statement saying: "There was no blackmail and that claim is false." Really? Does that mean the other claims are true? It's like the comedian who was the target of multiple claims of sexual harassment who said, "Some of the allegations are true."

Does this analysis have implications for members of the Trump administration? Of course. Let's hope they're reading.

Ms. Spaeth, a Dallas communications consultant, was President Reagan's director of media relations.



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TECHNOLOGY: CRYPTOCURRENCY EXCHANGE TO REFUND \$426 MILLION AFTER HACK B4

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, January 29, 2018 | B1

Last Week: S&P 2872.87 ▲ 2.23% S&P FIN ▲ 2.19% S&P IT ▲ 2.00% DJ TRANS ▼ 1.59% WSJ\$IDX ▼ 1.70% LIBOR 3M 1.767 NIKKEI 23631.88 ▼ 0.74%

See more at [WSJMarkets.com](#)

Fidelity and others make it tougher for customers to buy their competitor's products

BY SARAH KROUSE

Wall Street is fighting back against Vanguard Group.

In the past year, large financial firms including Fidelity Investments, TD Ameritrade and Morgan Stanley have all made changes to their fees or product lineups that make it more expensive for some customers to invest in Vanguard's funds. In some cases, these firms have even made it impossible to invest in Vanguard mutual funds at all.

The changes made so far are small and have occurred in several different corners of the investing market, but they represent a stark shift for an industry that has struggled to manage being both Vanguard's partner and its competitor.

Vanguard has pulled in record levels of new cash in recent years as investors plowed money into lower-cost index-tracking funds. It manages nearly \$5 trillion in assets, up from \$1.4 trillion 10 years ago.

That growth was aided for years by Wall Street as many

wealth managers and brokerage firms sold inexpensive Vanguard products to their customers. More recently, rival money managers have tried to better compete on price, slashing their fees.

Now, rival asset managers, brokerage firms and retirement-plan administrators are fighting back more aggressively.

Fidelity, the largest 401(k) plan administrator in the country, will now charge some new corporate customers that hire the firm to run their 401(k) plans a fee of 0.05% on assets invested in Vanguard funds. That new fee covers ad-

ministrative services that Fidelity provides as a 401(k) record keeper, a spokeswoman for the Boston firm said.

"A small number of fund families have not compensated Fidelity for certain services, and this pricing change is designed to address that disparity with the intention of providing fairness across all of our business relationships," she added. "This is about leveling the playing field."

Fidelity explicitly requires employers to pay the fee, rather than pass it off to plan participants, a person familiar with the matter said. Companies and plan participants typ-

ically share 401(k) plan administration costs, however, which means savers could bear some or all of the new cost if an employer seeks to recoup the new expense in a less explicit way, retirement-industry executives say.

The fee is small but could add up over time. For example, an investor who put \$10,000 into a mutual fund that charges 0.1% and achieves a 5% annual return would have \$41,942 after 30 years, according to Bankrate.com. An additional 0.05% on those assets would mean the investor earns \$626 less over that period.

Please see REVOLT page B9

U.S. Memo Urges Big Push on 5G Technology

WASHINGTON—Some White House officials view next-generation 5G wireless service as a "key area of competition," and they say that the threat from China, in particular, justifies a "moonshot" government effort, an internal memo shows.

The memo—produced by officials at the National Se-

By John D. McKinnon,
Kate O'Keeffe
and Ryan Knutson

curity Council—urges the Trump administration to consider extraordinary efforts to clear the way for the new technology or even to help build it in order to counter the growing economic and political threat from China's aggressive efforts to develop 5G.

"It is necessary and possible to build a secure, high-performance, world-leading 5G network platform by the end of the first term," the memo says. The memo was first reported by news website Axios.

Such an effort could secure the U.S. position as the world leader in internet technology and encourage a renaissance of U.S. telecommunications manufacturing, the memo suggests.

The ambitious goals outlined in the memo, however, were greeted with skepticism by some telecommunications experts, who said the proposed effort's rapid timetable was likely unrealistic, particularly given the huge costs associated with building a nationwide 5G network. They also predicted widespread industry opposition, as did the memo itself.

Still, the memo underscores Please see 5G page B4

As Banks Buy Their Way Into College, Students Get a High-Fee Education



HIGHER EARNING: University of Nevada, Las Vegas, and other schools have revenue-sharing agreements with lending partners. B8

Finance 101

Highest (■) and lowest (■) average annual fees charged to students at colleges with bank partnerships

Kirkwood Community College U.S. Bank \$93.00

Roosevelt University PNC 86.03

Metropolitan State University of Denver Wells Fargo 83.85

Loyola Marymount University Wells Fargo 77.73

St. Cloud Technical & Community College U.S. Bank 76.00

Ohio State University Huntington Bank 71.68

Grand Valley State University PNC 4.15

Colorado State University First National Bank 5.65

University of Kansas Commerce Bank 6.36

Baldwin Wallace University PNC 9.00

Source: WSJ analysis of schools' disclosures THE WALL STREET JOURNAL.

KEYWORDS | By Christopher Mims

Amazon Stalks Advertising Power

 It's easy to see how Amazon.com Inc. threatens the world's retailers. But analysts, brands and advertising agencies are waking up to the fact that a growing piece of Amazon's business impinges on turf now controlled by two other tech titans, Facebook Inc. and Alphabet Inc.'s Google.

Amazon's decade-old advertising business hasn't generated much revenue or notice until recently. A sign

of the turning point was last June, at the annual meeting of advertising firm WPP PLC. Calling the retailer "highly disruptive," WPP Chief Executive Martin Sorrell projected the firm would spend \$200 million placing ads with Amazon in 2017.

Amazon doesn't break out advertising as a separate business, but according to JPMorgan analyst Doug Anmuth, the company racked up an estimated \$2.8 billion in 2017 ad revenue. That's small compared with Mr. Anmuth's estimate for Google's

ad revenue in 2017: \$73 billion. Yet in 2019, he expects Amazon's revenue to more than double to \$6.6 billion.

Amazon's advertising success is directly related to its retail business. Consumer packaged-goods companies now spend more on digital advertising than all varieties of nondigital advertising combined, according to Cadent Consulting Group. Google's search ad business leans on the premise that a customer researching a purchase will click relevant ads

Please see MIMS page B4

INSIDE



SAM'S CLUB GETS UPPER MIDDLE CLASSY

RETAIL, B3

Saudis Disagree Over Where to List Aramco

Two years after Crown Prince Mohammed bin Salman announced his intention to turn Saudi Arabia's state-

By Maureen Farrell,
Summer Said
and Benoit Facon

owned oil producer into the world's largest public company, the kingdom and its advisers remain stuck on the crucial question of where to list the shares.

External advisers and officials at the company, known as Aramco, have privately

warned that Prince Mohammed's preferred venue, the New York Stock Exchange, could expose the kingdom to lawsuits from shareholders and 9/11 victims, people familiar with the matter said. The officials include Aramco's powerful chairman, Khalid al-Falih, who is also the country's energy minister.

The company and the kingdom are debating listing Aramco solely on the Saudi stock market, known as Tadawul, but advisers are concerned the exchange won't be

Please see ARAMCO page B2

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Source: Morningstar as of 9/30/17. Based on funds in the Morningstar Mid-Cap Blend Category (oldest share class). Rankings are based on returns after taxes that are net of all fees, maximum federal tax rate (39.6%) and applicable sales loads. Universe: 107 funds for 10 years, 130 funds for 5 years, and 141 funds for 3 years. MDY's 1 year peer group percentile is 29% (46 of 170 funds). Past performance is no guarantee of future results.

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LUKE SHARRETT/BLOOMBERG NEWS

Candy sculptures in Hershey, Pa. Big food companies are introducing more nutritious offerings.

Snack Makers Get Healthy

Hershey and Mondelez keep focus on sweets but try to widen base with quinoa, SkinnyPop

BY ANNIE GASPARRO

Hershey Co. and Mondelez International Inc. are betting that a turn toward healthier foods can still prompt Americans to snack on their products more often.

The food companies, which make most of their money selling indulgences like Hershey Kisses and Oreo cookies, have managed to preserve sales of their best-known brands in recent years, while also introducing more nutritious snacks.

This week, investors will get the latest look at whether both companies are maintaining that balancing act.

For Hershey and Mondelez, a focus on snacks has turned out to be a source of strength. Sales of salty snacks in the U.S. rose 3% last year, while candy sales rose 1.3% and cookie sales were up 0.9%. Meanwhile, total packaged food and beverage sales excluding alcohol inched up 0.3%, according to market research firm Nielsen.

Mondelez is expected on Wednesday to report a 10% rise in earnings per share for 2017 and annual sales of \$25.78 billion, which would be 0.6% less than 2016.

Hershey is projected on Thursday to report a 1.3% rise in sales for 2017 to \$7.54 billion and a 9% increase in earnings per share.

Executives at both companies have said consumers want more nutrition in their snacks, because they are increasingly eating them in place of meals. The \$100 billion U.S. snack market is growing faster than

packaged-food sales over all, according to Nielsen.

Mondelez has introduced savory snacks with simple ingredients, such as Good Thins baked chickpea crackers and Vea quinoa crisps. The company said Vea was part of a push to be the global leader in "well-being snacks."

Hershey has acquired snack companies including Amplify Snack Brands, the maker of SkinnyPop popcorn, which Hershey said it would buy last month for \$1.6 billion.

Hershey Chief Executive Michele Buck said the deal was part of her plan to remake the 100-year-old candy icon as a broader snacking company.

In 2016, Mondelez made a bid to buy Hershey for \$23 billion, which would have created the world's largest candy company. But Hershey said its board unanimously rejected the offer, and a couple months later, Mondelez ended its pursuit.

"We are confident that the changes we are undertaking will strengthen and grow the business."

In December 2015, as Barington and NuOrion began their public criticism, Avon struck a deal to sell its North American operation and a 17% stake in the publicly traded international business to private-equity firm Cerberus Capital Management LP.

The company has been cutting costs, revamping its offerings and trying to improve its relationships with representatives, but results continued to slide.

The stock is down more than 50% over the past year and its market value has sunk to just over \$1 billion.

The investors plan to criticize the company's operational and stock performance, echoing complaints Barington and NuOrion made last year when they called for a CEO change. This time, they will raise concerns that the board, including the Cerberus representatives, isn't equipped to complete the turnaround, according to the draft letter. They also criticize the pace of the CEO search.

Such comments are often a prelude to a fight to change the board, which the investors could launch ahead of a deadline to nominate director candidates in coming weeks.

Investors Press Avon To Find A Buyer

BY DAVID BENOIT

A group of activist investors are joining together to call on **Avon Products Inc.** to seek a buyer, a move that could set up a fight for the company's board as a key deadline looms.

Three investors, who together own a roughly 3.5% stake in Avon, believe a yearslong effort to reshape the storied brand has run out of time and requires new ownership and leadership, according to a letter they plan to send to the board that was reviewed by The Wall Street Journal.

Shah Capital, Barington Capital Group LP and NuOrion Partners have all been investors for several years and pushed, in some cases publicly, for changes at the beauty-products seller. While Barington and NuOrion had earlier partnered, Shah has just joined their alliance.

After struggling for years, Avon is already undergoing a major transition, with Chief Executive Sheri McCoy expected to step down March 31.

Ms. McCoy, who started in 2012 soon after Avon rejected an \$11 billion takeover offer, said in November that a transformation of the company was poised to bear fruit, though the results would take time to show.

"Avon's board of directors and management team are committed to delivering value for all shareholders and will continue to take actions to improve performance," a spokesman said Sunday, pointing to the CEO search as being on schedule and saying the company values shareholder input. "We are confident that the changes we are undertaking will strengthen and grow the business."

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Sam Adams Beer Isn't Rushing Its CEO Hunt

BY CARA LOMBARDO
AND JOANN S. LUBLIN

CEO searches generally last three to six months. The maker of Sam Adams beer has been seeking its next leader for almost a year.

Jim Koch, who started **Boston Beer Co.** in 1984 using a family lager recipe, remains closely involved in its operations as chairman. He said in a Jan. 18 interview that finding a successor for the current chief executive, Martin Roper, has been a challenge.

A few things make this CEO search particularly tricky: The company's next leader will need hard-hitting corporate experience to turn around an established brewery with slumping sales. The next CEO also will need to work alongside Mr. Koch, 68 years old, a larger-than-life founder who likely will continue to be a force within Boston Beer.

Mr. Roper, 54, who has held the top post since taking over for Mr. Koch in 2001, said in early 2017 that he'd like to retire by the end of February this year. Mr. Koch said at the time that the board had been discussing Mr. Roper's plan since a year earlier.



MICHAEL TERCHA/TNS/ZUMA PRESS

Chairman Jim Koch remains closely involved in Boston Beer Co.

Mr. Roper "remains fully engaged and committed to leading the business as CEO until a successor is found and a seamless transition is completed," a spokeswoman said.

The company is using executive search firm **Korn/Ferry International**.

Boston Beer's U.S. sales volume declined 8% in 2016, the largest drop in the company's history, and an estimated 5% in 2017, according to trade publication Beer Marketer's Insights.

Though sales of the company's nonbeer alcoholic drinks such as Twisted Tea and Truly Spiked & Sparkling seltzer are growing, the rapid proliferation of craft breweries has squeezed its beer business and weakened the Sam Adams brand.

"You're dealing with two things: A guy who doesn't want to give up any control and the fear that you're buying into a business that's not growing. I don't know what the bigger hurdle is," said

Macquarie analyst Caroline Levy. The Boston Beer spokeswoman declined to comment on Mr. Koch's continued involvement.

Boston Beer finds itself in a no man's land as a mammoth craft brewery that remains dwarfed by giants such as **Anheuser-Busch InBev NV** and **Molson Coors Brewing Co.** It is too big to be considered a hometown craft brewery but it isn't big enough to fully reap the benefits of scale.

Mr. Koch said the brewery is banking on the recent launch of an easy-to-drink lager-and-ale combination called Sam '76 to jump-start sales.

"Our unique capability is that we're big enough to do just about anything we want, and we're small and crafty enough to want," Mr. Koch said.

Stifel analyst Mark Swartzberg said he hopes the company's next CEO will cut costs by pruning the Sam Adams beer line.

"Their single largest brand is Twisted Tea," Mr. Swartzberg said. "That underscores that you're good at innovating but you're not good at killing off what's not working."

The company has focused

its CEO search on outsiders with strong backgrounds in consumer products, according to Mr. Koch. He said he is aware of the acute challenges outside CEOs face and is nervous because their tenures tend to be shorter than leaders promoted from within.

He said he'd like the next chief executive to be sales-and-marketing oriented, to balance out his focus on the beer. But he also said he is concerned that corporate "climbers" won't fit in with the company's lighthearted culture or mesh well with him.

Mr. Koch's expected continued involvement in Boston Beer has hurt its recruiting efforts, according to a person familiar with the situation.

Where there's "the long shadow of a dominant figure in a business, not every outside [CEO] candidate will take a look at it," this person said.

Uber Technologies Inc., for example, struggled with this issue while searching last year for someone to replace ousted CEO Travis Kalanick. The co-founder of the ride-hailing giant still owns a sizable stake and holds a board seat. Uber recruited an outsider to replace him.

The investors plan to criticize the company's operational and stock performance, echoing complaints Barington and NuOrion made last year when they called for a CEO change. This time, they will raise concerns that the board, including the Cerberus representatives, isn't equipped to complete the turnaround, according to the draft letter. They also criticize the pace of the CEO search.

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The prince has talked of an NYSE listing to boost ties and his relations with Trump.

People said, but some advisers remain skeptical. They have already watched the company blow through many self-imposed deadlines.

Several investment bankers said they are struggling to keep staff on the project. Many have become nervous that the IPO will never happen or will raise much less than expected.

They worry they will miss out on career opportunities and bonus payments if their work generates minimal revenue.

ARAMCO

Continued from the prior page able to accommodate the surge in trading that such an enormous company would bring.

Estimates of the value of Aramco range from \$1.3 trillion to \$2 trillion; the market capitalization of all stocks on Tadawul is just \$451 billion. Saudi Arabia's stock exchange has only been open to international investors since 2015. And while most global exchanges have multiple custodians to facilitate and keep track of trading in stocks, the Tadawul has just one: **HSBC Holdings PLC**.

A Tadawul-only listing would likely be accompanied by an investment from a sovereign wealth fund in a country like China, Russia, Singapore or the United Arab Emirates, some of the people said.

Partly as a result of the differences of opinion, progress on the initial public offering has stalled, frustrating many of the hundreds of bankers, lawyers and consultants who have been working around the clock for more than a year to prepare the listing, people fa-

miliar with the process said.

The prospects for an international listing in 2018 look remote, some of the people said.

Others say that if the crown prince makes a decision on a venue soon, there could still be one this year.

"We hope that 2018 will be the right time, but ultimately we have to make sure the market is ready," Mr. Falih said in Davos, Switzerland, last week,

when asked by reporters about a possible delay. "We will calibrate that as we get closer."

The IPO of **Saudi Arabian Oil Co.**, as it is officially known, is the centerpiece of Prince Mohammed's grand and risky plan to modernize the kingdom's economy and wean it off oil. The challenges of simply choosing a venue, however, illustrate the broader geopolitical, legal and bureaucratic difficulties of the effort.

Last year Prince Mohammed met with the chief executives of firms including **JPMorgan Chase & Co.**, **Evercore Partners Inc.**, **Morgan Stanley & Co.**, and **Morgan Stanley** to discuss the listing, people familiar with the discussions said. More recently, he has mostly discussed the IPO with just Mr. Falih and senior min-

BUSINESS NEWS

Nomura Recruits Bankers in U.S. Push

BY AUSTEN HUFFORD

Nomura Holdings Inc. has hired 15 senior investment bankers in the U.S. as the Japanese bank looks to restart international growth in the Americas.

Over the past year, the bank has hired 12 managing directors and three executive directors for a number of its divisions such as mergers and acquisitions, capital markets, retail, health care and technology.

The new managing directors include Fedora Baloiu, who is in Nomura's health-care group; Thomas Chung, head of private capital markets; Samuel Evans, senior relationship manager; and Eric Jacobs, who is in the mergers-and-acquisitions group.

The moves come as a roaring stock market and improving economic conditions have sparked optimism that 2018 will be a big year for deal making in the U.S., the biggest market for mergers that investment banks charge hefty fees to help arrange.

"Nomura is committed to growing the Investment Banking business strategically and thoughtfully," said James DeNaut, the bank's joint head of international investment banking and head of investment banking, Americas. "These 15 hires are a testament to that commitment."

The new hires, who come from companies such as Credit Suisse Group AG and Jefferies Group LLC, are based in New York, Chicago and San Francisco. Including its independent subsidiary Instinet, Nomura has 2,348 employees in the Americas.

Nomura, founded in 1925, has 28,857 employees as part of a global network that spans more than 30 countries.

Sam's Club Shrinks to Compete

Wal-Mart chain's strategic shift aims at helping it successfully challenge rival Costco

BY SARAH NASSAUER

Sam's Club hopes a move to operate fewer stores helps the warehouse retailer attract more-affluent shoppers.

This month, the **Wal-Mart Stores Inc.** chain closed 63 U.S. Sam's Club locations. The closures cut about 10,000 jobs and are the largest since Wal-Mart founder Sam Walton opened the first Sam's Club in 1983. Wal-Mart says some of those workers will get jobs in other stores.

The closures aren't only a result of retail's rapid shift online, but are part of a strategy pivot by new Sam's Club Chief Executive John Furner to turn what has long been Wal-Mart's underperforming sibling into a retailer that can rival its most successful competitor, **Costco Wholesale Corp.**

"The strategy isn't to close clubs. The strategy is to transform the business," said Mr. Furner, a Wal-Mart veteran who took over the warehouse chain last February.

Sam's Club hopes that by strategically closing underperforming stores, it can fine-tune its focus on stores that are driving higher profits, especially those that serve a higher-income clientele.

Under Mr. Furner, Sam's Club plans to target a single demographic: families with children and annual incomes between \$75,000 and \$125,000. The new target came into focus after Sam's built an internal team and hired consultants from Bain & Co. to review purchasing behavior, discovering many shoppers classified as small-business buyers actually bought more products for their homes, Mr. Furner said in an interview.

The newly targeted shoppers will still buy for their small businesses and already contribute to sales, Mr. Furner said.

Nomura, founded in 1925, has 28,857 employees as part of a global network that spans more than 30 countries.



By closing underperforming stores, the warehouse retailer hopes to fine-tune its focus on locations serving a higher-income clientele.

said. But in the past, Sam's Club spent too much "time and money and investment chasing something else," including too many narrow groups of shoppers.

Sam's Club has long struggled to increase sales at the same pace as Costco, acting more as a profit center for its parent company than its growth engine. Geography has played a role, say executives. Costco, based in Seattle, naturally opened more stores in affluent West Coast areas, attracting those shoppers. Sam's Clubs often opened near Wal-Mart stores, in lower-income or less-populated areas.

In the most recent fiscal year, Sam's Club's sales in existing stores edged up 0.2%, while Costco's rose 3.8%. More recently Sam's Club sales have accelerated, but at a slower pace than Costco.

Higher-income shoppers have been on the Sam's Club wish list for over a decade. In 2001,

Sam's Club added expensive jewelry and said it wanted to sell high-end art to better compete with Costco. Then it added more fresh food and upgraded merchandise. Rosalind Brewer, CEO for five years before Mr.

Some of the recently closed stores were less profitable because their remote location makes it hard to keep them stocked, such as those in Alaska, he said. Some siphoned too much business from nearby Sam's Clubs or were in areas where the population has declined, but competition is fierce, he said.

Sam's Club closed all its stores in Costco's home state of Washington, and in a number of areas where it competes heavily with Costco.

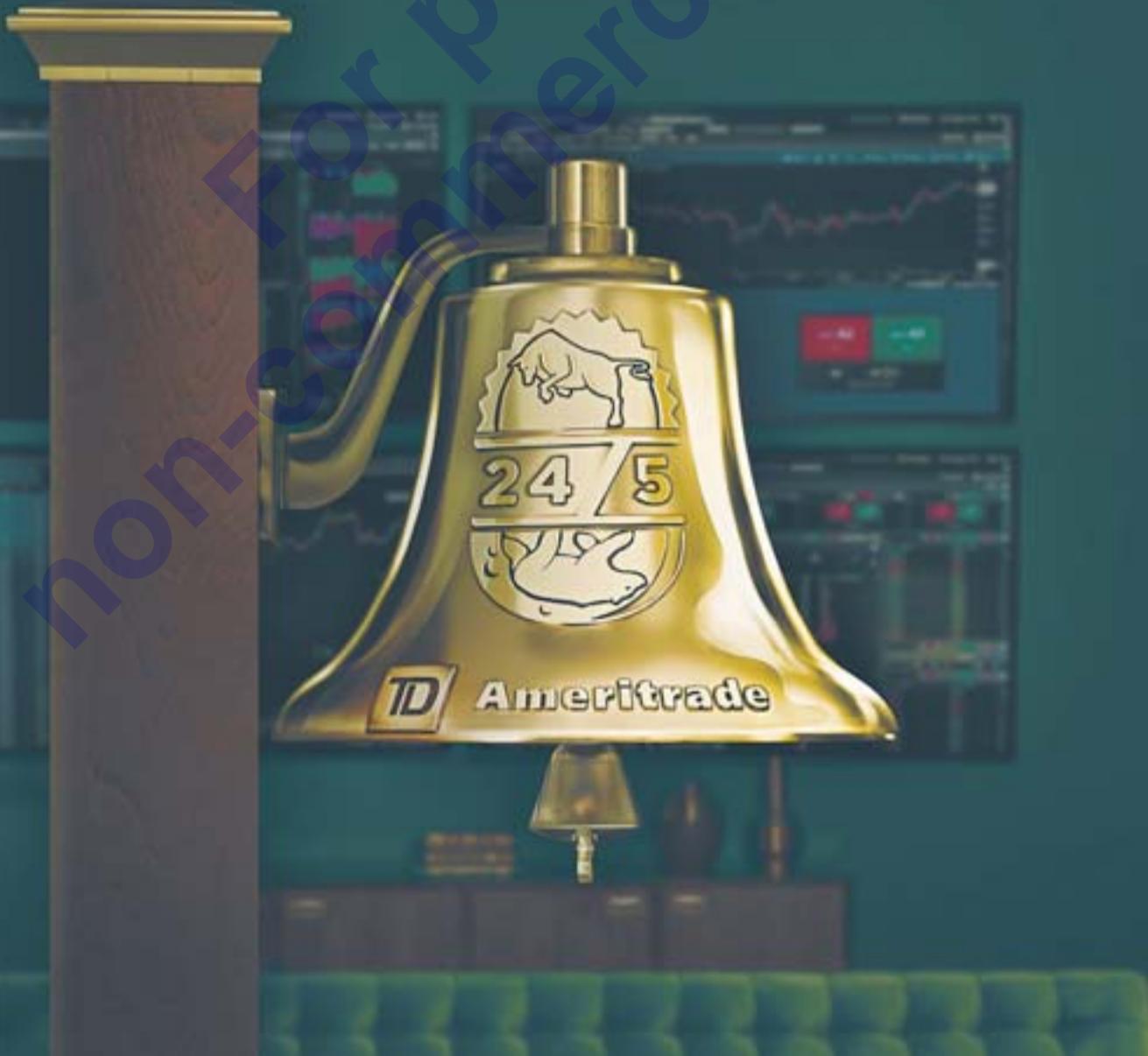
"We estimate Costco has at least one club within 10 miles of 52 of the 63 closing Sam's locations," said Peter Benedict, retail analyst with Baird, in a research note.

Other changes are afoot. Sam's Club is reviewing its store assortment with the new shopper focus in mind, Mr. Furner said. The review likely will lead to more household goods and fewer products such as bulk candy that are re-

sold by convenience stores, he said. Last year Mr. Furner added more staff to produce areas and introduced training, knowing many shoppers choose their grocery store based on the quality of produce. Some of the closed stores will become e-commerce fulfillment centers, to speed online home delivery.

After the Sam's Club in Linden, N.J., closed, Mayor Derek Armstead organized a job fair last week for the 187 workers who were employed at the store. "I was in a state of shock," Mr. Armstead said, after receiving a call from Wal-Mart one recent Thursday morning saying the local branch of Sam's Club would close that day for good.

Sam's Club assisted with attracting workers to the job fair, said Pam Jones, executive director of Communities In Cooperation, a local social-services organization. About 30 businesses came to interview workers.



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TECHNOLOGY

WSJ.com/Tech



Xiaopeng He, Xiaopeng Motors chairman, with the G3 sport-utility vehicle. Xiaopeng is Alibaba's first big investment in a car maker.

Tech Firms Invest in Xpeng

Alibaba, Foxconn lead \$348 million funding round for Chinese electric-vehicle maker

By LIZA LIN

SHANGHAI—Chinese e-commerce giant **Alibaba Group Holding Ltd.** and **Foxconn Technology Group** have co-led a 2.2 billion yuan (\$348 million) funding round into Chinese electric-vehicle manufacturer **Xiaopeng Motors**,

marking Alibaba's first big investment in a car maker.

Venture-capital firm **IDG Capital** was the third lead investor in the funding, and the funds are slated for both research and production costs, Xiaopeng, also known as Xpeng, said in a release Monday.

Two other Chinese internet giants, **Baidu Inc.** and **Tencent Holdings Ltd.**, have led fundings of at least \$2.5 billion into Chinese electric-car companies including **Nio** and **WH Motors**. Beyond China, Tencent also invested \$1.8 billion

for a 5% stake in **Tesla Inc.** last March.

Alibaba, Tencent and Baidu want to see their technology incorporated into cars as autonomous vehicles edge into the market, giving them captive audiences for online gaming, streaming video, internet shopping and social media, said Bill Russo, founder of Shanghai consultancy Automobility Ltd.

Alibaba and Foxconn executives said in the release that Xpeng gives the company the ability to tap into the intersec-

tion of the internet, artificial intelligence and traditional manufacturing, an area with a lot of promise. Foxconn, formally **Hon Hai Precision Co.**, is based in Taiwan and is best known for manufacturing **Apple Inc.**'s iPhones.

Guangzhou-based Xpeng, which showcased its latest electric sport-utility vehicle at the Consumer Electronic Show in Las Vegas this month, plans to start sales of its SUV in the first half of the year.

—Trefor Moss contributed to this article.

MIMS

Continued from page B1
that will lead to a sale. Google has rich data from our search and browsing histories, and Facebook lets advertisers combine our social graph with other data, like what we've bought.

But Amazon has a huge set of data that Facebook and Google can't access—namely, its own. Already, more than half of all online searches for products start on Amazon, and of those a majority end there, according to various surveys. That figure has grown every year pollsters have tracked it.

What happens when and if Amazon is not only the biggest online retailer in the U.S. but also one of the biggest physical retailers, with total sales greater than those of **Wal-Mart Stores Inc.** and all the data and technical chops of a Facebook or Google?

Thousands of brands, selling through Amazon's Marketplace seller program, are

now what drives Amazon's rapid growth in ad revenue. **Jijamas**, founded in 2013, wouldn't exist without Amazon, says Gustavo Sanchez, the brand's chief executive. Jijamas sells one thing: high-end women's pajamas.

Starting at about \$70 a set, they rarely turn up near the top of search results for "pajamas" on Amazon, said Mr. Sanchez, because the site's algorithm favors less-costly, higher-volume goods.

The company's revenue growth is dependent on Amazon advertising, he said.

Advertising on Amazon is much like advertising on Google's AdWords platform, said Daniel Knijnik, CEO of Quartile, a small ad agency started last August that focuses solely on Amazon.

Most ads appear atop search results for various keywords.

Advertising plays an important role in Amazon's lucrative direct-to-consumer marketplace, where Amazon, at added cost, provides warehousing and shipping to

third-party sellers. Because advertising allows brands to connect better with Amazon's shoppers, Mr. Knijnik said, even manufacturers who previously sold wholesale to Amazon are now opening "stores" on the site.

For sellers like Mr. Sanchez, advertising on Amazon is a mixed bag. A "sponsored" listing is essential for getting products to the top of search results. But sponsored lists are also a way Amazon skims off his profits.

On top of the 15% of an item's selling price that Mr. Sanchez pays to list Jijamas on Amazon's marketplace, and the 5% to 6% he pays to have Amazon warehouse and ship products, there is now as much as 12% going to advertising for every item sold through an ad. This April, Amazon will start charging an additional 2% to list apparel. (It hasn't disclosed why.) The net result is that Amazon will take about 35% of the price of each pair of Jijamas sold through its sponsored listings.

If Amazon decides to change its search result rank-

ing algorithms or raise its ad fees, "there's nothing I can do about it," Mr. Sanchez said. Amazon represents 65% of his total sales, he added.

Amazon is continually building and buying new sources of data on our consumer behavior, from its acquisition of Whole Foods and the build-out of its cashierless Amazon Go stores to the invasion of its low-cost, voice-powered speakers.

Every time Amazon racks up another percentage point of the \$5 trillion U.S. retail pie, another \$50 billion in the kind of data that Google and Facebook relied on disappears from their systems. Plus, Amazon understands shoppers in a way Google and Facebook might not.

"Amazon doesn't just know what you buy, they also know about how you shop," says Diana Gordon, director of Shop+, the e-commerce-focused arm of WPP-owned ad firm Mindshare. "They know your browsing behavior, the cadence with which you restock certain types of consumables."

Cryptocurrency Exchange to Pay Back Customers

By PETER LANDERS

TOKYO—Japanese exchange **Coincheck Inc.** said Sunday it would spend up to ¥46.3 billion (\$426 million) to pay back customers after it was hacked and lost cryptocurrency worth some \$530 million two days earlier.

In a release on its website, Coincheck said customers holding the cryptocurrency NEM would be paid back in Japanese yen at a rate of 88,549 yen per NEM.

The company said that it lost 523 million NEM after the cyberattack, meaning the payments would amount to ¥46.3 billion.

It said about 260,000 customers hold NEM.

Coincheck didn't say when customers would get the yen. It said it would use its own funds for the payments, but didn't say whether it had that much yen cash on hand.

The rate being used by Coincheck reflects the fall in NEM's price in yen after Coincheck's problems became known on Friday. Some Twitter users criticized Coincheck's rate, saying it should compensate customers at the earlier, higher rate or pay them back in NEM rather than in yen.

Coincheck has described itself as Japan's largest bitcoin exchange based on trading

volume.

On Friday, it halted withdrawals of all cryptocurrencies and yen after the hack.

The losses in the apparent heist, if confirmed, would likely go down as the largest in the nine-year history of bitcoin and digital currencies.

Japan started requiring bitcoin exchanges to be licensed last year, but some exchanges such as Coincheck that were already operating and had applied for a license were allowed to stay in business.

Coincheck was hacked last week and lost some \$530 million in digital currency.

Japan's other major case of cryptocurrency losses took place nearly four years ago at Mt. Gox, then the world's largest bitcoin exchange. The exchange operator tried to stay in business after initially discovering the losses, which amounted to about \$450 million based on bitcoin's price at the time, but it ended up in bankruptcy court liquidation.

◆ Hedge funds grow bullish on Bitcoin-futures prices..... B9

ment that it couldn't comment on a memo it hadn't seen. But, more broadly, it said, "thanks to multi-billion dollar investments made by American companies, the work to launch 5G service in the United States is already well down the road....We have no doubt that America will lead the 5G revolution."

A **Verizon Communications Inc.** spokesman declined to comment.

In December, Mr. Trump pledged in his National Security Strategy document: "We will improve America's digital infrastructure by deploying a secure 5G Internet capability nationwide."

There are some early signs of resistance, with one senior telecom executive saying that rationale for nationalizing 5G networks seems to be based entirely on trying to mimic the way China is developing the network.

"It would fly in the face of basically the entire history of US policy in terms of the private sector and government," the person said.

5G

Continued from page B1

the growing significance of 5G as a policy and political debate for the administration. The anticipated 5G service would offer significantly faster speeds and expanded capacity that could accommodate emerging technologies such as self-driving vehicles and the internet of things.

It relies in part on employing parts of the airwaves that haven't previously been viewed as useful for wireless service.

Some experts have predicted in recent days that President Donald Trump might even seek to draw attention to the need to accelerate 5G efforts in his State of the Union address.

Industry officials have been invited to the White House Monday for a round-table discussion of infrastructure efforts that could touch on 5G deployment.

AT&T Inc. said in a state-

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NOTICE OF SALE

NOTIFICATION OF DISPOSITION OF COLLATERAL

Craig K. Williams, Esq., as agent ("Agent") for TONN INVESTMENTS, LLC, an Arizona limited liability company (the "Secured Party"), will sell the property more particularly described on **Attachment "A"** attached hereto to the highest qualified bidder in public as follows:

Date Sale: February 14, 2018 Place: Law offices of Snell & Wilmer LLP, One Arizona Center, 400 East Van Buren, Phoenix, Arizona 85004.

Pursuant to 9 Del. C. Section 9-611 and A.R.S. Section 47-9611, you are hereby given notice of the disposition of certain Collateral, as defined in **Attachment "A"**.

This Notification of Disposition of Collateral refers to that certain Uniform Commercial Code Financing Statement on ONCAM, INC., a Delaware limited liability company ("Debtor"), in favor of Secured Party, filed on June 28, 2016, as File No. 20163886510, with the Delaware Secretary of State and filed on June 30, 2016, as File No. 2016-002-3904-7, with the Arizona Secretary of State.

Contact Craig K. Williams at (602) 382-6331 or cwilliams@swlaw.com for more detailed information.

Attachment "A" PERSONAL PROPERTY DESCRIPTION

All assets, property, and interests of Debtor, whether now owned or hereafter acquired or arising and

wherever located including, without limitation: all personal property of every kind and nature, including, without limitation, all goods (including, without limitation, all intellectual property, iOS and Android app code including source code, software development kit(s) ("SDK's"), web-based code, server side code, and cloud development, including all source code(s), code files, consumer goods, inventory, equipment and any accessions thereto); instruments (including, without limitation, promissory notes, vendor contracts, and advertising contracts); documents; accounts; accounts receivable; chattel paper (whether tangible or electronic); deposit accounts; letter-of-credit rights; cash; bank accounts; choses in action and all proceeds thereof; securities and all other investment property; general intangibles (including, without limitation, trademarks, trade names, service marks, rights in goodwill but not limited to, all proprietary technologies, development code, patents, trademarks or otherwise); inventories and all other assets, property, or interest in any and all property of Debtor whatsoever,

but specifically EXCLUDING that certain intellectual property of the Debtor, including source code, that was in Scott Tonn's possession, or in the possession of any person or entity that Scott Tonn directly or indirectly controlled, as of March 30, 2017 (defined as the "Escrow Asset" in that certain Settlement Agreement dated March 30, 2017 between, among others, Debtor, Tonn Investments, LLC, and Scott Tonn), all of which is currently subject to that certain Escrow Agreement between Debtor, Tonn Investments, LLC, and NCC Group Escrow Associates, LLC, and held in trust by NCC Group Escrow Associates, LLC, and was specifically described in that certain Escrow Agreement as certain technical information (including, without limitation, software, source code, and documentation) relating to the right to use but not limited to, all proprietary technologies, development code, patents, trademarks or otherwise); inventories and all other assets,

property, or interest in any and all property of Debtor whatsoever.

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property, or interest in any and all property of Debtor whatsoever.

but specifically EXCLUDING that certain intellectual property of the Debtor, including source code, that was in Scott Tonn's possession, or in the possession of any person or entity that Scott Tonn directly or indirectly controlled, as of March 30, 2017 (defined as the "Escrow Asset" in that certain Settlement Agreement dated March 30, 2017 between, among others, Debtor, Tonn Investments, LLC, and Scott Tonn), all of which is currently subject to that certain Escrow Agreement between Debtor, Tonn Investments, LLC, and NCC Group Escrow Associates, LLC, and held in trust by NCC Group Escrow Associates, LLC, and was specifically described in that certain Escrow Agreement as certain technical information (including, without limitation, software, source code, and documentation) relating to the right to use but not limited to, all proprietary technologies, development code, patents, trademarks or otherwise); inventories and all other assets,

property, or interest in any and all property of Debtor whatsoever.

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property, or interest in any and all property of Debtor whatsoever.

BUSINESS NEWS

IKEA's Founder Dies at 91

From base in Sweden, he built a retail force in furniture industry by offering bargains

BY JAMES R. HAGERTY
AND SAABIRA CHAUDHURI

Ingvar Kamprad, born on a farm in the rock-strewn Swedish region of Småland, got his start as a merchant at around age 5 by buying matches in bulk and reselling them to neighbors.

He went on to pull off a rare feat: creating a global retailing powerhouse, the furniture chain IKEA, with over 400 stores, in a business that generally has defied globalization. IKEA's furniture has delighted bargain seekers for decades and made millions of dorm rooms and first apartments habitable, despite maddening the many customers who found the assembly instructions baffling.

Mr. Kamprad died Saturday in Småland at age 91, Inter IKEA Group announced. Mr. Kamprad hasn't had an operational role in IKEA for the past 30 years, but the company said he had continued as a senior adviser until his death. Business Insider, using Bloomberg data, ranked him 10th on its 2017 list of billionaires with a net worth of \$51.7 billion.

One of his most successful notions was that furniture could be shipped and warehoused much more cheaply in disassembled form.

He was born March 30, 1926, in Älmhult, Sweden. After starting out as a match merchant, the young Ingvar sold flower seeds, Christmas cards, pens, watches and other items, anything he could procure cheaply.

At age 17, in 1943, he created a mail-order company called IKEA. The name came



A museum visitor in Älmhult, Sweden, photographed an image of Ingvar Kamprad on Sunday.

from the founder's initials and the name and location of the farm where he grew up.

At first, his mail-order firm sold an array of merchandise including watches, nylon stockings, pens and picture frames. In 1948, he introduced furniture. An early catalog touted a "dream home for a dream price." A decade later, he opened his first store, in Älmhult, the largest furniture shop in Sweden at the time.

Rival retailers in Sweden, shocked by IKEA's low prices, pressured furniture makers to cut off supplies to Mr. Kamprad's company. That served only to make IKEA stronger as Mr. Kamprad found he could buy furniture much more cheaply from Polish plants. The search for foreign suppliers also helped IKEA turn itself into an international company.

People in Europe, North America and Asia flocked to IKEA's vast blue-and-yellow showrooms with their maze-

like layouts, requiring customers to wander past nearly all the displays before reaching the exit, even if they were hunting for just one item. Parents could stash their toddlers

The company helped make millions of first apartments habitable.

in supervised playrooms, then feed them with hot dogs or Swedish meatballs sold for a nominal price. Even the product names were amusing: Klippan sofas, Kvadrat cabinets and Moppe chests.

Mr. Kamprad remained a penny-pincher, flying economy class and lecturing his employees that waste was sinful, according to "Leading by Design," a 1999 biography by Bertil Torekull.

The entrepreneur acknowledged that he had battled a

drinking problem. He publicly apologized for having supported fascist politicians in his youth. He later described his youthful political activities as "stupidity" and the greatest mistake of his life.

In the 1970s, seeking lower taxes, Mr. Kamprad moved to Denmark and then settled in Switzerland. He returned to Sweden in 2014 after nearly four decades abroad.

In 2013, Mr. Kamprad stepped down as chairman of Inter IKEA Holding SA, which is owned by a foundation based in Liechtenstein and is the main holding company in IKEA's complex corporate structure.

Mr. Kamprad's death brings no changes to the ownership of IKEA or its parent company, said a spokeswoman.

The Swedish daily Expressen reported that Mr. Kamprad's three sons were with him when he died. His wife, the former Margaretha Stennert, died in 2011.

WHEN CLIENTS COME FIRST, AWARDS FOLLOW.

25+ INDUSTRY AWARDS IN 2017 ACROSS THE PORTFOLIO LIFECYCLE

Best Data Analytics Provider
Inside Market Data and Inside Reference Data Awards
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Tech Provider of the Year
Buy-Side Technology 2017

Best Client Services Solution
FTF News Technology Innovation Awards 2017

Best Buy-Side EMS
Markets Choice Awards 2017

Best Buy-Side Performance Measurement and Attribution
Buy-Side Technology 2008-2017

Best Reporting System Provider
Waters Rankings 2016-2017

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Roger Crandall Massachusetts Mutual Life Insurance Company	Alan Joyce Qantas Airways Ltd.	Pierre Nanterme Accenture	Robert Thomson News Corp
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Richard Edelman Edelman	Henry Kravis KKR & Co. LP	Charles Phillips Infor	Elliot Weissbluth HighTower
Bilal Eksi Turkish Airlines	Sarah Krevans Sutter Health	Nicholas Pinchuk Snap-on Incorporated	Jim Whitehurst Red Hat
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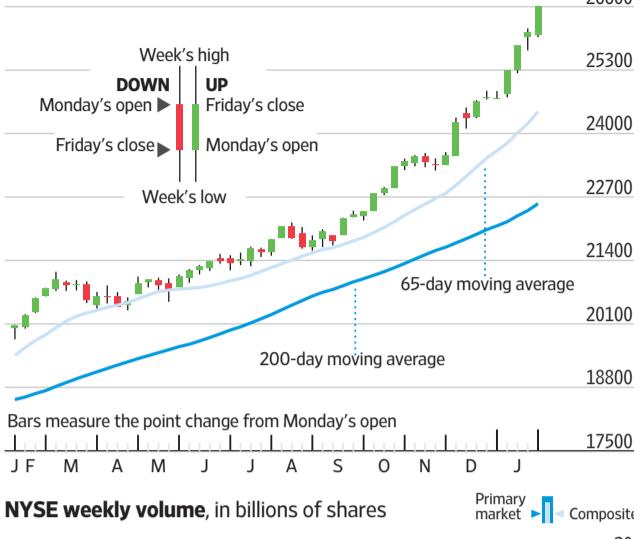
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MARKETS DIGEST

Dow Jones Industrial Average

26616.71  544.99, or 2.0% last week
High, low, open and close for each of the past 52 weeks



Bars measure the point change from Monday's open

J F M A M J J A S O N D J

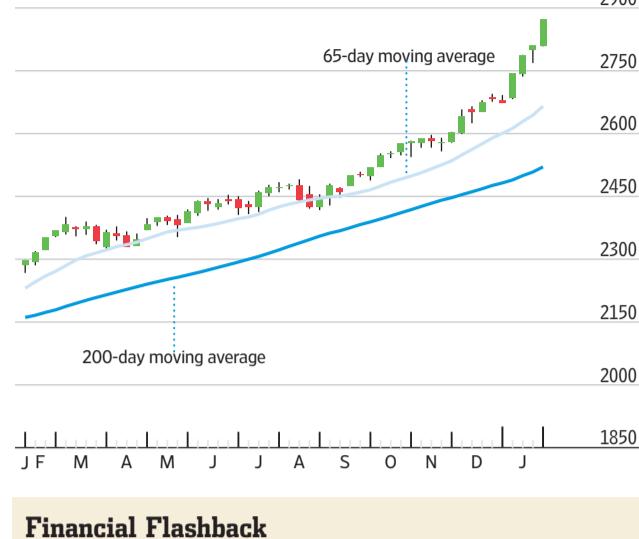
NYSE weekly volume, in billions of shares Primary market Composite



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2872.87  62.57, or 2.23% last week
High, low, open and close for each of the past 52 weeks



Toys "R" Us Inc. announces plans to close 37 Kids "R" Us stores and 27 Toys "R" Us stores, eliminating 1,900 jobs, or about 3% of its work force at the time.

Financial Flashback

The Wall Street Journal, January 29, 2002

Toys "R" Us Inc. announces plans to close 37 Kids "R" Us stores and 27 Toys "R" Us stores, eliminating 1,900 jobs, or about 3% of its work force at the time.

New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range(\$) Low/High	Bookrunner(s)
1/29	9/7 2017	Adial Pharmaceuticals Manufacturer and developer of medications for addiction.	ADIL	1.4 Nq	9.00/ Maxim Grp, 11.00 Dawson James Securities	
1/29	11/9 2017	Entera Bio Pharmaceuticals firm.	ENTX	5.0 Nq	10.00/ Oppenheimer, 12.00 Ladenburg Thalmann	
1/29	8/4 2017	ProLung Provider of CT scan.	LUNG	0.9 Nq	7.00/ Maxim Grp, 8.00 Aegis Cptl	
1/31	12/5 2017	Corporacion America Airports Operator of airports.	CAAP	28.6 N	19.00/ Oppenheimer, 23.00 BofA ML, Citi, GS	
1/31	11/14 2017	Hudson Holding company operating retail stores located in transportation terminals.	HUD	39.4 N	19.00/ Credit Suisse, MS, UBS, 21.00 BofA ML, GS, Santander BBVA, BNP Paribas, Credit Agricole, HSBC, Natixis, Raiffeisen Bank Int'l, Unicredit	
1/31	8/29 2017	Sol-Gel Technologies Clinical-stage dermatology company.	SLGL	5.0 Nq	11.00/ Jefferies, 13.00 BMO Cptl Mkts	
2/1	2/10 2017	FTS International Provider of oil and natural gas well stimulation services.	FTSI	15.2 N	15.00/ Credit Suisse, MS 18.00	

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Symbol	Offer price(\$)	Offer.amt (\$ mil.)	Through Friday (%)	Lockup provision
Jan. 29	Aug. 2, 17	Venator Materials	VNTR	20.00	522.1	13.8	180 days
Feb. 4	Feb. 9, 17	Sachem Capital	SACH	5.00	13.0	-21.8	360 days

Sources: Dealogic; WSJ Market Data Group

IPO Scorecard

Performance of IPOs, most-recent listed first

Company	SYMBOL	IPO Date/Offer price	Friday's close (\$)	Offer 1st-day close	Company	SYMBOL	IPO Date/Offer price	Friday's close (\$)	Offer 1st-day close
ARMO BiSciences	ARMO	Jan. 26/\$17.00	29.74	74.9	Gates Industrial	GATE	Jan. 25/\$19.00	18.90	-0.5
PlayAGS	AGS	Jan. 26/\$16.00	18.50	15.6	Gordon Pointe Acquisition	GPAQU	Jan. 25/\$10.00	10.00	...
resTORbio	TORC	Jan. 26/\$15.00	16.88	12.5	Menlo Thera	MNLO	Jan. 25/\$17.00	28.51	67.7
Solid Biosciences	SDB	Jan. 26/\$16.00	22.62	41.4	PagSeguro Digital	PAGS	Jan. 24/\$21.50	29.19	35.8
Eyenova	EYEN	Jan. 25/\$10.00	9.95	-0.5	ADT	ADT	Jan. 19/\$14.00	11.90	-15.0

Sources: WSJ Market Data Group; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Symbol/ Primary exchange	Amount (\$ mil.)	Friday's price (\$)	Bookrunner(s)
VICI Properties Real Estate/Property	1000.0 N	21.10	MS, GS, BofA ML, Barclays, Citi, DB
Blink Charging Auto/Truck	66.7 Nq	8.00	Joseph Gunnar & Co

Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/ Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
GDS Holdings Technology	Jan. 26 Jan. 23/18	\$286.0	...	RBC Cptl Mkts, JPM, Citi
Rapid7 Technology	Jan. 25 May 23/17	\$114.0	\$387.3	Barclays, RBC Cptl Mkts, KeyBanc, Stifel
Albireo Pharma Healthcare	Jan. 25 Oct. 13/17	\$65.0	\$125.0	Cowen & Co, W. Blair
Strongbridge Biopharma Healthcare	Jan. 25 April 28/17	\$33.8	\$150.0	Cantor Fitzgerald & Co
Ocular Therapeutix Healthcare	Jan. 25 April 15/16	\$32.5	\$179.6	Piper Jaffray
Union Bankshares Finance	Jan. 24 Sept. 8/17	\$301.4	...	Stifel, Sandler O'Neill & Prtnrs, Raymond James & Assoc., Barclays
Audentes Therapeutics Healthcare	Jan. 24 Aug. 8/17	\$231.4	\$250.0	BofA ML, Cowen & Co, Leerink Prtnrs
Iovance Biotherapeutics Healthcare	Jan. 24 Dec. 28/17	\$150.0	\$250.0	Jefferies
Five Prime Therapeutics Healthcare	Jan. 24 Nov. 3/16	\$100.0	...	GS, JPM, Leerink Prtnrs, WFS
Teekay Transportation	Jan. 24 Nov. 29/17	\$97.5	\$150.0	MS, JPM, BofA ML, UBS
Aerie Pharmaceuticals Healthcare	Jan. 24 Sept. 15/16	\$75.0	...	Cantor Fitzgerald & Co
Rocket Pharmaceuticals Healthcare	Jan. 24 April 4/16	\$72.9	\$200.0	Cowen & Co, Evercore
Stemline Therapeutics Healthcare	Jan. 24 Aug. 8/17	\$51.8	\$175.0	JPM, Cowen & Co
ConforMIS Healthcare	Jan. 24 Jan. 9/17	\$20.0	\$200.0	Cowen & Co, Canaccord Genuity
Insmed Healthcare	Jan. 23 May 19/17	\$450.0	...	GS, MS, Leerink Prtnrs
Ultragenyx Pharmaceutical Healthcare	Jan. 23 Feb. 3/15	\$287.5	...	JPM, BofA ML, GS, Cowen & Co
Adamas Pharmaceuticals Healthcare	Jan. 23 Nov. 3/16	\$124.5	\$222.3	BofA ML, Leerink Prtnrs, Evercore
Synlogic Healthcare	Jan. 23 Oct. 13/17	\$50.0	\$200.0	Leerink Prtnrs, Piper Jaffray

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Public and Private Borrowing

Treasurys

Monday, January 29

Tuesday, January 30

Auction of 13 week bill;

announced on January 25; settles on February 1 announced on January 29; settles on February 1

Auction of 26 week bill;

announced on January 25; settles on February 1 announced on January 25; settles on February 1

Public and Municipal Finance

Deals of \$150 million or more expected this week

Sale	Final maturity	Issuer	Total (\$ mil.)	Fitch Moody's S&P	Rating	Bookrunner/ Bond Counsel(s)
Jan. 29	prelim.	California	225.0	N.R.	N.R.	M. Stanley/—
Jan. 29	Nov. 1/2024	Dallas & Fort Worth Cities-Texas	302.4	N.R.	N.R.	BoA Merrill/ Bracewell LLP
Jan. 29	prelim.	Maine State Housing Authority	350.0	N.R.	N.R.	Citi/—
Jan. 29	prelim.	Montana Board of Housing	180.0	N.R.	N.R.	RBC Cptl Mkt/—
Jan. 29	prelim.	Nebraska Invest Fin Auth (NIFA)	578.1	N.R.	N.R.	N.J. Morgan Securities LLC/ Kutak Rock
Jan. 29	prelim.	Virginia Housing Dev Auth (VHDA)	600.0	N.R.	N.R.	

BANKING & FINANCE

Banks Pay Up for Top Billing on Campus

Universities get cut of revenue from lenders that sign deals to promote to students

BY MELISSA KORN
AND CHRISTINA REXRODE

Colleges and universities are in the business of education. Increasingly, they are also in the business of banking.

Banks like **Wells Fargo & Co., PNC Financial Services Group Inc.** and **U.S. Bancorp** have signed scores of deals with schools nationwide that essentially make the universities their sales representatives.

MARKETS

14

The number of days the S&P 500 index has closed at a record in January

Stocks on Record Streak

It is shaping up to be a record month for U.S. stock-market records.

The S&P 500 index has closed at an all-time high 14 times in January, the most record closes for a calendar month since 1955. Meanwhile, the Dow Jones Industrial Average has

MONEYBEAT

notched 11 record closes this month, while the Nasdaq Composite's 13 closing highs are the most for the index since the tech bubble was inflating in December 1999.

With three trading days left to go in January, U.S. indexes still have time to add to their record tally. If the S&P can eke out record closes in each of the next three days, it will surpass 1955 to become the index's best-ever month for closing highs.

After a blockbuster 2017, the U.S. stock rally has continued to gain steam in the new year.

Steady economic growth both in the U.S. and abroad, a corporate tax cut and strong consumer and business confidence have helped to fuel stocks' recent gains.

The S&P has already added 7.5% this year and the Dow has rallied 7.7%, surpassing the gains that some Wall Street analysts had been predicting for the entire year.

And with the fourth-quarter earnings season now in full swing, analysts say strong reports, particularly from technology titans like Google parent Alphabet Inc. and Amazon.com Inc., could provide U.S. indexes more reasons to rally in the weeks ahead.

—Chelsey Dulaney

ONLINE



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Mining operations at the Suncor Energy Oil Sands project in Canada. Railroads are the only option for larger oil shipments to the U.S.

Canada's Oil Producers Miss Rally

BY VIPAL MONGA AND DAVID GEORGE-COSH

TORONTO—Hard-nosed negotiating by railway companies is keeping Canadian oil producers from cashing in on a worldwide oil price rally.

Oil producers such as Imperial Oil Ltd., Suncor Energy Inc. and Cenovus Energy Inc. have few avenues to ship their oil to the U.S., their primary market.

The pipelines that normally take the crude are almost at capacity, which leaves railroads as the only option for larger shipments.

But Canada's largest railway companies, Canadian Pacific Railway Ltd. and Canadian National Railway Co., in recent weeks have signaled that they are in no rush to take the oil. They fear oil companies will fill their cars with shorter-term contracts now but shift quickly to pipelines when new capacity becomes available in a few years.

The rail companies want long-term commitments longer than two years, which the oil companies are loath to give, because shipping by rail is expensive, analysts say. The producers are pushing for short-term deals

that are shorter than a year.

"We don't want to ramp up, spend a lot of money and utilize assets for a market that we know is going to go away," said John Brooks, chief marketing officer for Canadian Pacific, in an interview. "Pipelines will eventually pull this capacity and fill this need. We just want to be diligent in how we grow that opportunity."

As the price of oil has surged in recent months, hitting \$66.25 a barrel on Friday, the price of Canadian crude pulled from the oil sands of Alberta has remained mired at lower levels. Canada's oil was priced at a discount of roughly \$28 to the benchmark, the largest spread since 2013.

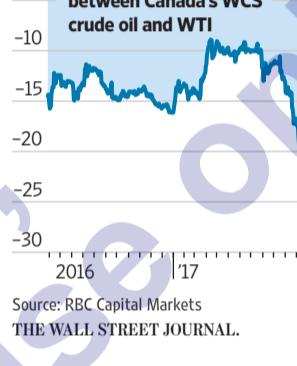
Western Canadian Select blends trade at a discount to the North American benchmark West Texas Intermediate because it is more difficult and more expensive for Canadian oil producers to ship their oil from wells to U.S. refineries, and those costs come off the price. Canadian oil companies have only a few ways to get the oil to refineries, which leaves them vulnerable.

Compounding the issue: TransCanada Corp.'s Keystone

Price Spread

Canadian oil is trading at a steep discount to the U.S. blend.

\$0 billion



Source: RBC Capital Markets

THE WALL STREET JOURNAL.

mineral operators, which serve as middlemen between oil producers and railroads. Available rail capacity is about one-half to two-thirds below what oil producers are requesting, according to some terminal operator executives.

Jarrett Zielinski, chief executive of Calgary-based Torq Energy Logistics Ltd., which operates six rail terminals, said oil producers are looking to secure crude shipments well over the 50,000 barrels a day the company can currently handle. "We just don't have access to rail," he said.

Representatives for Imperial and Suncor declined to comment. Cenovus Chief Executive Alex Pourbaix said at a conference last week that his company was negotiating shipping terms with the two rail operators. He said there was "ample margin" for both sides to come together.

There is no easy fix for oil producers' problem. Pipeline expansion, a costly and slow process during the best of times, has become a controversial political issue. TransCanada is being sued in Nebraska by landowners who want to stop an expansion of the Keystone pipeline.

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The shift in sentiment came as the price of bitcoin slumped by 31% over that period, according to data from research site CoinDesk.

Hedge Funds Turn Bullish On Bitcoin-Futures Prices

BY ALEXANDER OSIPOVICH

Hedge funds have swung their bitcoin-futures bets to the bullish side for the first time, a marked turnaround from a few weeks ago, according to figures released Friday.

The data from the Commodity Futures Trading Commission suggest a shift in sentiment among "leveraged funds," a category that includes hedge funds.

Ever since late December, when the CFTC began publishing weekly reports on the new bitcoin-futures market run by Cboe Global Markets Inc., data had shown that these funds were bearish on bitcoin, unlike smaller investors who are overwhelmingly bullish.

Futures are a type of derivative that allow traders to bet

on whether the price of an asset will rise or fall. Long positions in bitcoin futures profit if the price of the digital currency rises, while short positions pay off if it falls.

The most recent CFTC report showed leveraged funds with 1,142 long positions in bitcoin futures, more than double the 518 short positions they held.

That data were current as of Tuesday, Jan. 23, although it was released Friday. By comparison, as of Dec. 26, hedge funds' short positions in Cboe bitcoin futures outnumbered their long positions by more than 4-to-1, CFTC data show.

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Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	YTD chg (%)	Country/currency	Fri in US\$	YTD chg (%)
Americas					
Argentina peso	.0512	19.5475	5.1		
Brazil real	.3173	3.1511	-4.9		
Canada dollar	.8123	1.2311	-2.1		
Chile peso	.001659	602.80	-2.1		
Ecuador US dollar	1	1 unch			
Mexico peso	.0541	18.4904	-6.0		
Uruguay peso	.03527	28.3500	-1.6		
Venezuela b.fuerte	.095416	10.4805	1.3		
Asia-Pacific					
Australian dollar	.8108	1.2333	-3.7		
China yuan	.1583	6.3154	-2.9		
Hong Kong dollar	.1279	7.8178	2.0		
India rupee	.01572	63.605	-0.4		
Indonesia rupiah	.0000751	13321	-1.2		
Japan yen	.0020920	108.59	-3.6		
Kazakhstan tenge	.003113	321.24	-3.4		
Macau pataca	.1242	8.0490	0.05		
Malaysia ringgit	.2584	3.8705	-4.7		
New Zealand dollar	.7350	1.3605	-3.5		
Pakistan rupee	.00903	110.755	0.1		
Philippines peso	.0196	50.944	2.0		
Singapore dollar	.7648	1.3075	-2.2		
South Korea won	.0009395	1064.35	-0.3		
Sri Lanka rupee	.0065058	153.71	0.1		
Taiwan dollar	.03435	29.113	-1.9		
Thailand baht	.03193	31.320	-3.9		
Vietnam dong	.00004403	22711	...		
Middle East/Africa					
Bahrain dinar	2.6525	.3770	-0.03		
Egypt pound	.0566	17.6830	-0.5		
Israel shekel	.2950	3.3904	-2.6		
Kuwait dinar	3.3369	.2997	-0.6		
Oman rial	2.5968	.3851	0.03		
Qatar rial	.2744	3.645	-0.1		
Saudi Arabia riyal	.2666	3.7507	0.01		
South Africa rand	.0843	11.8629	-4.0		
Currencies					
Close Net Chg % Chg YTD% Chg					
WSJ Dollar Index					
83.07 -0.36 -0.43 -3.38					
Sources: Tullett Prebon, WSJ Market Data Group					

Monday

Personal income

Nov., previous up 0.3%

Dec., expected up 0.3%

Personal spending

Nov., previous up 0.6%

Dec., expected up 0.5%

Earnings expected*

Estimate/Year Ago(\$)

Affiliated Managers **4.52/3.80**

Alexandria Real Estate **0.40/(0.31)**

Dominion Energy **0.89/0.99**

Lockheed Martin **4.04/3.25**

Principal Fin. **1.37/1.27**

Seagate Tech. **1.35/1.38**

Tuesday

Fed two-day meeting starts

Consumer confidence

Dec., previous 122.1

Jan., expected

123.1

Jan., expected

63.0

ISM mfg. index

Dec., previous

59.7

Jan., expected

58.5

Productivity

3rd qtr., prev.

up 3.0%

MARKETS

Gold Surge Accelerates as Dollar Falls

Bullion hits highest level since 2016, prodded by concerns about trade friction

By AMRITH RAMKUMAR

The dollar's slide is pushing investors back into gold, sending prices of the precious metal to their highest level since August 2016 in the past week.

Front-month gold has risen 9.1% from its December lows to \$1,351.60 a troy ounce, with investors betting that the dollar will fall as global growth picks up and major central banks around the world shift away from their ultraeasy monetary policies. A weaker dollar makes gold and other dollar-denominated commodities cheaper for overseas buyers.

The precious metal got a lift after the dollar fell sharply last Wednesday on U.S. Treasury Secretary Steven Mnuchin's comments at the World Economic Forum in Davos, Switzerland, saying that a weaker dollar is good for trade.

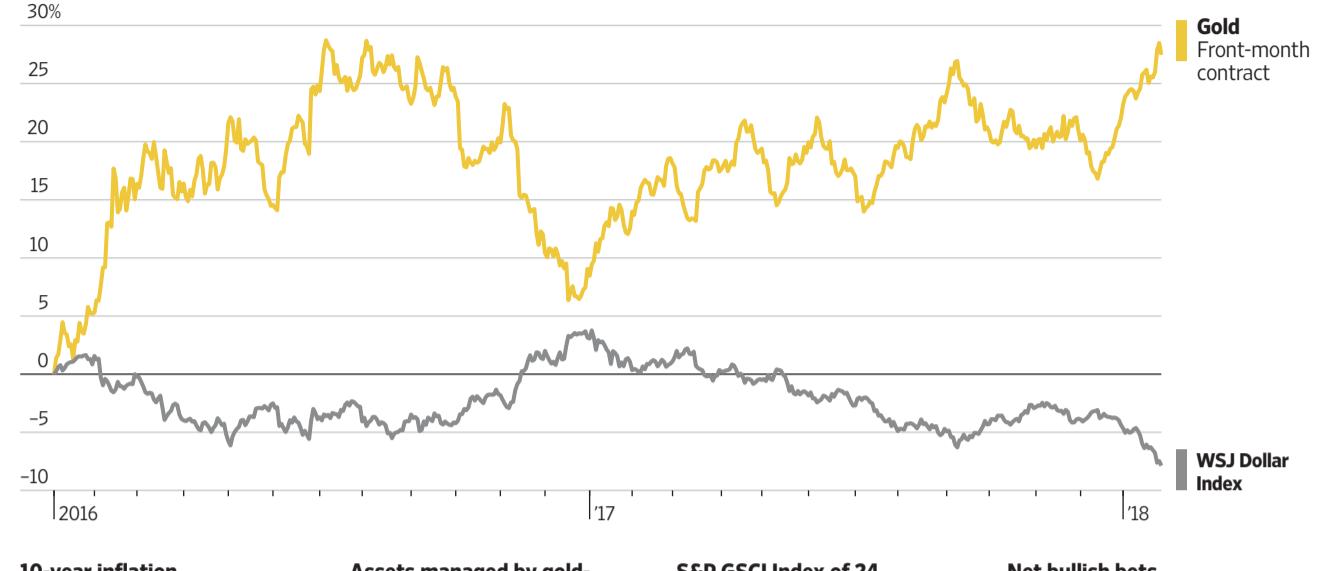
The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, dropped to its lowest level in roughly three years.

Gold prices fell slightly from their 17-month highs later in the week after President Donald Trump appeared to contradict the Treasury secretary, saying the U.S. currency would get "stronger."

Still, concerns about friction resulting from the Trump administration's "America First" trade policy have weighed on the dollar and supported gold, an asset that some investors favor when they think markets might turn rocky.

The U.S. last week slapped steep tariffs on washing machines and solar panels,

Price and index performance

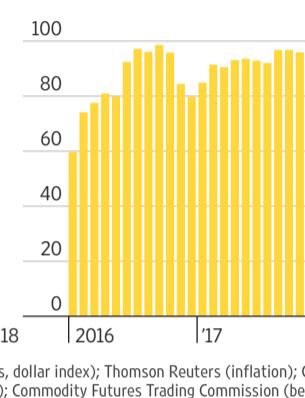


10-year inflation break-even rate



Sources: WSJ Market Data Group (gold futures, dollar index); Thomson Reuters (inflation); Company Filings, Bloomberg, World Gold Council (ETFs); FactSet (S&P GSCI); Commodity Futures Trading Commission (bets)

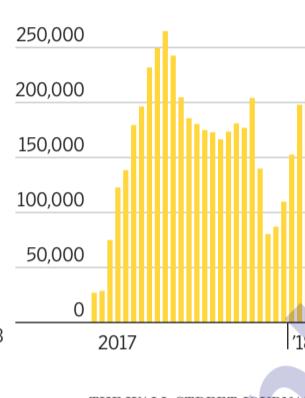
Assets managed by gold-backed exchange-traded funds



S&P GSCI Index of 24 commodities performance



Net bullish bets on gold prices



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aimed largely at Chinese and other Asian manufacturers.

"The focus right now is on the weaker-dollar story, and the fear is there will be a bad [North American Free Trade Agreement] story or a bad trade story in general," said John Velis, vice president of global macro strategy at State Street Global Markets.

If there is retaliation from China or a breakdown in Nafta negotiations, "at some point equities are going to

look at this fundamentally and say this is not good," he added.

Mr. Velis said his firm doesn't have a formal view on gold but said the dollar's weakness means gold is looking better.

Other possible geopolitical tensions helped drive gold last year to its best year since 2010, including the heightened rhetoric between the U.S. and North Korea and protests in Iran.

More than \$8 billion flowed into gold-backed exchange-traded funds in 2017, according to data compiled by the World Gold Council. When coupled with the 14% rise in gold prices, that influx brought the total assets managed by those ETFs to their highest level since September 2017.

Meanwhile, hedge funds and other speculative investors increased net bets on higher gold prices in the last

six weeks through Jan. 23, according to the Commodity Futures Trading Commission. Net bullish bets are near their 2017 highs from September.

Investors seeking protection against an unexpected pickup in consumer prices also have recently favored gold, which is commonly used as an inflation hedge.

A measure of the bond market's expectation for inflation has climbed. The 10-year inflation break-even rate,

which reflects the yield premium on the benchmark 10-year U.S. Treasury note over the comparable Treasury inflation-protected security, recently hit its highest level in more than three years, according to Thomson Reuters data.

However, a pickup in inflation could actually threaten the recent gold rally, depending on how it affects central bank policy and the dollar.

Gold typically struggles to compete with yield-bearing assets like Treasurys as borrowing costs rise, so some analysts question whether the precious metal could hang on to its gains if the Federal Reserve raises interest rates more than investors currently anticipate.

The central bank is projecting three increases this year, but roughly 40% of traders tracked by CME Group expect fewer than that in 2018, meaning a more aggressive Fed could surprise some money managers.

"We think gold will increasingly run into headwinds from higher rates," said James Steel, chief precious-metals analyst at HSBC, noting that gold has tended to decline ahead of anticipated interest-rate increases.

A rebound in the dollar or a bearish signal from central banks could end the rally early for gold bugs.

For now, however, some are eyeing a \$1,400 gold price—a level not seen since 2013.

"It's all systems go," said Ira Epstein, a strategist at Linn & Associates who recently recommended to clients buying gold and taking short positions in the dollar.

He said he recommended closing out those short dollar positions last Wednesday ahead of the European Central Bank's policy statement Thursday and Mr. Trump's speech in Davos on Friday.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

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AbbVie Gives Juice to Drug Rally

Higher Highs

Enanta Pharmaceuticals share price



\$2.5 billion in hepatitis C sales in 2018, nearly double last year's total.

Driving that growth is Mavyret, which the U.S. Food and Drug Administration approved last summer. That drug can cure patients with all forms of the disease in just eight weeks. Older drugs typically take a few weeks longer. Chief Executive Rich-

ard Gonzalez said on an analyst call Friday that Mavyret ended the year with 32% market share.

That is great news for **Enanta Pharmaceuticals**, a small biotech company that makes a key ingredient in Mavyret and earns a large royalty from Mavyret sales. That enables Enanta to conduct its research-and-devel-

opment programs without accessing the capital markets, a rarity for all but the largest drug companies.

There were other winners,

too. Mr. Gonzalez said AbbVie has recently locked in

contracts with payers that

feature stable prices. That

bodes well for **Gilead Sciences**,

which reports earnings next month. Gilead was

the first company to sell a

curative oral hepatitis C

drug, which has generated

tens of billions of dollars in

cash flow since it hit the

market in 2013. Lately, however,

increasing competition and price erosion have pres-

ured Gilead stock.

January has been a ban-

ner month for drug compa-

nies, as big ticket acquisi-

tions and generally strong

earnings have pushed the

Nasdaq Biotechnology Index

nearly 10% higher.

AbbVie's earnings and

commentary mean February

could bring more of the

—Charley Grant

Tencent Buys Help From the Terminator

In a fight for the attention of 1.4 billion people in China, the country's largest company has called in the Terminator to help.

Tencent, China's social media and videogames giant, is planning to buy almost 10% of **Skydance Media**, the Hollywood studio behind movies like the Arnold Schwarzenegger vehicle "Terminator Genisys" as well as "Mission: Impossible—Fallout," valuing it at around \$1.5 billion, according to The Wall Street Journal.

Skydance's well-known franchises are the main attraction for Tencent. Hollywood action blockbusters tend to do pretty well in China. Skydance's 2015 addition to the "Terminator" series actually drew in more revenue in China than in its home market.

The Tencent partnership also could help Skydance to navigate Chinese censors: Its "World War Z" in 2013, which starred Brad Pitt, missed out on the Chinese market after it failed to get the nod from China's culture police. Movies co-produced with a Chinese studio are exempt from the country's annual quota for foreign films.

Having just loaded up its war chest with \$5 billion

from a bond issuance this month, Tencent is set to continue scouring the globe for good content. Just like Arnie's Terminator, Tencent will be back. —Jacky Wong

OVERHEARD

Corporate America may not be the most feminist terrain, but it loves using feminism to sell products.

After Hillary Clinton lost the presidential election, sales of T-shirts with slogans like "girl power," "girl gang," and "feminist" grew by 310%.

Now, in the heat of the #MeToo and #TimesUp campaigns, feminist apparel is surging again, up 234% between Jan. 1 and Jan. 22 over the same period last year, ac-

cording to Edited, a retail analytics firm.

Since celebrities' blackout at the Golden Globes, black apparel has also become newly hot. Though it has historically been associated with premium and luxury brands, fast-fashion retailers have quickly upped their offerings: **Boohoo** by 35%, **Forever 21** by 56% and Zara by 50%. "Fashion is acting as a greater mirror for social mood than ever before," said **Katie Smith** of Edited.

GE Discount Weighs on Baker Hughes

Dry Hole

Share performance vs. Baker Hughes over past three months in percentage points



Source: FactSet

three months, Baker Hughes shares have underperformed those of Nos. 1 and 2, **Schlumberger** and **Halliburton**, by 13.1 and 25.5 percentage points, respectively.

There is rarely any reward without potential loss, though. The case against

Baker Hughes boils down to three risks.

First and most significant, GE has indicated it may sell its 62.5% stake, worth \$23 billion, to bolster its balance sheet. That has created a so-called overhang, weighing on the share price. The announcement of a stock offering would worsen the pressure while a private-equity transaction might boost the shares.

The second risk is that, if such a sale takes place, it might sap some of the synergies GE touted less than a year ago. These include shared intellectual property and contracts that Baker Hughes has said could be at risk if GE's stake falls below 50%.

—Spencer Jakab

None of GE's woes should affect Baker Hughes directly, but the sell-off has given investors an opportunity in the No. 3 oil-field-services company by revenue. In the past

10 years, Baker Hughes' share price has outperformed Halliburton's by 13.1 percentage points.

—Spencer Jakab