

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, JANUARY 10, 2018 ~ VOL. CCLXXI NO. 8

WSJ.com

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What's News

Business & Finance

Investors are grappling anew with whether economic data will translate to higher inflation, after a month-long drop in government-bond prices carried the yield on the 10-year Treasury note Tuesday to a close above 2.5%. **A1**

◆ **Stocks pushed higher**, with the S&P 500 notching its best start to a year in more than half a century. **B13**

◆ **Companies are shipping** more items by plane, prompting a scramble that has sent airfreight rates soaring. **A1**

◆ **Boeing said it delivered** a record 763 jettliners in 2017 and secured net orders for 912 planes. **B3**

◆ **Switzerland's central bank** expects to report a record annual profit of \$55 billion for last year, a sum equal to 8% of the country's GDP. **B1**

◆ **A tussle over iPhone use** by young people comes amid a re-evaluation within Silicon Valley of the smartphone's social consequences. **B1**

◆ **Apple is facing new** questions from government officials about its handling of battery-related performance issues on iPhones. **B5**

◆ **Kodak shares more than** doubled after the firm waded into the digital-currency world with plans to launch an initial coin offering. **B1**

◆ **Samsung spent more on** capital expenditures last year than any other publicly traded company. **B1**

◆ **SpaceX said it wasn't responsible** for the loss of a U.S. spy satellite it launched. **B3**

◆ **JPMorgan's Dimon said he** regretted a comment in which he called bitcoin a fraud. **B12**

World-Wide

◆ **The Trump administration** told Florida it won't consider new oil and gas drilling off the state's coast, backtracking on plans to expand offshore drilling all around the U.S. **A1**

◆ **The president said he was** optimistic an immigration deal could soon be reached on "Dreamers" and agreed with lawmakers to limit talks to four policy areas. **A4**

◆ **A federal judge in San Francisco temporarily blocked** the administration's effort to end the DACA program. **A4**

◆ **Bannon stepped down** as executive chairman of Breitbart News, days after long-time political patrons distanced themselves from him amid his rift with Trump. **A2**

◆ **In congressional testimony** from August 2017 released on Tuesday, a founder of Fusion GPS disclosed details on the making of a controversial Trump dossier. **A5**

◆ **Iran's supreme leader** said citizens had the right to voice their legitimate concerns, acknowledging for the first time protesters' grievances. **A6**

◆ **South Korea sought** unsuccessfully to raise the North's nuclear program during talks, but the two sides reached a deal for Pyongyang to participate in the Olympics. **A7**

◆ **A panel of judges ruled** that Republican lawmakers in North Carolina unlawfully gerrymandered the state's congressional districts. **A3**

◆ **Trump has had a rough** first year but has made important diplomatic progress, according to the head of the World Economic Forum. **A6**

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U.S. NEWS

Bannon Exits Breitbart Amid Trump Rift

Departure marks a rapid descent for the former White House chief strategist

By MICHAEL C. BENDER
AND REBECCA BALLHAUS

WASHINGTON—Steve Bannon lost his patrons, and now he has lost his platform.

The former chief strategist in the Trump White House stepped down as executive chairman of the Breitbart News Network on Tuesday,

five days after his longtime political benefactors—Robert Mercer and his daughter Rebekah, who are also major investors in Breitbart—distanced themselves from him.

"I'm proud of what the Breitbart team has accomplished in so short a period of time," Mr. Bannon said in a statement.

Breitbart Chief Executive Larry Solov said, "Steve is a valued part of our legacy."

The changes mark a rapid fall for Mr. Bannon, the former Trump campaign chairman who had positioned himself as a mouthpiece for an ascendant

wing of economic nationalism within the Republican Party. But his relationship with President Donald Trump quickly unraveled after publication last week of Michael Wolff's book, "Fire and Fury."

The book paints an unflattering picture of the president and his White House, and included quotes from Mr. Bannon saying Donald Trump Jr.'s June 2016 meeting with Russian representatives during the campaign was "treasonous."

Mr. Bannon said the quotes were taken out of context.

After the quotes were pub-

lished, Ms. Mercer contacted the White House to tell the president she and her father remained supportive of him, a White House official said.

The Mercers, one of three owners of Breitbart, almost immediately engaged in discussions with the company's board about whether Mr. Bannon should be ousted from his role there. Among the considerations were Breitbart's contractual relationships with other entities, including Sirius XM radio, that involve Mr. Bannon.

In the end, board members were united in the belief that

Mr. Bannon needed to step down, according to a person familiar with the talks. On Monday, the person said, the Mercers contacted Mr. Bannon through an intermediary to pass on the message: Resign, or be pushed out.

Mr. Bannon, however, viewed that message differently. He saw it as a choice between continuing his political activism, or focusing on the news website, according to two people familiar with Mr. Bannon's thinking.

One possible next step for Mr. Bannon: starting a new nonprofit group that would be

active in political races, the people said. Mr. Bannon was talking to potential donors on Tuesday about that possibility, one person said.

The departure from Breitbart threatens to marginalize Mr. Bannon, said Mark Meckler, a conservative activist. "To the extent that Bannon reflects the Trump movement and the populist movement, he resonated with the base," he said. "But I don't know that there ever was a constituency for Bannon per se."

—Benjamin Mullin
contributed to this article.

U.S. WATCH

OPIOIDS

Judge Aims to Hasten Resolution of Suits

A federal judge is pushing for a swift resolution to hundreds of lawsuits filed by cities and counties over the opioid crisis.

"I don't think anyone in the country is interested in a whole lot of finger pointing at this point, and I'm not either," U.S. District Judge Dan Polster said Tuesday at the first gathering, in a Cleveland courtroom, of lawyers involved in the sprawling opioid litigation.

Judge Polster is overseeing the consolidation of more than 200 cases filed in federal court by local governments, hospitals and other parties, all seeking to recoup the costs of opioid addiction from the manufacturers and distributors of the painkillers.

More than a dozen state attorneys general, including those in Ohio, Kentucky, Missouri and New Mexico, have also sued manufacturers and distributors in state courts.

—Sara Randazzo

WASHINGTON

U.S. to Create Panel On Illnesses in Cuba

Secretary of State Rex Tillerson will order a special panel to investigate the U.S. response to mysterious illnesses that have stricken American diplomats and their relatives in Havana.

The Federal Bureau of Investigation and the State Department have been probing the incidents in recent months after the administration said they resulted from attacks.

Now, Mr. Tillerson will take the further step of establishing an independent board of the same type that was set up after the 2012 attack on the U.S. consulate in Benghazi, Libya, a senior diplomat told lawmakers.

The board is required to be convened when people are seriously injured at a diplomatic facility, to assess security procedures.

The U.S. hasn't blamed Cuba for the illnesses, but Mr. Tillerson has held its leaders responsible for not having prevented them.

Cuba has denied perpetrating the attacks and said it wouldn't let a third party use its territory to conduct them.

—Felicia Schwartz

IDAHO

Ex-Legislator Facing Probe Is Found Dead

A former Republican state lawmaker from Idaho who was facing a sexual-abuse investigation has shot and killed himself, authorities said.

Brandon Hixon was found dead of a self-inflicted gunshot wound to the head in his home early Tuesday, Canyon County Coroner Vicki DeGeus-Morris said.

Officials have released no details about the criminal investigation into Mr. Hixon, 36, except that it was related to possible sexual abuse. The attorney general's office was overseeing the investigation but declined to comment.

—Associated Press

Athletes Lace Up for Special Olympics Iowa Winter Games

STANDOUT: Derek Boldt celebrates on the podium Tuesday after competing in the 25-meter speedskating competition in Dubuque, Iowa.

YIELD

Continued from Page One
ing investors while spurring record bond issuance by U.S. companies.

"There's a lot of optimism globally for the prospects for growth and inflation," said Brendan Murphy, a Standish Mellon senior portfolio manager. "Economies are growing in a synchronous fashion—they're also growing above trend."

As prices of Treasurys fall, the yields increase. The yield on the benchmark 10-year Treasury note settled at 2.542% Tuesday, compared with 2.480% Monday.

The surge above 2.5% marks the latest milestone in the 10-year yield's recent rise, after it spent much of 2017 stuck in a range between 2.2% and 2.4% as investors grew confident that inflation would remain muted.

Analysts attributed some of Tuesday's selling to an announcement from the Bank of Japan that it would trim purchases of long-term Japanese government bonds, a move

Breakout

The yield on the 10-year Treasury note hit its highest level in nearly 10 months as expectations for a pickup in inflation climbed.



Note: Thomson Reuters (break-even rate); Ryan ALM (Treasury yield)
Source: FactSet

THE WALL STREET JOURNAL.

that bolstered investors' concerns that central banks around the world are preparing to step away from postcrisis policies that have kept yields near historic lows.

The BOJ's decision, which some analysts described as minor on its own, is significant because foreign investors hold 44% of outstanding Treasurys, and because analysts see the bond purchases by the European Central Bank and the BOJ as factors driving

overseas demand for higher-yielding Treasury debt. Foreign investors boosted their holdings of U.S. government debt by 5.7% through October, on track to post their first annual increase since 2014, according to the latest available data from the Treasury Department.

Investors had expected yields to rise in 2017, buoyed by a surge of growth and inflation sparked by Trump administration priorities such as

tax cuts, regulatory rollbacks and infrastructure spending. Instead, inflation lagged behind other economic data, causing investors to grow pessimistic that it would break out of its rut.

One indication of how those views have changed recently: The 10-year inflation break-even rate, which reflects the yield premium on the 10-year U.S. Treasury note over the comparable Treasury inflation-protected security, topped 2% last week for the first time in more than nine months, according to Thomson Reuters. It settled Tuesday at 2.035%, its highest level since March 7.

Investors in Treasury-inflation-protected securities, or TIPS, receive a small yield as well as an increase to their principal equal to the annual change in the consumer-price index. The break-even rate is the annual increase in CPI necessary for a TIPS investor to earn the same income as an investor holding the regular Treasury note of the same maturity. As a result, a 10-year break-even rate is roughly equivalent to the annual inflation rate bond investors expect over the next 10 years.

The rising break-even rate is "an indication that people are pretty concerned" about inflation, said Gary Pollack, head of fixed-income trading at Deutsche Bank Private Wealth Management. Mr. Pollack said he has been selling 10-year Treasurys over the past month and holding the proceeds in cash.

The recent shift in investors' inflation expectations will face a test Friday, when the Labor Department releases CPI data for December. The CPI increased 2.2% in November from a year earlier. However, the Fed's preferred inflation gauge, the price index for personal-consumption expenditures, rose just 1.8% and 1.5% when excluding food and energy costs.

"If we get a strong CPI number on Friday, then I think certainly the market will be justified in moving past the 2.5% mark," said Gennadiy Goldberg, senior U.S. rates strategist at TD Securities. Yet if the data disappoints, "I think this will all come back very quickly," he added.

Several analysts noted that yields remain low by historical standards, and Treasurys have sold off several times over the past 12 months only to rally again.

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THE WALL STREET JOURNAL

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

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

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

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

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Interest on municipal bonds

is exempt from taxes at most state and local levels if investors own bonds issued by a government entity within their state of residence. An Investing in Funds & ETFs report article on Monday about muni bonds incorrectly implied that all states exempt such income from taxes.

Talks between representatives of North and South Korea took place Tuesday in the Panmunjom truce village on the inter-Korean border. In some editions Tuesday, a World News article about Pope Francis' call for stronger efforts for nuclear disarmament incorrectly said they were to take place in Seoul.

In some editions Tuesday, Air China's name was incorrectly given as China Air in a U.S. News article about delays at John F. Kennedy International Airport in New York.

The University of Colorado Denver received an overall ranking of No. 247 and overall score

of 58.3/100 in the Wall Street Journal/Times Higher Education College Rankings, reflecting combined data for that campus as well as for University of Colorado Anschutz Medical Campus.

Its outcome score was 19.9/40. Certain U.S. Department of Education data for the campuses have been combined in recent years. The rankings published Sept. 27 incorrectly said UC Denver had an overall ranking of No. 241, overall score of 58.6/100, and an outcome score of 20.2/40 because the ranking calculation was made using some data that reflected UC Denver and some data that reflected UC Anschutz.

The institution is now listed on the rankings on WSJ.com as University of Colorado Denver/Anschutz Medical Campus.

Photographer: Kim Sargent's first name was misspelled as Kin in the credit for a photo of the Dancing Hares Vineyard in St. Helena, Calif., published in the Mansion section on June 12, 2015.

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

U.S. NEWS

Tax Law's Effect Fuels Farm Outcry

BY JACOB BUNGE
AND RICHARD RUBIN

The new U.S. tax law has placed Rick Tronson, a North Dakota grain-company operator, in a precarious position by unexpectedly bestowing big benefits on his main competitors.

A provision inserted into the tax code during Senate and House negotiations in December gave farmers more-lucrative deductions when they sell agricultural products directly to the farm cooperatives he competes against rather than to businesses like his own.

Mr. Tronson, whose four storage facilities handle 17 million bushels of grain a year, said the competition could spell the end of his 76-year-old family-owned business.

"We've made a big investment. And this law, if they don't change it, the scenario is that we'll go broke," he said.

Farm groups and agricultural cooperatives battled last year to preserve a deduction on domestic U.S. production, which manufacturers also received. That deduction went away in the tax rewrite, but lawmakers including Sen. John Hoeven (R., N.D.) won the inclusion of a new deduction.

The new provision allows farmers to deduct up to 20% of their total sales to cooperatives, letting some farmers reduce their taxable income to zero. It is a more generous version of a

deduction that owners of pass-through businesses, such as partnerships and S-corporations, get in the law.

Farmers would get a smaller deduction—about 20% of income—if they sell grain or other farm products to privately held or investor-owned companies like Mr. Tronson's.

Tax lawyers and accountants said the new law will give cooperatives a significant edge over competitors. That stands to benefit co-op giants including American Crystalline Sugar Co., Land O'Lakes Inc., CHS Inc. and Ocean Spray Cranberries Inc.

It could sting large agribusinesses such as Cargill Inc. and Archer Daniels Midland Co., in addition to smaller private operations like Mr. Tronson's.

"It's kind of hard to imagine they intended to make farming tax-free," said John Power, a North Dakota accountant whose clients include Mr. Tronson. "Fixing it becomes difficult because I don't think it's something that can be fixed with regulation."

CHS hailed the new deduction system. A spokeswoman said it "should help ensure farmers receive appropriate benefits in the new tax law and that cooperatives continue to be a driver of economic growth in rural America."

Lawmakers are now re-examining the issue. An aide to Sen. John Thune (R., S.D.), who assisted Mr. Hoeven with the



Lawyers and accountants say the tax overhaul, signed into law in December, gives farm cooperatives a significant edge over competitors.

provision, said lawmakers are in search of a "reasonable solution" to "potential unintended effects."

Kami Capener, Mr. Hoeven's spokeswoman, said the goal was to prevent cooperatives from being "unfairly treated" by the loss of the domestic-production deduction. "We are looking into any unintentional impacts to noncooperative [grain] elevators and will work with them to address it," she said.

Republican lawmakers said they intend to pass a technical corrections measure to fix any flaws that show up in the tax law, but any new law is likely to need 60 votes in the Senate. The need for bipartisan cooperation makes the measure's fate

uncertain; the GOP holds 51 seats in the Senate.

The new provision could reshape parts of the agricultural economy and sharply reduce many farmers' taxes. U.S. crop production was estimated at \$183.1 billion in 2017.

Consider a simplified example of a wheat farmer with \$500,000 in annual grain sales and \$80,000 in profit. A farmer selling grain to a cooperative could deduct 20% of sales, wiping out the entire income-tax liability. By contrast, if the farmer sells grain to an independent grain operator, the farmer's deduction would be limited to 20% of the profit, or \$16,000, leaving that farmer with up to \$64,000 in taxable income.

Grain Firms Face Potential Changes

Some executives of independent grain companies said they had contacted their elected officials to protest the shift.

Cargill Inc., among the largest purchasers and exporters of U.S. grain, "was surprised to see this last-minute addition to the bill and is in the process of assessing it and evaluating the potential impact to our business and to our customers," a spokeswoman said.

Archer Daniels Midland Co. is "evaluating the potential impacts of this new tax provision, as well as various potential solutions," a spokesman said. ADM's share price is down 5.3% in the past three months.

Judges: N. Carolina Districts Unlawful

BY BRENT KENDALL
AND JESS BRAVIN

Federal judges in North Carolina issued a broad ruling Tuesday that found Republican lawmakers unlawfully gerrymandered the state's congressional districts to maximize their partisan advantage, a decision that comes as the Supreme Court also is grappling with whether to rein in the practice.

A special three-judge court invalidated the North Carolina map after finding Republicans adopted it for the driving purpose of magnifying the party's political power beyond its share of the electorate.

The decision comes as the Supreme Court considers two cases alleging that political maps in Wisconsin and Maryland are partisan gerrymanders—a form of political manipulation which, in contrast to racial gerrymanders intended to disenfranchise minorities, has never been declared unconstitutional by the justices.

But the practice, which has prompted criticism from political scientists and cynicism from at least some voters, hasn't been blessed by the Supreme Court, either. In recent decades, the justices have turned away challenges to political maps that entrench one party over the other because no majority could agree on a legal standard for distinguishing normal partisanship from excessive maneuvering that crosses a constitutional line.

The high court appeared deeply divided when it heard arguments in the Wisconsin case in October, and it will hear the Maryland case in the coming months. The eventual rulings could reshape how political maps are drawn across the country—and the balance of power in Congress and state legislatures.

The North Carolina court's decision read in many ways as a letter to the Supreme Court's likely deciding vote, Justice Anthony Kennedy, who has expressed distaste for partisan gerrymanders but has rejected prior efforts to draw a rule that courts could use to evaluate whether a particular map passes muster.

Mudslides Kill at Least 13 in California

BY JIM CARLTON
AND NOUR MALAS

KENNETH SONG/SANTA BARBARA NEWS-PRESS/REUTERS

Emergency personnel evacuated local residents and their dogs through floodwaters on Tuesday in Montecito, Calif.

LOS ANGELES—First came the wildfires, which prompted mass evacuations across Southern California last month. Then came the rains, and the mud. Thousands more evacuated again, and 13 people were killed in mudslides Tuesday.

Mud loosened by torrential rain caused havoc around the nation's second most populous region, washing away homes and cars and shutting down freeways.

Hardest hit was the area in and around Montecito, in Santa Barbara County, where all of the fatalities were reported—along with about two dozen injuries after mud roared down from a mountain denuded of vegetation in the recent wildfire, sweeping away several dozen homes and other structures, emergency officials said.

Some neighborhoods were under mandatory or voluntary evacuation orders, but it is unclear if those who died were in those areas.

The one-two punch of fire and mudslides is a common occurrence in California, where hills stripped of grass and other vegetation by flames in the fall are less able to soak up the winter rains that follow. Rains were expected to taper off by late Tuesday night, forecasters said.

In the kind of steep terrain that surrounds Los Angeles, mud and debris can begin flowing within just 15 minutes of a downpour—rushing down the mountain as fast as 50 miles an hour, said Dennis Staley, a landslide specialist with the U.S. Geological Survey in Golden, Colo.

The threat of mudslides to populated areas has grown markedly, he said, because so many more people have moved

into fire-prone zones in California and other mountain states.

Mike Eliason, spokesman for the Santa Barbara County Fire Department, said the death and injury count could rise after emergency crews finish sifting through homes buried under mud and debris. Emergency crews have performed dozens of rescues of people trapped in homes and trees.

"It's a mess. The mud was so high everywhere," said Franco Rizzo, a Santa Barbara resident who drove two hours Tuesday morning—a trip that usually takes fifteen minutes—to pick up his friend in Montecito who had called for help.

Navigating back roads to carve the quickest path to his friend, Mr. Rizzo passed the closed 101 freeway, a muddied river empty of cars but carrying trees, fencing pried loose from yards and highway underpasses.

Arpaio Seeks U.S. Senate Seat

BY JANET HOOK

Joe Arpaio, a former sheriff whose hard-line immigration stance led to a federal conviction before President Donald Trump pardoned him last year, said Tuesday he is running for U.S. Senate in Arizona, scrambling the politics of one of this year's most competitive races.

Mr. Arpaio, 85 years old, is entering the GOP primary to succeed retiring Republican Sen. Jeff Flake, who is one of the Senate's most vocal critics of the president.

In recent years, the former sheriff of Maricopa County, which includes Phoenix, became a national hero of anti-immigration forces for his aggressive efforts to round up

undocumented immigrants.

His tactics—including harsh treatment of people he took into custody—were derided by human-rights groups, attracted hundreds of lawsuits and ultimately ran afoul of the Justice Department.

A federal judge last year found Mr. Arpaio guilty of criminal contempt for defying a 2011 court order to halt immigration raids, but Mr. Trump granted him a pardon one month later.

Mr. Arpaio was defeated in his 2016 bid for re-election, ending a 24-year career as sheriff.

A key question is whether Mr. Trump will weigh in on what is shaping up to be a three-way Senate GOP primary

and endorse Mr. Arpaio, who campaigned with him in 2016.

Mr. Trump and his allies are still smarting from his double loss in last year's Alabama special Senate election: The president endorsed the loser both in the GOP primary and in the general election.

Arizona is seen by Democrats as a top pickup opportunity in a year in which they need to flip only two seats to win a majority but must defend many more seats than Republicans. Mr. Trump won Arizona in the 2016 election by less than 4 points.

Democrats believe they have a strong candidate in Rep. Kyrsten Sinema, a 41-year-old third-term congresswoman.



ROBYN BECK/AGENCE FRANCE PRESSE/GETTY IMAGES

Joe Arpaio, a Trump supporter, wants to replace a vocal critic of the president as Arizona's senator.



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U.S. NEWS

Trump Expects Deal on 'Dreamers' Soon

President agrees to drop some contentious issues, but border wall is a stumbling block

BY LAURA MECKLER
AND KRISTINA PETERSON

WASHINGTON—President Donald Trump said he was optimistic that an immigration deal could soon be reached on "Dreamers" and agreed with lawmakers to limit talks to four policy areas during a bipartisan meeting Tuesday at the White House.

Over nearly an hour, Mr. Trump offered various formulations for what an agreement might look like during rare negotiations in full view of reporters and television viewers. He suggested Congress could protect the young undocumented immigrants known as Dreamers and improve border security, while putting other contentious issues off for later. At other times, he said some of his additional conservative priorities must be included.

Throughout the conversation, Mr. Trump insisted that the border-security part of a legislative package include his controversial wall with Mexico, which Democrats and some Republicans oppose.

Lawmakers said afterward that they were confused during the public session about what parameters the president favored for the talks. But then, in private after the reporters left the room, the group agreed that negotiations would include four things: new limits on family-based immigration and the diversity visa lottery that admits immigrants from underrepresented countries, in addition to help for the Dreamers and border security, according to the White House and members of both parties.

"I really do believe Democratic and Republican, the people sitting around this table, want to get something done," Mr. Trump said. "And I think we're on our way to do it."

In September, Mr. Trump ended the Deferred Action for Childhood Arrivals program, or DACA, asking Congress to inter-



President Donald Trump listens at a meeting with bipartisan members of Congress on immigration in the Cabinet Room of the White House in Washington on Tuesday.

ANDREW HARRER/BLOOMBERG NEWS

U.S. Judge Blocks Move to End DACA

U.S. District Judge William Alsup in San Francisco on Tuesday temporarily blocked the Trump administration's effort to end DACA.

In considering multiple lawsuits that challenged the move, Judge Alsup said until the cases are completed, the

administration must consider renewal applications from immigrants who were enrolled in the program when President Donald Trump announced its end on Sept. 5.

The judge said a provision of DACA that allowed immigrants to ask for permission to leave the U.S. and be allowed back in doesn't have to continue.

The administration also won't be required to consider

new, first-time DACA applications, the judge said.

The White House didn't immediately respond to a request for comment.

Judge Alsup ruled that the government can continue to deport any immigrant protected by DACA "who it determines poses a risk to national security or public safety" or otherwise "deserves to be deported."

—Alicia A. Caldwell

his administration estimated.

"To spend billions of dollars on something that won't work would be stupid," Ms. Hirono said after the meeting.

The proposals to limit "chain immigration," which allows U.S. citizens to sponsor relatives abroad to come to America, and to curtail the diversity visa pro-

gram are also controversial, said Rep. Carlos Curbelo (R., Fla.), who has pushed Dreamer protections. "That's where some House Republicans can get overly ambitious and where they risk not just losing Democrats, but other, more centrist House Republicans," he said.

Mr. Trump also suggested

that Congress might undertake an even bigger immigration bill. Sen. Lindsey Graham (R., S.C.) noted that he had long worked on a comprehensive immigration overhaul package and taken considerable criticism from opponents for doing so. Mr. Trump replied, "If you want to take it that further step, I'll

take all the heat."

Many Republicans have opposed comprehensive bills because they have included a path to citizenship for most of the 11 million people living in the U.S. illegally, not just the Dreamers.

Democrats at the meeting pressed the urgency of the DACA matter. In early March, large numbers of young people will begin losing their DACA protections and be unable to live or work legally in the U.S., and would be subject to deportation.

"We have a deadline looming and a lot of lives hanging," said Senate Minority Whip Dick Durbin (D., Ill.), the Democrats' lead negotiator. He said that his party would back some elements of border security but suggested other elements shouldn't be included.

—Siobhan Hughes and Louise Radnofsky contributed to this article.

WASHINGTON WIRE

DRILL

Continued from Page One

position that Florida is unique and its coasts are heavily reliant on tourism as an economic driver," Mr. Zinke said in a statement after his meeting at Tallahassee International Airport. "As a result of discussion with Governor Scott and his leadership, I am removing Florida from consideration for any new oil and gas platforms."

The administration's plan faced particular resistance from lawmakers from Florida, in part because it has the most at stake: Oil companies consider the waters off the state the most logical and prized options for new drilling, while the tourism industry has been Florida's priority for decades.

The state has Senate and gubernatorial races this year, meaning the proposal was likely to become a campaign issue. Mr. Scott is term-limited after eight years as governor and is a potential challenger to Democratic Sen. Bill Nelson this fall. Mr. Nelson and Republican Sen. Marco Rubio both have opposed the plan.

In a statement, Mr. Nelson noted Mr. Scott's past support for drilling and questioned the turn of events.

"Suddenly, Secretary Zinke announces plans to drill off Florida's coast and four days later agrees to 'take Florida off the table? I don't believe it,'" Mr. Nelson said. "This is a political stunt orchestrated by the Trump administration to help Rick Scott...."

Floridians' opposition to drilling has stiffened further in recent years, said Bob Graham, a Democratic former senator and governor of Florida who co-chaired a presidential commission that investigated the 2010 Deepwater Horizon accident in the Gulf of Mexico, the largest oil spill in U.S. history. The devastation it did to tourism businesses around the Gulf Coast is still fresh in people's minds there, he said.

Mr. Graham predicted Friday that if the plan were to become reality, there would "be some ticked off folks...in Florida."

—Stephanie Armour

SENATE

Trump Pick Defends Pharmaceutical Ties

Alex Azar, President Donald Trump's nominee to head the Department of Health and Human Services, defended himself Tuesday against Democrats who asserted his ties to the pharmaceutical industry would make him less likely to take strong action to lower drug prices.

Mr. Azar said in a hearing before the Senate Finance Committee that his past position as president of an Eli Lilly & Co. affiliate gives him a unique advantage in tackling drug costs.

"From having worked for the last several years in that space—it is such a complex area, the learning curve for any other individual would be so high," Mr. Azar said. Bringing down consumer prices would be a central goal, he said.

—Stephanie Armour

WHITE HOUSE

Veterans to Get More Mental-Health Help

The Trump administration plans to expand mental-health coverage to veterans, aiming to curb suicides in a period shortly after people leave military service when they are considered most vulnerable, officials said Tuesday.

President Donald Trump signed an executive order at the White House calling on various cabinet secretaries to devise a program within 60 days that will provide access to mental-health treatment and suicide prevention in the year after service members depart the military.

Mr. Trump said the effort amounts to a "historic step to make sure that our incredible veterans are taken care of in a proper manner. We want them to get the highest care they so richly deserve."

Each year, more than 250,000 service members make the transition from the military to civilian life, an administration official said.

—Peter Nicholas

Sea Change

President Donald Trump's original plan to expand offshore drilling would have opened nearly every U.S. coastal area where the practice is currently banned.

■ Drilling currently allowed

■ Drilling currently banned, but would have been allowed under Trump's original proposal



Source: Bureau of Ocean Energy Management

Military Spending Could Rise Further

The brewing budget deal on Capitol Hill could get much larger thanks to a late Republican push for a bigger boost in defense spending.

As the spotlight has been on immigration negotiations, lawmakers and aides have been working behind the scenes to hammer out a two-year deal that would not only prevent the budget limits known as the sequester from kicking in, but potentially raise spending beyond that.

While many expected lawmakers to eventually reach an agreement adding \$200 billion over two years over sequester levels, that sum would grow if a GOP push to ramp up military spending even more is successful.

Both Republicans and Democrats want to prevent spending limits established in 2011 from kicking in. Without congressional action, defense spending would be shaved by \$54 billion and nondefense spending would see a \$37 billion cut in fiscal 2018,

which ends in September.

Many Republicans have championed increasing military spending by at least \$54 billion, the level of the White House's request for fiscal 2018. But now some are calling for a larger boost.

"We would actually prefer a higher defense number than that...actually more than the administration," Rep. Tom Cole (R., Okla.), a senior member of the House Appropriations Committee, said Tuesday.

Though it isn't yet clear exactly how much military spending congressional leaders will agree to, it could be in line with the funding authorized in the annual defense policy bill, GOP lawmakers and aides said. The National Defense Authorization Act authorized almost \$700 billion in military spending, including \$634 billion in its regular military spending, plus \$66 billion in emergency war funds that aren't subject to the spending limits.

Democrats have said they support boosting military spending, but they want nonmilitary spending to receive an equal increase.

—Kristina Peterson

Oil companies are eager to drill in the eastern Gulf of Mexico because of its proximity to areas in the western Gulf where drilling has been successful, said Erik Milito (R., N.J.) of the American Petroleum Institute, an oil and gas trade association. But they also are mindful of the fishing, tourism and military operations that are prominent around Florida, he added.

Congressional Republicans from Florida, New Jersey and South Carolina have spoken out against the plan. And Democratic governors in California, North Carolina, Oregon and Washington have also vowed to fight it.

The Interior Department has to consider the ramifications and responses from affected states. Governors could challenge the plan in court, or use state laws and regulations to block onshore projects that might be needed to support offshore drilling. Congress could also block the adminis-

tration's plan through legislation or spending bills.

"ABSOLUTELY WRONG APPROACH for #SouthJersey & Atlantic Ocean," Rep. Frank LoBiondo (R., N.J.) said on Twitter after the Interior Department's original announcement. "Previous attempts to lift ban met w/ fierce bipartisan rejection across New Jersey & up/down East Coast. Will be met w/ STRONGER opposition now."

The proposal won support from lawmakers in states like Louisiana and Alaska where oil is key to their economy. "This proposal shows President Trump and Secretary Zinke are serious about creating jobs and making America energy dominant," said Louisiana Sen. Bill Cassidy, a Republican.

The Interior Department pointed to letters it received last year in which 155 members of Congress, including 36

Republican senators, supported reconsidering offshore areas that had been blocked from drilling.

A spokesman for one who signed, Sen. Richard Burr (R., N.C.), said Monday that the letter from a few months ago shouldn't be considered an endorsement of the Interior Department's new proposal. He is still evaluating it.

The drilling plan governs the federal waters of the Outer continental shelf, which typically start close enough to the coast for rigs to be visible from shore and reach more than 200 miles out to sea. While opponents are most worried about catastrophic spills washing up on beaches and affecting ocean life, some are also concerned about oil rigs spoiling coastal and maritime views, and disruptions from pipes and other infrastructure that need to connect onshore.

"We're hoping we have as

many options left on the table as possible," the API's Mr. Milito said. "But we understand there's politics at play."

The Interior Department said it would hold public sessions over the next year and a half, beginning next week.

"What we rolled out last week was a draft plan," Interior Department spokeswoman Heather Swift said. "We will go through a rigorous and robust public comment period where we will hear from local stakeholders who both support and oppose aspects of the plan."

Some analysts believed that process could well end up winnowing down the regions that will be opened to drilling.

The first draft proposes 47 lease sales from 2019 to 2024, the most for any similar five-year program in history. It includes sales off the Atlantic and Pacific coasts—for states like California, New Jersey and Oregon that haven't had them in more than 33 years.

U.S. NEWS

Details on Dossier's Making Are Disclosed

BY BYRON TAU AND ERICA ORDEN

WASHINGTON—In congressional testimony released Tuesday, a founder of a research firm behind a controversial dossier about Donald Trump provided a detailed account of how the investigation began and how that information ended up in the hands of federal law-enforcement agencies during the 2016 campaign.

The 35 page-dossier, which contained salacious and unverified material about Mr. Trump and Russia, circulated widely in law enforcement, intelligence and media circles in late 2016 and early 2017. The dossier has taken center stage in the investigation into Russian activity during the election and whether anyone from the Trump campaign colluded with Moscow.

In the August 2017 testimony, Glenn Simpson defended the work of his firm Fusion GPS and the former British intelligence official he hired to gather information. That official, Christopher Steele, ended up writing memos on Mr. Trump's purported ties to Russia that make up the dossier.

Mr. Trump has called the dossier "fake" and "discredited," and has denied any collusion with Russia by his campaign. Moscow has denied interfering with the election.

"It's political rhetoric to call the dossier phony," Mr. Simpson testified. "The memos are field reports of real interviews that Chris's network conducted and there's nothing phony about it. We can argue about what's prudent and what's not, but it's not a fabrication."

According to Mr. Simpson's testimony, Mr. Steele first approached Federal Bureau of Investigation officials in July 2016, believing the information he had gathered suggested the possibility that Mr. Trump was vulnerable to blackmail from Russia. Mr. Steele met with FBI officials again in Rome in Sep-

tember, Mr. Simpson said.

In one meeting, Mr. Steele was told the FBI had an internal source in the Trump campaign, according to Mr. Simpson. People familiar with the matter now say Fusion believes the FBI was referring to George Papadopoulos, a Trump campaign adviser who pleaded guilty in October to lying to the FBI.

Mr. Papadopoulos, according to the New York Times, reportedly had social contact with an Australian diplomat who tipped off U.S. law enforcement on what the diplomat learned from Mr. Papadopoulos.

Two attorneys for Mr. Steele didn't respond to a request for comment.

A representative of the FBI didn't respond to a request for comment.

The transcript of Mr. Simpson's appearance before the Senate Judiciary Committee was released by Sen. Diane Feinstein, the panel's top Democrat. Ms. Feinstein said she was releasing the transcript in part to rebut charges that Mr. Simpson had acted inappropriately.

Mr. Simpson, a former Wall Street Journal reporter, said his firm's research began in the fall of 2015 when he was asked to look into Mr. Trump by a client. He declined to reveal the client in the August testimony, but it was later reported to be the conservative publication Washington Free Beacon, an entity backed by hedge-fund manager Paul Singer. Mr. Singer was critical of Mr. Trump during the 2016 election.

A new client, whom Mr. Simpson declined to identify, began paying for the firm's research on Mr. Trump in the first half of 2016, Mr. Simpson said in his testimony. It was later revealed to be Democrat Hillary Clinton's campaign and the Democratic National Committee, through an attorney for both entities.

—Mark Maremont contributed to this article.

Capital Cases

U.S. federal and state executions

Federal executions*, by decade

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WORLD NEWS

Iran Takes Conciliatory Tone on Protests

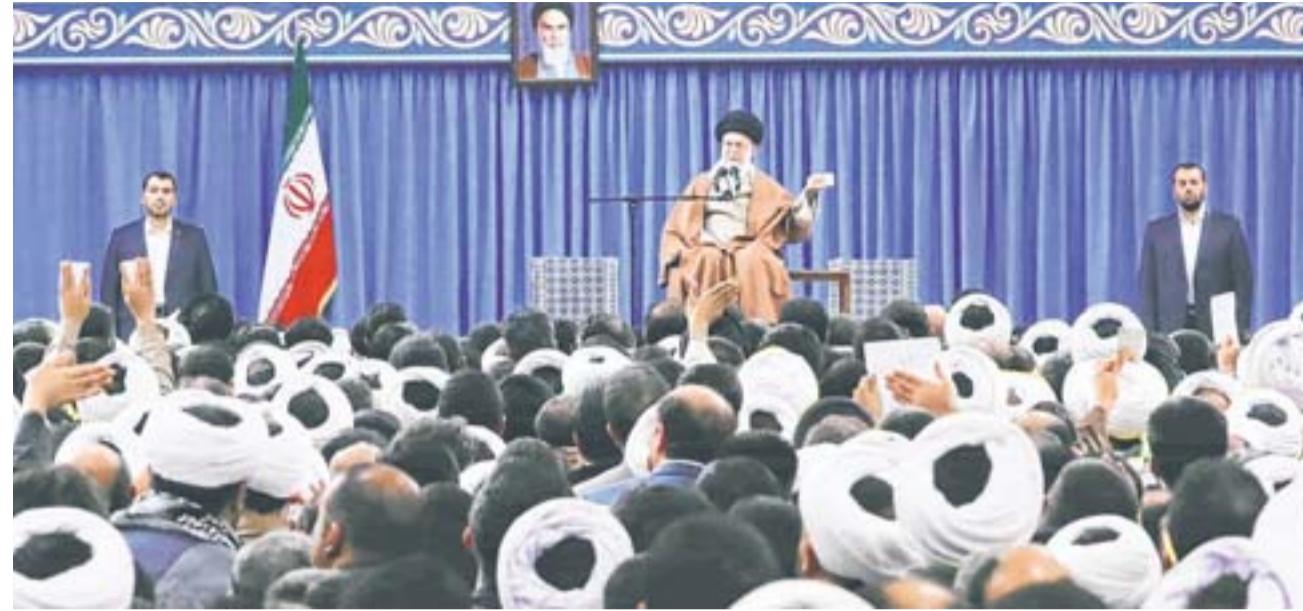
Leader says people have a right to voice concerns, in a nod to protesters' grievances

By ASA FITCH

Iranian Supreme Leader Ayatollah Ali Khamenei said citizens had the right to voice their legitimate concerns, on Tuesday acknowledging for the first time the grievances of protesters taking part in the biggest wave of demonstrations in the country this decade.

Mr. Khamenei took a conciliatory tone during a speech in the city of Qom, as the regime responds to demonstrations that are testing its tolerance for dissent and exposing working-class complaints about high inflation, widespread unemployment and other persistent economic problems.

Many of the people who have protested in recent days are from Iranian hard-liners' own political power base, and they have been raising their voices against what they see



Supreme Leader Ayatollah Ali Khamenei on Tuesday blamed external actors for recent protests, which came amid economic concerns.

as a system that has left them behind economically.

"Nobody is against public protests," Mr. Khamenei said, according to his official website. "Their voices should be attended, heard and responded to. We should all pursue that."

President Hassan Rouhani, a relative moderate within Iran's political system, has taken a similar tone in recent days, underlining the right to protest and the government's need to address economic ills. But he has sided more aggressively

with protesters by suggesting Iranians' concerns went beyond the economy and into the political and social sphere.

Mr. Khamenei's conciliatory comments were an attempt to split what was left of an anti-government movement that

has exposed cracks in the system, said Behnam Ben Taleblu, a senior Iran analyst at the Foundation for Defense of Democracies in Washington.

The unrest appears to have waned in recent days following a crackdown by security forces.

More than 20 people were confirmed killed in the unrest. Iranian authorities have confirmed hundreds of arrests, although rights groups say the total is in the thousands.

Activists and relatives of the detainees have staged protests in recent days outside Tehran's Evin prison. On Tuesday, unverified videos shared on social media showed crowds demanding the release of those arrested. One video purported to show people throwing stones at security forces near the prison.

In acknowledging Iranians' struggles, Mr. Khamenei was undermining the economic management of Mr. Rouhani and blaming external actors for the unrest, said Ali Vaez, director of the Iran Project at the International Crisis Group. Mr. Khamenei has raised concerns before about the economy under Mr. Rouhani.

"What is not clear is whether the leadership can accept a civic culture in which peaceful protests are tolerated and deemed normal, and whether it can evolve," Mr. Vaez said.

Head of Davos Forum Sees Signs of Progress in Trump's First Year

BY GERARD BAKER

President Donald Trump has had a rough first year in office but has made important diplomatic progress with China and other key countries toward resolving some of the biggest sources of international tension, according to the head of the World Economic Forum.

In an interview ahead of the 48th annual meeting of the gathering of world leaders in politics, business, culture and the arts in Davos, Switzerland, Professor Klaus Schwab expressed concern the U.S. president had upended many norms of international relations in his first year in office but noted that fears of greater global

tension had not been realized.

"Of course the first year has been rough. But on the other hand, look at the relationship with China, look at even the relationship with other countries....I mean there was not the confrontation which was the fear of many people in the world."

Last year, in the absence of leading U.S. officials who were in Washington for Mr. Trump's inauguration, President Xi Jinping of China took the opportunity to stake a claim for Chinese leadership in the global economic system.

Mr. Trump's attendance this year indicates the administration is looking to make its case for its "America First" interna-

tional agenda to a high-profile audience but may also indicate a fresh willingness on the part of the president to engage with world leaders on such issues as security, trade and immigration.

Prof. Schwab, speaking before the announcement Tuesday of Mr. Trump's participation in the forum, expressed concerns about the president's global leadership and his apparent turn away from liberal democratic values that the West had espoused for many years.

"I think we have to get accustomed [to the fact] that we do not have any more shared values...which characterized the world since...the end of the Cold War. And here to see that the leader of this world...is not

exercising anymore leadership which is expected: that's worrisome."

The theme of this year's Davos meeting is "Creating shared values in a fractured world" and Prof. Schwab said the forum would aim to provide specific ideas on how to deal with the challenges of rising nationalism and disagreement over trade, security and other matters.

"It's evident that we are living in a fractured world characterized by polarization. So what we want to do is to look at the origins of...the fractured growth. You have to find also solutions. We cannot just describe what's happening. We are living in a fast developing context. The world is becoming

more and more complex [but] still interdependent."

The

World Economic Forum

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—Eli Stokols

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WORLD WATCH

WIKILEAKS

Ecuador Seeks End To Assange's Stay

Ecuador said Tuesday that it was looking for a way for Julian Assange to leave its embassy in London, where the WikiLeaks founder has lived since 2012 when he was granted political asylum.

Foreign Relations Minister María Fernanda Espinosa said in comments reported by state media that it was "unsustainable" for Mr. Assange to stay at the embassy indefinitely. She said Ecuadorian officials were hoping to reach an agreement with the U.K. that would allow Mr. Assange to leave.

Ms. Espinosa added that Ecuador wasn't giving up on its commitment to protect Mr. Assange.

Mr. Assange entered the embassy to avoid extradition to Sweden on allegations of sexual assault. The Swedish investigation has ended, but he remains in the embassy out of fear that U.S. authorities would seek his extradition to face charges for leaking thousands of classified government documents.

—Ryan Dube

SOUTH KOREA

Seoul Upholds Deal To Mollify Japan

Seoul stepped away from a potential clash with Japan over wartime history, saying it would abide by a 2015 agreement over women forced into sexual ser-

* * *

vice for Japanese soldiers.

Last month a South Korean panel said the deal, which included an apology by Japan and compensation, was flawed because it didn't reflect the wishes of the victims. Groups representing the women have called for the agreement to be scrapped and renegotiated.

With the move, South Korean President Moon Jae-in sought to conciliate a neighbor whose cooperation is essential to countering the threat from North Korea's arms programs.

—Min Sun Lee and Kwanwoo Jun

CHINA

Search Is Extended For Missing Sailors

Chinese rescue workers expanded their search radius as they battled strong winds and big waves to find the crew of an Iranian oil tanker that was burning in the East China Sea days after colliding with a cargo ship.

The search-and-rescue corridor swelled to 900 square nautical miles around the Sanchi tanker, with airplanes and more than a dozen ships assisting, Chinese authorities said.

Thirty Iranians and two Bangladeshis were aboard the 899-foot tanker when the accident occurred. Just one sailor's body has been found. All 21 Chinese crew members on the Hong Kong-registered cargo ship CF Crystal—the other vessel involved—were rescued.

—Te-Ping Chen



EAST AND WEST: During an official visit to China, French President Emmanuel Macron shook hands with his Chinese counterpart, Xi Jinping, in Beijing on Tuesday.

FROM PAGE ONE

CARGO

Continued from Page One
arrange freight shipments online.

Some analysts caution that the pace of growth may slow in 2018, when year-over-year comparisons will be tougher given the market improvements over the past year.

Still, growth "will be probably in the 4% to 5% range because the outlook for industrial activity and trade in 2018 is pretty strong," said Tom Crabtree, regional director of airline market analysis for Boeing Co.'s commercial airplane unit.

Demand for smartphones from Apple Inc. and Samsung Electronics Co. last year pushed up airfreight costs. Elevated semiconductor shipments, an airfreight mainstay, also have been gobbling up cargo space. And increasingly, companies are loading toys, clothing and other products onto planes to meet shorter delivery windows and leaner retail inventories.

Shoppers accustomed to getting online orders in two days or less are adding to the pile at airport cargo terminals with items such as dog food and dish detergent, as well as laptops and other consumer electronics.

"We're shipping more and more of what you might consider to be everyday basics," said Jim Mayer, a spokesman for the airline unit of United Parcel Service Inc.

To avoid the bottlenecks surging air-cargo traffic is creating at major hubs such as New York and Atlanta, some companies that arrange shipments for clients such as retailers are routing cargo through airports in cities like Detroit or Charlotte, N.C.

Air-cargo executives expect the crush to boost their industry's share of global shipments beyond its current level of about 2%. Already, air cargo represents about one-third of global goods shipments by value, because pricier, time-sensitive items such as fresh fish tend to be sent by air.

"We expect more profitable growth in 2018 and beyond as airfreight claims a bigger share of overall cargo volume to achieve ever faster e-commerce

deliveries," said Joe Hete, chief executive of air-cargo specialist Air Transport Services Group Inc., or ATSG, which flies cargo for DHL Express and Amazon.

Amazon is building its own airline operation to augment shipments it makes through DHL, UPS and FedEx Corp.

The e-commerce giant contracted ATSG in 2015 to make trial flights using jets carrying only its own goods to airports close to its distribution centers. Atlas Air Worldwide Holdings Inc., one of the world's largest air-cargo operators, has since joined as an additional partner.

'We're shipping more and more of what you might consider to be everyday basics.'

and by the end of 2018 the two airlines plan to have converted 40 used Boeing 767-300 jets to freighters to fly under Amazon's Prime Air banner in the U.S.

Amazon's partners have scoured the market for used passenger jets to convert to cargo use to keep up with Prime Air's rapid growth. Last year, ATSG acquired three Boeing 767s that had been parked in the Arizona desert by American Airlines Group Inc. Older planes are routinely stored in desert lots, where dry conditions pre-

vent corrosion. Often they end up broken up for spare parts.

"Atlas and ATSG are taking planes far older than anyone anticipated," said Steve Rimmer, chief executive of Altavair LLC, a Seattle-based aircraft leasing company that wasn't involved in deals for the Amazon jets. He said relying on jets built in the early 1990s could require more maintenance and become problematic for a company like Amazon that stakes its reputation on reliable deliveries.

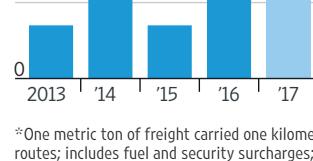
ATSG's Mr. Hete said on a recent earnings call that the lower cost of the used jets was a major benefit. "The converted freighter pretty much does the same thing as a brand new one at basically a third of the cost," he said.

Amazon has deployed its current fleet of about 30 jets primarily for its fastest Prime delivery service, said a person familiar with its operations. The fleet has allowed it to extend the window for guaranteed two-day delivery from 6 p.m. on the East Coast to as late as 11 p.m. The company also is evaluating a new design for the air-cargo containers used on Boeing 767s to reduce wasted space and loading times, the person said. Amazon declined to comment.

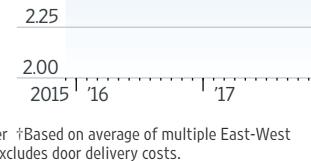
The e-commerce giant also plans to build its own cargo hub at Cincinnati/Northern Kentucky Airport, with the first phase running by 2020 ahead of an expansion that would make it capable of handling 100 jets.

Flying High

E-commerce and a strong economy are stoking demand for air freight

Annual change in global air cargo volume

*One metric ton of freight carried one kilometer round trips; includes fuel and security surcharges; excludes door delivery costs.
Sources: IATA (cargo volume); Drewry Shipping Consultants (price)

Average air freight price*

*Based on average of multiple East-West routes; includes fuel and security surcharges; excludes door delivery costs.
Sources: IATA (cargo volume); Drewry Shipping Consultants (price)

WORLD NEWS

North Korea to Join Games

BY ANDREW JEONG

SEOUL—South Korea sought unsuccessfully to raise the North's nuclear program during bilateral talks, but the two sides reached a deal for Pyongyang to participate in the Winter Olympics and agreed to revive cross-border military communications.

Tuesday's face-to-face discussions at the demilitarized zone that divides the peninsula were the two Koreas' first since December 2015, and they came as the Trump administration leads a global push to isolate the North, which has been hit with tougher international sanctions in response to its weapons tests.

A joint statement released after the talks contained no mention of the North's atomic-weapons program, and South Korean officials said Pyongyang's delegates had voiced anger when Seoul broached the North's weapons program.

In a briefing after the talks, North Korea's chief delegate, Ri Son Gwon, said it was ridiculous to raise the subject of the North's nuclear weapons, which he said were "strictly aimed at the U.S."

The two Koreas also agreed to hold military talks to reduce tensions, though it wasn't clear when they would occur.

The North's lack of willingness to discuss denuclearization fanned suspicions that the regime is buying time to complete its nuclear program.

North Korea is just "taking a break" and trying to find relief from sanctions, said Chun Yung-woo, a former South Korean presidential national security adviser. Pyongyang will try to perfect its missile technologies through more weapons tests this year, he added.

Seoul's government said it would continue work with the U.S., China and Japan to "fundamentally resolve" regional disagreements over the North's weapons development.

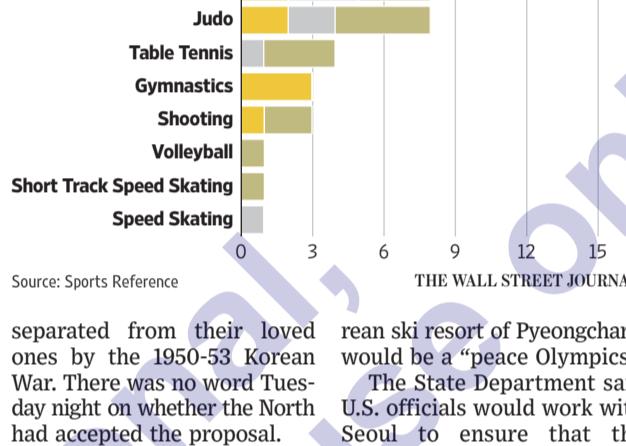
South Korean officials said they had sought a resumption of family reunions for those



North Korea's Ri Son Gwon, right, speaks with South Korean Unification Minister Cho Myoung-gyon.

Taking the Stand

North Korea first participated in the 1964 Olympics. Besides skating, all of its medals have been won in the Summer Games.

Medals won per event

Source: Sports Reference

separated from their loved ones by the 1950-53 Korean War. There was no word Tuesday night on whether the North had accepted the proposal.

Cho Myoung-gyon, the South's unification minister and lead negotiator, spoke of a strong desire to see peace and reconciliation between the two Koreas, and said he believed the Games at the South Ko-

rean ski resort of Pyeongchang would be a "peace Olympics."

The State Department said U.S. officials would work with Seoul to ensure that the North's sending of a team "does not violate the sanctions imposed by the U.N. Security Council over North Korea's unlawful nuclear- and ballistic-missile programs."

The two Koreas spent

roughly 10 hours in discussions at Panmunjom truce village, the only spot on the inter-Korean border where both sides' forces face off just a few feet apart.

The Trump administration has expressed wariness about the inter-Korean talks, warning that North Korean dictator Kim Jong Un could be trying to drive a wedge between Seoul and Washington.

Brian Hook, a senior policy adviser at the State Department, said it was premature to call the discussions the beginning of something larger.

Mr. Hook added that Pyongyang likely agreed to the talks because of the U.S. pressure campaign against North Korea.

The White House, which has emphasized an international push to isolate North Korea, applauded the outcome of the talks, saying participation in the Olympics could be used as a carrot to get Pyongyang to discuss its nuclear-weapons program.

China, which has been anxious about the tensions on its doorstep, welcomed the meeting and indirectly urged the U.S., Japan and others to be supportive.

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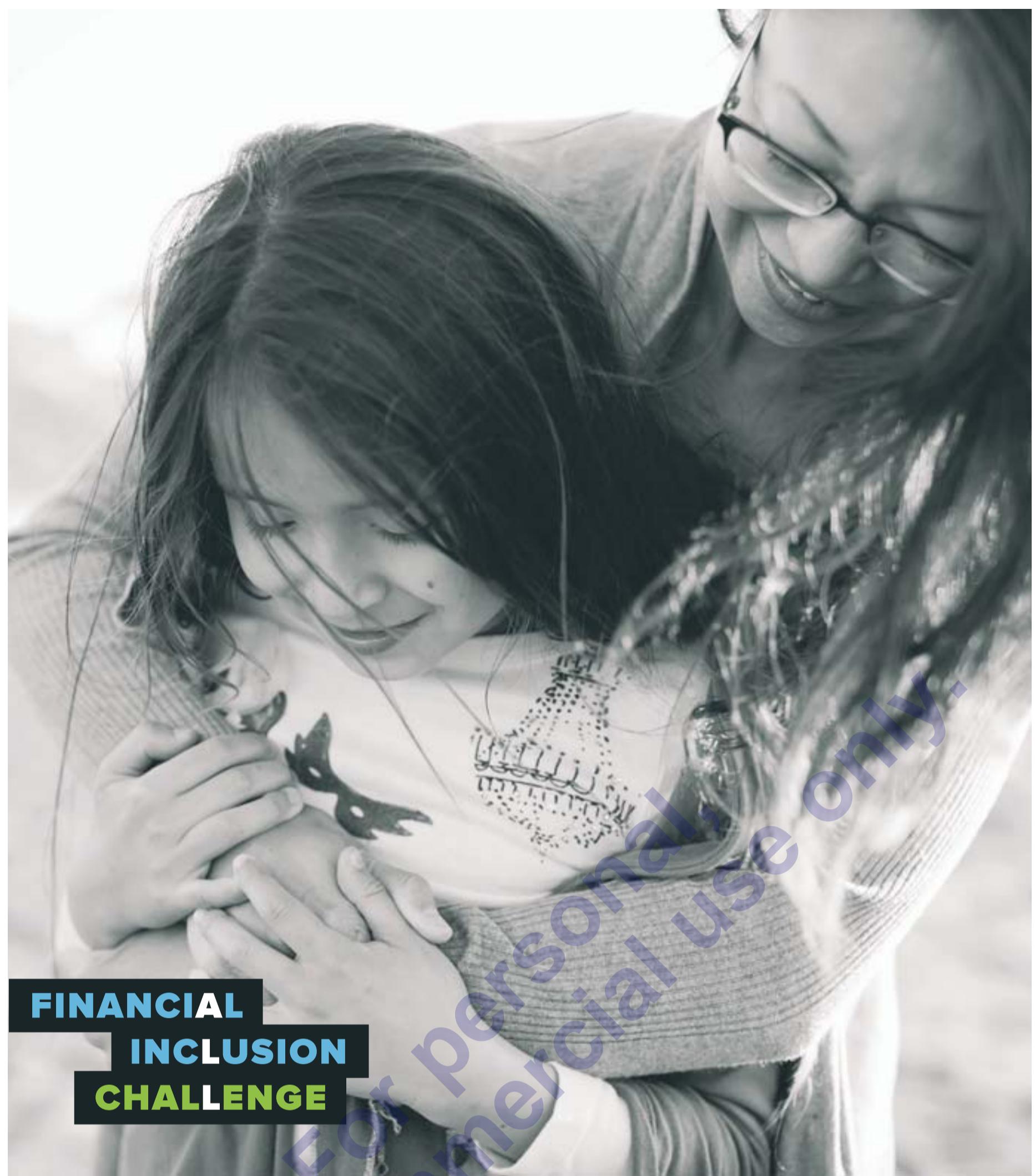
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WORLD NEWS

China Accuses General Of Graft

BY CHUN HAN WONG

BEIJING—China plans to put a former top commander on trial in a military court over alleged corruption, state media reported, the latest high-profile case in President Xi Jinping's push to stamp out graft in one of the world's most powerful armed forces.

Military prosecutors are preparing a case against Fang Fenghui, the former chief of the People's Liberation Army's Joint Staff Department, who is accused of giving and taking bribes, the official Xinhua News Agency reported on Tuesday.

The prosecution of Gen. Fang was approved by the Communist Party's top leadership, the report said, the first public acknowledgment of the investigation against the general, who disappeared from public view last fall.

It wasn't clear if Gen. Fang, a former member of the party's Central Military Commission that oversees the armed forces, had legal representation. The 66-year-old couldn't be reached to comment.

Dozens of senior military officers have been snared by graft probes over the past five years as Mr. Xi used his anti-corruption campaign to assert control over the politically influential military and revamp it into a modern fighting force. Many of their replacements are widely regarded by military-affairs specialists as more professional and loyal to Mr. Xi.

The disclosure of Gen. Fang's case came weeks after another former member of the military commission, Gen. Zhang Yang, committed suicide while being investigated for allegedly giving and receiving bribes and possessing assets of uncertain origin. Gen. Zhang was a director of the PLA's political-work department.

Beijing Strategy Forces West to Adjust

**CHINA'S WORLD**

By Andrew Browne

SHANGHAI—To those it seeks to influence, the Chinese Communist Party can be an intimidating presence.

The China scholar Perry Link once called it "the anaconda in the chandelier."

Just by hovering, it induces self-censorship and subtle behavioral changes.

This has long been the case in China. Increasingly, as China projects outward, prominent figures in the West—politicians, executives, academics—are making nervous adjustments, too.

David Cameron should know. The former British prime minister faced the party's reproach after meeting the Dalai Lama in 2012, then spent the rest of his term straining to get back into its good graces, including declaring a "Golden Era" in U.K. relations with Beijing.

Put this down as another win for the party's psychological pressure tactics.

The mere fear of retaliation suggested by Chinese displeasure was enough to trigger a shift in government attitudes. No British leader is likely to receive the Tibetan spiritual leader again. London has adopted a more deferential—critics would say sycophantic—diplomatic tone toward Beijing. Officials soft-pedal human rights.

And now Mr. Cameron has emerged from the aftermath of the Brexit vote as an ambassador for China's flagship Belt-and-Road geopolitical project.



A policeman chides visitors in Tiananmen Square. China's tactic of shaping the West's view of Beijing has become increasingly effective.

DAMIR SAGOL/REUTERS

Dealing with the party's coercive influence techniques is likely to become the greatest challenge to Western-style democracies.

These include passive bullying and active efforts to wage information warfare and infiltrate domestic politics—what the U.S. National Endowment for Democracy has dubbed "sharp power" as opposed to Western "soft power."

The goal is to shape favorable perceptions of the Communist regime and its policies abroad.

China has timed its resurgence on the global stage to take full advantage of weaknesses in democracies in the U.S. and Europe, beset by populist revolts.

China sees itself in competition with these societies not just in economics and security but also on values. Its long-term strategy is to pro-

mote its authoritarian model of development. The immediate diplomatic objective is to garner overseas support for Beijing's positions on everything from Tibet and Taiwan to the South China Sea.

In that effort, Beijing seeks to co-opt credible Western voices to speak on its behalf.

For years, democracies have been naively complacent about these activities, confident of the inevitable triumph of the liberal order in the post-Cold War era. In Australia, party-affiliated Chinese tycoons have helped bankroll the two major political parties.

Chinese state media now largely dictate coverage at virtually all of the country's Chinese-language news outlets. Beijing's diplomats keep tabs on Chinese students.

Combined, these efforts challenge Australian sovereignty, an acute irony given how China warns against foreign interference in its own domestic affairs.

Yet, only now is Canberra waking up to the infiltration.

What is most surprising about Prime Minister Malcolm Turnbull's pushback—a new bill will limit the flow of Chinese money into politics—is the acknowledgment that the system was so wide open to manipulation.

A growing backlash in Australia, echoed now in Europe and the U.S., has prompted Chinese state newspapers to allege an anti-China witch hunt.

For democracies, recognizing the nature of the threat is the first step to countering it. The anaconda won't be dislodged from its commanding perch. It coils around the Chinese media, academia, civil-society groups and businesses, both private and

state-owned.

And it shadows the cooperative deals that these institutions forge with Western news organizations, colleges and corporations. The issue is the extent to which the democratic West is prepared to compromise its values to reap the economic rewards of staying on the right side of the party.

China's tactics are paying off. Governments hesitate to speak out on issues sensitive to Beijing. Hollywood movies that portray China in a negative light don't get made. Media organizations are tempted to pull their punches.

"Normally the great snake doesn't move. It doesn't have to," Mr. Link wrote in a 2002 essay in the New York Review of Books. "Its constant silent message is, 'You yourself decide.' "

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IN DEPTH

SAUDI

Continued from Page One
go somewhere where I could have a normal life. Now, normal is coming to us."

In September, Saudi Arabia announced the world's only ban on women driving will be lifted this summer. Cinemas will soon open after a 35-year ban. Music, widely considered taboo and until recently rarely even played in the background in restaurants, is making a comeback. On Friday, for the first time, women will be allowed into a stadium to watch a soccer match.

These efforts have prompted resistance from those wary of undoing decades of edicts woven into the Saudi social fabric, in particular from religious conservatives, who remain a powerful constituency.

Sheikh Saleh al Fozan, a member of Saudi Arabia's top religious body, reiterated a common argument against women driving. "If women are allowed to drive," he said in a statement published on his website, "they will be able to go and come as they please day and night, and will easily have access to temptation, because as we know, women are weak and easily tempted."

Among those who support aspects of the changes, such as encouraging more women to join the workforce, some find the speed of liberalization unsettling, saying they don't want Saudi Arabia to lose its defining religious identity as the birthplace of Islam.

Many restrictions still apply, and it's unclear if they will ever be lifted. To this day, women are required to wear floor-length robes; shops close several times a day for prayers; gender segregation is widely practiced in restaurants and workplaces. Women are required to have a male guardian, whose permission they need to travel abroad or marry. Non-Muslims are still banned from practicing their faith publicly.

The roots of conservative Islam run deep in Saudi Arabia, and are intertwined with the kingdom's ruling family. In the 18th century, the House of Saud struck an alliance with the preacher Mohammed Ibn Abd al Wahhab, who demanded a return to what he saw as the pure faith practiced by Prophet Muhammad and his companions. That intolerant strain of Sunni Islam, dubbed Wahhabism by critics, became the dominant doctrine in Saudi Arabia, inspiring generations of jihadists at home and abroad.

The partnership between the descendants of Abd al Wahhab and the royal family helped create the modern Saudi state in 1932. Since then, the monarchy has ruled with the backing of the religious establishment, which controls the justice system, based on Shariah, or Islamic law. Wahhabi clerics have helped legitimize the rule of the House of Saud, casting obedience to the ruler as a religious obligation.

Over the decades, the desire to alter Saudi Arabia's social dynamics had to be balanced against tribal traditions and religious considerations. That has long made Saudi Arabia one of the most conservative places on earth. Nevertheless, Saudi rulers were able to introduce innovations such as television and opened schools



Saudi girls pose for a group photograph at the first-ever Comic-Con Arabia event held in Riyadh on Nov. 25, 2017.

FAZEZ NURELDINE/AP/GTY IMAGES

The Liberal Enclave Overtaken by Clerics

In Asir, an open society yielded to repression and extremism

Saudi Arabia's sharp turn was felt across the country, perhaps nowhere more dramatically than in the region of Asir, historically one of the kingdom's most open societies. A mountainous region in the southwest, Asir is more fertile than most of the country. For as long as residents

can remember, men and women had worked in wheat fields side by side, often breaking into songs. A combination of religious fervor and oil money put an end to that by the early 1980s.

"Women had much more active lives in the past. We would work side by side in the fields. I would sing, and they would sing," recalls Mohammad Torshi, 89, who lives in Asir's village of Rijal Almaa. "Then the religious people came."

The mixing of unrelated men and women, let alone singing and dancing, was no longer ac-

ceptable. Cinemas closed and music stopped.

In public, women were forced to wear face-covering veils, which in parts of the country such as Asir had been virtually nonexistent. The religious police, formally known as the Committee for the Promotion of Virtue and the Prevention of Vice, was given the job of enforcing the new order.

Radical Islamists infused the school curriculum with the teachings of Wahhabi scholars. Textbooks instructed students to hate Christians and Jews and

denigrated Shiite Muslims. Some of the more extreme views often came from teachers, who sometimes recruited students to extremist causes.

Saudi charities linked to the government helped spread that interpretation of Islam beyond the kingdom's borders, inspiring generations of jihadis.

Asir proved a fertile ground for extremism. Of the 17 Saudi citizens who participated in al Qaeda's Sept. 11, 2001, attacks, five were from Asir, more than from any other region.

—Margherita Stancati

for girls over the objections of religious conservatives.

After 1979, religious conservatives gained an upper hand when two events challenged Saudi Arabia's role as the cradle of Islam: the Islamic revolution in Iran and the week-long siege by armed extremists of the Grand Mosque in Mecca, Islam's holiest site.

Saudi leaders took steps to appease the kingdom's ultra-conservative fringe, which they perceived as the biggest threat to their rule.

In so doing, the monarchy gave the kingdom's clerics free rein to enforce a strict moral code in public, to reshape the

Ms. Alneami found ways. Although music was widely considered sinful, she collected audiotapes distributed by religious conservatives to circulate sermons and recorded music over them. She would spend hours in her bedroom with her Sony Walkman dancing to the likes of Michael Jackson and the Algerian punk rock star Rachid Taha.

Earlier this month, she attended the concert of Hiba Tawaji, the first performance by a female singer in the Saudi capital in recent decades. In a scene she had never seen before in Saudi Arabia, members of the audience rose from their seats, dancing, whooping and hollering.

"Growing up I was told that people who listen to music would be punished [in the afterlife] with hot metal poured into their ears," said Ms. Alneami, whose work includes photography and installations that focus on the ways Saudis have fun despite restrictions. "I'm so happy I got to see the first party—it's like an art installation."

American rapper Nelly—known for songs such as "Hot in Herre"—performed last month in Jeddah. In a reminder that some restrictions still apply, the first concert was open to women only and Nelly's to men alone.

When King Salman assumed the throne in early 2015, few expected he would be the one to oversee rapid social change. Known as a pious Muslim, he cultivated close relations with the religious establishment in his role as governor of Riyadh, a position he held for decades. In fact, many analysts say this gave him and his son, Crown Prince Mohammed, greater

clout to make changes compared with his predecessor King Abdullah, who was considered a liberal by Saudi standards.

In an era of cheap crude, loosening Saudi Arabia's social rules has become an economic and political imperative for Prince Mohammed, the driving force behind an ambitious plan to end the kingdom's dependence on oil. Saudi Arabia, where the majority is under 30 years old and 12.8% of the population is unemployed, is trying to become more attractive to foreign investors and to the country's own youth. It wants to bring more women into the workforce. Failure

puts at risk the country's next generation, which could be lost either to opportunities overseas or to underground extremist groups at home.

Religious conservatives are far less powerful than they were a decade ago. Thanks to satellite television and the internet, Saudis have been exposed to different ways of thinking. More than a hundred thousand Saudi men and women returned to the kingdom over the past decade after studying in Western universities on government-funded scholarships.

Last year, the government also began sending teachers abroad to see how Western

On Friday, women will be allowed into a stadium to watch a soccer match—a first.

education system and to export their intolerant views abroad. The country's newfound oil wealth meant the government could afford to prioritize religion over productivity.

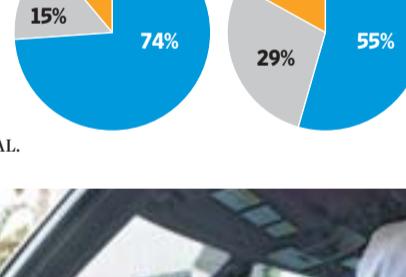
The government funded religious causes at home and abroad and it didn't desperately need foreign investors, who were put off by harsh rules like the ban on men and women mixing in the workplace. It could also afford to neglect industries like tourism and entertainment, opposed by religious hardliners.

One of them was a neighbor of Ms. Alneami. For someone growing up in Abha in the 1990s, having fun wasn't easy.

"It's almost like going to a meteor shower and not seeing any meteors," said Jeff Ivey, a San Diego truck driver who felt "ignored by the cats" who wouldn't frolic on a recent cat

Open Roads

Nearly two-thirds of all Saudis surveyed said they are pleased with the decision to lift the ban on women driving.



Source: Ipsos survey of 500 people conducted online in October

THE WALL STREET JOURNAL.



In June it will become legal for women to drive in the kingdom.

schools function, a step partly aimed at tackling extremism among educators.

"We are moving in a new direction for education and a new direction for the country," said Saudi Education Minister Ahmed al-Eissa. He added that new textbooks, scrubbed of vitriol, will be rolled out in the next academic year.

In 2016, the Saudi government stripped the religious police of its power to arrest, the most consequential result of the eroding alliance between the monarchy and the clerical establishment.

The Muslim World League—a body that was once the key vehicle through which Saudi Arabia spread Wahhabi ideology beyond its border—is now led by a moderate cleric, who says promoting greater understanding among faiths is a priority.

"In 1979 our religion was hijacked," said Sheikh Mohammed al-Issa, a former minister of justice, who in a gesture of tolerance routinely encourages the non-Muslim women he meets to remove their headscarves, "Now we are eradicating the roots of extremism."

During a trip to Europe earlier this year, he became the first head of the Muslim League to meet the pope and visit a synagogue.

In September, authorities arrested dozens of clerics as part of a broad crackdown against dissent. Among them are former members of the so-called Islamic Awakening, a once-powerful Islamist movement linked to Egypt's Muslim Brotherhood that in the past has challenged the monarchy's authority. Most of its members have since publicly embraced more moderate views.

The government is also setting up a new center to vet the interpretations of Prophet Muhammad's teachings, or hadiths, in a bid to prevent the teachings from being used to justify violence.

"It will purify Islam from any inventions, clean the hadiths from the liars' deliberate misquotations and present Islam in a better image," said Sheikh Mohammed bin Hassan al-Sheikh, the chairman of the new entity and a member of the Council of Senior Scholars, the kingdom's highest religious body.

In major cities like Riyadh, more Saudi women are choosing colorful robes, known as abayas, instead of the all-black ones they typically wear. Many are allowing headscarves to slip to their shoulders. In the more liberal city of Jeddah, all-female jogging groups run on the waterfront wearing leggings under their tunics.

Alia al-Azmi, a 24-year-old lab technician based in Riyadh, says she hopes to soon be able to discard the face-covering niqab she always wears. "In the future, we'll look more like Dubai," she said, as she scrolled through pictures with no covering during a trip abroad. "But here, I have to wear a niqab. I don't want any of my colleagues to see me."

For some, change isn't coming fast enough. "I haven't seen any real change in Abha," says Saeed al-Bishry, a 50-year-old art teacher. "Concerts are happening in Jeddah and Riyadh, not in Abha."

He said over the past decade the ban on drawing animate beings has gradually loosened. Still, earlier this month, Mr. Saeed asked his 10-year-old students to draw camels. One of them refused. "He drew a landscape instead."

CATS

Continued from Page One

U.S. cafes. These institutions typically rely on shelters to supply the cats, which can number a dozen or more. They often hang cat-themed art and serve coffees like "caramel mowchiatos." Patrons may pay a cover charge to interact and sign a waiver from all kinds of catastrophic consequences.

The concept is warm and fuzzy. Stressed-out humans get comfy chairs and time with free-roaming, mostly adoptable cats. The reality is hairier: soul-scratching attempts to win over neighbors and an operation that hinges on unpaid staff, cats, which won't take orders, because they are cats.

Cafe rules can look like they were written by the felines themselves. Don't make loud noises; don't wake sleeping cats; don't pull tails or ears; don't pick up cats against their will; and "if you upset them

and something goes wrong, please don't sue the humans," say the "House Rules" at Le Cat Café in Philadelphia.

The rub here is that cats can sleep 12 to 16 hours a day.

"It's almost like going to a meteor shower and not seeing any meteors," said Jeff Ivey, a San Diego truck driver who felt "ignored by the cats" who wouldn't frolic on a recent cat

cafe visit. "I'll admit it," he said, "I wanted to get in there and play with them and throw a feather at them."

Rebecca Arevalo, a 59-year-old family therapist in La Habra, Calif., said she and her husband seek out cat cafes on trips. "We're weird that way," she said.

At San Diego's Cat Cafe, owner Tony Wang said an or-

ange tabby took issue with a patron's attempt at petting. He said the customer interrupted a "clearly grouchy" feline.

"He just jumped on her legs and hugged them," Mr. Wang said of the 2016 incident. "It was not super aggressive, though obviously he's got claws."

Ashley Brooks and a friend raised \$23,000 in a Kickstarter campaign toward the opening of Pounce Cat Cafe & Wine Bar in Charleston, S.C., in late 2016. By early 2017, Ms. Brooks's skin was red and itchy. She sought treatment. "The doctor said, 'Yep, you're allergic to cats,'" she says.

Aided by allergy shots, she is staying. "I've already sunk so much money into this business, I can't just walk away," she said.

Cats show no such loyalty. At Cat Café Mad in Wisconsin, a reddish-haired feline named Sunny outfoxed the door attendant and when the door opened, ran like a cat out of hell. "Everyone was screaming," said owner Cheryl Glover.

"It was a terrible thing."

Sunny was on the lam for three weeks—with hundreds following the search on social media—until someone spotted him nearly six blocks away.

Expenses, from kitty litter to vet bills, exceeded Ms. Glover's original estimates. To offset "cat costs," she said, Cat Café Mad recently diversified, adding a creperie with windows that look out to the cats. Patrons can eat crepes and watch cats.

In San Marcos, Texas, the Planning and Zoning Commission in May overrode the objections of a neighboring tattoo artist who said he is "horribly allergic," when it voted 6-3 to approve the Cattery Lounge & Snackery. One caveat: Litter boxes, kept in the back, had to be elevated off the ground in the event of floods.

The Cattery, however, soon closed, announcing "with a heavy heart" in December that the business is "not sustainable."

Boston inspections Commissioner William Christopher said criticism has at times been off by more than a whisker. "We got complaints about animal cruelty before there were any animals in the building," he said.

He checked on Purr and was satisfied. "Everyone was just kind of laying around," he said.



DANIELLE LIRETTE

cafe but said potential landlords have been wary. They have, she says, told her flat out: "I'm a dog person."

In Boston, the Purr Cat Cafe faced a lengthy review before opening in November. It is "the first thing we have in Boston that caters solely to cats," said Lisa Timberlake, spokeswoman for the city's inspections department. "There are a lot of things that cater to the dogs." Local options include dog-friendly happy hours dubbed "yappy hours."

But the claws are out for Purr. Vocal critics have protested the project for months, citing worries about the welfare of the cafe cats.

Boston inspections Commissioner William Christopher said criticism has at times been off by more than a whisker. "We got complaints about animal cruelty before there were any animals in the building," he said.

GREATER NEW YORK

Lawmaker Accused of Stealing Sandy Aid

Assemblywoman Harris submitted false claims for storm relief, prosecutors say

By MARA GAY

New York state Assemblywoman Pamela Harris was indicted on fraud charges Tuesday for what prosecutors said was the theft of tens of thousands of dollars in city and federal money meant for superstorm Sandy victims and programs to aid vulnerable youth.

Ms. Harris, a 57-year-old Brooklyn Democrat, submitted

fake documents to the Build it Back program, New York City's Sandy-recovery initiative, falsely claiming her home was damaged in the October 2012 storm, federal prosecutors said. She submitted similar claims to the Federal Emergency Management Program, receiving \$25,000 in funds designated for storm survivors, they said.

In separate allegations, prosecutors said Ms. Harris stole more than \$30,000 in City Council funds slated to go to a nonprofit she ran before becoming an assemblywoman in 2015. Ms. Harris kept the money, which was distributed through the city's Department of Youth and Community Development,

for her own use, they said.

In the 21-page indictment, prosecutors said Ms. Harris used the money to pay her mortgage, shop at Victoria's Secret and buy tickets for a cruise with her husband.

Ms. Harris pleaded not guilty Tuesday afternoon in federal court in Brooklyn. U.S. Magistrate Judge Ramon E. Reyes Jr. set bail at \$150,000 and restricted the assemblywoman's travel to New York City, Long Island and work-related travel including Albany. "I understand you might have to go to Albany to take care of some things," Judge Reyes said.

In a statement released after the hearing, Ms. Harris's law-

yers, Joel Cohen and Jerry H. Goldfeder, described the assemblywoman as "an invaluable community organizer and a well-regarded legislator." They

dicted relate to Ms. Harris's conduct in office," her lawyers noted.

Their statement didn't say whether Ms. Harris planned to step down from the Assembly.

Ms. Harris was charged with two counts of wire fraud, one count of conspiracy to commit wire fraud, four counts of making false statements and two counts of bankruptcy fraud.

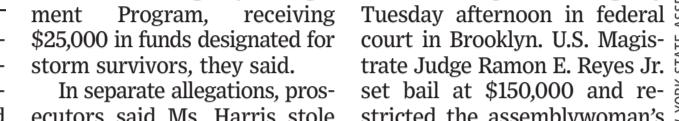
She also was charged with one count of witness tampering and one count of conspiracy to obstruct justice because prosecutors said the assemblywoman pressured witnesses to lie to the Federal Bureau of Investigation.

The case appears to be the

first prosecution of an elected official for allegedly misusing funds related to Build it Back, a federally funded program that is behind schedule and at least half a billion dollars over budget after \$2.2 billion in federal money was allocated to the program.

A spokeswoman for New York City Council Speaker Corey Johnson didn't immediately have a comment. A spokesman for Mayor Bill de Blasio declined to comment.

Matt Viggiano, a spokesman for Build it Back, said the program "works hard to ensure that New Yorkers who need Sandy-related recovery assistance get the help they need."



Pamela Harris pleaded not guilty and her lawyers didn't say whether she planned to step down.

said they "look forward to her day in court and an opportunity there to present the full facts."

"Importantly, none of the allegations contained in the in-

States Push Ban On Bump Stocks

By JOSEPH DE AVILA

lence, a group that supports stronger gun laws.

Lawmakers in the New York region are starting the new year with a drive to ban the sale and possession of "bump stocks," devices that allow semiautomatic weapons to essentially act as automatic firearms.

Connecticut Gov. Dannel Malloy on Tuesday said the Las Vegas mass shooting in October demonstrated the need for more action. In that attack, Stephen Paddock used at least one rifle outfitted with a bump stock to spray an outdoor music festival with gunfire, killing 58 people and injuring more than 400.

"It is clear that bump stocks have no place in our society," Mr. Malloy said.

The governor has proposed a ban on so-called "binary trigger systems" and "trigger cranks," which allow guns to shoot more rapidly.

On Monday, the New Jersey legislature gave final approval to a similar bill banning the sale and possession of bump stocks. The legislation is now on the desk of Gov. Chris Christie, who hasn't said if he will sign it. A spokesman for the governor declined to comment.

The New Jersey legislation makes it a third-degree crime to possess a bump stock, punishable by three to five years in prison, a fine of up to \$15,000, or both.

California and Massachusetts are currently the only states that have a clear prohibition on the sale and possession of bump stock devices, according to Ari Freilich, staff attorney for the Giffords Law Center to Prevent Gun Violence.

Groups that support stronger gun laws applauded the proposed ban. "There is absolutely no justification for any civilians to own bump stocks or assault weapons and other dangerous accessories," said Po Murray, chairwoman of the Newtown Action Alliance, which advocates for stricter firearms restrictions.



Gov. Dannel Malloy said 'bump stocks have no place in our society.'

New Jersey Gov. Chris Christie waved to lawmakers before he delivered his final state-of-the-state address in Trenton on Tuesday.

Christie Defends Tenure in Final Speech

By KATE KING

TRENTON, N.J.—New Jersey Gov. Chris Christie defended his legacy in his gubernatorial farewell speech Tuesday, trumpeting his administration's record on issues ranging from taxes and the economy to criminal justice and addiction treatment.

Mr. Christie, who was prevented by term limits from running for re-election, will leave office next week after an eight-year tenure that also was marred by a public-corruption scandal and an unsuccessful presidential bid.

In his final state-of-the-state address, stretching 86 minutes before the state Legislature, Mr. Christie said he believes he will be remembered for holding the line on tax increases, leading the state's recovery following superstorm Sandy and working with Democrats to push through policies that benefited New Jersey residents.

"For eight years, we have said 'no' to unplanned, exorbitant spending and we have used the veto and line item veto to enforce fiscal responsibility," Mr. Christie said.

Mr. Christie, a Republican, was considered a contender

for his party's presidential nomination during his first term but fell from favor shortly after his 2013 re-election as an investigation into traffic-lane closures at the George Washington Bridge engulfed his administration. Mr. Christie wasn't charged in the case, in which three of his former allies were convicted of orchestrating a traffic jam in 2013 to punish a nearby mayor who declined to endorse the governor for re-election.

The scandal severely eroded his popularity in the state. A November poll by the Eagleton Institute of Politics at Rutgers University found that only 18% of respondents believe the governor is leaving the state better off than it was when he took office.

Mr. Christie spent much of his final year in office focused on combating the state's addiction crisis, which worsened during his second term as deaths from heroin and opioid overdoses soared.

"We are still losing too many of our citizens to this disease, but at least now we are taking concrete steps to try turn back the tide of death and suffering," he said Tuesday.

The George Washington

Bridge scandal, coupled with Mr. Christie's frequent travels out of New Jersey during his unsuccessful campaign for the 2016 GOP presidential nomination, angered the state's residents during his second term. Only 5% of respondents polled by the Eagleton Institute said they would miss Mr. Christie after he leaves office.

Only 18% of poll respondents believe the governor is leaving the state better off.

The governor's low approval ratings dragged on the campaign of his lieutenant governor, Kim Guadagno, who lost the November election to replace Mr. Christie. The race's winner, Democrat Phil Murphy, takes office on Jan. 16th.

Mr. Murphy's upcoming swearing-in means Democrats will be firmly in control in Trenton, where the party dominates both chambers of the state legislature. Legislative leaders said they would focus on progressive

priorities previously blocked by Mr. Christie, such as raising the minimum wage, legalizing marijuana, strengthening gun control and boosting public-education funding.

Mr. Murphy said the governor glossed over significant problems facing the state, from lackluster economic growth to rising education, transportation and health-care costs.

Senate President Steve Sweeney, a Democrat from southern New Jersey who worked with Mr. Christie on several major pieces of legislation, said the governor deserved credit for key accomplishments, including restructuring the state's higher-education system, eliminating cash bail for defendants awaiting trial and overhauling public-employee benefits.

Republicans defended Mr. Christie's tenure as a success.

"He's the most talented speaker, the most skilled communicator that I have ever seen in my lifetime, bar none," said Assemblyman Jon Bramnick. "Substantively, you tell me who's been a better governor?"

Mr. Christie gave no clues during his final major speech as to what he plans to do next.

City Plans New \$400 Million Public-Health Lab in Harlem

By MELANIE GRAYCE WEST

New York City will spend about \$400 million to build a new public-health laboratory, a larger facility expected to open in about seven years on the campus of Harlem Hospital Center, officials said.

The move, which is to be announced in the coming weeks, is intended to give the city's Department of Health & Mental Hygiene more flexibility for its lab equipment and help its staff work more easily in the event of a crisis such as Zika in 2016 and Ebola in 2014.

"When we need to respond to a public health emergency, it's very hard to do that in the current space," said Jennifer Rakeman, director for the New York City Public Health Laboratory.



Technicians in the current lab, which is more than 50 years old

The lab annually tests more than 200,000 clinical and environmental samples, a department spokesman said. That is for everything from anthrax, HIV, rabies and Zika to foodborne illnesses, along with

processing other tests conducted at the city's public hospitals and sexual-health clinics.

The new lab has long been under discussion. Health officials considered renovating

the current facility at First Avenue and East 26th Street, but ultimately determined that a new building would work better, said health commissioner Mary Bassett.

Scraping the lab altogether for a private-sector partner wasn't an option, said Dr. Bassett. Private or commercial labs "are unable to provide the types of services that our public health lab provides," she said.

In 1892, the city opened a bacteriologic laboratory, which would become the world's first municipal laboratory to routinely diagnose disease, according to a city history of the health department. The facility, across from Bellevue Hospital Center, is more than 50 years old. Nearly 200 people work there.

Laboratory floors are war-

rens of small spaces, with emergency-wash stations located in the hallways instead of inside labs. Because asbestos remediation is often required with renovations to move in big equipment or run new electrical or data lines, the ceilings and floors are a patchwork of new and old.

Cosely, state-of-the-art equipment that can sequence the entire genome of Legionella bacteria is crammed onto work benches that include capped-off vacuum, water and gas faucets unused for decades. Some extra-large equipment brushes against low ceilings.

For workers, there is no place to do paperwork and drink a cup of coffee at the same time. As a result, a decommissioned parasitology lab is used as a break room.

Technicians now work in

spaces that often have poor access to testing equipment, forcing them to package up their samples just so they can go down the hall or to another floor to get to the machines.

The lab has backup generators, but they can't power the entire building. During superstorm Sandy in 2012, the city's modern, biological-safety level 3 laboratory—where tuberculosis and Ebola testing happens—received a "white powder" item for testing from law enforcement. To test the item for anthrax, but with insufficient backup generators, Dr. Rakeman brought in a heavy-duty extension cord from home to run power from one part of the space to another.

Lab workers, she said, "in general, are very good at MacGyver-ing things and making things work."

GREATER NEW YORK

METRO MONEY | By Anne Kadet

A Crown Jewel for Machine Repairs Thrives

A On my first visit to Crown Machine Services on Manhattan's Upper West Side, co-owner George Grossman greeted me with a declaration: "This is not my doing!"

By "this," he meant the jumble of his small shop, packed floor-to-ceiling with an astonishing assortment of new and used vacuums, sewing machines and random electronics.

"If I were a customer, I don't know if I'd buy anything," he said.

But a recent afternoon brought a steady stream of visitors. The reason: Crown is one of the last places in the city where you can get a repair on an old VCR, typewriter or stereo. The store's technicians will fix just about anything—or at least try.

Making repairs doesn't always pay, said Mr. Grossman, a tall, soft-spoken 83-year-old. But the shop has a loyal following, and he hates to disappoint.

"We have some gals who have been with us 40, 50 years," he said. "How do you say no to them? How do you say no to any woman?"

The next day, Barbara Malpica, a retiree who lives nearby, brought in a small clock with a loud tick. "You can't be in the room with it," she said.

Mr. Grossman's partner, Mark Linde, told her that Crown doesn't typically repair clocks, but she insisted: "Can't you make it shut up?"

Ms. Malpica said she previously spent about \$30 to have Crown repair a plastic transistor radio. "I don't think it was originally an expensive radio, but it's better than any of the new things," she said.



Crown Machine Services fixes vacuums, below, and much more. The store has used the same cash register since it opened in 1965.



Customers often bring in old electronics because they can't buy a replacement as good as the vintage version, said Mr. Linde. And when it comes to VCRs and typewriters, new models aren't available.

Then there are the environmentalists. "They don't want

to put stuff in the landfill," Mr. Linde said. "They'd rather pay more to fix something. Especially here on the Upper West Side. If this store was on the East Side, we probably wouldn't be in business."

The laborious fixes aren't cheap. It typically costs \$39.50 just to get a diagno-



sis, which is applied toward the repair. Fixing the loading mechanism on a VCR could cost about \$100, Mr. Linde said. On the high end, replacing the circuit board on a stereo receiver or repairing a vacuum motor could cost up to twice that.

Alex de Laszlo, an aca-

demic librarian who came by for a vacuum repair, said he previously tried having Crown fix a cassette recorder and a portable record player, but it couldn't find the parts.

"It's a false economy," Mr. de Laszlo said of his efforts to repair beloved devices.

"It's irrational and absurd for me to try and justify."

Still, he loves to stop in. "This place is kind of a well-spring of lost, arcane, technical information about 20th-century technology," he said.

Mr. Grossman launched Crown in 1965 as a sewing-machine sales and service store. When Mr. Linde joined in the late 1980s after a career in journalism, advertising and real estate, Crown expanded into repairs of all kinds. "A sewing-machine shop couldn't survive today," Mr. Linde said.

The store, which has operated in the same location all these years, maintains a sizable sewing sales and service business, catering in part to fashion designers and Broadway costume departments. That is clearly where Mr. Grossman's heart is.

"I don't like vacuums," he said. "All they do is pick up dirt. Anything that picks up dirt can't be too smart."

While the business model evolved, it has been decades since the store got an update. Mr. Grossman still uses the original mechanical cash register. The flooring is so old you can't tell what it is, or used to be.

Mr. Linde said many customers love the look. "And then there's a few who come in and say, 'Oh my God. If you don't fix this place I'm not coming back here again.' We have people who come in and offer to organize the place."

Business is steady, he said, but he would like to focus more on new merchandise. It can take three hours to earn \$100 on a repair, or 15 minutes to make the same profit selling a fancy new vacuum cleaner. "I'm hoping this year we get more of the easy stuff," he said.

Union Sues Over Video of Police Shootings

BY ZOLAN KANNO-YOUNGS

The largest police union in New York City says Mayor Bill de Blasio and NYPD Commissioner James O'Neill violated state law when they permitted the release of body-camera footage of recent police shootings.

In a lawsuit filed Tuesday in Manhattan Supreme Court, the Patrolmen's Benevolent Association said the release of the footage broke state law that says personnel records used to evaluate performances of police officers, as well as firefighters and correction officers, shouldn't be made public unless there is written consent by the officers or a court order. The union's suit names the city of New York, the New York Police Department, and Messrs. de Blasio and O'Neill. The PBA is arguing that the



Body-camera footage shows a man shot by police in September.

portable with this politicized, secret and unchecked process," Patrick Lynch, president of the union, which represents about 24,000 officers, said in a statement. "Not the district attorneys, not good government advocates, not the public, and certainly not police officers and their families whose personal safety is being placed at risk."

The NYPD started releasing body-camera footage of police shootings in September, and police officials said they would continue to do so on a case-by-case basis. The incidents include the fatal shooting of a mentally ill man armed with a toy gun on Sept. 6; the shooting in the leg of a suicidal man armed with two knives on Oct. 22; and the fatal shooting of a mentally ill man in a halfway house on Nov. 13.

Messrs. de Blasio and O'Neill

have both previously said the state law hurt the department's efforts to further transparency and needs to be amended.

"The release of body camera footage, when possible, is an important extension of that commitment," a spokesman for the mayor, Austin Finan, said in a statement.

The latest legal challenge adds to controversy that has surrounded the city's interpretation of the state law, also known as 50-A. The NYPD itself cited the law in March 2016 when it halted a year-long practice of making public internal documents that stated whether an officer had been disciplined. The Legal Aid Society is currently appealing a June decision by the Manhattan Supreme Court that found the disciplinary information of the officers is protected by the state law.

Multiple Problems Mar Train Commute

BY PAUL BERGER

Mechanical issues, signal problems, a sick passenger and ice on the tracks combined to delay hundreds of thousands of subway riders during the morning rush on Tuesday.

Just as many parts of the system looked to be recovering, an electrical issue involving Metropolitan Transportation Authority equipment caused smoke at the 47-50 Streets-Rockefeller Center subway station forcing trains to bypass the stop and knocking out B line service for several hours.

By late afternoon, the Metropolitan Transportation Authority had cataloged disruptions on 18 of the transit system's 27 subway lines.

John Raskin, executive director of the Riders Alliance, called on New York Gov. Andrew Cuomo to do more to fix the subway.

"Gov. Cuomo promised a plan by the end of last year for how to modernize the crumbling transit system, but we still haven't seen anything concrete, and solving the transit crisis is only growing more urgent," he said.

A spokesman for Mr. Cuomo referred questions to the MTA.

Last summer, Mr. Cuomo's appointee to run the MTA, Joe Lhota, announced a short-term plan to restore and modernize the system. Mr. Lhota has said that since he launched the roughly \$800 million plan the frequency of major subway incidents that delay more than 50 trains has declined.

"We are deploying thousands of workers to modernize and stabilize the system with the implementation of our aggressive Subway Action Plan, which since taking effect in July, has cut major incidents by nearly 40%," said MTA spokesman Jon Weinstein.

He said the 40% reduction was based on preliminary statistics for December that haven't been publicly released.

Manhattan Prosecutors Won't Seek Bail for Most Misdemeanor Crimes

BY CORINNE RAMEY

The Manhattan district attorney's office said Tuesday it would no longer request bail for people accused of most misdemeanors.

The Brooklyn district attorney's office implemented a similar policy in April of last year. The changes come at a time when jurisdictions across the country are reducing or questioning their use of bail, which critics say allows wealthier defendants to pay their way out of jail while keeping poorer ones behind bars. Proponents of bail say it functions as a deposit to ensure defendants show up to court.

"When nonviolent New Yorkers are jailed as a function of their inability to pay, we perpetuate inequality and mass incarceration, and bring about unnecessary immigration, employment and family consequences," Manhattan District Attorney Cyrus Vance Jr. said.

Manhattan prosecutors will continue to ask for bail in some cases, such as those involving domestic violence or the injury of a police officer. They also may ask for bail in cases where a defendant



No-bail policies are spreading.

has previously been convicted of a violent felony or sex crime or is on parole, the district attorney's office said.

The office estimates it will request bail in about 1,700 fewer cases this year because of the policy.

In New York City, many misdemeanors don't have bail set anyway. In 2016, judges set bail in 17.9% of some 106,000 misdemeanor cases citywide, according to a report by the Independent Commission on New York City Criminal Justice and Incarceration Reform,

the panel that recommended shutting the Rikers Island jail complex last year.

Even if the number of cases affected is relatively small, the new policy is worth applauding, said Insha Rahman, a project director at the Vera Institute of Justice, a criminal-justice organization. "It's a big deal in terms of transparency and accountability to put things in writing and therefore be held accountable for what your policies are," she said.

For the national bail industry, the new policy isn't a major threat, said Jeff Clayton, executive director of the American Bail Coalition, a trade group. "This order affirms that bail is appropriate in violent misdemeanors and felony cases," Mr. Clayton said.

But local bail bondsmen disagreed. At Bail Bonds NY, located near the Manhattan courthouses, about 40% of the business comes from misdemeanor cases, said employee Daishawn Decruz. "Basically they're just going to take away bonds like they did in Jersey," he said, referring to New Jersey's near elimination of bail last year. "So we're not going to have any more business."

COLD CASE

DNA Leads to Break In 1994 Park Rape

Detectives said Tuesday they have cracked a 1994 rape case that a newspaper columnist famously claimed was a hoax.

A woman was walking through Brooklyn's Prospect Park when she was dragged into the bushes and raped on April 26, 1994. DNA evidence was recovered, but no arrests were made.

The late Daily News columnist Mike McAlary wrote at the time that he heard from unnamed police sources that the woman invented her story because she wanted to bolster a speech she was to give at a rally about violence against lesbians.

The woman sued Mr. McAlary for libel, but a judge dismissed the case in part because Mr. McAlary had been relying on information from police.

The woman's attorney said Tuesday she is owed an apology.

Chief of Detectives Robert Boyce said the woman wept when detectives recently told her they had found a DNA match to a suspect in her rape.

He said detectives matched the DNA to a serial rapist who is serving 75 years to life in prison.

—Associated Press

CONNECTICUT

Danbury Mayor Joins Gubernatorial Race

Danbury Mayor Mark Boughton is adding his name to the list of candidates running for governor in Connecticut. The nine-term mayor announced Tuesday that he will seek the GOP nomination.

Gov. Dannel Malloy, a Democrat, isn't running for a third term in the November election.

Mr. Boughton ran for governor in 2014 and is among the better-known names in the Republican field. The lifelong Danbury resident says he wants to phase out the state income tax and reduce regulations.

—Associated Press

MANHATTAN

Falling Ice Crushes Car Roof in SoHo

A large chunk of ice apparently fell from a building in Manhattan, crushing the roof of a parked vehicle, officials said.

It occurred just after 4 p.m. Tuesday on Charlton Street in the SoHo neighborhood. There were no injuries reported, fire officials said. A photo showed brown, chunky ice atop the caved-in roof of the vehicle.

—Associated Press

GREATER NEW YORK WATCH

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—Associated Press

LIFE & ARTS

FICTION

What to Read This Winter

The WSJ asked literary experts if they could read only one new work of fiction this winter, what would it be? Here are their picks

BY ELLEN GAMERMAN

THE WALL STREET JOURNAL recently posed a tough question to publishing experts: Recommend one work of fiction—just one—coming out this winter. The book had to hit shelves between January and March. The result was a sampling of works with dark themes and twisty plots featuring unreliable narrators, sibling rivalries and heroines in a style one reader dubbed “femme noir.” Here, their picks of titles by skilled storytellers who know how to draw readers in from the cold.

THE WOMAN IN THE WINDOW

by A. J. Finn
Chosen by Liz Harwell, director of merchandise at Barnes & Noble

The psychological thriller, written by publishing executive Daniel Mallory under a pen name, has the feel of a Hitchcock movie and shares some DNA with “The Girl on the Train.” Anna Fox is an agoraphobic New Yorker who watches her neighbors from the safety of her window and hasn’t set foot in public in nearly a year. She drinks too much and pops pills to quell her fears. When she thinks she witnesses a murder in the house across the street, it’s unclear if the crime really happened or if it was a product of her tortured mind. “It’s hard to shake the main character Anna Fox’s voice,” Ms. Harwell says. “There’s one scene in particular, a car crash, that readers won’t forget. At first glance it appears to be nothing more than a terrible accident, but...”

THE IMMORTALISTS

by Chloe Benjamin
Sarah Smith, editorial director for print and Kindle books at Amazon

The novel, hitting lots of “must-read” lists this winter, opens in 1969, when a fortune teller informs four young siblings of the exact dates of their deaths. The second novel from the 29-year-old Ms. Benjamin asks: How you would live if you knew from childhood how long your life would be? Questions of free will and fate follow the siblings as they embark on divergent paths: One is a dancer, one a magician, one a military doctor, and the other a longevity researcher working with monkeys. Ms. Smith saw it as a literary page-turner: “It must be something about a really compelling plot line, timely concerns about animal rights, our current fascination with longevity and our hope that scientists might be able to rescue us from death,” she says, “at least death by aging.”

THE LARGESSE OF THE SEA MAIDEN

by Denis Johnson (release Jan. 16)
Michael Miller, editor at book-review magazine Bookforum

Mr. Johnson finished this book, a short-story collection, just before his death from liver cancer



last year at age 67. Random House organized a 13-city book tour to honor the author, a National Book Award winner and two-time Pulitzer Prize finalist whose works include the 1992 story collection “Jesus’ Son.” The starry cast for the accompanying audiobook includes actor Nick Offerman reading the title story, which took Mr. Johnson seven years to write. Mr. Miller recalls a scene in that story when an adman comes to New York to accept an award for an animated TV commercial for a banking chain: “He steps outside and it’s snowing and he travels into the night. It has this almost magical quality to it even though it’s in some ways an ordinary story and in other ways utterly bizarre.”

THE HAZEL WOOD

by Melissa Albert (Jan. 30)
S. Zainab Williams, associate editor at the book blog Book Riot

Alice is surrounded by cult followers of the creepy fairy tales

written by her famous grandmother, author of books set in a supernatural world called the Hinsterland. After Alice’s grandmother dies at home—a menacing estate called the Hazel Wood—Alice’s mother is snatched by a shadowy character who claims to have come from that fictional world. Alice joins one of her grandmother’s superfans on a quest to bring her mother back, defying her mother’s orders to stay away from the Hazel Wood and entering her grandmother’s realm of fairy tales. The young-adult fantasy had a rare effect on Ms. Williams: “It returned that singular feeling of reading as a kid—back when all of the adult responsibilities weren’t crowding in and you could wrap a story around yourself like a blanket.”

THE HOUSE OF IMPOSSIBLE BEAUTIES

by Joseph Cassara (Feb. 6)
Gaël LeLamer, buyer, Books & Books bookstore in Miami

This novel set in 1980s and 1990s New York puts a fictional spin on the glam-ball scene from “Paris is Burning,” the documentary about the African American and Latino LGBT ballroom circuit. Ms. LeLamer marveled at how convincingly the 28-year-old debut author captured that era. The book, whose language one early reviewer called “erotically lush,” follows Angel and Hector as they form the House of Xtravaganza, an all-Latino home on the ball circuit where residents confront the hazards of sex work while turning to each other as a family. Ms. LeLamer hopes the novel takes off. “I’m hearing a little bit of buzz,” she says. “I’m hoping it keeps going because this book and this author—I can’t wait to see what he does next.”

SUNBURN

by Laura Lippman (Feb. 20)
Leigh Haber, O, The Oprah Magazine books editor and book scout

for Oprah’s Book Club

In “Sunburn,” a mysterious redhead leaves her husband and child, adopts a new identity and moves to a small town in Delaware. She is soon ensnared in an affair with a secretive stranger she meets in a local tavern. Her true nature—criminal with a shady past or damsel in distress—is uncertain. “I feel like it creates a whole new category, which I’m thinking of as ‘femme noir,’” says Ms. Haber. “Laura’s done something very feminist, very revolutionary. She’s taken this traditional noir structure of a man sweeping in to save a woman who then turns around and eats his heart out—she’s turned that notion on its head.”

THE PARKING LOT ATTENDANT

by Nafkote Tamirat (March 13)
Gabe Habash, fiction reviews editor, Publishers Weekly

The novel opens on an island, the only place where a father says his daughter will be safe. But all is not well, and not just because the young woman vomits the moment she sets foot there. In this coming-of-age story, the unnamed daughter lives in Boston with her father, an Ethiopian immigrant, and falls under the spell of Ayale, an enigmatic parking-lot attendant. Ayale is a hustler, the author writes, famous among local Ethiopians “for being where he shouldn’t be and disappearing from where he should.” Ms. Tamirat’s debut novel returns to the island in its final pages. “The ending is memorable and it totally subverts the expectations of what the story would go towards,” says Mr. Habash. “The father-daughter relationship is messy and real and brilliant.”

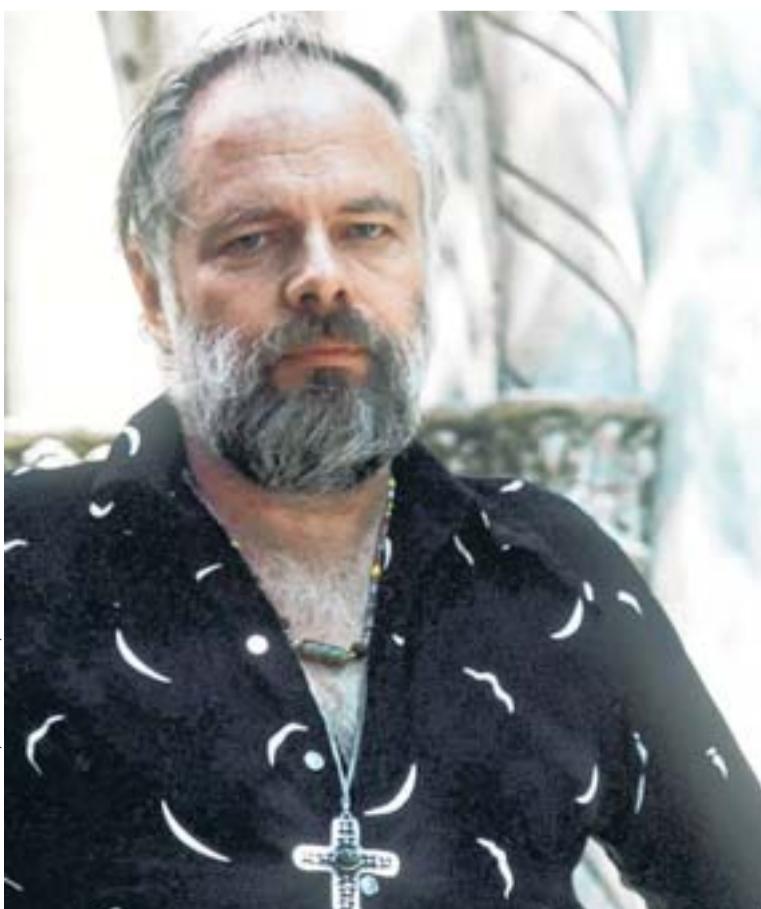
THE ASTONISHING COLOR OF AFTER

by Emily X.R. Pan (March 20)
Cristina Arreola, senior books editor at the female-focused news and culture site Bustle

Fifteen-year-old Leigh Chen Sanders, desperate to understand why her mother has killed herself, has an encounter with a giant, long-tailed red bird that lands on her porch, taps its claws on the wood and says her name in her mother’s voice. In this young-adult novel—the author’s debut—Leigh is not trying to be poetic when she says her dead mother has returned to Earth as bird. After the creature flies away, Leigh launches a search for the bird that takes her to Taiwan, where she meets her grandparents for the first time and uncovers family secrets. Ms. Pan writes: “What can you do when all you see behind closed eyes are the flashes of your mother, your mother, your mother, miserable, alive, beautiful, sick, warm, smiling, dead? But not dead. Not exactly. My mother is a bird.”

MORE BOOKS ONLINE

For more expert picks, excerpts and choices by WSJ staff, go to WSJ.com.



Philip K. Dick, whose novels inspired ‘Blade Runner’ and ‘The Man in the High Castle,’ is getting another outlet with ‘Philip K. Dick’s Electric Dreams.’

TELEVISION

PHILIP K. DICK’S SCI-FI DREAMS

BY MICHAEL RAPORT

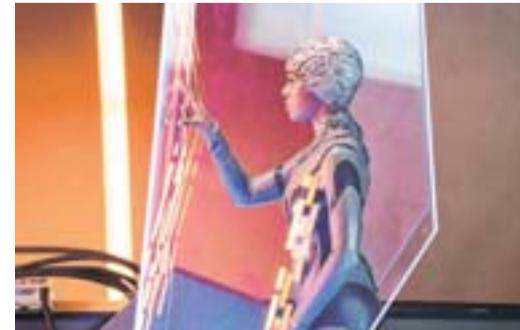
FEELING LIKE the world gets more unmoored from reality every day? Philip K. Dick has your back.

Mr. Dick, the science-fiction writer whose novels inspired the movie “Blade Runner” and the TV series “The Man in the High Castle,” was long obsessed with exploring the blurred lines defining what is real and what it means to be human—alternate worlds, drug-induced illusions, artificial people who seem more real than the real thing. And his obsessions are about to get another video outlet: “Philip K. Dick’s Electric Dreams,” an anthology series based on his stories, premieres this Friday on Amazon Prime.

The new show underlines the staying power of Mr. Dick’s work, more than 35 years after his death. In a world where longstanding political and social norms are fragile and crumbling, and technology is

altering our relationships with the world and each other, Mr. Dick’s often outrageous visions would seem to be a perfect fit.

“I wonder if we’re edging closer to a world created in a PKD novel,” said Isa Dick Hackett, Mr. Dick’s daughter and an executive pro-



ducer of “Electric Dreams.” “I think his central themes are more relevant now than ever.”

Each of the 10 episodes of “Electric Dreams” is based on one of Mr. Dick’s short stories. In these stories, a troubled policewoman

seeks refuge in virtual reality, only to find the VR world staring back at her. A boy fears his father has been replaced by an alien. In a far-off future, a dying woman wants to visit Earth, which has long since become a wasteland.

Actors in the series include Bryan Cranston (who is also an executive producer), Steve Buscemi, Anna Paquin, Terrence Howard, Janelle Monae and Geraldine Chaplin.

“They’re kind of universal themes, aren’t they—to deal with subjects that are so close to us as flesh and blood,” said actor Liam Cunningham, who appears in the episode “Human Is,” which features Mr. Cranston as a man returning from battle who suddenly seems different.

Ms. Hackett says she is proud of all the “Electric Dreams” episodes, but she feels a particular connection to “The Commuter” (no relation to the new Liam Neeson

Please see TELEVISION page A13

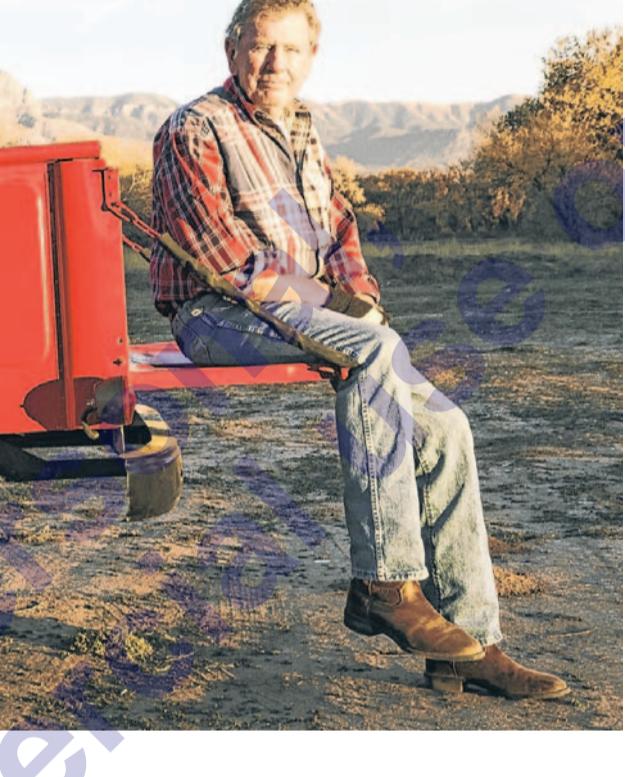
LIFE & ARTS

MY RIDE | By A.J. Baime

Picking Up the Pieces of a Classic



Kurt Stocker of Corrales, N.M., still drives this 1954 International Harvester R-120 pickup. When Mr. Stocker purchased this truck in 2009, it was in tatters. Not so today.



Kurt Stocker, 80, an artist from Corrales, N.M., on his 1954 International Harvester R-120 pickup, as told to A.J. Baime.

In 2009 I was living in Westcliffe, Colo., a town so small the whole population could fit on a 747. Driving home I used to pass this crapped-out pickup with a "for sale" sign, sitting in a field. I finally called the number and agreed to a price on one condition: The owner could drive the truck to my ranch, which was up nasty roads at 9,000 feet elevation. The truck made the trip, so I wrote a check for \$1,700.

I admit: I am not a smart man. A smart man would have bought an old Ford or Chevy. Finding parts so I could restore this International Harvester was exceedingly difficult, but it became my obsession.

To do the work, I partnered with the guy in my small town who did all the maintenance on local school buses. I remember calling a guy in Colorado who supposedly had a 1954 R-120 bumper. He said, "You'll have to wait until the snow melts. I think there's one lying in my field." After nearly two years, the job was done, and I used the truck to do what it was born to do: hard work.

Most people today have never heard of International Harvester, but for a large part of the 20th century, it was probably the brand for ranch and farm equipment in the Midwest, and the company made pickups, too. [According to a 1953 Wall Street Journal article, International Harvester was the third-biggest producer of pickup trucks that year, behind Chevrolet and Ford.] Until it hit hard times in the 1980s, International Harvester was one of the brands that helped make this country what it is today.

My truck has its original straight-six engine. It has something called a granny low—a first gear that moves the vehicle about 3 mph, walking speed, so you can get out of the truck and it'll move along by itself while you are, say, loading the bed with hay. It also has tremendous torque, so it can pull stumps out of the ground.

I have since moved from Colorado, and the vehicle is no longer a work truck. I use it to drive my grandkids through the desert, along the Rio Grande. The truck was built the year I graduated high school, and it is certainly a step back in time.

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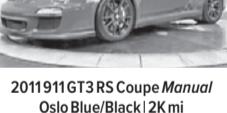
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\$69,900

> 911

17 911 Carrera GTS Coupe PDK

16 911 Carrera GTS Cabriolet PDK

16 911 Carrera 4S Cabriolet PDK

14 911 Turbo Coupe PDK

13 911 Carrera S Cabriolet PDK

12 911 Carrera S 997 Model Coupe Manual

08 911 GT3 RS Coupe Manual, 1 Owner

03 911 Turbo Coupe Manual

03 911 Carrera Cabriolet Manual

97 911 Carrera Cabriolet Manual

88 911 Turbo Slantnose Coupe Manual

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Black/Black | 7K mi | CPO

\$45,900

Green/Black | 4K mi |

\$329,900

Seal Grey/Natural Grey | 12K mi

\$69,900

Seal Grey/Graphite Grey | 45K mi

\$31,900

Ocean Blue/Classic Grey | 17K mi

\$74,900

Cassis Red/Linen | 11K mi

\$149,900

> CAYMAN/BOXSTER

17 Boxster S Manual

16 Cayman PDK

14 Cayman 3.8 PDK, Track-Prepped

15 Boxster S PDK

07 Boxster Manual

Guards Red/Luxor Beige | 194 mi

Black/Black | 147 mi

\$74,900

\$53,900

Agate Grey/Black | 17K mi | CPO

\$45,900

White/Black | 9K mi

\$89,900

White/Black | 15K mi | CPO

\$59,900

Silver/Black | 32K mi

\$24,900

> MACAN/CAYENNE

16 Cayenne S

15 Cayenne S

15 Macan Turbo

White/Black & Luxor Beige | 28K mi | CPO

\$69,900

Black/Black | 42K mi | CPO

\$65,900

Black/Agate Gray | 19K mi | CPO

\$67,900

Black/Black | 19K mi | CPO

\$62,900

> PANAMERA

14 Panamera 4S

Black/Black | 19K mi | CPO

\$62,900

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LIFE & ARTS

EXHIBITION REVIEW

Sartorial Symbolism

BY LAURA JACOBS

New York

GRASS GREEN, aubergine, teal and the madder red of tribal rugs—these are the wall colors that form the hushed background for “Veiled Meanings: Fashioning Jewish Dress, From the Collection of the Israel Museum, Jerusalem.” There is no sound in the large first-floor gallery of the Jewish Museum, no video screens to distract us from the hundred or so articles of clothing at hand, dating primarily from the 1800s to the early 1900s. The garments on display were worn by Jews who lived as minority communities in the Middle East and Central Asia, in Africa, Denmark and Greece. While maintaining their own religious traditions of dress, they assimilated the silhouettes and styles of the non-Jewish cultures around them. These garments may be silent, but they are spiritually alive and multilingual.

Organized by a team of curators at the Israel Museum, “Veiled Meanings,” the first comprehensive U.S. exhibition drawn from the museum’s incomparable collection of Jewish costume, is divided into four sections, or themes. The first, “Through the Veil,” faces the entrance to the gallery—but facelessly, for here we see four full-length cloaks in which the face is veiled by net or horsehair mesh. Meant for wear outdoors and influenced by Islamic cultures, these wraps, the wall text explains, “were once a universal custom in the Middle East and Central Asia; over time the tradition survived among Muslims and lingered in some Jewish communities.” Whether in magenta silk or the more familiar chador-black, this is a silhouette steeped in mystery, the wearer enfolded in shadow.

The next section, “Interweaving Cultures,” looks at the way Jewish styles, motifs and handwork influenced neighboring communities or were influenced by them. The early 1900s ensemble of an Algerian Jewish woman—a dress and jacket of purple velvet, embroidered with gold—pulls design ele-



CLOCKWISE FROM TOP: JASON MANDELLA/THE JEWISH MUSEUM; MAURO MAGLIANI/THE ISRAEL MUSEUM (2)

Installation view of ‘Veiled Meanings,’ above; woman’s coat (kaltachak), Bukhara, Uzbekistan, late 19th century, right; girl’s amuletic dress, Sanaa, Yemen, 1930s, below.

ments from Medieval Spain, the Ottoman empire and Greece. While some of these cultural mash-ups are a bit over-decked, others, like the silk Festive dress from Ioannina, Greece—its simplicity of silhouette elevated by handsomely scaled appliqués—are hybrid creations of refinement and poise. A grouping of six wedding gowns that date from 1907 to 1947, all of them bowing to the European tradition of wedding white, includes a gilt-embroidered bridal ensemble from Tunisia, complete with volu-

minous Turkish trousers.

“Exposing the Unseen” brings us deeper into the meanings sewn into Jewish garments, and also allows close-up views of astonishing decorative brio. Why are children’s aprons adorned with a single button, positioned where the belly button would be? Because that button acts as a watchful eye and protects the child. Ditto surface decoration that is applied asymmetrically. “Doing something out of the expected order,” says exhibition curator Efrat Assaf-Shapira, “causes a mix-up—intended to mix up evil and ward it off.” A girl’s amuletic dress from 1930s Yemen, made when the child came down with smallpox, exemplifies such thinking. A simple T-shape of indigo-dyed cotton, it is aggressively and asymmetrically embellished with blood-red stitching and glossy white kauri shells, a design of almost violent energy. The girl, by the way, recovered.

Perhaps the most beautiful garment in this show is a bell-shaped, late-19th-century woman’s coat (*kaltachak*) from Bukhara, Uzbekistan, a city that came under Russian rule in 1868. Made of Russian brocade in fuchsia and gold, it is lined with an ikat-dyed silk-cotton blend of such extravagant pattern and palette (in this exhibition the Jews of Uzbekistan take the prize

for ebullient color joined to modernist shape) that it reads of paradesiacal plenty. This coat was owned by a woman who immigrated to Ottoman Palestine, where her family was one of the first to reside in a Bukharan quarter established in Jerusalem.

The exhibition’s coda is a section called “Clothing That Remembers.” Throughout the show we see the repurposing of clothes as a way of saving costly pieces of fabric. It is also a way of remembering the

dead and of keeping their spirit alive, while reminding the living, especially at moments of happiness, that life is precarious and transient. A baby’s coat is made from the fine fabric of a woman’s dress—a tangible link between the generations. A velvet wedding dress from the Ottoman Empire, majestically embroidered with gilt-metal threads, is unstitched at the seams upon the death of its owner and remade into a Torah ark curtain. A Moroccan groom wears his white wool shroud under his black wedding coat. And in Yemen a ceremonial dress or *lulwi*—a strange garment that is almost all sleeves—is worn by a woman the first Sabbath after she gives birth, and will become her burial dress when she dies. Analyzing a jacket from Marrakesh adorned with circular spirals of gold braid, the curators write that these spirals symbolize “the cycles of life and human destiny, which have a beginning and an end but are also infinite.” A metaphysical poetry stirs in these clothes.

Veiled Meanings: Fashioning Jewish Dress, From the Collection of the Israel Museum, Jerusalem
Jewish Museum, through March 18

Ms. Jacobs writes about culture and fashion for Vanity Fair.



AMAZON PRIME VIDEO (2)

TELEVISION



Continued from page A11
movie). It is about a rail-station employee who finds commuters are traveling to a stop on the line that shouldn’t exist, and how the discovery affects his relationship with his family.

“I love ‘The Commuter’—I think it’s so moving. It drills down to the core of relationships,” Ms. Hackett said.

But “I think you won’t find people agreeing on which ones they love,” she said.

In some ways, “Electric Dreams” resembles “Black Mirror,” the Netflix anthology series about the

dark places technology is taking us. But Mr. Dick was writing stories of fractured realities and alterations to the human mind and body decades before “Black Mirror” came along, and Ms. Hackett says “it was not a reference for us.”

“The themes of modern man, who are we and where are we going—that’s what he was writing about starting in the 1950s, and those are still our existential themes,” said Michael Dinner, an executive producer, director and writer on “Electric Dreams.”

Mr. Dick’s work is enjoying another culturally prominent mo-

ment—besides “Electric Dreams,” “Blade Runner 2049,” a sequel to “Blade Runner,” was released last fall, and the Amazon adaptation of “The Man in the High Castle” will air its third season this year. “High Castle” illustrates how Mr. Dick’s work continues to resonate—it deals with an alternate world in which the Nazis and Japanese won World War II and the U.S. is an occupied nation. Ms. Hackett, an executive producer of “High Castle,” acknowledges filming the latest season of that show felt different, in a time when Nazis are no longer strictly the stuff of history, and when those who oppose the policies of the U.S. administration think of themselves as “the resistance.”

“Maybe now is a more important time for the show than ever,” she said.

SPORTS

COLLEGE FOOTBALL

The Quarterback Who Rescued Alabama

BY ANDREW BEATON

THE ONLY DECISION bolder than Nick Saban's move to put in Tua Tagovailoa midway through college football's national championship game was Tua Tagovailoa's decision to attend Alabama in the first place.

Over and over, people asked: "Why is he going there?" said Vinny Passas, Tagovailoa's quarterbacks coach at St. Louis School in Honolulu.

Tagovailoa, arguably the top quarterback recruit in the entire country, had his pick of schools. No team would make his life as difficult as Alabama—the school that had just been led to a title game by Jalen Hurts, then a true freshman quarterback who was named the Southeastern Conference's Offensive Player of the Year in 2016. Beyond that, Tagovailoa had grown up deeply familiar with Pac-12 football. Southern California was closer to home and a favorite to land him. Oregon, which few years ago took Marcus Mariota from Hawaii to Heisman Trophy, made a late push. Meanwhile, Tagovailoa was often asleep or practicing when SEC games kicked off.

Tagovailoa chose Alabama anyway. The potential fate of sitting behind Hurts not just this season, but for the next two years, accompanied that. So when Passas turned on Monday's national championship between Alabama and Georgia at home in Hawaii, he was hoping "to get a glimpse of [Tagovailoa] on the sidelines." Despite growing clamors suggesting Tagovailoa should see the field, that's all that was reasonable after he had barely played all season.

Then came one of the wildest decisions in college football history. It was as desperate as it was brazen. Alabama trailed 13-0 at halftime. Saban benched Hurts. He put in the 19-year-old true freshman. The Crimson Tide walked off the field champions in a 26-23 overtime heartstopper. Tagovailoa, who completed 14-of-24 passes for 166 yards and three touchdowns with one interception, was named the game's offensive MVP.

"Who would've ever thought I would've been here right now?" he said.

The answer: Pretty much nobody. Which is what gives Monday night's thriller special gravitas in the roped-off section of all-time classics. It wasn't just an overtime nail-biter. Or a hair-raising comeback. It was both of those—and also led by a baby-faced hero who traveled more than 4,000 miles expecting to still be waiting his turn.

The unlikely circumstances that led to an improbable halftime quarterback change and even more improbable comeback began at last year's national championship—the one Alabama lost. Hurts, who took the job at the start of the season and spent the season mostly making a mockery of vaunted SEC defenses as a true freshman, began to look exposed.

While Clemson stormed back to win that game, the Alabama offense sputtered. Hurts, still an effective runner, struggled to pass the ball: He completed 13-of-31 attempts in the game for 131 yards.

But for much of this season, Hurts did all that was needed. He threw only one interception, and Alabama won most of its games with ease.

That gave little room for his backup to make a name for himself. Tagovailoa's cameos, though, were tantalizing. He completed 8-of-10 passes for two touchdowns in a blowout against Vanderbilt, including one laser



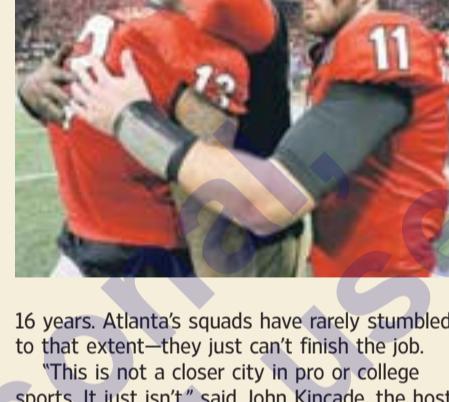
Alabama quarterback Tua Tagovailoa scrambles during the second half against Georgia.

Georgia's Crushing Loss

ATLANTA—Fans in this long-suffering sports city watched the second half of Monday night's college football national championship game with a familiar sense of dread. Less than a year after the Atlanta Falcons endured a historic meltdown in the Super Bowl—uttering the phrase "28-3" practically comes with a jail sentence in these parts—the Georgia Bulldogs resurfaced those painful memories.

Atlanta's most recent professional sports title came courtesy of the 1995 Atlanta Braves. Among U.S. metro areas with at least three major pro sports teams, only two—Minneapolis and Washington—have longer active championship droughts, both of which date back to 1991. (That's the year the Braves squandered a 3-games-to-2 lead in the World Series to the Minnesota Twins.)

The raw numbers, however, don't tell the whole story. Other markets have slogged through long stretches of complete futility; think the Seattle Mariners, who currently have the longest postseason drought in pro sports at



16 years. Atlanta's squads have rarely stumbled to that extent—they just can't finish the job.

"This is not a closer city in pro or college sports. It just isn't," said John Kincade, the host of a popular sports-radio talk show in Atlanta. "That's up to them to change the perception."

Indeed, Atlanta has now witnessed their professional football team and a nearby college team blow sizable second-half leads in a cham-

pionship game in the span of 11 months. The Braves famously won 14 consecutive division titles with only one ring to show for it. Even their WNBA team, the Atlanta Dream, reached the finals in three of four seasons between 2010 and 2013—and lost nine straight games once they got there.

Kincade said he noticed a different vibe in Atlanta when he woke up Tuesday morning, one he didn't necessarily expect: hope.

While he described the Falcons' loss to the New England Patriots as "an abject failure and embarrassment and complete mismanagement," the Georgia defeat felt like the start of something. The Bulldogs will return in 2018 boasting the country's top-ranked recruiting class, a position long held by Alabama, and a talented quarterback in Jake Fromm who nearly won a national championship as a true freshman.

As Smart said following Monday's game, "We're not going anywhere."

"This town has been kicked in the private parts far too frequently," Kincade said. "Now they're going to get back on the horse again."

—Jared Diamond

where he avoided several rushers and threw a strike into the end zone. He threw another the next week against Ole Miss, and finished the regular season with eight touchdowns, one interception and 470 yards on 53 attempts. It was just enough to tease a fan base, and even the greatest coach in the sport, with a pinch of doubt: *Maybe Alabama's best passer isn't the quarterback throwing all the passes.*

Still, Tagovailoa's last action came against an FCS opponent. Before Monday, he hadn't thrown a pass against a team at the sport's top level since October. His biggest moment came playing a ukulele in a popular video posted by one of his coaches.

Then came the first half against Georgia. Hurts looked the way most quarterbacks look when facing Alabama. He completed 3

of 8 passes. He threw for 21 yards. Alabama was held scoreless. And at halftime, Saban made the choice that changed the course of college football history.

"I just thought we had to throw the ball," Saban said. "I thought he could do it better."

Tagovailoa did. On his second possession, he led a touchdown drive that pulled Alabama to within a score. His deep passes, that on more than one occasion just fell out of the grasp of Alabama receivers, opened up a running game that had been stuffed early on. His second touchdown pass came with 3:49 to go on fourth and 4. He led one more drive with time expiring, but a missed field goal—Alabama's second of the game—sent it to overtime tied at 20.

All of a sudden, in the extra period, it looked like it would all fall apart. That's be-

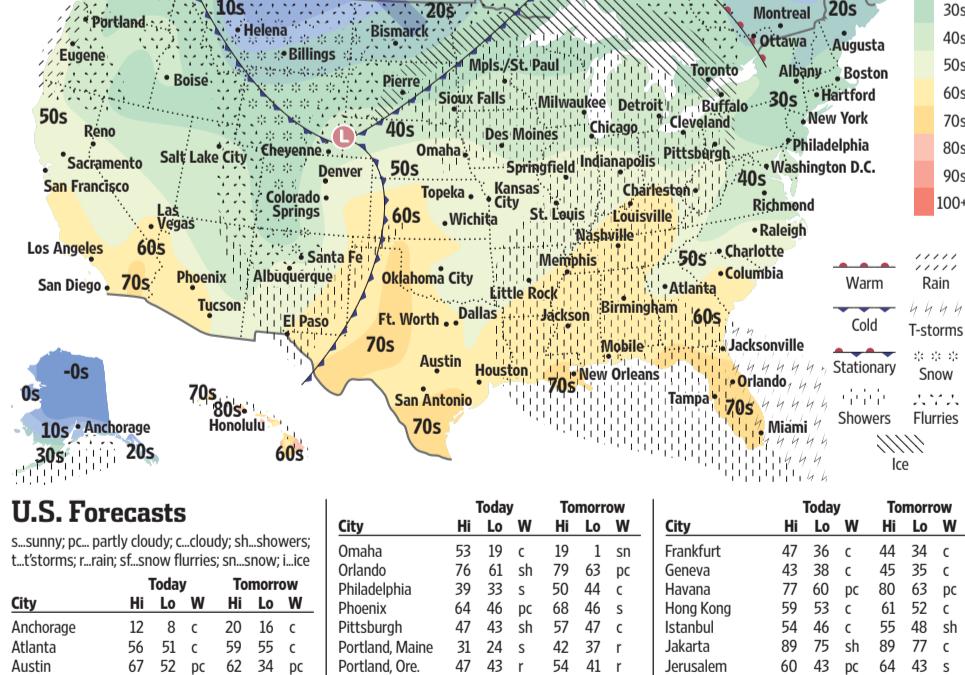
cause for one play at least, Tagovailoa looked like the person he was supposed to be: an inexperienced freshman. After the Bulldogs kicked a field goal on their opening possession, he took a sack on first down. Even worse, he ran backward trying to avoid the tackle for a 16-yard loss.

The next play was called Seattle. It's fairly simple: The receivers streak down field. Tagovailoa dropped back to pass. He looked to his right, recognizing the safety in the middle of the field, who watched the quarterback's eyes and edged in that direction. Then the freshman stole a glance to his left. DeVonta Smith, a freshman who hadn't caught a pass all game, had broken free. Tagovailoa fired.

"This is it," Saban said.

—Jared Diamond contributed to this article.

Weather



U.S. Forecasts

Sunny; pc. partly cloudy; c. cloudy; sh. showers; t-tstorms; r. rain; sf. snow flurries; sn. snow; l. ice

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Anchorage	12	8	c	20	16	c
Atlanta	56	51	c	59	55	c
Austin	67	52	pc	60	46	c
Baltimore	40	33	pc	50	46	c
Boise	40	28	c	42	30	c
Boston	33	29	s	47	43	pc
Burlington	32	30	pc	46	43	c
Charlotte	55	43	pc	57	54	r
Chicago	46	46	c	55	23	r
Cleveland	47	46	r	54	33	r
Dallas	62	53	c	54	27	pc
Denver	50	20	c	41	26	s
Detroit	40	40	c	49	33	r
Honolulu	83	71	pc	83	67	pc
Houston	66	57	c	67	34	t
Indianapolis	52	49	c	58	32	r
Kansas City	53	34	c	37	10	i
Las Vegas	62	45	pc	61	44	s
Little Rock	58	53	c	60	29	r
Los Angeles	65	51	pc	72	53	s
Miami	79	67	t	80	70	c
Milwaukee	45	44	sh	49	19	r
Minneapolis	42	17	c	19	-6	sn
Nashville	61	55	c	62	48	r
New Orleans	71	60	c	74	44	pc
New York City	36	34	s	49	44	pc
Oklahoma City	59	37	pc	39	19	c

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Amsterdam	45	39	c	46	37	c
Athens	57	49	c	60	48	pc
Baghdad	66	41	s	66	44	pc
Bangkok	86	80	pc	84	65	pc
Beijing	30	8	s	30	9	s
Berlin	43	32	c	40	34	c
Brussels	46	38	r	45	36	c
Buenos Aires	91	72	s	94	74	pc
Dubai	75	60	s	76	60	s
Dublin	43	35	c	42	36	c
Edinburgh	42	33	c	40	28	pc
Zurich	44	33	c	42	34	c

International

City	Hi	Lo	W	Hi	Lo	W
Vancouver	20s	Qs		Edmonton	-0s	
Calgary	67	52	pc	79	63	pc
Winnipeg	10s	0s		Montreal	20s	
Pierre	20s	10s		Ottawa	10s	
Sioux Falls	30s	10s		Toronto	30s	
Des Moines	40s	10s		Buffalo	30s	
Chicago	50s	10s		Cleveland	30s	
Springfield	40s	10s		Pittsburgh	40s	
Kansas City	50s	10s		Philadelphia	50s	
Topeka	60s	10s		Washington D.C.	60s	
Wichita	60s	10s		Richmond	60s	
Little Rock	70s	10s		Charlotte	70s	
Jackson	70s	10s		Columbia	70s	
Birmingham	70s	10s		Mobile	70s	
New Orleans	70s	10s		Tampa	70s	
Austin	70s	10s		Jacksonville	70s	
Houston	70s	10s		Orlando	70s	
San Antonio	70s	10s		Miami	70s	
El Paso	80s	10s		Orlando	80s	
Phoenix	70s	10s		Tampa	80s	
Albuquerque	70s	10s		Jacksonville	80s	
Las Vegas						

OPINION

Coreligionists in Kleptocracy



BUSINESS WORLD

By Holman W. Jenkins, Jr.

Truly important political events inside other countries can't be predicted, much less controlled by the U.S. or anyone else. But they always have a logic. Vladimir Putin must get a clammy feeling from the logic of Iranians taking to the streets against a corrupt government conducting costly adventures in places like Syria.

Both countries have in common a Great Satan with whom their relations are more than just complex. It is expected by the average Iranian or Russian that dealings between their governments and the U.S. will be a direct barometer of what they can expect in their own economic lives.

When President Obama struck his Iranian nuclear agreement, the deal meant not a thing to the average American and suggested transformative possibilities to the average Iranian. When the Kremlin popped champagne corks on the election of Donald Trump, to Americans it was an oddity and to Russians it heralded the end of a period in which their living standards crashed by 40%.

As a commentator in Abu Dhabi's National newspaper put it when the Iran deal was finalized two years ago, "When it comes to the North Korean nuclear threat, the diplomatic efforts of the past two decades have come to naught and there are no good military options. Yet no one—not the U.S., not South Korea, not Japan, not China—is willing to acknowledge a nuclear-armed North Korea, one of the most repressive and brutal regimes on the planet, as a permanent fact."

Nor is the drive to bring the regime to heel with ever-tougher sanctions likely to succeed. Because its leaders care little about the well-being of its people and do not depend on public opinion for their survival, sanctions will impose hardships on citizens without yielding either policy shifts or regime change.

And although the U.S. nuclear arsenal will probably deter a North Korean attack against America and its allies, the threat of a preventive first strike lacks credibility and will not induce Pyongyang to abandon its nuclear program.

Many readers who accept these premises will conclude—plausibly—that there is no choice but to accept North Korea as a nuclear power and move to a policy of deterrence. In the end, it may

"Thanks to the lifting of sanctions, Iran will recoup about \$90 billion of assets, re-enter the international financial system and be able to sell oil on the open market."

As President Putin, on his way to his intended re-election in March, predicted more than a year ago, a return to 4% growth would be just around the corner. In late 2016, his regime's splashy sale of shares in the state oil firm Rosneft to foreign investors may have been sham-like, but it was important to Mr. Putin as a signal that Russia had weathered the sanctions crisis.

In both countries, though, the promised turnaround is becoming conspicuous by its non-arrival. The average Iranian in the street doesn't think the benefits of the nuclear deal failed to materialize. He thinks they were hijacked and hoarded by regime cronies. Widely reported was the Obama administration's shipment of \$1.7 billion in untraceable cash, via cargo plane, directly to Iran's leaders. Of 110 international business deals touted in the Iranian press as the fruit of sanctions relief, a Reuters accounting showed that 90 went to companies controlled by Supreme Leader Ayatollah Ali Khamenei or other top officials.

For his part, the average Russian has seen his real income continue to shrink, no end to sanctions, and no hoped-for return of Western capital. Nor can the Kremlin

shield him from the growing phenomenon of internet-based reporting on the absurd luxuries enjoyed by such regime favorites as Rosneft Chairman Igor Sechin and Prime Minister Dmitry Medvedev, much less the astonishing offshore wealth of Mr. Putin's personal "friend," the cellist Sergei Roldugin.

What Russia and Iran have in common is someday their people will say 'enough.'

In both countries, normal, patriotic feeling has clearly begun leaching away from leaders whose defining quality is hypocrisy. Even the most patient citizen must realize now why his lot never improves. Under current leadership, 100% of everything is gobbled up in the corrupt power rivalries and overseas adventures of the leadership class (e.g., the Syrian war).

We know less of what goes on in the inner circle of Ayatollah Ali Khamenei, but where to begin on the evident change in Mr. Putin's mindset since his golden early years when the post-Yeltsin Russian economy could only go up, helped by a serendipitous tenfold rise in oil prices? Nobody predicted the Arab Spring, the Ukrainian revolution that overthrew his ally Viktor Yanukovych, or the

roadside execution of Gadhafi, an omen that Mr. Putin reportedly dwells on.

The Russian president probably did not anticipate how his modest propaganda and hacking exertions during the 2016 election would roil the U.S. political class, and by the way end any hope of sanctions relief. But the dominant theory of his motive certainly rounds out our tale: He was angry at Hillary Clinton for what he considers her efforts to foment a coup against him personally.

Mrs. Clinton does not control events in Russia or anywhere else, but Mr. Putin is not wrong in fearing the unluckiest, tiniest spark. The Arab Spring, which ultimately led to Russian military intervention in Syria to save Assad from going the way of Mubarak and Gadhafi, began with a street hawker in Tunisia setting himself afire in protest of police corruption.

It is interesting, in such a world, to hear Iran experts in recent days uncomfortably laying odds on whether the current Iranian uprising will sputter out or blossom into something bigger. They don't and can't know. A valuable lesson lies here. What the U.S. has over such countries is stable institutions in which to contain unpredictable events and forces. Those who think Donald Trump too outré, too incompetent, too unsympathetic to put up with for the sake of our institutions (he was legitimately elected) might want to think again.

BOOKSHELF | By Emily Bobrow

Hacking The Clock

When: The Scientific Secrets of Perfect Timing

By Daniel H. Pink
(Riverhead, 258 pages, \$28)

If you must go to a hospital, try to get there in the morning. An afternoon visit may prove deadly. Patients who book their operations to occur around tea-time are more likely to die within 48 hours of surgery. In the afternoon, gastroenterologists who perform colonoscopies are far less vigilant in detecting cancerous growths than in the morning; internists are 26% more likely to prescribe unnecessary antibiotics; and pretty much all providers are around 10% less inclined to wash their hands before treating patients, increasing the odds of infection. Oh, and try to avoid teaching hospitals at all hours during the month of July, when new medical-school graduates are just starting to cut their teeth as physicians. This is the month when fatalities at these hospitals consistently spike.

A raft of studies in disciplines ranging from medicine to economics have yielded all sorts of data on the science of timing. Daniel Pink, an author who regularly applies behavioral science to the realm of work, has handily distilled the findings in "When: The Scientific Secrets of Perfect Timing." We complain of wasting time, he notes, far more often than we gloat about filling it wisely. Yet it is increasingly possible to correct for timing problems in advance.

For a slim book, "When" brims with a surprising amount of insight and practical advice. In amiable, TED-talk-ready prose, Mr. Pink offers scheduling tips for everything from workouts to weddings. Exercise, for example, is best done in the morning for those who hope to lose weight, build strength and boost their mood through the day. But those who are keen on performing at their physical peak should postpone their big sweat to the afternoon, when their reaction time quickens, their heart rate drops, and their muscles are good and warm. (A disproportionate number of Olympic records are set in the late afternoon or early evening.) As for when to get married, couples are less likely to divorce if they wait until they are out of their early 20s, have finished their education and have dated each other for at least a year. But waiting too long can cause problems too: For those who marry past the age of about 32, the odds of divorce apparently rise by 5% a year for at least a decade.

Studies of human communication across a range of outlets, from tweets to earnings calls, show that our daily moods fluctuate in predictable ways. We may start our mornings feeling pretty hopeful (at least once the caffeine kicks in), but our outlook often slumps in the afternoon before rebounding in the evening. This U-shaped pattern is fairly consistent across countries and cultures and is more or less the same every day of the week (though we are a little happier on weekends). The reasons for the ebb and flow remain hazy (Mr. Pink

Exercise in the morning if you want to lose weight. But if you want to perform at your physical peak, plan a workout for the afternoon.

mostly prefers to ponder "when," not "why"), but the implications can be profound. A study of more than 26,000 earnings calls from more than 2,100 public companies found that the timing of the calls often dictated their emotional tenor and, consequently, affected the price of a company's stock. Calls held first thing in the morning were typically upbeat, whereas those in the afternoon tended to have a more negative tone, regardless of the news being delivered, and thus pulled down share prices, at least temporarily. Mornings seem to be best for important conversations with either employees or investors.

Moods are not the only things that shift every 24 hours. Our cognitive abilities also morph in foreseeable ways. We are often sharpest in the hours after waking up, which makes morning the best time to take exams or answer logic problems. Researchers analyzing four years of test results for two million Danish schoolchildren found that students consistently scored higher in mornings than afternoons. Yet work that requires innovation and creativity is often best left to later in the day, when our less-inhibited, less-vigilant brains become more open to unexpected insights and sudden flashes of brilliance.

These daily swings in mental agility should not be underestimated. According to Russell Foster, a neuroscientist and chronobiologist at the University of Oxford, the contrast in performance between our daily peaks and troughs is similar to the difference between being sober and lightly drunk. Yet it is important to recognize that not all humans experience a day in the same way—as anyone living with a teenager knows all too well. Unlike most young children and older adults, who are happy to start and end their days on the early side and are most alert before noon, teens and early 20-somethings seem programmed to stay up late, sleep in and gain their energy in the late afternoon.

Unfortunately, few school days accommodate the circadian demands of puberty, which creates some problems. Studies show that teens who start their school days before 8:30 a.m. tend to have poorer health and lower grades and are more likely to drink, smoke and do drugs. Given this evidence, Mr. Pink notes, the American Academy of Pediatrics in 2014 called on schools to begin no earlier than 8:30—a position endorsed by the Centers for Disease Control and Prevention. Schools that have pushed back their start times have seen higher grades and higher standardized-test scores, as well as fewer car crashes among teen drivers. Yet less than one in five middle schools and high schools has made this change.

Such temporal oversights remain fairly common. "We simply don't take issues of when as seriously as we take questions of what," laments Mr. Pink. Perhaps we find it simply too hard to believe that our thoughts and actions are really so vulnerable to the time of day. Mercifully, Mr. Pink delivers the bad news about our time-based weaknesses with some good news about how to compensate for them. More delightful still, many of these tips involve simply slowing down, taking breaks and stealing naps. Alas, none of this advice will prevent time from flying by, but at least there are proven ways to fill our hours a bit better.

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

A Fresh Approach to North Korea

POLITICS & IDEAS

By William A. Galston

When it comes to the North Korean nuclear threat, the diplomatic efforts of the past two decades have come to naught and there are no good military options. Yet no one—not the U.S., not South Korea, not Japan, not China—is willing to acknowledge a nuclear-armed North Korea, one of the most repressive and brutal regimes on the planet, as a permanent fact.

Nor is the drive to bring the regime to heel with ever-tougher sanctions likely to succeed. Because its leaders care little about the well-being of its people and do not depend on public opinion for their survival, sanctions will impose hardships on citizens without yielding either policy shifts or regime change.

And although the U.S. nuclear arsenal will probably deter a North Korean attack against America and its allies, the threat of a preventive first strike lacks credibility and will not induce Pyongyang to abandon its nuclear program.

Many readers who accept these premises will conclude—plausibly—that there is no choice but to accept North Korea as a nuclear power and move to a policy of deterrence. In the end, it may

come to that. But there is a potential alternative: The U.S. could explore the possibility that North Korea would be willing to give up its nuclear weapons in return for security guarantees it regards as credible.

The success of nuclear diplomacy with North Korea depends on Pyongyang's true motives for acquiring nuclear weapons, an issue about which the U.S. and China have long disagreed. Chinese experts and officials assert that the North has acquired a nuclear arsenal because the regime perceives a genuine threat from the U.S. and South Korea.

In a Brookings strategy paper, Fu Ying—chairman of the Foreign Affairs Committee of the National People's Congress of China and a former lead participant in the multilateral talks about North Korea's nuclear program—urges Americans to understand the profound sense of insecurity that pervaded the North Korean leadership after the collapse of the Soviet Union, which was for decades the regime's principal supporter. Beijing's move to establish full diplomatic relations with Seoul in 1992 intensified Pyongyang's sense of isolation and probably strengthened its determination to depend on nuclear weapons rather than allies for security.

The view from Washington is very different. Most U.S.

experts in and out of government believe North Korea's pursuit of nuclear weapons reflects aggressive intentions—to push U.S. forces out of South Korea and reunify the peninsula on Pyongyang's terms. North Korea's ostensible security concerns, they say, stem from irrational paranoia about U.S. intentions

The U.S. should make Pyongyang an offer it might be able to accept.

that no concessions could allow. And North Korea's history of renegeing and cheating on interim agreements underscores the difficulty—if not outright futility—of returning once more to diplomacy. If the U.S. interpretation is correct, the only choices are deterrence, which implies acceptance of North Korea as a nuclear-armed state, or a disastrous war.

Nonetheless, we should at least explore the possibility that the Chinese view has merit. This would mean cutting through the complex, multistage process of past efforts and going straight to the heart of the matter with a bold proposal: If North Korea—subject to rigorous international verification—were to surrender its nuclear stockpile, dismantle its nuclear

program, and rejoin the Nuclear Non-Proliferation Treaty, the U.S. would agree to sign a peace treaty formally ending the Korean War and establishing an internationally recognized boundary between the two Koreas.

The U.S. would extend formal diplomatic recognition to North Korea, and all parties would agree that reunification could occur only peacefully, by mutual consent. All parties would be free to retain current alliances, such as the defense relationship between the U.S. and South Korea, and to seek new ones.

Negotiations founded a decade ago on North Korea's unwillingness to accept adequate verification measures. Since then, its leaders have only hardened their commitment to nuclear weapons. And their definition of a denuclearized Korean Peninsula includes ending our alliance with South Korea and removing the nuclear umbrella that protects American allies in East Asia, conditions that no U.S. administration could accept.

Still, a bold new offer would enjoy widespread support and help restore American leadership throughout the region. If North Korea's leaders rejected it out of hand, the U.S. would know that its assessment of their intentions had been correct all along, and China would be forced to rethink its stance. Considering the alternatives, we don't have much to lose.

Tales From the Cryptocurrency

By Allan Ripp

Some Hooters customers just got a fresh reason to return to the chain. Chanticleer Holdings, which owns and operates nine Hooters locations, has introduced a loyalty program pegged to cryptocurrency. "Eating a burger is now a way to mine for cryptocoins!" gushed the chief executive officer of the company helping Chanticleer develop the rewards initiative.

Companies everywhere are pivoting to blockchain, the digital ledger for recording secure transactions by bitcoin and other cryptocurrencies. Among recent pivoters is Vapeket, a California e-cigarette supplier that reorganized as Nodechain to mine digital currencies. Croefit, a sports bra maker, transformed itself into a digital-asset trader called the Crypto Co. Long Island Iced Tea's shares surged on news it was becoming a blockchain investor. The company

rechristened Long Blockchain Corp.—still sells flavored teas.

Although lately bitcoin's price has swung wildly, the frenzy to go crypto will continue, at least until the bubble bursts. Here are a few more you may hear about in weeks—or hours—to come:

New ideas for how companies can cash in on blockchain mania.

• **Blockchain Video.** Blockbuster went bankrupt in 2010 but will return as a site for streaming videos of blockchain evangelists. I'd invest, but I'd have to pay the \$30 late fee I owe for not returning "Pulp Fiction" on time.

• **Alt-Right Coin.** Hardcore Breitbart and Steve Bannon fans will get their own unique cryptocurrency, though it will only be available in trace amounts and require an

apocalypse to gain value. Alt-

Left Coin has already been fully mined to fund Elizabeth Warren's 2020 presidential bid.

• **H&R Blockchain.** Conceding America's tax system is beyond human comprehension, H&R will advise clients to throw out their shoe boxes of receipts and let its accounting bots assign refunds and payments using data analytics and peer-to-peer filing algorithms.

• **The Bitstein Co.** Still searching for a buyer in the wake of a seismic sex scandal, the Weinstein Co. will reverse its fortunes by launching an initial coin offering for buying up every script in development on bitcoin. Even Meryl Streep might like that action.

• **EthereYum Brands.** The company behind KFC, Pizza Hut and Taco Bell will convert to an exchange for ether, the No. 2 digital token. Yum will transform Col. Sanders into Col. Crypto, offering buckets of chicken to open-source coders

for keeping its Ethereum network trans-fat-free.

• **Heath's Ledger.** The moody actor from Perth left this earth in 2008, but fans can soon secure a portion of his aura via HeathCoins. These tokens memorializing Ledger's short list of films will trade on the Australian Futures Exchange.

• **Saudi Aramcoin.** Instead of raising a measly \$50 billion through a traditional initial public offering, Aramco plans to go superlong on crypto for a new golden kingdom; if the bet fails, the Saudi crown prince will round up the sheikhs at the Riyadh Ritz for another shakedown.

As for me, I'm hereby changing my name to Allan Ripple to align with the San Francisco firm whose digital currency, XRP, soared 1,100% in the past month. As a hedge, I'm sending everyone I know a chain letter.

Mr. Ripp runs a press relations firm in New York.

OPINION

REVIEW & OUTLOOK

Progress on Immigration

Immigration has become one of America's most divisive political issues, so it's welcome news that President Trump and lawmakers from both parties emerged from the White House Tuesday with a framework to negotiate a compromise. Both sides have a strong political incentive to deal, and the result could help hundreds of thousands of young adults and the country.

The outlines of a compromise have been apparent for some time. Republicans vote to legalize the status of the so-called Dreamers, the 800,000 or so young adults who were brought here illegally as children and applied for legal status under Barack Obama's Deferred Action for Childhood Arrivals (DACA) order. Democrats in return support some of Mr. Trump's immigration priorities, such as money for border security, changing the visa lottery, and reducing visas for foreign family members in favor of skilled immigrants.

For more than a decade, immigration politics has been trapped in a polarizing stalemate. Democrats insist on "comprehensive" reform that solves every issue and gives a path to citizenship to all 11 million undocumented migrants in the U.S. The restrictionist right has opposed any reforms until Congress essentially stops all illegal immigration, an impossible task. Either side has had veto power over the other, and politicians exploit the issue every election cycle.

Mr. Trump, of all unlikely people given his campaign rhetoric, may have created the grounds for compromise last fall when he declined to extend Mr. Obama's DACA order beyond this spring. His decision rightly said that Mr. Obama's diktat had exceeded his executive authority and was thus illegal. And it has had the added benefit of reshuffling political incentives.

Democrats have an urgent incentive to help 800,000 people they claim to care about rather than use them as political bludgeons. Mr. Trump also has a chance to fulfill some of his immigration reform promises and become a President who can solve problems that eluded Mr. Obama and George W. Bush.

The details of the compromise framework have to be negotiated, and the key will be for each side to concede some policy victories to

Both sides have strong incentives to cut a Dreamers deal.

the other. Mr. Trump will have to face down the GOP restrictionists who'd rather have the Dreamers deported and certainly don't want them to have a path to citizenship. While these voices are loud, they are relatively few. Mr. Trump has the credibility with his voters to sell a legalization deal that includes security.

The deal should include a path to citizenship for two reasons: We want these young people who have been here nearly all of their lives to become full, assimilated citizens, rather than an alienated group with lesser status. The GOP also shouldn't give Democrats the citizenship issue to flog in the future. The GOP might as well get political credit from the Dreamers for solving their problem for good.

As for the Democrats, they will have to give up some of the family unification planks of current law. This means the foreign parents, adult children or siblings of current U.S. citizens or green-card holders. It makes sense to focus on uniting nuclear families with dependent children rather than extended families. And it's a fair trade for legalizing so many Dreamers who are already here and contributing to the U.S. economy and military.

One possible sticking point may be Mr. Trump's demand for a "wall" at the U.S.-Mexico border. Most Democrats want to deny Mr. Trump that symbolic political victory, and we agree a wall by itself won't stop illegal immigration and is mostly a waste of money. Then again, Democrats could let Mr. Trump claim victory on the wall knowing that it will take years to build as private landowners sue to block it on their property, among other obstacles.

Some Democrats will want to deny Republicans any victory this year, figuring they can re-take Congress and have better leverage next year. But even if they win, they shouldn't assume Mr. Trump will have the same incentives next year as he gears up for re-election.

And, who knows, if Americans conclude that their border is more secure and illegal immigration is down, they may be willing to entertain more ambitious reforms that include a guest worker program and legalizing other long-time undocumented residents. Take the political opening now.

Davos In, Bannon Out

Anyone who predicted a year ago that the following stories would break on the same day in January 2018, please stand up so everyone can know you're a liar. We're referring to Tuesday's news that President Trump will attend the annual Davos confab of global grandes this month in Switzerland, while his former chief strategist Steve Bannon is resigning as impresario of Breitbart News.

The Lord works in mysterious ways, or something.

In attending Davos, Mr. Trump is choosing to enter the sanctum sanctorum of the "globalists" whom Mr. Bannon and the President have long railed against. The ratio of Trump haters to merely Trump agnostics on hand will approximate the ratio of Democrats to Republicans on the Stanford faculty.

A U.S. President hasn't attended Davos since Bill Clinton in 2000, so give Mr. Trump credit for meeting his many international doubters head on. What could possibly go wrong?

As for Mr. Bannon, he was all but certainly

Steve Bannon loses his head, while Trump goes to Switzerland.

pushed out by the Breitbart board and the website's Mercer family funders after he was exposed as the main source for Michael Wolff's political bodice-ripper about the Trump White House. We can recall when some of our friends were predicting a year ago that as a White House aide Mr. Bannon would lead white nationalists on an

American equivalent of Hitler's beer-hall putsch. But the more accurate historical metaphor was offered by our Dan Henninger last week when he said Mr. Bannon wanted to be Mr. Trump's Thomas Cromwell but ended up losing his head.

Once Mr. Trump fired him from the White House last summer, Mr. Bannon still hoped to lead Breitbart on a great insurrection against the GOP establishment in 2018 and form a new conservative TV network. Now Bannonism is a cause without a President or even a website, and Mr. Trump is inviting Senate Majority Leader Mitch McConnell to Camp David to plot political strategy. Anything can happen in the Trump Presidency, and it already has.

North Korea's Peace Games

Talks between North and South Korea Tuesday at the Demilitarized Zone have handed Kim Jong Un a propaganda victory. The two sides agreed that athletes from the North will compete in next month's Winter Olympics in the South. The talks and the "Olympic truce" allow the young dictator to pose as a man of peace, even as he threatens to annihilate his enemies with nuclear weapons.

This is galling enough, but Kim has his eye on the bigger prize of driving a wedge between Seoul and Washington. In recent days U.S. officials have expressed confidence that this won't happen because the talks would be limited to the Olympics. But the onus is now on South Korean President Moon Jae-in to make clear that the North can't divide and conquer.

Kim's New Year's Day speech with its proposal of talks with the South was surprising given Pyongyang's longstanding policy of dealing only with the U.S. on strategic matters. According to the North's propaganda, Seoul has always been a puppet of the American imperialists. The biggest exception came in 2000, when South Korean President Kim Dae-jung secretly paid the North hundreds of millions of dollars to participate in a summit. That led to a brief period of entente known as the Sunshine Policy, lubricated with copious amounts of aid.

President Moon wants to revive some of the Sunshine Policy, including an industrial park that let the North earn about \$100 million a year from South Korean companies. Contradicting U.S. policy that the North should first curtail its nuclear and missile programs, Mr. Moon has called for direct talks since taking office in May. The North snubbed those overtures as it

Kim Jong Un tries to drive a wedge between the South and the U.S.

sprinted to perfect its missiles, but now it thinks it can gain a political advantage by luring the South back into talks.

Mr. Moon now has his wish of talks, and the Trump Administration probably felt it had to oblige because of the Olympics. Seoul asked to postpone routine military exercises for fear the North might

use them as an excuse to launch a conventional military strike during the games, and the U.S. acquiesced. In March 2010 the North sank a South Korean ship, killing 46 sailors, and in November of that year it shelled the island of Yeonpyeong in the South, killing two soldiers and two civilians.

North Korea may hope the South will continue talks after the Olympics and break ranks with the U.S. Stricter United Nations sanctions are now coming into force, cutting the flow of fuel imports and preventing North Korea from earning hard currency with exports. That makes the prospect of a reconciliation with South Korea especially appealing.

But even if Mr. Moon wants to help the North, he faces greater constraints than his predecessors. The sanctions restrict his ability to offer monetary aid, and the heightened tension on the Korean Peninsula as a result of the North's dash to become a nuclear-weapons state has increased the South's dependence on the U.S. security umbrella.

The U.S. military has announced that the aircraft carrier Carl Vinson and its battle group will deploy off the coast of Korea during the Olympics. Such deployments are a more reliable guarantor of peace than the gestures of a young dictator who pretends to want peace even as he threatens war.

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LETTERS TO THE EDITOR

Raising Good Men in Our Enlightened Age

Finally, a voice of reason has emerged from the fog of societal dysfunction. Angela Rocco DeCarlo's "Looking for a Few Good Men" (op-ed, Jan. 3) strikes a chord that surely resonates with parents who have struggled to raise a young man in our society. As the father of three sons, ages 27, 23 and 19, my wife and I have personally witnessed the institutionalized gender bending that has reshaped our culture. We have slowly pushed boys and girls into the same social category that has begun to impede the natural progression of our species. Boys simply don't know how they should act or what they should become. The result will surely be a weakening in our social structure that ultimately will affect our future generation's national security.

JOE DENOVA
Novi, Mich.

Ms. DeCarlo argues that we should let boys be boys and cites the Boy Scouts as a good chance for our sons to go camping. What she finds upsetting is that if a girl joins the Scout troop, it will ruin everything. Ha! There will likely be very few, but any girl who wants to join a Boy Scout troop is probably very brave and self-confident as she will likely be subjected to teasing. I would be pleased to have my sons be acquainted with such a brave young lady. And I trust that my son would show good Scout virtues by being friendly and courteous to any new scout, boy or girl.

More often, the phrase "let boys

be boys" means that we should let them get away with sexual harassment, grabbing girls in the wrong places or worse. That is a problem that she barely addresses. She wants decent men, as do we all. The way to do that is to help boys learn to be gentlemen, not harassers.

CHARLIE GARLOW, EAGLE SCOUT
Silver Spring, Md.

The emancipation of women has been a wonderful advancement of freedom. However, the rules for male-female interactions and the natures of men and women haven't kept pace with the cultural changes. The emancipation of women in Western civilization has occurred since the Industrial Revolution, only 0.2% of our species existence, and the change has been markedly accelerated in the past 50 years.

EM. PROF. ROBERT M. CRAIG
*Northwestern University
Lake Geneva, Wis.*

Women today don't want to be men, or for men to stop being manly, we simply want equal opportunity. Let me compete in an open and honest environment without sexual misconduct and harassment—then stand back and see what the other 50% of Americans can accomplish. I am also the happily married mother of two grown men, and I am proud to say that my husband and sons don't put their feet on anyone's neck while enjoying their masculine pursuits.

SUSAN HECTOR
San Diego

Marco Rubio Is Right on Refundable Credits

This supply-sider agrees with Sen. Marco Rubio on refundable child credits despite your editorial "Rubio's Tax Lament" (Jan. 3). Sen. Rubio originally proposed making the entire child credit refundable against payroll taxes. Payroll taxes are every bit as much real taxes as income taxes are. They provide real disincentives to work at lower income levels. Reducing payroll tax rates creates immediate positive incentives. Beyond the short-term effects, refundable child credits have good long-term supply-side effects. Social Security and Medicare are headed to insolvency unless a greater supply of productive young workers enter the workforce.

Strengthening families will help increase the supply, and the expanded child credit is a positive factor in that regard. It might even help a low-in-

EDWARD R. KOCH
Haworth, N.J.

Considering a presidential candidate who actually believes what Sen. Rubio has been coming up with is like preparing to board a commercial flight and seeing the flight crew in the bar drinking martinis.

BILL STEPHENSON
Nichols Hills, Okla.

Rational Debate and Civility Aren't Racist

Regarding Steve Salerno's "White-Informed Civility' Is the Latest Target in the Campus Wars" (op-ed, Jan. 3): Delaying the start of a debate to "acknowledge the reality of the oppressed" would be like having made the Georgia Bulldogs and Alabama Crimson Tide meet at midfield before kickoff to discuss whether the teams should be there in the first place. This wouldn't have played well with millions of TV viewers who already know.

JOHN OTTLEY JR.
Alpharetta, Ga.

Those who find it necessary or desirable to stamp out "civility" in public forums or discussions shouldn't be surprised if their opponents tell

Without Individual Rights Collective Freedom Dies

Robert W. Merry's review of Robert Dallek's "Franklin D. Roosevelt: A Political Life," Books, Dec. 23) mentions an FDR quote about favoring "the liberty of the community rather than of the liberty of the individual."

In that little phrase, which might seem innocent to the unwary, is the essence of every totalitarian system in history from Hitler to Mao to Stalin. The Nazis even had "the common good comes before individual good" inscribed on the rims of their silver coins.

It turns upside-down the individual rights celebrated by our Founding Fathers, who ended the millennia during which the average man was little but a slave to the tribe, the priest or the king. The "community" is only a collection of individuals. There is no possible way to increase the liberty of the community while diminishing the liberty of the individual. Phrases like that are an excuse for the power hungry. Collectivism has never in history increased prosperity, and it is no surprise that the New Deal was no exception.

JACOB VAN DER COLFF
Woodland Hills, Calif.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Did you remember to pack the juicer?"

OPINION

Don't End the Iran Deal, Fix It

By Michael Doran

To waive or not to waive. President Trump again faces that question Thursday, a legislatively mandated deadline to waive or reimpose sanctions on Iran. The protests that have shaken the Islamic Republic over the past two weeks have invested this deadline with particular significance. They have raised the stakes and sharpened the debate.

Trump and Congress could forge a new consensus by enacting a law making the nuclear limits permanent.

On one side are those who advocate reimposing the sanctions—in effect scrapping the nuclear deal entirely. The arguments for this approach are familiar. The deal puts Iran on a glide path to a bomb. It has led America to turn a blind eye to Tehran's malevolent behavior in Iraq, Syria, Lebanon and Yemen. It has strengthened a regime that is brutally repressing dissent at home. It is no accident, the critics say, that the strongest supporters of the nuclear deal are also the ones arguing that U.S. leaders should stay silent about the protests. How can we continue to

engage with a regime that is killing people in the streets?

Those who favor waiving the sanctions and engaging with the regime argue that the protests prove the nuclear deal did not strengthen the Islamic Republic, as critics claimed it would. On the contrary, it heightened the reform expectations of ordinary Iranians—expectations embodied by President Hassan Rouhani. The job of the West, therefore, is to help build up Mr. Rouhani the reformer against his putative rivals, the hard-liners.

The protesters themselves offered the most elegant refutation of this policy. Their chant—"Death to the dictator! Death to Rouhani!"—reminded us that the Iranian president is the front man for a brutal dictator-ship, not a reformer.

Still, nullifying the deal would not end the conflict with Iran, and it would risk undercutting domestic and international support for the administration's approach. Russia and China would inevitably come to the regime's aid, and Tehran would seek to pressure the international community by redoubling its nuclear efforts. Moscow, Beijing and Tehran would all blame Mr. Trump who for the renewed conflict, and Europeans and congressional Democrats would agree.

Mr. Trump does, however, have a third alternative: fixing the deal. As he suggested in October, he and



ATTA KHAN/AFP/GETTY IMAGES

Parts of the S-300 air-defense missile system during a 2017 parade in Tehran.

Congress could eliminate the nuclear deal's sunset clauses—its most dangerous provisions—by making restrictions on the Iranian nuclear program permanent in U.S. law and requiring more robust inspections. Failure by the Iranians to comply with such a law would bring about an immediate snap-back of the most debilitating sanctions.

The Trump administration has been conducting quiet conversations with Capitol Hill about such an approach, and in recent weeks the possibility of reaching an agreement has improved markedly. It would be a mistake if Mr. Trump, merely in

order to meet an arbitrary legislative deadline, were to cut off this option, which offers the possibility of forging a new bipartisan consensus on Iran.

The old consensus generated great benefits. Between 2006 and 2013, the sanctions, supported by Democrats and Republicans alike, succeeded in bringing enormous pressure to bear on the Islamic Republic. While the nuclear deal prevents the administration from reconstituting the sanctions regime as it existed then, it does not preclude new sanctions—not to mention other measures—designed to curb Iran's ballistic-missiles

programs, its human-rights abuses, and its malevolent behavior abroad. The first priority of the Trump administration should be to forge a new containment coalition.

To be sure, rebuilding a consensus is a 50% solution. But it is preferable to a maximalist solution enacted unilaterally. While consulting Capitol Hill, the Trump administration has also been sounding out the Europeans, who would likely support the envisioned fix to the nuclear deal.

Moreover, the 50% solution need not betray the protesters, as some are arguing. There are steps the administration can take to send a strong message of support for the brave men and women in the streets. Among them: imposing sanctions against individuals responsible for repressing the protests, putting a spotlight on the regime's corrupt practices, and working with allies in Iraq, Syria and Yemen to disrupt the activities of the Republican Guards, the regime's mainstay and a main target of the protesters' anger.

Mr. Trump should play a long game. By signing a waiver on Thursday, the president would neither commit himself to nor foreclose any future course of action. Axing the deal might be momentarily satisfying, but it's no substitute for long-term strategy.

Mr. Doran is a senior fellow at the Hudson Institute.

California's Affirmative Action for 'Marijuana Entrepreneurs'

UPWARD MOBILITY
By Jason L. Riley

In California, a criminal record can prevent you from obtaining a liquor license but give you a leg up in obtaining a permit to deal dope. What gives?

It's all part of an effort in the Golden State to help more minorities become "marijuana entrepreneurs." On New Year's Day, California became the ninth state to legalize cannabis for recreational use, but officials are worried that not enough blacks will qualify for the permits needed to sell weed legally. To address this "problem," Los Angeles, Oakland and other cities have created "equity programs" that offer no-interest loans and other perks to people who live in poor black neighborhoods and have been convicted of drug crimes. If you're a white applicant, you can improve your own chances of receiving a permit by "incubating" an equity applicant, which means making him a 50% partner in the business or giving him floor space in your establishment, rent-free.

The progressives who dreamed this up sold it as a way to compensate blacks, who have been disproportionately affected by the war on drugs. But what about the disproportionate number of blacks who have been victims of these black drug dealers? What about all the law-abiding blacks who reside in poor neighborhoods where drug gangs have taken over playgrounds and street corners and school yards and made the sound of gunfire a summer-night norm?

Back in 1996, California passed Proposition 209, which prohibits public institutions from discriminating based on race, so legal challenges to these "equity" schemes are inevitable. The other wild card is U.S. Attorney General Jeff Sessions, who announced a change in federal drug policy just three days after the California initiative legalizing recreational pot took effect.

In a one-page memorandum issued last Thursday, Mr. Sessions announced that the Trump administration will, when it sees fit, enforce federal marijuana laws even in states that have made the drug legal. This has been reported in some

outlets as a reversal of the federal policy under President Obama, but it would be more accurate to characterize the move as a return to the rule of law.

It's true that back in 2013, after Colorado and Washington state had legalized marijuana for recreational

federal intervention if crossed. Among other things, states had to stop interstate drug smuggling, keep kids from accessing pot, and prevent "drugged driving." Thus, this memorandum, "serves as a guidance to Department attorneys and law enforcement to focus their enforcement resources and efforts, including prosecution, on persons or organizations whose conduct interferes with any one or more of these priorities, regardless of state law."

David Murray, who served in the Office of National Drug Control Policy during the George W. Bush administration, told me in a recent interview that such red lines "have been crossed repeatedly and blatantly at the state level." According to a comprehensive Colorado study released last year, marijuana-related traffic fatalities have increased by 66% since the drug was legalized in 2012. And Colorado youth are first in the country—and 55% above the national average—in marijuana use.

Border patrol reports that less cannabis is entering the country, but cartel activity inside the U.S. has spiked as drug traffickers set up

shop in states where the drug has been legalized and sell it at a premium in places where use of the drug remains illegal. USA Today reported last year that a pound of marijuana that sells for \$2,000 in Colorado could sell for as much as \$6,000 in New York or Georgia. "Marijuana smugglers are growing and shipping vast quantities of illicit cannabis across the USA," said the paper. "They're mailing it, driving it and, in at least one case, flying it around in skydiving planes."

Mr. Sessions is being hammered by Democrats and fellow Republicans in Congress for diverging from Obama-era priorities on drug enforcement. GOP Sen. Cory Gardner of Colorado has promised to hold up nominees to the Justice Department in protest. But much of this outrage looks feigned. The attorney general is a well-known drug warrior. It's one of the reasons he has his current job. The problem that Mr. Sessions's critics in Congress face is that marijuana remains illegal under federal law. Mr. Gardner would do better to focus less on Mr. Sessions, who doesn't make laws, and more on his colleagues in Congress, who do.

The IRS Evades Accountability—and Its Excuse Is Ridiculous

By John J. Vecchione
And James Valo

Every American knows the Internal Revenue Service collects taxes and audits taxpayers. Fewer realize that the agency also issues far-reaching rules that affect the entire economy. Any agency with such vast rule-making power deserves the highest level of scrutiny and accountability. The IRS is in particular need of oversight following the scandals that have engulfed it in recent years.

Yet a new report from the Cause of Action Institute reveals that the IRS has been evading numerous oversight mechanisms, and it refuses to comply with laws requiring it to measure the economic impact of its rules.

Congress has passed several laws, including the Regulatory Flexibility Act and the Congressional Review Act, that require agencies to report on their rules' economic impact to lawmakers and the public. The president also conducts oversight of agency rules through the White House Office of Information and Regulatory Affairs.

These good-government measures are meant to ensure unelected bureaucrats can be checked by the public.

Crucially, they are all triggered by an initial determination by the agency of whether its new rule will have a "significant economic impact." But as our report shows, the IRS has made up a series of exemptions that allow it to avoid basic scrutiny. The agency takes the position that its rules have no economic effect because any impact is attributable to the underlying law that authorized the rule, not the agency's decision to issue or alter the rule.

The IRS prominently used this excuse in 2016. It had proposed changes to the way it valued interests in closely held businesses for estate- and gift-tax purposes. This rule would have had a dramatic effect on thousands of small businesses and family farms and their inheritors. The affected communities reacted strongly, but the IRS still asserted the rule was only interpretive. It provided no more than the boilerplate statement that any economic effect "is derived

from the operation of the statute, or its intended application, and not from the proposed regulations in this notice of proposed rulemaking."

This is plumb. Were it correct, rules from every federal agency would be exempt from oversight, since all agency rules are based in statute. If other agencies adopted this mind-set, it would gut oversight of the regulatory state by the elected branches.

The IRS did submit the rule to the Small Business Administration's Office of Advocacy for comment on how it would affect small businesses. That office firmly rejected the IRS claim that the rule was exempt from economic analysis. The IRS brushed aside the SBA's argument, but the Trump Treasury Department halted this ill-advised rule.

Yet the IRS's brazen assertion of immunity from oversight remains in place. It first bestowed the economic-impact exemption on itself in 1998, after Congress amended the Regulatory Flexibility Act expressly to cover IRS interpretive rules. The IRS Office of Chief Counsel issued a

notice claiming that its interpretive rules do not have an economic impact, an outrageous assertion meant to help the agency avoid the new law. The IRS originally stated that only the "revenue impact"—

It claims its rules lack a 'significant economic impact' because they're 'derived from' statutes.

the amount of money collected and transferred to the Treasury—was exempt from analysis. It has since broadened this claim to evade White House review and the Congressional Review Act. The IRS now asserts the exemption for all "effects" from its rules, including macroeconomic impacts, behavioral changes, compliance costs, and record-keeping and reporting burdens.

Criticism of the IRS position goes beyond the SBA. Members of Congress and the Government Accountability Office have also called

for reform of this baseless practice. Congress and President Trump should step in to correct this dubious behavior and ensure the IRS is held accountable for its actions.

Specifically, the White House should demand that the IRS submit all rules to the Office of Information and Regulatory Affairs for review. It should make it known that it will delay the implementation of any new rules until the IRS conducts the requisite economic analysis. And the Senate should demand that President Trump's nominee for IRS commissioner—who has yet to be named—publicly commit to reforming this practice. Anyone who wants to lead the IRS should promise to produce economic analyses for proposed rules and share that information with the public.

No agency has more influence over every taxpayer than the IRS. It's time for oversight of that agency to match its unparalleled role in Americans' lives.

Mr. Vecchione is president and CEO of Cause of Action Institute, where Mr. Valo is counsel and a senior policy adviser.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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Notable & Quotable: Immigration Bill

Reps. Bob Goodlatte, Michael McCaul, Raul Labrador and Martha McSally announcing their new immigration-reform legislation in an article for WSJ.com, Jan. 9:

Our bill would provide \$30 billion to build a wall, to invest in new technology, and to improve, modernize and expand ports of entry. It would add boots on the ground: an additional 5,000 Border Patrol agents and 5,000 Customs and Border Protection officers. . .

We must turn off the irresistible "jobs magnet" and ensure that immigration laws are effectively enforced within the U.S.

Our bill will achieve these goals by cracking down on people who overstay their visas, by requiring

employers to use the accurate and hugely successful E-Verify system to ensure that they hire only legal workers, and by making it easier to deport aliens who are gang members, who are aggravated felons, who fail to register as sex offenders, or who have multiple DUIs.

Our bill would put an end to chain migration, the process by which citizens and green-card holders can sponsor extended family members for their own green cards (who in turn can eventually sponsor their own extended family members, ad infinitum). It also would stop the Diversity Visa program, which awards green cards by random lottery to people with no ties to the U.S. Neither of these programs prioritizes the skills of people entering the country. . .

Finally, as requested by President Trump, our bill provides a legislative solution for the beneficiaries of the Deferred Action for Childhood Arrivals program. . . Our bill would allow DACA beneficiaries to receive a three-year renewable legal status, codifying the program the right way—by a duly enacted statute.

Our proposal allows the Justice Department to withhold grants from "sanctuary cities"—jurisdictions that refuse to allow their law-enforcement officers to cooperate with federal immigration authorities, even to the point of preventing Immigration and Customs Enforcement officers from entering local jails to take custody of criminal aliens. . .

Finally, as requested by President Trump, our bill provides a legislative solution for the beneficiaries of the Deferred Action for Childhood Arrivals program. . . Our bill would allow DACA beneficiaries to receive a three-year renewable legal status, codifying the program the right way—by a duly enacted statute.

WORLD NEWS

Poland's Leader Shuffles Cabinet

Move precedes visit to Brussels as EU considers new model for spending in East

Poland's new prime minister fired some of the most nationalistic members of his government on Tuesday, ahead of a Brussels visit aimed at eas-

*By Laurence Norman
in Brussels and Drew Hinshaw in Warsaw*

ing tensions with the European Union as the bloc considers budget changes that could see deep spending cuts in Eastern Europe.

Prime Minister Mateusz Morawiecki replaced his ministers of defense and foreign affairs, two harsh critics of the EU, along with more minor cabinet members, with officials broadly seen as friendlier toward the bloc. The shuffle comes a month after the EU's executive initiated an unprecedented punishment of Poland over judicial overhauls the EU considers undemocratic.

Those sanctions, which could strip Poland of some voting rights and impose financial penalties, are likely to be blocked by some EU member states. But the EU has a potentially more potent stick: a budget overhaul that could slash spending on the EU's newer, eastern members—especially Poland.

The EU annual budget of roughly €140 billion (\$167 billion) faces increasing pressure from Britain's decision to quit the bloc. EU Budget Commissioner Günther Oettinger said Monday that Brexit will leave an annual budget gap as wide as €13 billion in coming years. The European Commission in May will present its blueprint for the next budget period, which starts in 2021. Jockeying and lobbying have already begun.

To balance EU books, calls have grown for changes to large transfers from mainly



Polish Prime Minister Mateusz Morawiecki, left, with European Commission President Jean Claude Juncker in Brussels on Tuesday.

richer western European countries, under so-called cohesion policy, to easterners including Poland, Slovakia and Hungary, who joined the bloc in 2004.

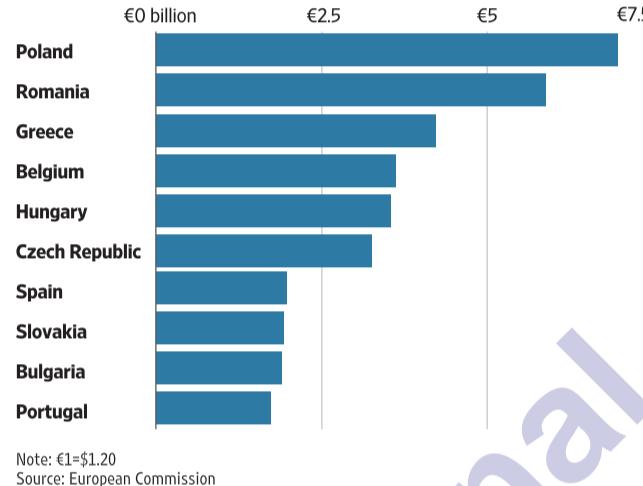
Poland was the single biggest beneficiary. Last year it received €7.1 billion more in EU support than it contributed to the bloc's budget. For the 2014-20 budget period, such fund transfers to Europe's poorer regions are expected to total €325 billion.

One of the most controversial ideas for future EU spending is to tie it explicitly to net donors' priorities. Those include upholding rule of law and judicial independence, the issue on which Brussels has challenged Poland.

Mr. Morawiecki, a former banker who until last month served as the government's finance minister, is seen by some as a potentially moderating force. In response to the EU sanction move last month, he tweeted: "Poland's sovereignty and the idea of United Europe can be reconciled."

Give and Take

Biggest net recipients of EU spending, 2016



Note: €1=\$1.20

Source: European Commission

THE WALL STREET JOURNAL.

Fights over a judicial overhaul by Poland's ruling Law and Justice party have dominated its EU relations since the nationalist government took office in 2015.

The government says the

changes, which include purging more than one-third of the Supreme Court, aim to expel Communist sympathizers from the justice system. Opposition politicians say Law and Justice is seeking to turn the courts

into a political instrument.

For months, Polish authorities have appeared confident that they have the upper hand, prompting frustration in Brussels that talks on the issue weren't serious. Hungarian Prime Minister Viktor Orban, a frequent critic of Brussels, pledged to block any sanctions against Warsaw.

While the new Polish premier will hope to protect Poland from steep spending cuts, there are limits to Brussels' budget leverage. EU spending in Poland, while exceeding that in any other country, is a fraction of Poland's \$470 billion gross domestic product. However, spending cuts could scare off some private, multinational investors which have played a big role in Poland's post-communist growth.

Most Poles tell opinion surveys they see the EU in a favorable light but views are shifting and many say Brussels is bullying their country.

—Valentina Pop

contributed to this article.

Global Economy Reaches Potential

BY JOSH ZUMBRUN

A broad uptick in economic growth around the world in 2017 has led economists at the World Bank to conclude that for the first time in a decade, the global economy is operating at its potential.

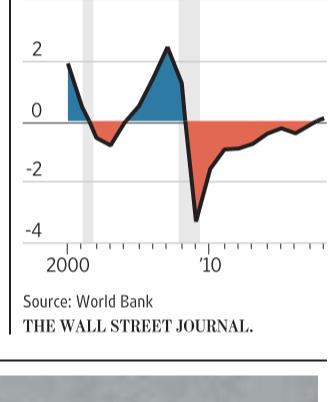
"The year 2018 will likely mark a turning point for the global economy because, for the first time since 2008, the negative global output gap is expected to be closed," the World Bank said in its flagship report on the global economy, known as the Global Economic Prospects report.

At the root of this observation is a calculation that the world economy performed far worse than its potential in the decade after the global financial crisis. This difference between the economy's actual performance and its potential is known as the output gap. Closing the output gap could trigger a broad change in economic conditions around the world.

Closing the Gap

The difference between actual and potential global output has closed for the first time in a decade.

The global output gap as a percentage of GDP



Source: World Bank

THE WALL STREET JOURNAL.

The Face of Change

Sally Love Connally
Government Strategy
Atlanta, GA

In the dynamic world of healthcare, it's important to understand the complex and evolving ecosystem and its impact on customers. Team members like Sally Love keep us current and engaged in the conversation so we can play a vital role in helping the system work smarter. It's just one way our people are helping to accelerate the transformation to a value-based healthcare system. **Change Healthcare. Inspiring a better healthcare system.**

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THE WALL STREET JOURNAL.

Wednesday, January 10, 2018 | B1

SNB emerges as a cash cow, surpassing profits of global corporate giants

BY BRIAN BLACKSTONE

ZURICH—Switzerland got a lot wealthier in 2017, thanks to its central bank's emergence as a major money manager with a nearly \$800 billion portfolio of foreign stocks and bonds.

The Swiss National Bank

said Tuesday it expects to report a record annual profit of 54 billion Swiss francs (\$55 billion) for last year—a staggering sum equal to 8% of the country's gross domestic product.

By comparison, if the Federal Reserve were to run a profit of similar scale relative to the U.S. economy, it would be about \$1.5 trillion. The Federal Reserve has earned an annual profit of around \$100 billion in recent years.

The profit is more than Apple Inc. earns in a year, and

more than JPMorgan Chase & Co. and Berkshire Hathaway Inc. combined.

Those are all giant, world-spanning corporations, while the SNB employs about 800 people. Its chairman—among the best-paid central bankers—earns about \$1 million a year.

The SNB is one of the few central banks with listed shares. Its share price more than doubled last year, and was up 3.4% Tuesday.

But the Swiss National Bank can't lock in its paper profit

by selling chunks of its assets, for fear of raising the franc's value and hurting exports while weakening consumer prices.

That likely will keep its balance sheet at the mercy of financial markets this year.

The SNB's profit was lifted by a trio of positive forces: Low bond yields preserved the value of its foreign bonds that account for 80% of its foreign reserves; higher stock prices raised the value of its equity holdings; and the weaker Swiss currency made those

foreign assets worth more in franc terms.

The euro strengthened nearly 10% against the franc last year. Euro-denominated assets are the largest currency holding of the SNB, followed by the dollar.

Here's how the SNB profits from buoyant asset markets and a weaker franc: At the end of September, regulatory filings showed it owned more than 19 million shares of Apple, its largest U.S. stockholding. Apple's shares rose nearly Please see SWISS page B2

Silicon Valley Now Wary Of iPhone

BY TRIPP MICKLE

A tussle this week between prominent investors and Apple Inc. over iPhone use by young people comes amid a nascent re-evaluation of the smartphone's social consequences within the industry that spawned it.

The smartphone has fueled much of Silicon Valley's soaring profits over the past decade, enriching companies in sectors from social media to games to payments. But over the past year or so, a number of industry figures have voiced concerns about the downsides of the technology's ubiquity.

They include Apple executives who helped create the iPhone and now express misgivings about how smartphones monopolize attention, and early investors and executives in Facebook Inc. who worry about social media's tendency to consume ever more user time, in part by pushing controversial content.

Those are the kinds of concerns spotlighted in a letter to Apple on Saturday from Jana Partners LLC and the California State Teachers' Retirement System, which control \$2 billion of Apple shares. The letter urged the tech giant to develop new software tools that would help parents control phone use more easily, and to study the impact of overuse on mental health.

On Monday, Tony Fadell, a former senior Apple hardware executive involved in the iPhone's creation, also called Please see SMART page B5

◆ U.S., France ask Apple for detail on slow iPhones.....B5

INSIDE



WALKING THE DOG IS A SECURITY RISK

MOBILE, B2

Samsung Sets Pace For Capital Spending

BY TIMOTHY W. MARTIN

SEOUL—Samsung Electronics Co. spent more on capital expenditures last year than any other publicly traded company, highlighting in dramatic fashion how technology and telecommunications firms are driving an uptick in manufacturing investment.

The South Korean tech giant spent \$44 billion in 2017, nearly doubling its investment in new or existing facilities making semiconductors, displays and other products, according to S&P Global Market Intelligence estimates that put Samsung atop the global ranking for the first time. That sum is more than what Royal Dutch Shell PLC and Exxon Mobil Corp.—traditionally two of the largest investors—spent combined last year and about 50% more than the next biggest tally, PetroChina Co.'s \$29 billion.

Samsung's central role in the tech supply chain was put in focus Tuesday when the company estimated operating profit of 15.1 trillion won (\$14.1 billion) for its fourth quarter. That would mark the third straight quarter Samsung smashed its earnings record, even as its de facto leader, Lee Jae-yong, is in prison after a corruption trial that gripped South Korea.

Samsung's big bets underscore a rebound in companies' willingness to invest in boosting production in the future, as 2017 brought an end to four straight years of global declines, according to Goldman Sachs. Tech is expected to lead with a yearly increase of more than 10% from 2017 to 2020,

Please see SPEND page B2



STEPHANE RUET/SYGMA/GETTY IMAGES

The company plans to launch an initial coin offering and create a platform to help photographers track unlicensed use of images.

Kodak Snaps Its Crypto-Moment

BY ERIK HOLM AND PAUL VIGNA

Flash
Kodak's stock price more than doubled Tuesday.



Shares of Eastman Kodak Co. more than doubled after the company waded into the digital-currency world with plans to launch an initial coin offering.

Kodak on Tuesday said the coin, KodakCoin, would be the backbone of a new platform that will help photographers license their work and track the unlicensed use of their images. The coin uses the technology behind bitcoin, called blockchain, to keep a digital ledger of the photographs.

In an initial coin offering, a firm creates its own bitcoin-like digital token and offers it publicly for sale. The token is usually designed to unlock some service on an online

platform, like with Kodak's project.

"For many in the tech industry, 'blockchain' and 'cryptocurrency' are hot buzzwords, but for photographers who've long struggled to assert control over their work and how it's used, these buzzwords are the keys to solving what felt like an unsolvable problem," said Kodak CEO Jeff Clarke.

For the past several years, people have been experimenting with ways to use blockchain. At its essence, blockchain is an open record of transactions, maintained in an online ledger that is distributed across a network of computers, that can't be tampered with. That makes it like an indelible time stamp, which could be useful in a case of copyright and digital-rights

management.

Initial coin offerings are a relatively new phenomenon that exploded in 2017, raising more than \$4 billion last year, though regulators like the Securities and Exchange Commission have warned about the risks and have shut down some egregious malefactors.

Kodak is the latest company to see its shares soar after publicizing plans to explore the world of bitcoin, blockchain and initial coin offerings. On Tuesday, Kodak's shares climbed \$3.70, or 119%, to \$6.80.

Others getting into the area include a former electronic cigarette company, a biotech firm and an entity formed last year through a reverse merger with a sports-bra maker.

Please see KODAK page B2

Automated Carry-On Suitcases Pack a Wallop at CES 2018

BY JOANNA STERN

LAS VEGAS—A piece of luggage chased me down a hallway. It was hilarious, crazy, stupid and useful all at the same time.

While many auto makers are showing off their autonomous vehicles at this year's CES tech show, at least three startups are showing off autonomous... carry-on luggage.

If the cars can drive themselves then so shall the suitcases!

The bags all use different technology to enable their auto-follow features, but the concepts are similar.

You can wirelessly connect the rolling bag to a remote control, smartphone or smartwatch, and the bag will follow that device while you hold a Venti iced latte in each hand.

China-based 90Fun, working with Segway, developed a "gravity adaptive" balancing system so that its Puppy 1 bag can follow you around—like a puppy.

That isn't its only novelty: It remains upright on two wheels, even when you're standing still waiting for your boarding group to be called.

I quickly

learned this luggage of tomorrow needs more time in driver's ed class today.

The Puppy 1 struggled to keep a connection with its remote, often landing on its face or going in reverse.

Another bag I tried, the TravelMate, didn't want to follow me at all. Its maker said it was because the battery in the prototype was low.

But even if everything had worked as promised, what are the chances the aviation authorities will allow these devices through security and aboard flights?

Both 90Fun and Travelmate have designed their bags with removable batteries, which they both say should meet regulations.

For now, self-driving baggage seems to have too much baggage of its own. Still, I really do look forward to the day when I no longer have to pull my luggage across the airport like a pioneer trekking along the Oregon Trail.

Joanna Stern and the 90Fun Puppy 1

EMILY PRADOLENT/THE WALL STREET JOURNAL

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SWISS

Continued from the prior page
10% in the fourth quarter, which would have added almost \$300 million to the SNB's profit, assuming it didn't buy or sell shares. The dollar strengthened 0.7% against the franc during that time, too, which would have added another several million francs when the value of that investment was translated into the Swiss currency.

The SNB said 49 billion francs of its profit came from its foreign assets.

Its gold holdings increased in value by about three billion francs last year and its Swiss franc positions by two billion francs.

Switzerland's central bank has accumulated about 760 billion francs in foreign bonds and stocks through years of foreign-exchange interventions, particularly during Europe's debt crisis, in which it created francs and used them to purchase foreign assets in a bid to weaken the currency.

Other central banks such as the Federal Reserve, European Central Bank and Bank of Japan also have amassed large portfolios consisting primarily of bonds. But those assets are denominated in their own currencies.

What sets the SNB apart is that its balance sheet is comprised almost entirely of foreign assets, exposing it to huge foreign-exchange risk.

Things haven't always gone the SNB's way: In 2015, the central bank's decision to

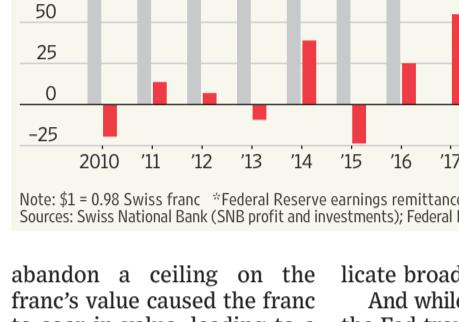
A weaker franc last year raised the value of the Swiss National Bank's massive portfolio of foreign stocks and bonds.

Swiss franc's performance against the euro



The SNB's profit in 2017 was more than half the earnings the Fed returned to the U.S. government in its latest reported year, though the U.S. economy dwarfs Switzerland's.

Annual earnings



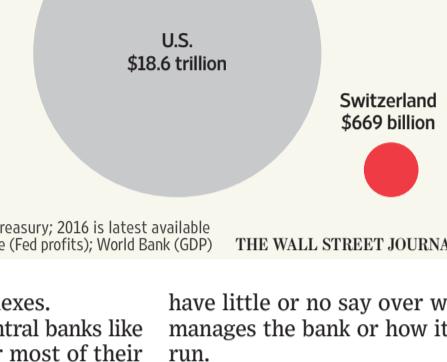
Note: \$1 = 0.98 Swiss franc *Federal Reserve earnings remittances to Treasury; 2016 is latest available

Sources: Swiss National Bank (SNB profit and investments); Federal Reserve (Fed profits); World Bank (GDP)

SNB's foreign-currency investments, quarterly



Gross domestic product



have little or no say over who manages the bank or how it is run.

The SNB is mostly owned by Swiss states, known as cantons, and cantonal banks.

The SNB said it would allocate about five billion francs to its provisions that guard against future fluctuations in exchange rates.

The rest of its paper profit will go to a distribution reserve to ensure that the SNB can still make future payouts even in the event of a loss.

abandon a ceiling on the franc's value caused the franc to soar in value, leading to a loss of 23 billion francs that year.

BUSINESS NEWS

SpaceX Says It Isn't at Fault in Spy-Satellite Loss

By ANDY PASZTOR

Elon Musk's SpaceX said it wasn't responsible for the loss of an expensive U.S. spy satellite it launched over the weekend, pointing instead to unspecified problems with the payload or mechanisms that attached it and eventually were supposed to release it from the rocket.

But Tuesday's terse company statement—coupled with continuing silence from federal authorities and a flurry of sometimes contradictory media reports—left the precise cause of the botched mission as unclear as ever.

Lawmakers and congressional staffers from the Senate and the House have been briefed about the satellite—code-named Zuma and launched from Florida on board a Falcon 9 rocket—which is believed to have plummeted back into the atmosphere, government and industry officials said. Presumed to be a total loss, the satellite didn't separate as planned from the upper part of the rocket, these officials said.

Space Exploration Technologies Corp., as the company is formally known, in its latest statement appeared to pin the blame elsewhere by saying a data review indicated the rocket "did everything correctly" and management has concluded "no design, operational or other changes are needed."

The two-paragraph statement by company President Gwynne Shotwell, who also said future launch schedules aren't expected to be affected, suggests that the culprit was a glitch with the adapter that attached the satellite to the rocket or some malfunction with the satellite itself.

Industry officials tracking

the investigation said the satellite's protective cover separated as planned. But SpaceX declined to elaborate and **Northrop Grumman Corp.**, which built the satellite, said under its normal procedures it doesn't comment on classified projects.

The satellite's mission and fate, however, sparked intense interest in industry circles and on Capitol Hill, partly because of what is believed to be a multibillion-dollar price tag and the apparent rush to get it into orbit. It was placed on SpaceX's manifest with scant advance notice.

Once the engine powering a rocket's expendable second stage stops firing, whatever it is carrying is supposed to separate and proceed on its own trajectory. The separation procedure generally isn't considered as vital or complex as proper engine firing, but problems with it have been known to disable satellites carried by other rockets in the past.

If a satellite isn't set free at the right time or is damaged upon release, it can be dragged back toward Earth.

Scheduled for mid-November, Zuma's launch was delayed when SpaceX announced engineers "wanted to take a closer look at data from recent" tests of a fairing, or protective covering for a satellite, used for another customer.

At the time, the company didn't publicly outline what prompted the additional testing. Fairings are used to shield satellites that are carried near the nose of the rocket. They remain in place during the early phases of the ascent, but are jettisoned before final insertion into orbit.

During the launch, SpaceX didn't signal any problems with the fairing or associated hardware.



Boeing workers at an assembly facility in Renton, Wash. The company is profiting from a surge in airline travel globally.

ELAINE THOMPSON/ASSOCIATED PRESS

Boeing Delivers Records

Plane maker reaches new peak in output, sending its stock price to an all-time high

By DOUG CAMERON

Boeing Co. said it delivered a record 763 jetliners in 2017 and secured net orders for 912 planes, as surging airline traffic continues to fuel a multiyear boom for the airline and aerospace industries.

The increased orders and deliveries highlight Boeing's ability to boost production while introducing new aircraft models, trends that have improved the aerospace giant's cash flow and profit and sent its stock to new highs.

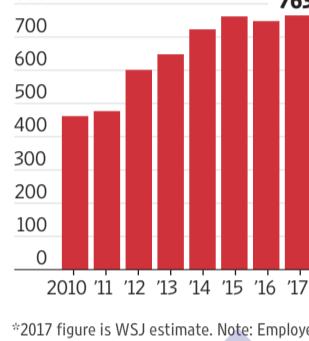
Boeing's share price, which has doubled over the past year, rose 2.7% to a record close of \$318.43 on Tuesday, making the stock the session's best performer on the Dow Jones Industrial Average.

Boeing and rival **Airbus SE** have backlog stretching ahead for six or seven years, and investors are increasingly focused on deliveries and cash

Express Jet

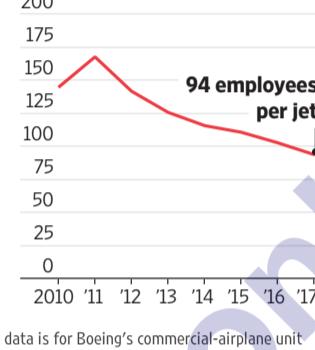
Boeing has boosted output by two-thirds over the past seven years but cut the average number of employees needed to build each plane.

Jet deliveries



*2017 figure is WSJ estimate. Note: Employee data is for Boeing's commercial-airplane unit. Source: the company

Employees per jet



THE WALL STREET JOURNAL.

flow rather than new plane deals, analysts said.

Randy Tinseth, Boeing's vice president for marketing, said rising passenger and cargo traffic and the availability of finance point to rising demand for new jets.

Boeing's 763 deliveries last year compare with 748 in 2016 and 762 in 2015. Boeing is set to boost monthly production of its best-selling 737 jet by five

planes to 52 this year and then by another five in 2019. It is sold out through 2022. The company is raising monthly output of the 787 Dreamliner to 14 next year from 12.

Orders in recent years have been dominated by some huge sales involving low-cost carriers, but Mr. Tinseth said Boeing booked deals with 71 customers last year that included a broad cross-section of the industry.

Some 40% of orders come from the fast-growing Asia region.

"We're starting to see our backlog truly reflect where the long-term growth is," he said.

While there were some high-profile airline bankruptcies in the past year, including Air Berlin PLC and Monarch Airlines, Boeing said the level of cancellations and requests by airlines to defer deliveries was as low as ever.

Boeing has been pressing suppliers for better terms, moving some production tasks in house and boosting automation to save money. Boeing has increased production by about a third over the past five years while also cutting the workforce at its commercial aircraft unit.

"They are making progress on every imaginable front," said Carter Copeland, an analyst at Muriel Research LLC, who this week raised his price target for Boeing shares to \$430 and suggested the impact of U.S. tax reform and the company's efficiency drive could push the stock to \$500.

Airbus is due to release its 2017 order numbers next week.

—Robert Wall contributed to this article.

Turnaround Push Bore Fruit For Target Over the Holidays

By KHADEEJA SAFDAR AND IMANI MOISE

Target Corp. said holiday sales were strong both in its stores and online, as the retailer was boosted by healthy U.S. consumer spending as well as its own turnaround efforts.

Sales at stores open at least a year rose 3.4% during November and December, compared with a 1.3% decline in the same period last year when the chain struggled to attract shoppers to its stores and compete with **Amazon.com Inc.**

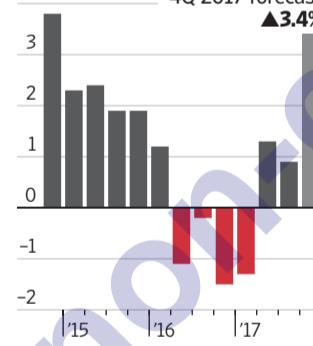
Target's improvement follows a string of announcements from major chains, including **Macy's Inc.**, **J.C. Penney Co.** and **Kohl's Corp.**, all of which reported sales growth in the critical holiday months.

The positive results extended to **Costco Wholesale Corp.**, which said sales growth continued at a strong pace in December.

Economists had predicted that low unemployment and rising wages would give consumers the confidence to spend this holiday season. Retailers had their best holiday

Rebounding Sales

Target is forecasting its highest quarterly same-store sales increase in years.



sales since 2011, according to Mastercard SpendingPulse, which tracks payments in stores and online.

Target Chief Executive Officer Brian Cornell said physical stores played an important part of fulfilling digital orders during the holiday season.

He highlighted toys like L.O.L. Surprise dolls and Barbie Dreamhouse as hot items during the season and said electronic sales continued to

be driven by the Nintendo Switch and Apple products.

Shares of the retailer jumped 2.9% to \$69.14 Tuesday. Before the announcement, the stock had been down 6% over the past 12 months.

Like other big-box chains, Target has been struggling to compete with Amazon, which is benefiting from the growth of consumer shopping online.

After a weak holiday performance last year, the Minneapolis-based company embarked on a multibillion-dollar spending plan to improve its stores and digital capabilities.

Mr. Cornell has since invested in Target's supply chain, launched new brands, remodeled physical locations and lowered prices.

The company recently agreed to acquire grocery-delivery startup Shipt Inc., moving to match services that have been rolled out by rivals Amazon and Wal-Mart Stores Inc.

Mr. Cornell also said that in 2018 the company plans to open about 30 small-format stores and triple the size of its remodel program to more than 325 stores.

Penguin Random House Buys Rodale Books

By JEFFREY A. TRACHTENBERG

Penguin Random House acquired Rodale Books from **Hearst**, adding a stable of wellness and cooking titles to the world's largest consumer book publisher, the companies said.

Rodale Books also focuses on such categories as health and gardening, and includes the children's imprint Rodale Kids. The deal price wasn't disclosed Tuesday.

A person familiar with the publisher estimated Rodale Books generated revenue between \$20 million and \$25 million in 2017.

Although modest in size, Rodale Books has shown a knack for publishing books that have spotlighted political and

pop-culture issues. Earlier best sellers include former Vice President Al Gore's "An Inconvenient Truth" and Arthur Agatston's "The South Beach Diet."

At a time when revenue growth is one of the largest challenges facing book publishers, Rodale Books was considered a desirable acquisition target in an industry where relatively few established publishers come up for sale.

"We're extremely excited," said Markus Dohle, chief executive of Penguin Random House. "They have a very impressive backlist and frontlist, and it strengthens our position in nonfiction categories including lifestyle, fitness and cooking, as well as children's books."

Hearst, publisher of such

magazines as **Cosmopolitan**, **Esquire** and **Elle**, closed its acquisition of Rodale Inc. on Jan. 2. Rodale's magazine titles include **Men's Health**, **Women's Health** and **Prevention**.

"While we were the natural owners of the magazine business given our scale, we were not the natural owner of the book business, which deserves to be part of a global book-publishing powerhouse," said David Carey, president of Hearst Magazines.

Hearst agreed to acquire Rodale in October for less than \$225 million, according to a person familiar with the matter.

Penguin Random House is 75%-owned by **Bertelsmann SE**.



Evolved over billions of years...

Protecting your enterprise in one hour.

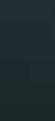
The immune system has evolved over billions of years. But it takes just one hour to install one in your enterprise.

Using artificial intelligence, Darktrace can tell friend from foe, and catches threats that others miss. Even if they've never been seen before.

From quiet insider threats and zero-day attacks, to hacks of connected devices or industrial networks, our software sees it and responds.

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TECHNOLOGY

WSJ.com/Tech

New Venture Fund Targets Autos

Team including Nissan and Renault commits \$1 billion over five years for startups

By TIM HIGGINS

CES 2018 LAS VEGAS—The Renault-Nissan-Mitsubishi Alliance is creating one of the largest venture-capital funds dedicated to automotive technologies, escalating an already feverish pursuit by global auto makers to reinvent personal transportation.

The company said it will commit \$200 million annually over five years—for a total of \$1 billion—to invest in a variety of startup technologies, including battery and self-driving vehicle advances. The new corporate venture fund is part of a push by Renault-Nissan Chief Executive Carlos Ghosn to speed development of technologies that the alliance's three auto makers don't have in-house. The message to tech startups, Mr. Ghosn told reporters here: "Please come see us."

The spending comes on top of the €8.5 billion (\$10.1 billion) annually that **Renault SA**, **Nissan Motor Co.** and **Mitsubishi Motors Corp.** invest together in research and development.

"We will be a success if we really bring into the company the new technology for the car of the future that will [take] too long and also [be] too expensive to develop within our R&D," said Francois Dossa, who is leading the new fund called Alliance Ventures. "The main driver is to be fast."

He plans to have teams in Silicon Valley, Paris, Japan and China looking for early- to late-stage startups. Mr. Dossa's deputy is Christian Noske, who



Nissan's booth at CES 2018. The Renault-Nissan-Mitsubishi Alliance envisions the fund fostering battery and self-driving technologies.

came from the corporate venture arm of BMW AG.

Mr. Dossa said the Alliance Ventures fund has already invested in **Ionic Materials Inc.**, a Woburn, Mass., startup working to develop solid-state batteries, technology that promises to pack more range into smaller-size batteries.

Alliance Ventures joins the list of auto makers looking to invest in the next hot startup.

In July, the Toyota Research Institute announced the creation of a \$100 million investing arm, Toyota AI Ventures, to help finance early-stage startups in the area of artificial intelligence. The Silicon Valley subsidiary of **Toyota Motor Corp.** is part of the Japanese auto maker's efforts to develop

autonomous vehicles.

Corporations generally have had mixed success in venture capital, which typically involves taking minority stakes in fledgling companies with unproven technology.

Venture funds can give companies insight into the latest technological developments and flag possible acquisition targets. But they tend to struggle financially since most startups fail and corporations usually invest strategically, not for pure financial gain.

Founders of startups can be reluctant to take money from a strategic investor, wary of being perceived as too much aligned with the corporation.

Mr. Dossa's fund aims to address such concerns by moving

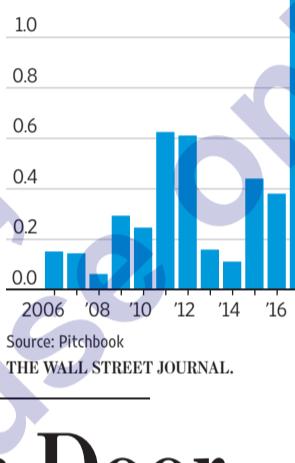
quickly on investment decisions, keeping investment agreements known as term sheets simple, and not requiring exclusivity. "We intend to create real partners," he said.

Investors have poured into autonomous and electric vehicle technology, as programs by Alphabet Inc.'s Waymo self-driving unit and Tesla Inc. have gained attention.

General Motors Co. acquired a San Francisco startup, Cruise Automation, in a deal potentially valued at more than \$1 billion to jump-start its autonomous effort. **Aptiv PLC**, an automotive-tech company spun out of parts marker Delphi last year, bought autonomous-vehicle software startup NuTonomy for \$450 million in October.

Revving Up

Venture-capital funding into the automotive technology industry.



Source: Pitchbook

THE WALL STREET JOURNAL.

AMD Gets Tripped Up By Patch For Chips

By ROBERT McMILLAN AND TED GREENWALD

Days after **Advanced Micro Devices Inc.** suggested its chips were largely unaffected by significant vulnerabilities found in a variety of microprocessors, the rival to **Intel Corp.** has run into trouble.

Microsoft Corp. on Tuesday said some customers found their AMD-powered computers were unusable after applying the latest security patches for the Windows operating system.

On an online support page, Microsoft said it would "temporarily pause" sending updates to some devices running AMD processors. After investigating, the software giant said it found "some AMD chipsets do not conform to the documentation previously provided to Microsoft."

Intel's shares sank in the two days after the chip vulnerabilities were disclosed last week, while AMD shares rose in the wake of the report. An AMD spokesman at the time said the flaws posed a "near-zero risk" to its processors.

AMD shares fell 3.8% to \$11.82 on Tuesday.

The patch issue affects "a small subset of older processors that were sold prior to 2009," an AMD spokesman said Tuesday.

AMD and security researchers say the company's chips aren't vulnerable to the most easily exploitable—but most easily patched—variant of the security flaws, known as Meltdown.

The problem being patched by Microsoft concerns a variant of another flaw, known as Spectre. It is likely to be an increasingly important security problem in the months to come as researchers learn more about the issue, said Paul Kocher, an independent security researcher who was among those who discovered the Spectre vulnerabilities.

"Once the Meltdown patches are installed, I don't see any significant security difference between Intel and AMD on these issues," he said.

AMD should have done a better job documenting how software makers should develop patches for the chip maker's hardware and more clearly explained the security issues associated with their products, Mr. Kocher said.

Rivals Intel and **ARM Holdings** have offered much more detailed documentation of these security issues, Mr. Kocher said.

"Microsoft has access to our processor architecture documentation, which is essentially what is needed, and we have been engaged regularly in engineering meetings to assist since this was disclosed," the AMD spokesman said.

Glitches are possible any time a software update is deployed.

"It wouldn't be the first time a Windows update had an issue," said Patrick Moorhead, an analyst with Moor Insights & Strategy. "But it's obviously not a positive thing."

Innovators Knock on the Bathroom Door

By KATHERINE BINDLEY

LAS VEGAS—For some innovators, the next frontier is the room in your house most likely to have a lock on the door: the bathroom.

Showcasing their goods at this year's CES tech show, these companies acknowledge a need for privacy in that inner sanctum—then proceed to show off cameras, microphones and other sensors they would like you to install there.

The bathroom would seem to be the most boring possible spot smart-home technology could be applied, except maybe a closet. But consider a mirror that turns on motion-activated lights when you get up in the middle of the night, or tells you the weather in the morning. Or consider setting the shower to the perfect temperature just by asking, before you climb in.

At an opening press event for CES Sunday, **Kohler Co.** introduced a voice-enabled lighted mirror with dual-microphones and **Amazon.com Inc.**'s virtual assistant Alexa built in. Set for a launch in March, it will allow people to control the mirror's lighting, start showers, adjust water temperature, even cue up mu-



Moen's voice-activated shower makes use of virtual assistants and recalls temperature settings.

sic, with just their voice. Kohler also is planning to eventually incorporate **Alphabet Inc.**'s Google Assistant.

"The idea is to take these everyday moments and make them simpler, more efficient," said Shane Judd, a Kohler vice president of marketing. As an example, Mr. Judd said it is possible to ask Alexa to fill a tub that is set to a specific temperature and level—a po-

tential benefit to parents who are juggling evening routines with their children.

A perhaps not-as-practical function? Flushing the toilet with your voice.

"What we're doing right now is working with Amazon and Google to build these skills because they don't exist today," he said. "Part of what we're trying to do is show what the bathroom of the fu-

ture could look like."

Moen, another bathroom fixture brand, showed off a voice-activated shower that also makes use of virtual assistants. It is backed by an app that remembers your favorite settings: A post-workout shower, for example, might be set a few degrees cooler than your regular one. Moen has partnerships with Amazon and Apple Inc., which can control

appliances via its HomeKit software.

Tracking water consumption is popular among smart shower systems. **Elmer**, a French company, pairs its new shower with an app to track the amount of water used. It promises an "environmentally friendly flow" and can be set to turn off after a fixed time, if someone in the house likes to take extra-long showers.

CareOS—a subsidiary of a French firm that also owns connected-toothbrush maker Kolibree—designed an entire health-and-beauty hub.

The centerpiece is a so-called smart mirror. It features facial-recognition and touchless gestures—a user swipes up or down in the air to move through menu options, so as not to smudge the mirror itself. To illustrate some of the mirror's artificial-intelligence capabilities, CareOS used a Lancome lipstick. The mirror scanned the tube, recognized it, then played a beauty tutorial on lipstick application.

The mirror even dabbles in dermatology: If you take pictures of a mole with the mirror's built-in camera, it will notify you of changes in the mole's size and color.

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Smartphone Makers in China Resist Proposed Merger

Two Chinese smartphone manufacturers said they are against the potential merger of chip giants **Broadcom Ltd.** and **Qualcomm Inc.**, fearing it could squeeze the mobile companies' profit margins and benefit large global rivals.

Executives from China's **Oppo Electronics Corp.** and **Vivo Electronics Corp.**, which together generate more than 10% of Qualcomm's \$22 billion in annual revenue, said they are worried about possible price increases and other changes that could occur if Broadcom succeeds in its \$105 billion hostile takeover bid for San Diego-based Qualcomm.

A third Chinese customer, **Xiaomi Corp.**, said it also has reservations about a merger, which would create the world's third-largest chip company.

Any deal between the chip makers won't be decided for months. Broadcom, which has co-headquarters in San Jose, Calif., and Singapore, in No-

vember launched a bid that was rejected by Qualcomm's board. Broadcom has since proposed replacing Qualcomm's board, and the matter will be put to a shareholder vote in March.

If a deal is reached, it would have to go through antitrust and regulatory reviews in multiple countries. Opposition from China's largest smartphone makers could hurt efforts by Broadcom to win over Chinese regulators.

Roughly one in three smartphone users in China carry a device from Oppo, Vivo or Xiaomi, according to Kantar Worldpanel ComTech, whose data shows that Apple Inc. has about a 24% market share in China's urban markets.

Qualcomm's total shipments to the three Chinese smartphone makers are more than double its shipments to Apple's suppliers, according to research firm IDC.

Executives from Broadcom and Qualcomm have in recent



Smartphone companies like Oppo worry about squeezed margins.

weeks held discussions with their customers over the merits and drawbacks of a deal.

Broadcom Chief Executive Hock Tan said his company has spoken with many Qual-

comm customers, including some in China. "They are highly supportive of the transaction," he said in a statement.

"We have heard from many

large customers around the world, especially from China, who have serious concerns about a Broadcom acquisition of Qualcomm," a Qualcomm spokesman said.

In December, Mr. Tan traveled to China and met with some customers. During one meeting, the 65-year-old executive said shareholders of Qualcomm weren't happy with how the company was run and that Broadcom saw an opportunity to reduce Qualcomm's operational costs, a person familiar with the matter said.

Executives of Xiaomi, Oppo and Vivo interviewed by the Journal said they are worried Broadcom could raise chip prices if it acquired Qualcomm—and drastically cut Qualcomm's spending on research and development.

They said that could put them at a disadvantage in the long run, as Qualcomm's spending has in the past given the company and its customers a head start on new mo-

bile technologies. Qualcomm has of late been investing heavily in developing fifth generation, or 5G, wireless technology.

The executives of the three companies, which in November signed a nonbinding deal

Their concern is that a Broadcom-Qualcomm deal could result in higher chip prices.

with Qualcomm to purchase \$12 billion worth of components over the next few years, also said they might switch to other suppliers if Broadcom succeeds in its acquisition. Though the firms are also Broadcom customers, they generate less revenue for Broadcom than they do for Qualcomm.

—Yifan Xie

TECHNOLOGY

Senator Questions Apple on Battery Issue in iPhones

BY TRIPP MICKLE
AND JOHN D. MCKINNON

Sen. John Thune

Apple Inc. is facing new questions from government officials in the U.S. and France about its handling of battery-related performance issues on iPhones, a sign that controversy over the problem continues despite the technology giant's apology last month.

On Tuesday, Sen. John Thune (R., S.D.), chairman of the Senate Commerce Committee, pressed Apple for answers to a series of questions about how the company decided to throttle back iPhone processing performance in phones with older batteries.

In a letter to Chief Executive Tim Cook, a copy of which was viewed by The Wall Street Journal, Mr. Thune asked how Apple has tracked customer complaints of processing performance and if Apple has explored offering rebates to customers who paid full price for a battery replacement before the company offered discounted rates last month.

In France, the Paris prosecutor's office said it has opened an investigation into Apple for potential deception and "programmed obsolescence." The investigation—which could lead to preliminary charges or be dropped—will be run by the consumer protection agency that falls under the country's finance ministry, a spokesman for the office said Tuesday.

Apple has been under fire since mid-December from customers and analysts saying they had noticed a slowdown in the performance of older iPhones.

Apple then acknowledged publicly that its software slowed performance in iPhones as batteries aged to prevent the devices from automatically powering off.

The company in late December said that it wouldn't do anything to harm its customers' experience or shorten the life of its products, but it apolo-

gized for its handling of the issue and slashed the price of an iPhone battery replacement to \$29 from \$79, hoping to win back customer goodwill.

Apple didn't immediately respond to requests for comment Tuesday.

"Apple's proposed solutions have prompted additional criticism from some customers, particularly its decision not to provide free replacement batteries," wrote Mr. Thune, who requested answers by Jan. 23.

The French investigation stems from a complaint filed in December by a French consumer group named Stop Programmed Obsolescence. The group alleged that Apple pressures customers to buy new phones by timing the release of new models with operating system upgrades that cause older ones to perform less well.

Apple says its decision to throttle performance back on some phones was necessary because batteries naturally lose capacity over time, and without its software fix, iPhones with older batteries can suddenly shut down when struggling to meet power demands. The throttling feature has been implemented across iPhone 6, 6s, SE and 7 models, the company says.

—Sam Schechner
contributed to this article.

THE PROPERTY REPORT

Bets Against Malls Come Up Short

Owners refinance debt and find new tenants to fill the vacated spaces

By ESTHER FUNG

A rash of store closures and bankruptcies last year prompted some investors to bet against debt tied to the retail property sector.

So far, at least, the bets haven't paid off.

The wager against commercial mortgage-backed securities largely has focused on the CMBX 6, a credit-default-swap index that tracks the values of bonds backed by mortgages on malls as well as office buildings and other commercial properties.

While a few slices of the index have slumped due to the perceived greater exposure to struggling mall properties and retail bankruptcies, more mall mortgage defaults would have to occur before investors get a windfall.

"Has the bet paid off? Not quite," real-estate data provider Trepp Inc. said in a recent report. So far, Trepp said, only four loans tied to the CMBX 6 incurred losses, totaling just \$4.3 million. Credit-default swaps are insurance-like contracts that pay out when a company defaults on its debts.

Some landlords have refinanced their debt or found new tenants to take up space vacated by departing retailers. At the same time, some retailers have worked out deals with landlords that allowed the owners to keep up their mortgage payments. A positive holiday sales season also took some shine off the trade.

The owner of Holiday Village Mall in Great Falls, Mont., refinanced its loan on the property when it reached maturity last month. The landlord was able to secure new leases with Hobby Lobby and PetSmart last year after Sears Holdings Corp. in 2014 closed its Sears store and auto center at the two-story mall.

Overall, the delinquency rate for commercial mortgage-backed security loans made after the financial crisis is 0.52%, while the delinquency rate for the CMBX 6 constituency is 0.96%, according to

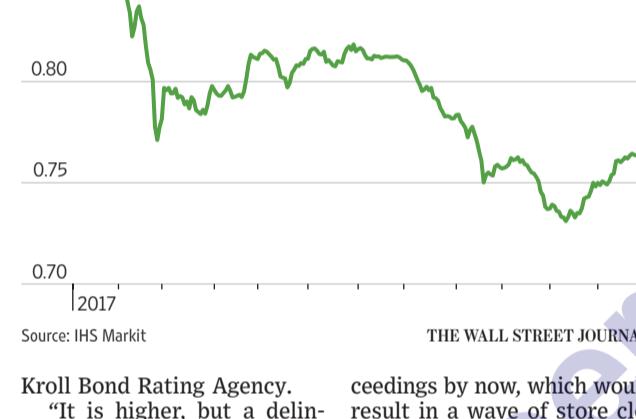


A Sears store in Provo, Utah, last year. The company plans to close more stores but will still have plenty in business.

Dim View of Mall Mortgages

A slice of an index called the CMBX 6 has declined on expectations of losses among mall-based loans

\$0.90



Source: IHS Markit

THE WALL STREET JOURNAL

Kroll Bond Rating Agency.

"It is higher, but a delinquency rate of less than 1% is not devastating," said Steve Kuritz, managing director at Kroll.

Some short sellers—investors who bet a company's share price will fall—anticipated that Sears Holdings would be in bankruptcy pro-

ceedings by now, which would result in a wave of store closures in malls across the country that would be tough to fill quickly.

While Sears said on Thursday that it would close an additional 103 Sears and Kmart stores in March and April on top of the 63 stores it said in November that it would close,

it still has more than 900 Sears and Kmart stores in business.

Some short sellers did make money from the decline in weaker slices of the CMBX 6 last year. The portions of the index rated BB and BBB-minus declined 12.1% and 9.5%, respectively, in 2017.

Steve Pei, founder and chief investment officer at Los Angeles-based hedge fund **Gratia Capital LLC**, said the magnitude of the declines more than offset the 3% coupon cost of the trade, so it was profitable for his firm.

"There will be a lot more closures in the next few years in our view; the trend is pretty clear-cut even though the pace may fluctuate," Mr. Pei said. He added that his firm has taken both long and short positions—wagers that shares would rise or decline—in individual retail stocks.

Investment firm **Alder Hill Management LP**, which issued a 58-page report last year that described its bet on lower-quality malls and how malls would struggle with mortgage repayment, remains in the trade, according to people fa-

miliar with the matter.

The report, issued in January 2017, said 26 out of roughly 40 mall loans in the index were expected to default before maturity or in 2022.

"The number of distressed retail mortgages will likely increase as they inch closer to their scheduled maturity dates and collateral performance continues to deteriorate," according to the report from Trepp.

The question is when. Landlords say they remain positive about their ability to get new tenants, pointing to retailers and entertainment operators that are still expanding.

At the Newgate Mall in Ogden, Utah, a 141,000-square-foot Sears store is scheduled to close in coming months. The mortgage loan backing Newgate Mall is linked to the CMBX 6 index. Last year, the landlord signed leases with retailer DownEast Home & Clothing, which took up space vacated by Sports Authority.

It also leased a lot on the outer edge of the mall to Fly High, a trampoline park operator. It is searching for a replacement for Sears.

PLOTS & PLOYS

KKR

Firm Raises \$2 Billion For Property Fund

KKR & Co. has closed a \$2 billion real-estate fund to buy properties that are more challenging than fully leased buildings in prime locations but also offer the potential for higher returns.

The new fund, which already has committed or spent about \$250 million of the capital raised, is shooting for the kinds of returns that define "opportunistic" and "value add" funds, which typically are aggressive in buying properties, increasing rents, leasing vacant space or redeveloping.

The fund is focusing partly on senior living facilities on the belief that demand will surge for these units as baby boomers get older. KKR also plans to invest the fund in apartment buildings serving the broader population.

Rental apartments have been popular among investors in recent years. But KKR believes multifamily investments can still yield high returns because the business remains fragmented, said Ralph Rosenberg, KKR's global head of real estate.

—Peter Grant

RUBENSTEIN PARTNERS

Venture Is Back Home Again in Indiana

Rubenstein Partners LP, a real-estate investment firm that specializes in office buildings, has doubled down on the Indianapolis suburbs, spending \$133 million on an office park.

A venture including Philadelphia-based Rubenstein and **Strategic Capital Partners** of Indianapolis purchased Precedent Office Park, which includes 1.1 million square feet in 19 buildings north of downtown Indianapolis. The seller was **LaSalle Investment Management**.

In 2016, the venture purchased an eight-building complex in Carmel, Ind., for \$163 million. Rubenstein-Strategic is flexing its muscles in the region at a time when suburban office buildings have fallen out of favor. The Indianapolis venture has a contrarian strategy partly because its executives believe millennials have started to move back to the suburbs.

—Peter Grant

Lutnick Real-Estate Firm's IPO Makes Poor Showing

By PETER GRANT

The stock market has been hitting records lately, but you would never know that from the flop of the initial public offering of Howard Lutnick's commercial real-estate services firm last month.

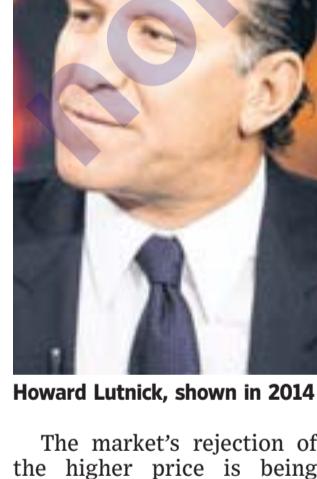
In early December, **Newmark Group Inc.**, whose chairman is Mr. Lutnick, initially planned to sell 30 million shares in a price range of \$19 to \$22 a share, as part of Newmark's spinoff from financial-services firm **BGC Partners Inc.** Mr. Lutnick also is the controlling shareholder of BGC.

But investors' reaction to the Newmark offering was tepid. In mid-December, BGC was forced to cut the offering size to 20 million shares and the price range to \$14 to \$15. It ended up going public at \$14 on Dec. 15.

"It didn't price as well as we thought," said Barry Gosin, Newmark's chief executive, who built the New York-based firm and sold it to BGC in 2011. "We reduced it."

Mr. Gosin played down the impact of the poor showing and predicted a steady improvement in Newmark's share price, which closed at \$15.47 Tuesday on the Nasdaq Stock Market. "We're fine," he said. "The market will show our value because we'll continue to grow our earnings."

But the Newmark offering was a black eye for Mr. Lutnick, a Wall Street veteran who has a reputation for adding value to companies. He is best known as the chairman and chief executive of **Cantor Fitzgerald LP**, which he rebuilt after the Sept. 11, 2001, terrorist attacks when the firm lost 658 employees in the World Trade Center.



Howard Lutnick, shown in 2014

lion in assets under management and is a shareholder in BGC. "As the price went down, I increased my order."

BGC was under pressure to do the IPO before the end of the year partly because Mr. Lutnick had been telling investors that the Newmark spinoff would be a 2017 event. The proceeds are going to be used in part to pay down some of the debt BGC took on last year when it paid \$875 million to acquire Berkeley Point, a financing firm now part of Newmark.

Mr. Lutnick "made a commitment," Mr. Gosin said. "Generally, we like to do what we say we're going to do."

BGC also sought to complete the deal in 2017 because it wanted to be defined as an "emerging growth company" under federal securities law, which reduced disclosure requirements, according to Newmark's prospectus. "We expect that our revenues for 2017 will exceed \$1.07 billion. As a result, we expect that we will cease to qualify as an emerging growth company," the document said.

Another problem with the IPO was that some investors and real-estate industry executives also are pointing to blunders on BGC's part in the timing and the structure of the Newmark offering. Many are scratching their heads over why BGC decided to bring Newmark to market just as the holidays were about to begin, which traditionally hasn't been great timing for an IPO.

That enabled buyers interested in the stock to hold out for a lower price. At \$19 to \$22 a share, "it wouldn't have been interesting," said David Rose, a portfolio manager for Granahan Investment Management Inc., which has \$1.3 bil-



The brokers lobby was hurt when a major home-builders group took a different position than it did.

Tax Law Deals Blow to Realtors

By LAURA KUSISTO

The National Association of Realtors, one of the largest and wealthiest lobby groups in the U.S., is among the biggest losers in a tax-code overhaul.

The group has about 1.3 million members spread out across every state and spent \$32 million on lobbying in 2017 through Oct. 21, second only to the U.S. Chamber of Commerce, according to the Center for Responsive Politics, a nonpartisan research group that tracks money in politics.

The legislation blunts the advantage of the mortgage-interest deduction, which is often key in home-buying decisions, particularly in pricey markets. It almost doubles the standard deductions for individual and joint tax filers. The legislation also caps the deduction for state and local taxes at \$10,000.

Despite its heft, the NAR faced an uphill battle from the beginning. Politicians on both sides of the aisle have been less eager to tout the government's

role in encouraging homeownership after the housing crash a decade ago.

Rising home prices and tighter mortgage credit in recent years have meant that new loans and purchases have skewed toward the affluent, making government subsidies less politically palatable.

For the NAR, arguing against huge increases in the standard deduction for individual and married filers was a tough sell.

NAR President Elizabeth Mendenhall said the Realtors "remain concerned that the overall structure of this bill poses problems for homeowners and the broader housing market."

After President Donald Trump released a bare outline of the plan in April, the Realtors called the plan a non-starter, saying owners could see their "home's value plummet and their equity evaporate." Online ads running in the states of critical swing votes, such as Maine's Sen. Susan Col-

lins, described the plan as a "tax increase on middle-class homeowners."

A turning point came in the lead-up to the house bill when the National Association of Home Builders split from the Realtors for the first time in three decades, proposing a tax credit it said would be better targeted to less wealthy Americans.

The builders were convinced the proposal had momentum but received calls from House Ways and Means Committee Chairman Kevin Brady (R., Texas) and Speaker Paul Ryan (R., Wis.) telling them the Republican leadership didn't want to complicate the bill with an untested concept like the tax credit, recalled Jerry Howard, chief executive of the National Association of Home Builders.

"The Realtors have a very, shall I call it, one-dimensional view of the tax code and that is the mortgage interest deduction," Mr. Howard said. "We have to look at this thing holistically."

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National average									
Savings	0.13	0.07	0.07	0.13	0.21	0.36	0.52	0.47	0.95
Jumbos	0.26	0.07	0.08	0.15	0.23	0.39	0.57	0.54	1.01
Weekly change									
Savings	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.01	0.00
Jumbos	-0.01	0.00	0.00	0.00	0.00	-0.01	0.01	0.05	0.01

Consumer Savings Rates

Explanation of ratings: Safe Sound SM, (855) 733-0700, evaluates the financial condition of federally insured institutions and assigns a rank of **1,2,3,4 or 5** based on data from the fourth quarter of 2014 from federal regulators. **5:** most desirable performance; **NR:** institution is too new to rate, not an indication of financial strength or weakness. Information is believed to be reliable, but not guaranteed.

High yield savings

Bank/rank	Yield	Bank/rank	Yield
Phone number	Minimum (%)	Phone number	Minimum (%)
Money market and savings account			
DollarSavingsDirect/4	\$1 1.60	First Internet Bank of Indiana/4	\$1,000 1.43
(866) 395-8693		(888) 873-3424	
CIT Bank/5	\$100 1.55	M.Y. Safra Bank, FSB/NR	\$5,000 1.42
(855) 462-2652		(212) 652-7200	
Barclays/5	\$0 1.40	CD Bank/4	\$10,000 1.40
(888) 720-8756		(888) 201-8185	
One-month CD			
EH National Bank/5	\$0 0.81	Synchrony Bank/5	\$2,000 2.00
(888) 392-5265		(800) 903-8154	
M.Y. Safra Bank, FSB/NR	\$5,000 0.30	Banesco USA/4	\$1,500 1.85
(212) 652-7200		(786) 552-0524	
VirtualBank/4	\$10,000 0.15	M.Y. Safra Bank, FSB/NR	\$5,000 1.85
(877) 998-2265		(212) 652-7200	
Two-month CD			
VirtualBank/4	\$10,000 0.15	Northern Bank Direct/4	\$500 2.26
(877) 998-2265		(844) 348-8996	
Applied Bank/5	\$1,000 0.05	Banesco USA/4	\$1,500 2.00
(800) 616-4605		(786) 552-0524	
First Internet Bank of Indiana/4	\$1,000 1.92	First Internet Bank of Indiana/4	\$1,000 1.92
(888) 873-3424		(888) 873-3424	
Three-month CD			
Luana Savings Bank/5	\$1,000 1.26	Goldman Sachs Bank USA/5	\$500 2.50
(800) 666-2012		(855) 730-7283	
M.Y. Safra Bank, FSB/NR	\$5,000 1.16	M.Y. Safra Bank, FSB/NR	\$5,000 2.50
(212) 652-7200		(212) 652-7200	
CD Bank/4	\$10,000 1.15	Capital One 360/5	\$0 2.45
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(212) 652-7200	
California First National Bank/5	1.25
(800) 735-2465	
First Internet Bank of Indiana/4	1.11
(888) 873-3424	
One-month CD	
EH National Bank/5	0.81
(888) 392-5265	
M.Y. Safra Bank, FSB/NR	0.30
(212) 652-7200	
VirtualBank/4	\$10,000 0.15
(877) 998-2265	
Applied Bank/5	\$1,000 0.05
(800) 616-4605	
First Internet Bank of Indiana/4	\$1,000 1.92
(888) 873-3424	

Money market and savings account	Six-month CD
M.Y. Safra Bank, FSB/NR	1.26
(212) 652-7200	
California First National Bank/5	1.25
(800) 735-2465	
First Internet Bank of Indiana/4	1.11
(888) 873-3424	
One-month CD	
EH National Bank/5	0.81
(888) 392-5265	
M.Y. Safra Bank, FSB/NR	0.30
(212) 652-7200	
USAA/NR	0.22
(800) 583-8295	
Two-month CD	
VirtualBank/4	0.15
(877) 998-2265	
Applied Bank/5	0.05
(800) 616-4605	
Citizens Trust Bank/4	0.01
(404) 659-5959	
Three-month CD	
Luana Savings Bank/5	1.41
(800) 666-2012	
M.Y. Safra Bank, FSB/NR	1.16
(212) 652-7200	
EverBank/4	2.45
(855) 228-6755	
Five-year CD	
Luana Savings Bank/5	1.51
(800) 666-2012	
M.Y. Safra Bank, FSB/NR	1.43
(212) 652-7200	
One-year CD	
Synchrony Bank/5	2.00
(800) 903-8154	
M.Y. Safra Bank, FSB/NR	1.85
(212) 652-7200	
EverBank/4	1.80
(855) 228-6755	
Two-year CD	
MyBanc, A Division of BAC Florida Bank/4	2.00
(855) 512-0989	
Luana Savings Bank/5	1.96
(800) 666-2012	
Luana Savings Bank/5	1.92
(800) 666-2012	
EverBank/4	1.92
(855) 228-6755	
Five-year CD	
M.Y. Safra Bank, FSB/NR	2.50
(212) 652-7200	
EverBank/4	2.45
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BIGGEST 1,000 STOCKS

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The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. This list comprises the 1,000 largest companies based on market capitalization.**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, January 9, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB -0.12

AECOM ACM 30.10 -0.19

AES AES 10.76 -0.11

Aflac AFL 90.00 0.04

ANGI Innovs ANGIC 19.78 -0.09

ANGI Homes Inc ANGI 12.78 0.19

ANSYS ANSS 155.14 1.34

ASML ASML 182.24 -0.99

AT&T T 37.49 -0.26

AbbottLabs ABT 58.92 0.10

AbbVie ABV 100.24 0.74

Abiomed ABI 209.76 1.96

Accenture ACN 159.45 0.53

ActivationBlitz ATIVI 66.19 -0.44

AcuityBrands AYI 157.95 -27.78

Adient ADNT 83.04 -0.46

AdobeSystems ADBE 186.70 1.66

AdvanceAuto AAP 110.49 -0.90

AdmicoEngines ADM 11.82 -0.46

AdmSemiEngg ASX 6.67 -0.01

Aegon AEG 6.55 0.12

AerCap AER 53.48 0.04

Aetna AET 183.60 -1.05

AffiliatedMtrs AMG 200.27 -0.26

AgileTechs A 71.77 1.72

Alcoa AA 54.20 -0.80

AlexandriaRest ARE 126.32 -0.96

AllexionPharm ALXN 121.80 2.21

Alibaba ALGN 0.84 0.47

AligentTech ALGN 251.44 0.54

Alkermes ALKS 56.64 3.03

Ally Financial ALLY 30.38 0.55

AllynlyPharm ALNY 130.74 1.54

Alphabet A GOOGL 111279 -1.42

GOOG 1106.26 -0.68

Ameren AEE 57.32 -0.05

AmericaMovil AMX 17.51 -0.13

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MARKETS DIGEST

EQUITIES

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Bars measure the point change from session's open
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S&P 500 Index

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Bars measure the point change from session's open
 Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Nasdaq Composite Index

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Bars measure the point change from session's open
 Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	Dow Jones		S&P		Nasdaq Stock Market					
	High	Low	Latest Close	Net chg	% chg	High	Low	52-Week % chg	YTD % chg	3-yr. ann.
Industrial Average	25439.78	25308.41	25385.80	102.80	0.41	25385.80	19732.40	27.9	2.7	12.7
Transportation Avg	11051.70	11007.49	11018.46	20.83	0.19	11018.46	8783.74	21.1	3.8	7.5
Utility Average	707.99	699.64	700.98	-6.89	-0.97	774.47	651.14	7.7	-3.1	4.0
Total Stock Market	28512.95	28399.58	28429.30	26.95	0.09	28429.30	23526.88	20.4	2.7	10.2
Barron's 400	732.36	729.00	729.77	0.35	0.05	729.77	600.24	19.9	2.6	11.0

Nasdaq Composite 7181.14 7148.30 **7163.58** 6.19 0.09 7163.58 5538.73 **29.0** 3.8 **15.0**
Nasdaq 100 6696.12 6658.27 **6677.94** 1.30 0.02 6677.94 5035.17 **32.6** 4.4 **16.6**

S&P
500 Index 2759.14 2747.86 **2751.29** 3.58 0.13 2751.29 2263.69 **21.3** 2.9 **10.4**
MidCap 400 1950.82 1942.36 **1942.50** -3.61 -0.19 1946.11 1667.44 **15.5** 2.2 **10.5**
SmallCap 600 952.51 948.34 **949.60** -0.59 -0.06 950.19 815.62 **13.0** 1.4 **11.7**

Other Indexes
Russell 2000 1565.58 1558.86 **1560.10** -1.71 -0.11 1561.81 1345.24 **13.8** 1.6 **9.6**
NYSE Composite 13156.88 13110.90 **13120.84** 6.49 0.05 13120.84 11148.85 **17.3** 2.4 **7.0**
Value Line 575.56 573.15 **573.19** -1.65 -0.29 574.84 503.24 **11.8** 1.9 **5.1**
NYSE Arca Biotech 4441.06 4283.21 **4425.08** 141.87 3.31 4425.08 3134.03 **33.1** 4.8 **7.7**
NYSE Arca Pharma 560.29 556.15 **558.81** 2.66 0.48 560.52 469.13 **13.4** 2.5 **0.8**
KBW Bank 110.67 109.01 **109.92** 1.16 1.07 109.92 88.02 **18.5** 3.0 **16.1**
PHLX® Gold/Silver 85.55 84.57 **84.95** -1.34 -1.55 96.72 76.42 **-1.8** -0.4 **3.7**
PHLX® Oil Service 161.13 157.33 **159.18** -0.92 -0.57 191.34 117.79 **-14.7** 6.4 **-7.1**
PHLX® Semiconductor 1337.11 1320.82 **1322.57** -12.96 -0.97 1341.69 909.48 **43.3** 5.5 **24.5**
Cboe Volatility 10.09 9.37 **10.08** 0.56 5.88 16.04 9.14 **-12.3** -8.7 **-16.9**

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	5,792.4	274.27	-0.27	-0.10	275.17	274.08
VanEck Vectors Gold Miner	GDX	5,520.6	23.13	0.02	0.09	23.15	23.11
Eastman Kodak	KODK	4,877.7	9.01	2.21	32.43	9.50	6.45
Intel	INTC	3,662.3	43.54	-0.08	-0.18	44.00	43.52
Cypress Semiconductor	CY	2,643.9	16.67	-0.06	-0.36	16.77	16.67
AT&T	T	2,491.2	37.43	-0.06	-0.16	37.87	37.41
PwrShs DB Com Track	DBC	2,417.3	17.00	0.19	1.13	17.00	16.75
iShares Russell 1000 Val	IWD	2,363.4	126.63	-0.04	-0.03	126.67	126.55

Percentage gainers...

Eastman Kodak	KODK	4,877.7	9.01	2.21	32.43	9.50	6.45
Tandem Diabetes Care	TNDM	589.0	3.59	0.73	25.52	3.77	2.85
VOXX International	VOXX	37.1	6.75	1.20	21.62	7.25	5.55
AmTrust Financial	AFSI	134.2	12.20	2.05	20.20	12.50	10.15
Tivity Health	TVTY	15.6	39.95	3.65	10.06	39.95	36.29

...And losers

Dominos Pizza	DPZ	18.1	197.50	-9.21	-4.46	207.00	197.50
Red Rock Resorts Cl A	RRR	15.5	32.52	-1.36	-4.01	33.97	32.52
Myomo	MYO	5.9	3.71	-0.14	-3.64	3.81	3.65
Xcerra Corp.	XCRA	9.0	9.65	-0.36	-3.60	10.01	9.65
Leidos Holdings	LDOS	21.3	64.00	-2.24	-3.38	66.32	64.00

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	799,754,730	19,122,855
Adv. volume*	358,761,676	9,989,813
Decl. volume*	432,962,822	8,770,693
Issues traded	3,076	334
Advances	1,233	133
Declines	1,733	176
Unchanged	110	25
New highs	284	10
New lows	39	2
Closing tick	57	37
Closing Arms*	0.81	0.46
Block trades*	6,827	154

Nasdaq **NYSE Arca**

COMMODITIES

WSJ.com/commodities

Futures Contracts**Metal & Petroleum Futures**

	Contract		Open			
	Open	High	Low	Settle	Chg	interest
Copper-High (CMX) -25,000 lbs.; \$/per lb.						
Jan 3.2190	3.2235	3.1930	3.1945	-0.0065	1,045	
March 3.2590	3.2215	3.2160	3.2160	-0.0080	172,194	
Gold (CMX) -100 troy oz.; \$/per troy oz.						
Jan 1309.60	1309.60	1309.60	1311.70	-6.90	193	
Feb 1321.20	1321.40	1309.50	1313.70	-6.70	357,877	
April 1326.10	1326.20	1314.40	1318.50	-6.70	94,459	
June 1327.80	1330.60	1319.60	1323.40	-6.70	46,105	
Aug 1330.20	1330.20	1325.10	1328.30	-6.60	15,368	
Dec 1342.70	1344.70	1333.80	1338.10	-6.70	26,503	
Palladium (NYM) -50 troy oz.; \$/per troy oz.						
Jan 1100.80	2.25	3			
March 1096.00	1107.80	1093.50	1098.15	2.25	36,853	
June 1092.70	1100.20	1088.00	1090.15	2.40	2,346	
Platinum (NYM) -50 troy oz.; \$/per troy oz.						
Jan 977.00	977.00	964.40	972.30	-4.10	78,318	
Silver (CMX) -5,000 troy oz.; \$/per troy oz.						
Jan 16.945	16.945	16.945	16.936	-0.128	39	
March 17.160	17.170	17.045	17.010	-0.134	148,934	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$/per bbl.						
Feb 61.92	63.48	61.80	62.96	1.23	387,896	
March 61.89	63.36	61.78	62.87	1.15	417,660	
April 61.74	63.17	61.65	62.70	1.08	165,003	
May 61.56	62.94	61.49	62.49	1.01	143,266	
June 61.33	62.65	61.28	62.23	0.95	281,461	
Dec 59.32	60.33	59.28	60.07	0.73	250,410	
NY Harbor ULSL (NYM) -42,000 gal.; \$/per gal.						
Feb 2,050.00	2,076.80	2,037.5	2,066.2	0.028	135,253	
March 2,040.1	2,069.6	2,029.8	2,056.7	0.021	112,199	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$/per gal.						
Feb 1,798.4	1,848.6	1,796.1	1,836.2	0.044	108,522	
March 1,820.5	1,863.5	1,817.8	1,853.0	0.030	108,447	
Natural Gas (NYM) -10,000 MMBtu.; \$/per MMBtu.						
Feb 2,838	2,966	2,825	2,923	0.088	257,819	
March 2,770	2,892	2,755	2,852	0.080	316,249	
April 2,667	2,747	2,651	2,724	0.048	168,274	
May 2,672	2,745	2,655	2,723	0.043	131,297	
July 2,752	2,814	2,735	2,798	0.040	56,771	
Oct 2,760	2,821	2,741	2,807	0.041	93,395	

Agriculture Futures

	Corn (CBT)-5,000 bu.; cents per bu.			
March 347.50	350.00	347.25	349.00	1.75
July 363.75	366.50	363.75	365.50	1.75
Oats (CBT)-5,000 bu.; cents per bu.				
March 250.25	252.50	248.00	249.00	-1.00
May 253.00	253.00	248.00	249.00	-2.75
Soybeans (CBT)-5,000 bu.; cents per bu.				
Jan 958.75	959.25	953.50	955.75	-2.50
March 966.75	968.50	961.00	963.75	-3.00
Soybean Meal (CBT)-100 tons; \$/per ton.				
Jan 317.70	317.70	313.80	314.50	-3.00
March 321.50	321.90	317.20	318.20	-3.30
Soybean Oil (CBT)-60,000 lbs.; cents per lb.				
Jan 33.43	33.60	33.31	33.55	.12
March 33.56	33.76	33.34	33.70	.16
Tullett Prebon Information, Ltd.				

Borrowing Benchmarks | WSJ.com/bonds**Money Rates**

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation

Nov. index level Chg From (%) Oct.'17 Nov.'16

U.S. consumer price index

All items 246.669 0.002 2.2 Core 253.492 -0.06 1.7

International rates

Latest Week ago -52-Week- High Low

Prime rates

U.S. 4.50 4.50 4.50 3.75

Canada 3.20 3.20 3.20 2.70

Japan 1.475 1.475 1.475 1.475

Policy Rates

Euro zone 0.00 0.00 0.00 0.00

Switzerland 0.50 0.50 0.50 0.50

Britain 0.50 0.50 0.50 0.25

Australia 1.50 1.50 1.50 1.50

Overnight repurchase

U.S. 1.39 1.62 1.62 0.48

U.S. government rates

Discount 2.00 2.00 2.00 1.25

Federal funds

Effective rate 1,4200 1,4300 1,4400 0,600

High 1,5625 1,5625 1,6125 0,8125

Low 1,3000 1,3900 1,3900 0,4500

Bid 1,4100 1,4100 1,4100 0,5600

Offer 1,4200 1,4200 1,4400 0,5800

Treasury bill auction

4 weeks 1,280 1,270 1,300 0,400

13 weeks 1,430 1,435 1,445 0,505

26 weeks 1,575 1,575 1,575 0,590

Secondary market

Fannie Mae 3,551 3,503 3,865 3,253

30 days 3,583 3,537 3,899 3,281

Other short-term rates

Call money 3,25 3,25 3,25 2,50

Commercial paper (AA financial)

90 days 1,65 n.a. 1,68 0,72

Libor

One month 1,55375 1,56175 1,56900 0,76500

Three month 1,70457 1,69693 1,70802 0,10789

Six month 1,86519 1,83938 1,86529 0,13156

One year 2,14633 2,10933 2,15075 1,69400

Euro Libor

One month -0,406 -0,411 -0,381 -0,420

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective December 14, 2017. Other prime rates aren't directly comparable; lending practices vary widely by location. Discount rate is effective December 14, 2017. DTCC GCF Repo Index is Depository Trust & Clearing Corp's weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. Federal-funds rates are Tullett Prebon rates as of 5:30 p.m. ET.

Futures on the DTCC GCF Repo Index are traded on NYSE Lifte U.S.

Sources: Federal Reserve, Bureau of Labor Statistics; DTCC; SIX Financial Information; Tullett Prebon Information, Ltd.

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Tuesday, January 9, 2018

ETF Symbol Closing Price (%) YTD Chg (%)

BANKING & FINANCE

Laundering Fight Builds

BY LALITA CLOZEL

WASHINGTON—Efforts to overhaul U.S. laws against money laundering are gathering steam, as large banks, anticorruption groups and law enforcement coalesce around the idea of creating a national database of corporations showing their true owners.

"We've come to see this as the right thing to do and a good thing for the banks," said Greg Baer, the president of the Clearing House, a trade group of the largest U.S. banks.

The financial industry's support could be pivotal for the plan, which would require corporations to register with the Treasury Department's Financial Crimes Enforcement Network.

The database measure is part of a draft bill backed by Reps. Steve Pearce (R., N.M.) and Blaine Luetkemeyer (R., Mo.). The Senate Banking Committee also discussed changes to U.S. money-laundering efforts on Tuesday during its first hearing of the year.

Treasury in 2016 issued a long-awaited rule mandating banks to identify the true owners of companies they take on as clients.

It also urged Congress to create a national database of those owners, a step that proponents said would stymie the creation of shell companies by bad actors.

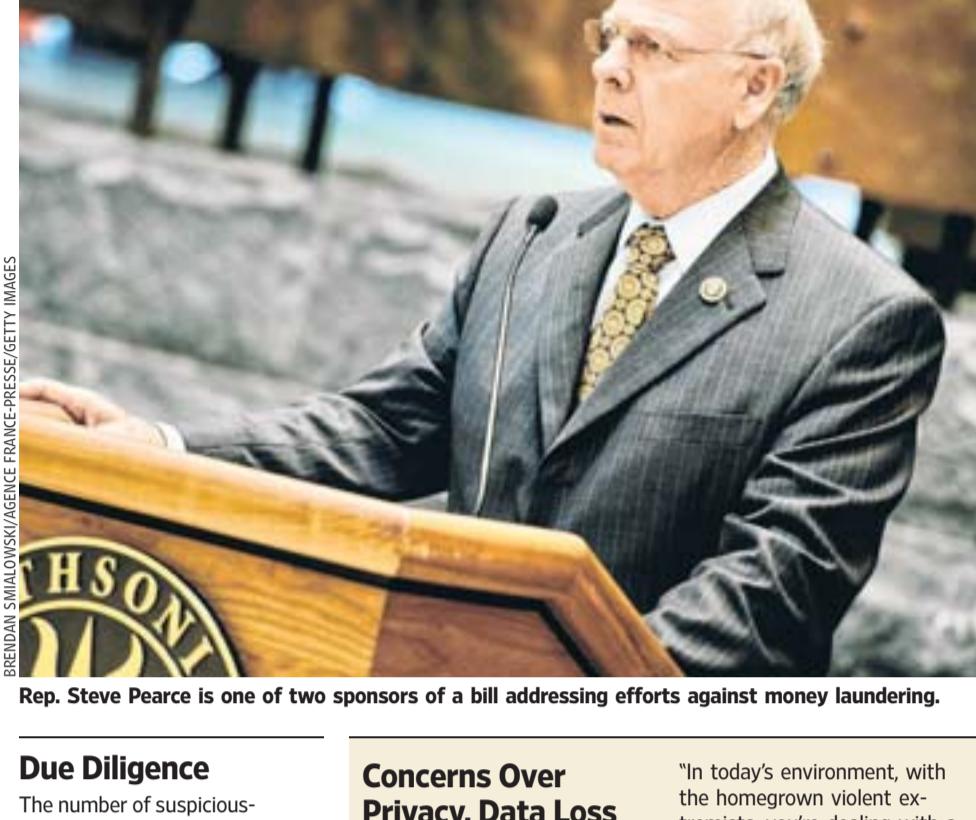
The rule goes into effect in May, giving banks a new incentive to back such a measure.

"Right now, banks are obligated to find out who owns companies...They just have to do that on their own," Mr. Baer said. "It will help banks do their due diligence more efficiently if they can check [an official] source."

Public companies have to spell out who their owners are. The legislation is an effort to catalog smaller companies to make sure regulators aren't missing firms that could be used to launder money.

It would apply to U.S.-incorporated companies with 20 employees or fewer and \$5 million or less in annual revenue. These firms would have to list their true owners in annual filings to FinCEN.

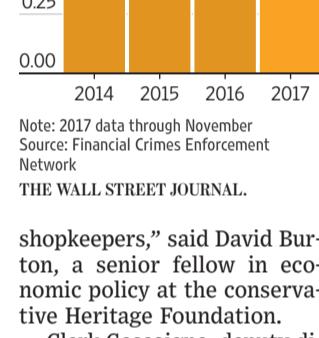
"I don't believe for a minute...that the biggest money laundering threat that we face is from dry cleaners and from



Rep. Steve Pearce is one of two sponsors of a bill addressing efforts against money laundering.

Due Diligence

The number of suspicious-activity reports banks have filed to the Treasury Department's Financial Crimes Enforcement Network



Note: 2017 data through November
Source: Financial Crimes Enforcement Network

THE WALL STREET JOURNAL.

Concerns Over Privacy, Data Loss

The corporate database is part of a draft bill from Reps. Steve Pearce and Blaine Luetkemeyer, but the legislation could have sticking points.

Some members of law enforcement balk at a measure that would increase the threshold at which banks must report transactions with FinCEN to \$30,000 from \$10,000.

"That's intelligence that the FBI is going to lose," said Dennis Lormel, former head of the Federal Bureau of Investigation's financial crimes program.

bump in the workload that probably would take one to three years of getting all the current companies registered."

Part of the difficulty for FinCEN will be to verify the information it receives from the companies.

"What's the compliance mechanism?" asked Mr. Delston. "How do you know if existing companies have filed?"

The legislation from Messrs. Pearce and Luetkemeyer also contains a number of other measures that would lighten the regulatory load on banks, including many that were advanced by the Clearing House in a report last year.

Some of the measures could prove too controversial to garner bipartisan support.

For instance, the bill would give banks the freedom to experiment with technological efforts against laundering, to be approved case by case.

As written, it would also keep state and local officials out of the loop. Mr. Gascoigne said his group is "concerned" about that lack of access.

"There's also a growing concern around the use of those shell companies for human-trafficking networks," he said. "It's like playing Whac-A-Mole and they can't actually follow the money trail."

"In today's environment, with the homegrown violent extremists, you're dealing with a lower amount of money."

Banks argue that the quantity of data required would hurt their overall efforts.

Additionally, privacy advocates have criticized a provision that would vastly expand the types of suspected criminal activities that would allow banks to share information on suspicious transactions with each other and with regulators.

The government shouldn't be allowed to get such private information without a warrant or court order, said Neema Singh Gulani of the American Civil Liberties Union.

Profits Are Forecast To Remain Elevated

BY BEN EISEN

Wall Street expects another banner quarter for corporate earnings, but it may come with some caveats.

Earnings season starts at the end of the week, with financial firms leading the charge. S&P 500 companies are forecast to report that profits increased nearly 11% in the final three months of the year from a year earlier, according to FactSet.

On top of that, companies usually beat those forecasts by 3.4 percentage points on average, per Deutsche Bank AG data. This is poised to be the third quarter in four in which profits have risen at least 10%.

Expectations are high in part because analysts never really dropped them much. Typically, analysts start with high forecasts for the companies they cover and revise them down throughout a given quarter. Over the past 40 quarters, the average decline has been 6% for S&P 500 companies. But in the October-to-December quarter, the decline throughout that period was just 0.3%, the least in seven years, according to FactSet.

Economic growth has picked up in the U.S. and globally, helping boost sales, which Goldman Sachs Group Inc. analysts expect to expand at the fastest pace since 2011. A weak U.S. dollar has also been a boon to companies with large international operations.

But there could be some unexpected twists this season, particularly as it relates to the tax overhaul signed into law last month. Companies are expected to take one-time hits

tied to newly taxed cash held overseas as well as write-downs of deferred tax liabilities or declines in the value of deferred tax assets, according to Bank of America Merrill Lynch analysts. Indeed, some firms have already warned that such charges are coming.

While these wouldn't necessarily show up in adjusted earnings numbers due to their one-time nature, they would show up in earnings reported through generally accepted accounting principles.

"For companies only reporting GAAP EPS, the headline impact could be substantial," the Goldman analysts said in a note to clients.

Count Goldman and **Bank of America** Corp. among the

11%

Expected rise in fourth-quarter earnings from a year earlier

companies that will take a hit. Goldman said it would take a \$5 billion earnings charge, two-thirds of which is tied to the new tax on overseas earnings. Bank of America said it would take a \$3 billion hit.

Banks and other financial-services companies are likely to eventually see a boost to profits because of the lower corporate tax rate. Many believe the one-time tax hits won't drag much on the market. "We expect investors to look through a noisy 4Q and focus on the effects of tax reform," Goldman analysts said.

Powering Up

S&P 500 earnings are expected to have continued increasing in the final three months of 2017.



THE WALL STREET JOURNAL.

Dimon Dials Back Bitcoin Criticism, Says It's No Fraud

BY PAUL VIGNA

JPMorgan Chase & Co. Chairman and Chief Executive James Dimon is softening his stance on bitcoin.

In an interview with Fox Business on Tuesday morning, Mr. Dimon said, "I regret making" an earlier comment in which he said the digital currency was a fraud.

Tuesday's comments were brief—the Q&A on bitcoin lasted less than two minutes—but he did manage to quickly

sketch out his current take on cryptocurrencies.

"The blockchain is real," he said, referring to the open-ledger technology that underpins the trading of bitcoin and other digital currencies.

In September, Mr. Dimon said during a conference that bitcoin is "a fraud," and he would fire any trader in his company who was buying or selling it.

The fraud comment made him the face of bitcoin skeptics, whose ranks include fa-

mous investors like Warren Buffett and Howard Marks. When he made those comments, bitcoin was trading around \$4,200. It has rallied sharply since then—it was trading Tuesday afternoon at \$14,604, according to CoinDesk—and Mr. Dimon has been hearing it from the cryptocurrency supporters.

The fraud comment wasn't the first time Mr. Dimon criticized bitcoin.

In November 2015 he said that no government would

support it, and in January 2016 said bitcoin would go "nowhere." After the fraud comment, he said during an earnings conference call that he wasn't going to talk about

bitcoin, but one day later said, "if you're stupid enough to buy it, you'll pay the price for it one day."

While that day may yet come, for now Mr. Dimon is falling back on his core criticism. He said on Fox that his opinion on bitcoin was always more about how governments would respond to it, specifically whether they would take steps to outlaw or discourage it if it became too big and threatened government-backed currencies.

In the interview, Mr. Dimon added that "you can have cryptodollars and yen and stuff like that," a reference to the idea that central banks and governments would create their own bitcoin-like currencies that borrowed some of its technological advantages. Addressing initial coin offerings, which many virtual-currency-related startups have used to raise millions of dollars with minimal disclosure, Mr. Dimon said: "You look at every one individually."

'The blockchain is real,' James Dimon said in an interview with Fox Business.

New Highs and Lows | WSJ.com/newhighs

Continued From Page B8

	Stock	Sym	52-Wk %	%	Stock	Sym	52-Wk %	%	Stock	Sym	52-Wk %	%	Stock	Sym	52-Wk %	%	Stock	Sym	52-Wk %	%
	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg
Continued From Page B8	PTNR	PTNR	6.58	1.2	RyderSystem	R	88.42	0.7	Teradyne	TER	46.48	-1.7	VikingThermalWt	VTKTW	3.84	1.1	DLRPh	DLRPh	26.35	-0.1
	PYPL	PYPL	80.39	0.2	RymanHospitality	RHP	73.17	-2.4	VincentConcha	VCO	40.96	1.6	Orechislansky	ORC	8.73	-3.6	EPR Prop	EPR	61.32	-2.0
	PNTL	PNTL	73.15	0.4	S&P Global	SPGI	178.50	...	Virtus	VTRS	127.70	1.0	OwensRealtyPfd	ORM	14.72	-2.6	EmpireStateRe	ESRT	19.40	-1.1
	PRCP	PRCP	10.81	6.8	SEI Investments	SEIC	57.51	1.6	VirtusInvPrts	VTRP	110.19	1.0	PhysiciansRealty	DOC	9.05	-1.1	EquityCommWt	ERQC	19.68	-2.5
	PNC	PNC	9.73	-0.2	PerkinElmer	PKI	178.79	1.5	VirtualPrts	VTPR	110.19	1.0	PiedmontOffice	PDM	18.91	-0.6	FiveOaks	OAKS	3.20	-0.8
	NordCorp	NOC	312.93	1.1	PiperJaffray	PJC	89.18	0.2	VirtualPrts	VTPR	110.19	1.0	ReinsuranceR	RNR	117.97	-2.5	AllianceM	AMMA	0.79	-0.6
	Novartis	NTNX	38.80	0.7	PorterJaffray	PLM	1.14	-5.6	VirtualPrts	VTPR	110.19	1.0	SSR Mining	SSRM	7.35	-7.7	Fransca's	FRAN	5.39	-4.8
	OM AssetMgmt	OMAM	17.95	0.9	Praxair	PX	164.49	0.1	VoyaFinancial	VOYA	53.48	4.9	GlobalNetLease	GNL	19.83	-0.9	SalraHealthCare	SRRA	18.36	-2.3
	OccidentalPetrol	OXY	23.25	5.7	Progressive	PROG	44.36	-0.6	W&T Offshore	WTI	4.49	-3.4	America'sRealty	AAT	36.54	-1.8	America'sRealty	ATR	11.75	-2.2
	PFC	PFC	14.75	-0.4	Prudential	PRU	149.04	1.9	WPX Energy Pfd	WPXP	6.61	-0.5	GlobalNetLease	GNL	19.83	-0.9	SalraHealthCare	SRRA	18.36	-2.3
	PNG	PNG	88.36	0.8	RiteAid	RIO	56.14	0.2	WPX Energy Pfd	WPXP	6.61	-0.5	AeroGuard	AGD	32.97	-2.4	BlueRockRes	BRG	17.70</td	

MARKETS

Stocks Burst From Starting Gate

S&P 500 posts best beginning to a year since 1964; bank and health-care shares rise

BY MICHAEL WURSTHORN
AND GEORGI KANTCHEV

Rising shares of banks and health-care companies pushed the S&P 500 higher, giving the broad index its best start to a year in more than half a century.

Stocks have mostly climbed in the first trading days of 2018, extending last year's rally. That is leaving investors hard-pressed to find clues portending the rally's end, especially as geopolitical tensions with North Korea appear to be easing and ahead of what analysts expect to be another batch of upbeat quarterly profit results.

The S&P 500 has closed at six consecutive records in its first six trading sessions of 2018, the broad index's best start since 1964.

"Investors are pretty confident with how things are going," said Timothy Chubb, chief investment officer of Unvest Wealth Management, a firm with more than \$3 billion in assets under management. "Earnings are projected to grow, and a number of companies are raising estimates for the rest of this year."

The Dow Jones Industrial Average added 102.80 points, or 0.4%, to 25385.80. The S&P 500 rose 3.58 points, or 0.1%, to 2751.29, while the Nasdaq Composite gained 6.19 points, or 0.1%, to 7163.58. All three indexes closed at new records.

Shares of financial firms were among the biggest gainers Tuesday, as the yield on the benchmark U.S. Treasury 10-year note advanced for a fourth consecutive trading session to 2.542% from 2.480% on Monday. Yields rise as bond prices fall.

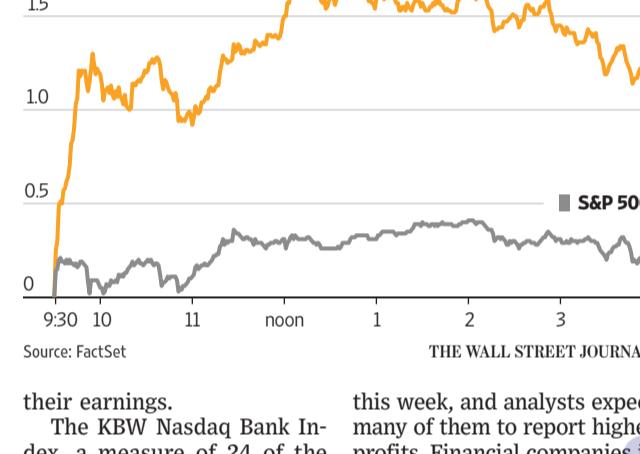
Higher interest rates typically widen the spread between what banks charge on loans and what they pay on deposits, which should boost



Target's shares rose 2.9% after it said holiday sales were strong in its stores and online. Shoppers at one of its stores in November.

Bullish on Banks

The KBW Nasdaq Bank Index of large U.S. lenders jumped Tuesday, as the S&P 500 climbed for a sixth consecutive session.



their earnings.

The KBW Nasdaq Bank Index, a measure of 24 of the biggest U.S. bank stocks, added 1.1%.

Banks will be among the first companies to report fourth-quarter earnings later

this week, and analysts expect many of them to report higher profits. Financial companies in the S&P 500 are projected to grow earnings by nearly 12% from the year-earlier period, according to FactSet. That is close to the roughly 11%

growth projected for all companies in the broad index.

Among health-care stocks, **Boston Scientific** jumped \$2.15, or 8.3%, to \$27.96 after the medical-technology company released preliminary sales results showing that fourth-quarter revenue is expected to rise.

Shares of **Boeing** and **Target** also contributed to Tuesday's gains after both companies released some financial results. Boeing rose 8.28, or 2.7%, to 318.43, contributing roughly 57 points to the Dow's gain after it reported an increase in jetliner deliveries and orders. Shares of Target added 1.96, or 2.9%, to 69.14 after it said holiday sales were strong both in its stores and online.

The overall gains are leading a number of investors to abandon defensive positions taken to protect against a downturn as indexes such as the Dow industrials and the Nasdaq have reached new milestones in recent weeks.

New data indicate that either demand for protection is low or investors are favoring bullish options on the S&P 500 instead.

Robust global growth, along with sweeping tax cuts approved by the U.S. Congress in December, have boosted sentiment among investors at the beginning of the new year.

"The underlying economic story is positive and nothing on the surface tells us we need to be concerned right now," said Paul Springmeyer, investment managing director at U.S. Bank Private Wealth Management.

Elsewhere, the Stoxx Europe 600 gained 0.4%, its fifth consecutive session of advances.

Asian stocks extended their new-year rally, with the Nikkei Stock Average rising 0.6% to hit a 26-year closing high. At midday Wednesday, though, the index was down 0.2%.

In Hong Kong, the Hang Seng Index Tuesday topped 31000 for the first time since 2007. Early Wednesday, it was up an additional 0.2%.

Gas Prices Climb on Forecasts For Cold

BY STEPHANIE YANG

Natural-gas prices rose for a second day in a row on Tuesday as traders looked ahead to another cold blast in the coming days and data potentially showing a record-breaking withdrawal from storage.

Futures for February delivery advanced 3.2 cents, or 1.1%, to \$2.867 a million British thermal units on the New York Mercantile Exchange.

While the weather forecast for this week shows warmer-than-average temperatures spreading across much of the U.S., another shot of cold weather early next week could help support natural-gas demand.

According to MDA Weather Services, the eastern half of the country is expected to see colder-than-expected temperatures in the six-to-10-day forecast.

Meanwhile, analysts are anticipating what may have been a record drop in natural-gas stockpiles last week, in data due Thursday from the U.S. Energy Information Administration.

The extreme cold snap that pushed natural-gas demand to records last week also sent regional spot prices soaring as heating demand intensified.

As a result, some market participants estimate that more than 300 billion cubic feet of natural gas was taken out of storage last week, which would be the largest weekly drop in EIA data going back to 2010.

"The expectation of this huge withdrawal caused by the brutal cold last week is supporting the prompt contract as it attempts to move back near the \$2.90-\$3 range," Gelber & Associates analysts wrote.

Canadian Dollar Is Near 3-Month Highs

BY DANIEL KRUGER

The Canadian dollar is trading near three-month highs, as the country's growing economy, thriving labor market and rising prices for one of its key commodities have boosted the outlook for its currency.

The Canadian dollar slipped 0.4% to \$1.2464 Tuesday, after last week hitting its highest level since late September.

Several factors have contributed to the loonie's rise: Canada added 79,000 jobs in December and finished last year with its strongest annual job gains since 2002, while its unemployment rate declined to 5.7%, the lowest since comparable data became available in 1976, according to Statistics Canada. Inflation has also risen, with consumer prices climbing 2.1% in November from the year earlier.

Another part of the Canadian currency's strength has come from surging oil prices, with U.S. crude settling Tuesday at its highest value since December 2014. Oil has benefited from factors including antigovernment protests in Iran, declining U.S. crude stockpiles,

freezing winter weather in the U.S. Northeast and continued high levels of compliance with the Organization of the Petroleum Exporting Countries' plan to cut crude output.

As economic data have shown unexpected strength, investors' outlook for Bank of Canada interest-rate policy has undergone a rapid evolution. That has improved the outlook for the currency, which has risen 3.5% against the U.S. dollar since the end of November. Rising interest rates tend to boost a currency by making it more attractive to yield-seeking investors.

It has also dented the value of Canadian government bonds, with 10-year yields rising 0.18 percentage point faster than the gains in the 10-year U.S. Treasury yield. The 10-year Canadian government bond yield rose Tuesday to 2.19% from 1.89% on Nov. 30.

"Economic data has been spectacular in Canada," said Ugo Lancioni, head of global currency investments at Neuberger Berman Group. This has led investors to reconsider their expectations for the potential for the Bank of Canada to raise interest rates this year, he said.

Investor opinion has coalesced around expectations the rate increases will begin as soon as the BOC's next meeting on Jan. 17, with between three and four increases expected in 2018. That is important because it implies that Canada's central bank could be more vigorous than the Federal Reserve in executing its return to monetary policy norms that prevailed before the 2008 financial crisis. Fed officials have signaled they expect to raise rates three times this year.

Expectations for interest rates are particularly important to supporting the loonie this year, because currencies, like the Mexican peso and the Norwegian krone, of many oil-exporting countries have failed to match the gains of the commodity itself, Mr. Lancioni said.

Taking Off

How many Canadian dollars one U.S. dollar buys

C\$1.24



THE WALL STREET JOURNAL

In China, 'Foreign' Is All Relative

BY SHEN HONG

772.49 billion yuan a year earlier.

Foreign investors have been piling into China's bond market, taking their overall holdings to a record level late last year. But a closer look at the list of overseas investors in the \$11 trillion market suggests they are much less "foreign" than they appear.

Foreign investors owned 1.09 trillion yuan (\$167.64 billion) of bonds traded in China's onshore markets at the end of November, marking a ninth consecutive month of increases and sharply up from

the 772.49 billion yuan a year earlier.

Among the 291 institutional investors—ranging from banks to hedge funds—listed by China's central bank as overseas buyers of Chinese bonds, 101 are actually overseas subsidiaries of Chinese institutions such as the nation's top banks and brokerages, according to a review by The Wall Street Journal. A total of 59 "foreign" investors are banks or financial institutions based in Hong Kong, Taiwan and Macau.

The remaining 190 are from non-Chinese speaking countries with the exception of Singapore.

In February 2016, Beijing granted global investors full access to its bond market. It opened the door wider in July 2017 when it launched the Bond Connect program that allows international investors to invest in China's onshore bonds.

Given that attracting more foreign investors to hold Chinese bonds is a key step for Beijing to internationalize its currency, Suan Teck Kin, economist at United Overseas Bank in Singapore, said the strong Chinese flavor of these "foreign" investors means the campaign to make the yuan a major global currency will be a slow process.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$151,490,501,400
Accepted bids	\$50,000,116,400
"noncompetitively"	\$557,335,900
"foreign noncompetitively"	\$0
Auction price (rate)	99,900444 (1.280%)

Coupon equivalent	1.29%
Bids at clearing yield accepted	0.57%
Cusip number	912796NR6

The bills, dated Jan. 11, 2018, mature on Feb. 8, 2018.

THREE-YEAR NOTES

Applications	\$75,869,382,800
Accepted bids	\$24,812,807,800
"noncompetitively"	\$60,104,600
"foreign noncompetitively"	\$100,000,000
Auction price (rate)	99,766468 (2.000%)

Interest rate	(2.000%)
Bids at clearing yield accepted	65.25%
Cusip number	9128283Q1

The notes, dated Jan. 16, 2018, mature on Jan. 15, 2021.

Gold's Decline Steepens as Dollar Gains

BY AMRITH RAMKUMAR
AND DAVID HODARI

Gold extended the previous day's declines Tuesday with the dollar climbing for a second straight session.

Front-month gold for January delivery fell 0.5% to \$1,311.70 a troy ounce on the Comex division of the New York Mercantile Exchange. The precious metal snapped an 11-session winning streak but has risen about 6% from its December lows.

A weaker dollar spurred the recent rally by making gold, a dollar-denominated commodity, cheaper for overseas buyers. On Tuesday, the WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, rose for a second straight session following a fourth straight week of declines. The index rose 0.1%.

"The strengthening dollar is really hurting the price of gold here," said Walter Pehowich, senior vice president at Dillon Gage Metals, adding that it could be tough for gold to move much higher unless the dollar falls.

Some analysts said North

Korea was negative for gold. The metal got support from geopolitical risks that some investors think could roil markets and stoke demand for haven assets. "It does take some of the nervousness away," though the impact will likely be minimal, Mr. Pehowich said.

Investors will keep an eye on economic data and central bank signals for clues about the Federal Reserve's plans for the rest of the year. The Fed has projected three interest-rate increases this year, but

roughly 55% of traders tracked by CME Group expect two or fewer increases in 2018.

Some analysts have said

MARKETS

Euro's Rally Against Dollar Ignores Past

Current gulf between bond and currency markets usually shows opposite move

By MIKE BIRD

For the past year, the euro has been defying the gravitational laws of global markets.

The currency has surged against the dollar, even as German government-bond yields have collapsed to multi-decade lows against their American peers. That isn't usually what happens.

The gap between two countries' short-term bond yields is one of the most popular indicators for the exchange rate between their currencies. As yields go up in one region, investors move their money there to capture higher returns, driving up the local currency's value.

But the euro has resisted that relationship. On Tuesday, the gap between the yield on the two-year U.S. Treasury note and the German bund reached 2.58 percentage points as of the close of European trading. That spread has been wider only in the summer of 1999, and then for only a few days.

Despite this gulf, the euro was one of the world's best-performing currencies last year, rallying 14% against the dollar. It started this year at around \$1.20, a three-year high, and speculators are more bullish about the currency than ever before, according to U.S. Commodity Futures Trading Commission data. Late Tuesday in New York, the euro was trading at \$1.1937.

Political developments, the eurozone's ongoing bond-buying program and the bloc's unexpected growth spurt have all contributed to the euro's rally. Meanwhile, low German bond yields can probably be blamed on the European Cen-

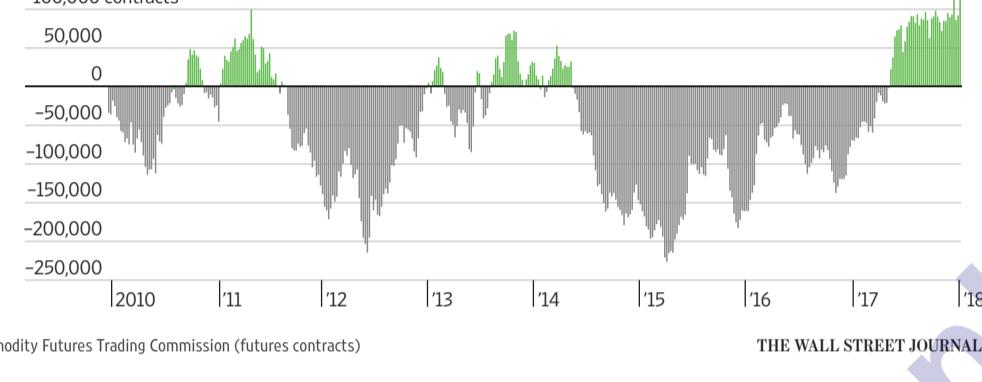
tral Bank's continued monetary stimulus coupled with much-sought-after German bonds being a shrinking portion of the pool of eurozone debt.

The current spread between yields would typically point to the euro being closer to \$1.01, according to a December analysis by Deutsche Bank.

But many analysts don't believe that this gulf between bond and currency markets heralds future declines in the euro. In December, the average analyst forecast suggested the euro will end 2018 at \$1.19, according to Consensus Economics.

The risk that U.S. growth disappoints and the market downgrades its expectations for Federal Reserve interest-rate increases makes some investors think the greenback could fall further against the euro.

"The risk is to the downside—that U.S. growth starts to disappoint," said Didier Saint-Georges, managing di-



...but the euro seems immune to the bond market's pressure...

How many dollars €1 buys

...and investors are more bullish on their bets on a rising euro than ever before.

Net speculative futures contracts on the euro, weekly

Sources: FactSet (yields, currency); U.S. Commodity Futures Trading Commission (futures contracts)

rector at asset manager Carmignac. "The market might well wonder how hawkish the Fed can really be, and that's bearish for the dollar."

Meanwhile, yields on bonds are likely to remain significantly lower than on U.S. Treasuries.

The total amount of outstanding German government debt—widely regarded as the eurozone's safest bond market, generating constant demand from investors—is shrinking relative to the rest of the bloc.

Europe's largest economy no longer has a budget deficit, and in the middle of 2017 its debt securities made up just 15.1% of the eurozone's total. That is the lowest since the inception of the currency in 1999, down from a high of 19.4% at the end of 2007.

German debt available to investors increasingly has shorter maturities. At the end of 2016, the average maturity of German government bonds held by the ECB was 8.14 years. By the end of 2017, it

was just 6.56 years, as the Bundesbank increasingly bought shorter-dated debt.

That will keep the pressure on bond yields, even as the ECB continues to wind down its bond-buying program.

But monetary policy and technical factors aren't the only forces at work. The euro is getting a boost from strong economic growth across the eurozone.

Politics is also at play, on both sides of the Atlantic.

"There's been so much politics layered over economics recently," said Jane Foley, senior foreign-exchange strategist at Rabobank. "It's a very significant theme in driving portfolio flows now."

Ms. Foley cites political risks surrounding President Donald Trump's administration as a factor likely to keep the dollar down. In the past, Mr. Trump has expressed his own preference for a weaker dollar.

The euro's 2017 rally accelerated following the election of centrist candidate Emmanuel Macron as French president, lifting a cloud over the currency after a period of concern over the potential for populist upsets across Europe.

Still, optimism over the eurozone's economy could fade, while Italy's national election in March could potentially stoke some political concern.

"For years, the market was too pessimistic about the prospects for the eurozone, [and] it's possible that we've now gone all the way to the other extreme," said Thanos Vamvakidis, global head of G-10 foreign-exchange strategy at Bank of America Merrill Lynch.

"We like the euro in the medium to long term, but in the short term the euro has already overshot both the economic data and the rate differential," he added.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Retailers Get Reprieve on Apocalypse

"When companies are priced for death, slight increases seem heroic," observes Simeon Siegel of Nomura Securities. Indeed, holiday sales, reported over the past week by a cluster of such doomed retailers, suggest an extraordinary re-

vival.

On Tuesday, Target became the latest retailer to surprise investors with good news: The company posted 3.4% holiday same-store sales growth and lifted its fourth-quarter and full-year earnings outlook, sending its shares up nearly 3%.

A day before, Kohl's again dazzled investors with a 6.9% increase over the prior year. The company, whose shares are up nearly 40% in two months, also raised 2017 earnings guidance.

With the economy strong and consumers confident, even the laggards did well. J.C. Penney's same-store sales for November and December climbed more than 3% compared with the year-earlier period. Its e-commerce business posted double-digit sales growth.

Macy's, the weakest of this bunch, saw 1% growth in comparable-store sales for November and December.

Yet nothing in the holiday sales figures show that traditional retailers have overcome their big challenges. J.C. Penney still expects same-store sales to remain flat, at best. Macy's, which still expects them to decline, announced the closure of 11 stores in early 2018.

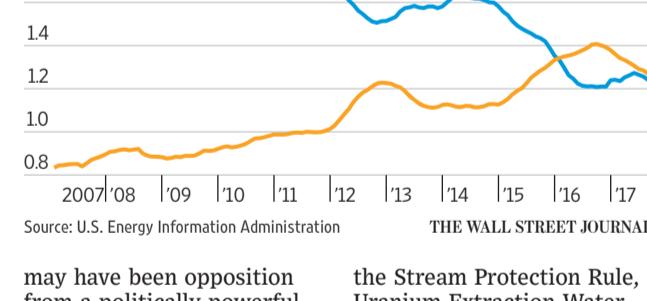
It is clear that some retailers have been cleverer about survival strategies than others. Yet the bounce isn't so much a matter of heroism as a correction of overly apocalyptic gloom.

—Elizabeth Winkler

A Reality Check on Deregulation

Carbon Copy

U.S. electricity generation, trailing 12 months



Source: U.S. Energy Information Administration

nies, most notably Exxon Mobil, have indicated some support. Aside from earning goodwill, having a say in rule making may beat the alternative.

In some cases, rules give companies advantages over rivals. Take the regulation of methane, a powerful greenhouse gas that is both a fuel and released as a byproduct of oil extraction: It is believed to be responsible for about one-quarter of man-made climate change, yet regulations on capturing more of it from hydrocarbon extraction are at risk in Mr. Trump's regulatory overhaul.

But the industry is split. Large U.S. shale-oil producers that operate in big fields tolerate the rules because they can pipe out the methane and sell it. For smaller producers in more remote fields, getting the gas to market is harder and more expensive.

Not everyone minds some red tape.

—Spencer Jakab

OVERHEARD

One drug industry innovation investors will appreciate: new ways of presenting tedious disclaimers before a presentation. These disclaimers are a fixture of modern corporate speak.

But at this year's J.P. Morgan Healthcare Conference, executives are sparing investors from the tedium. New Teva Pharmaceutical Industries chief Karen Schultz urged his audience to read a slide full of boiler plate text carefully—just before clicking to the next slide, which earned a hearty laugh from his audience.

Older, simpler versions of safe harbor statements also got a good reception. Regeneron Pharmaceuticals CEO Leonard Schleifer led off his presentation with a disclaimer from the 1980s, which read in full: "Regeneron is a risky investment. That we hope will pay off handsomely!"

CEOs presenting throughout the week should take note: less is more.

Altice's Clever Deal Won't Give Investors More Control

European Transfer

Value of €100 invested in Altice NV since its IPO*



*As of close on Jan. 31, 2014

Note: €1=\$1.194

Source: U.S. Energy Information

debt pile will increase to 5.8 times trailing earnings before interest, taxes, depreciation and amortization, from 5.4 times at the end of September. That is despite a reduction in management's targeted leverage range to between 4.5 and 5 times, from between 5 and 5.5 times.

There are sweeteners for Altice USA shareholders. The dividend is unexpected. A management fee Mr. Drahi charged for using his "Altice Way" of doing business will be scrapped. And liquidity in the stock should be boosted: Only about 10% of the shares are currently free to trade, which will rise to 42% after the spinoff.

In the short term, though,

the deal could weigh on the share price, as Altice NV investors that don't want a direct piece of Altice USA, sell.

With the help of President Donald Trump's tax cuts, Altice USA can afford to bail out its European parent.

Even including the dividend, New Street Research expects leverage to fall to 4.4 times by the end of 2018—below the new target level—thanks to strong cash flows. This doesn't, however, include a \$2 billion share buyback program that Altice USA has also authorized to assuage shareholders.

Altice NV—to be renamed Altice Europe—was the worst large-cap performer in Europe in 2017. Terrible results in France sapped confi-

dence in its debt-fueled growth story. Mr. Drahi has spent the past two months selling noncore assets. Altice NV's shares rallied by more than 10% Tuesday on news of the cash windfall.

For Altice USA, committing to a fat dividend and buybacks undermines its original IPO pitch: That cash flows would fuel a buying spree to turn around even more cable operators. Moreover, the use of the company's balance sheet for the benefit of its majority shareholder highlights the governance risk. The deal won't change this: Mr. Drahi will still control at least 51% of its voting rights. This isn't independence day for Altice USA.

—Stephen Wilmot

For all its elegance, the latest shake-up at beleaguered cable giant Altice lays bare the fundamental problem with investing alongside founding shareholder Patrick Drahi: Minority investors have no real voice.

Mr. Drahi is formally splitting the European and U.S. wings of his estate and in the process, transferring money to its cash-strapped European parent.

Altice USA, which owns cable networks Suddenlink and Optimum, has been listed in New York since June's IPO. Parent company Altice NV which holds two-thirds of the stock, announced late Tuesday that it was distributing its Altice

USA shares to its own shareholders, foremost among whom is Mr. Drahi. Before the shares are spun out, Altice USA will pay a \$1.5 billion dividend, most of which will flow to Altice NV. All else being equal, Altice USA's already substantial