

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, JANUARY 3, 2018 ~ VOL. CCLXXI NO. 2

WSJ.com

★★★★ \$4.00

DJIA 24824.01 ▲ 104.79 0.4% NASDAQ 7006.90 ▲ 1.5% STOXX 600 388.35 ▼ 0.2% 10-YR. TREAS. ▼ 16/32, yield 2.465% OIL \$60.37 ▼ \$0.05 GOLD \$1,313.70 ▲ \$7.40 EURO \$1.2061 YEN 112.29

What's News

Business & Finance

The Nasdaq closed above 7000 for the first time after racing to a fresh 1,000-point milestone in just over eight months. The S&P 500 also notched a record. A1, B12

♦ **Founders Fund**, the firm co-founded by Silicon Valley venture capitalist Peter Thiel, is placing a moonshot wager on bitcoin. A1

♦ A U.S. national-security panel refused to approve a deal for Chinese billionaire Jack Ma's Ant Financial to buy MoneyGram. B1

♦ Europe's money markets were again rocked by year-end turmoil as banks scrambled to adjust books ahead of regulatory reviews. B1

♦ Annual sales of passenger cars and trucks globally likely surpassed 90 million for the first time in 2017. B1

♦ EU antitrust regulators are taking a hard look at how companies stockpile and use so-called big data. B4

♦ Business-loan growth fell to its lowest levels since the aftermath of the financial crisis in the final weeks of 2017. B11

♦ BP plans a roughly \$1.5 billion accounting charge for its latest quarter related to the U.S. tax overhaul. B3

♦ NBC named Hoda Kotb as permanent co-anchor of "Today" in the wake of Lauer's firing for sexual misconduct. B4

♦ GreenSky raised new equity from Pimco in a deal that valued the digital lender at nearly \$4.5 billion. B11

♦ Rent-A-Center said founder Mark Speese has resigned as chief executive. B3

World-Wide

♦ Iran's costly efforts to project power beyond its borders are exacting a political price at home, with arrests and deaths multiplying amid antigovernment demonstrations. A1, A7

♦ GOP Sen. Hatch said he would retire when his current term ends, opening the door for a possible political comeback by Romney. A3

♦ Alabama Democrat Jones is set to be sworn in Wednesday as the state's newest U.S. senator, bolstering his party's moderate wing. A3

♦ South Korea offered to meet with North Korea to discuss the Winter Olympics and Pyongyang's nuclear program. Trump took to Twitter to taunt Kim. A5

♦ Islamic State militants have recently mounted a number of guerrilla-style attacks on civilians and military forces in Syria and Iraq. A16

♦ Churches and other houses of worship are now eligible to receive federal disaster relief funding, FEMA said, reversing a longstanding rule. A3

♦ Cold temperatures blamed for at least nine deaths have wreaked havoc across a wide swath of the U.S. A2

♦ Kuczynski's decision to release Fujimori from jail has left the Peruvian president politically isolated. A16

♦ Pakistan's government summoned the U.S. ambassador to complain about a critical tweet by Trump. A5

♦ Coal mining deaths surged in the U.S. in 2017, one year after they registered a record low. A2

CONTENTS Opinion A13-15
Banking & Finance B11 Property Report B6
Business News B3 Sports A12
Crossword A12 Technology B4
Head on Street B13 U.S. News A2-4
Life & Arts A9-11 Weather A12
Markets B12-13 World News A5-7,16

0 1337>
0 78908 63141 1

© Copyright 2018 Dow Jones & Company. All Rights Reserved

Tech Stocks Surge Into New Year

Investors diving into Apple, Microsoft and Amazon help power Nasdaq past 7000

By CORRIE DRIEBUSCH AND BEN EISEN

The Nasdaq Composite Index closed above 7000 for the first time Tuesday after racing to a fresh 1,000-point milestone in just over eight months—a pace not seen since the heights of the dot-com technology boom.

Many global stock indexes have hit records or multiyear highs in recent months, lifted by signs of a pickup in economic expansion around the world.

The Nasdaq has risen faster than other major U.S. indexes over the past year as investors, frustrated with low interest rates and tepid global growth, bet on the prospects of large technology companies such as Apple Inc., Google parent Alphabet Inc. and Microsoft Corp., all of which are heavily weighted in the index. Those three companies,

along with fellow heavyweights Amazon.com Inc. and Facebook Inc., collectively contributed more than two-thirds of the points that carried the Nasdaq from one 1000-point milestone to the latest one, according to stock-market research firm Birinyi Associates.

Such bets helped the Nasdaq jump 28% in 2017, beating the Dow Jones Industrial Average's 25% gain and S&P 500's

Please see RALLY page A4

♦ Consumer shares also joined in rally to start the year... B12

Five Giants Drive Nasdaq

A handful of tech stocks contributed a combined 683 points to the Nasdaq's latest 1,000-point milestone.

Nasdaq Composite



Sources: WSJ Market Data Group (Nasdaq); Birinyi Associates (top contributors)

Top point contributors

Apple	155
Microsoft	153
Amazon.com	149
Alphabet	134
Facebook	92

THE WALL STREET JOURNAL.



Supreme Leader Ayatollah Ali Khamenei, in photo provided by the Iranian government, addressed family members of Iranian martyrs in Tehran on Tuesday. On his official website, he blamed 'enemies of Iran' for protests that have swept the nation in recent days.

Iran Role Abroad Fuels Ire at Home

By ASA FITCH

Iran's costly efforts to project power beyond its borders in the wider Middle East are exacting a political price at home, with arrests and deaths multiplying amid antigovernment demonstrations.

"The protests we see are out of desperation," said a 35-year-old graphic designer in Tehran. "I don't want even a penny of my country's money to be spent outside this country because of our people's bad economic situation."

The billions of dollars Iran spends on foreign conflicts have been a focal point of protest anger at a time when domestic inflation and unemployment are in double digits.

Crowds chanting "Leave Syria, think of us!" are seeking to force Tehran to reassess a cor-

nerstone of its foreign policy: the use of proxies to spread its influence and challenge rivals, notably Saudi Arabia.

"The protests we see are out of desperation," said a 35-year-old graphic designer in Tehran. "I don't want even a penny of my country's money to be spent outside this country because of our people's bad economic situation."

Amid an increasing death toll, Iranian protesters Tuesday defied new warnings from Iranian security officials against continued demonstrations across the country. More than 20 people have died since pro-

tests began Thursday, according to Iranian media reports.

The full extent of the unrest has been difficult to judge because of restricted foreign access and limited coverage from Iran's state-dominated media. But in a sign of heightened concern, Iranian Supreme Leader Ayatollah Ali Khamenei on Tuesday weighed in for the first time, blaming Iran's enemies for the upheaval.

"In recent days' incidents, the enemies of Iran made a pact to cause problems for the Islamic system using various tools available to them, including

money, weapons, politics and in-

telligence services," Mr. Khamenei said, according to his official website, without elaborating.

The protests began as a rebuke to the economic management of President Hassan Rouhani, but soon broadened to criticize the entire ruling system, including Mr. Khamenei and his direction of Iran's military strategy overseas.

Some foreign leaders have used that same theme to attack Iran's leaders. U.S. President Donald Trump tweeted

Please see IRAN page A7

♦ Iranians turn to Telegram app as protest tool..... A7

Please see BITCOIN page A2

Nipped by Upstarts, Unilever Decides To Imitate Them

Global giant targets local 'ankle biters' with copycat ice cream, clove-oil toothpaste

By SAABIRA CHAUDHURI

The world's biggest brands are under siege from an army of insurgents. Unilever PLC, the maker of Dove soap and Hellmann's mayonnaise, is fighting back with guerrilla tactics of its own.

The Anglo-Dutch packaged-goods giant resorted to a marketing prank last year to try to outflank new competitors of its TreSemme and Suave shampoos. In July, it launched a copycat high-protein, low-sugar ice cream after a startup usurped its brand, Breyers, as America's favorite pint. And in India, executives sought out Ayurvedic doctors to help whip up a turmeric face wash and a clove-oil toothpaste to compete with a celebrity yogi's line.

"We have to match them in terms of insight, speed and the ability, frankly, not to be 110% sure all the time that what you've got is going to

work," said Unilever Chief Financial Officer Graeme Pitkethly, who is helping to spearhead the company's reorganization to respond to the new, local competition.

The success of that effort is far from assured. The world's biggest brands are facing a broad-based revolt among shoppers, threatening a business model that has served them, and investors, for decades. Consumers in rich countries once embraced the consistency, convenience and affordability of their offerings, from disposable razors to ready-to-boil ravioli. In other parts of the world, a growing middle class clamored for many of the same trusted, Western brands.

In past sales downturns, companies ratcheted up research and development—rolling out "new and improved" versions—and tapped their vast marketing budgets.

Please see BRANDS page A8

Dueling Buttons: Trump Tells Kim His Is Bigger

The war of words between President Donald Trump and Kim Jong Un heated up Tuesday, when Mr. Trump responded to the North Korean leader's claim that he had a nuclear button on his desk and missiles capable of hitting the U.S. "I too have a Nuclear Button," Mr. Trump tweeted, "but it is a much bigger & more powerful one than his, and my Button works!" Mr. Trump's tweet followed South Korea's proposal to open talks with Pyongyang. A5



Fancy Coffee Shops Say It's Over for the 'Pour Over'

Machines with perks put an artisanal icon on shaky grounds

By JULIE JARGON

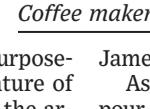
At a Philz Coffee shop in Pasadena, Calif., a barista carefully fits a paper filter into a canister, adds ground coffee to it and then, with one arm raised above his head, slowly lowers his arm while pouring hot water over the grounds.

He stirs the brewing coffee with a spoon while maintaining eye contact and conversation with the customer. Four minutes later, the coffee is done.

A mile away, at an Intelligentsia Coffee & Tea shop, a cup of coffee is delivered in

less than 30 seconds, without any banter between barista and customer. The shop recently reintroduced large-batch coffee makers after shelving them years ago.

The practice of making coffee by the cup—known as a pour-over—has been an essential skill for gourmet baristas for nearly a decade. The purposefully slow, personal nature of the ritual is an icon of the artisanal movement. Now, uttering words like "efficiency" and



Coffee maker

"consistency," some coffee shops are embracing the perks of machines.

"We realized that a lot of customers loved getting a cup brewed for them, but in today's day and age they're not willing to wait five to seven minutes to get it," said Intelligentsia Chief Executive James McLaughlin.

As you might imagine, some pour-over purists are cringing. James Freeman, founder of Please see COFFEE page A8

© Copyright 2018 Dow Jones & Company. All Rights Reserved

U.S. NEWS

Rust-Belt Relic Bets on New Vibe

BY SHIBANI MAHTANI

FORT WAYNE, Ind.—City developers are betting they can turn an abandoned complex, where General Electric Co. once employed almost 40% of the city's workforce, into a development with loft apartments, an incubator office space for startups and a food hall.

The goal is to transform the city of 260,000, which has seen stagnant wages and a decline in domestic population and hasn't fully been able to replace thousands of manufacturing jobs lost in the 1980s.

"We were among the Midwest communities that have been painted as part of the decaying Rust Belt for a long time," said John Sampson, president of the Northeast Indiana Regional Partnership, a business development group.

The project, budgeted for \$440 million in a mix of public and private funds, will have part of its 39 acres ready for leasing in 2020, but it will take almost a decade to completely overhaul the entire factory space that made motors and transformers for GE.

The project is one of the most ambitious efforts to convert industrial complexes into modern downtowns. In Durham, N.C., the American Tobacco Campus turned an old tobacco warehouse into a mixed-use district that has spurred the growth of a thriving startup scene.

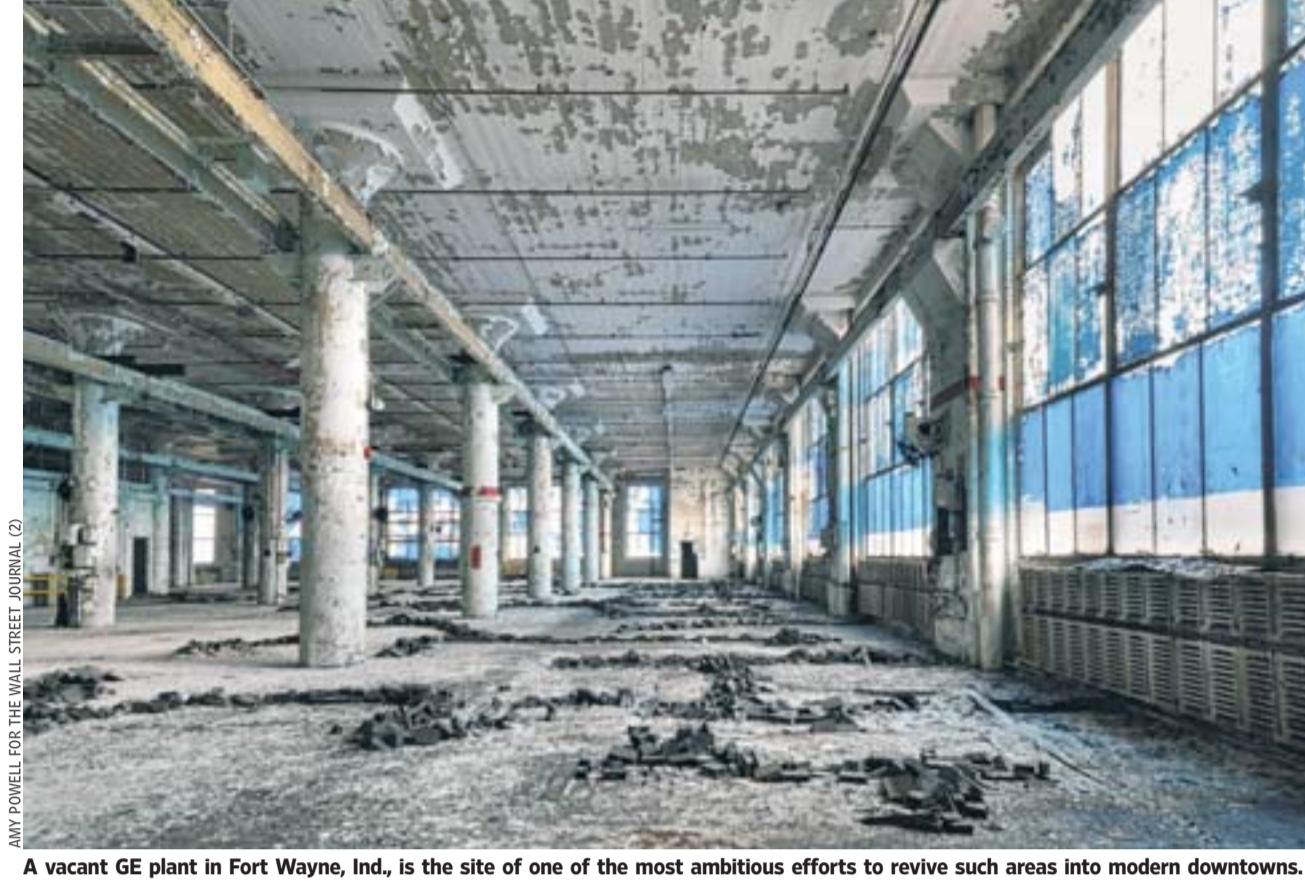
The Cortex district, made up of repurposed old factories and warehouses and also new construction, has done the same for St. Louis.

Durham and St. Louis planners say their efforts have been bolstered by a national trend of young people moving away from expensive coastal cities, such as San Francisco and New York, to more affordable cities as well as multinational companies ditching suburban campuses for downtown locations, following a population shift.

Fort Wayne's downtown has new loft buildings, condominiums, farm-to-table restaurants and coffee shops, and its downtown population has grown by 14% from 2000 to 2017, compared with 5% for Fort Wayne as a whole.

Still, it is dominated by blighted residential areas, particularly around the GE site.

The city's domestic population has been in decline for years, bolstered only by new immigrants largely from Myanmar.



A vacant GE plant in Fort Wayne, Ind., is the site of one of the most ambitious efforts to revive such areas into modern downtowns.

Witness to Death And Maybe Rebirth

FORT WAYNE, Ind.—When Kevin Gilliam, facilities manager at Fort Wayne's old General Electric Co. campus, turned off the lights and locked the doors three years ago, he didn't think he would be back.

Mr. Gilliam, now 64 years old, went into early retirement and did long-neglected chores around the house. For a few months, he worked at the Fort Wayne Children's Zoo driving around a mini-train geared at young visitors.

Now, he finds himself back at the GE campus as the main caretaker, leading Indiana lawmakers, potential investors and guests around the property as it prepares to be transformed into a modern campus packed with loft apartments, office space and trendy restaurants.

On a recent tour, Mr. Gilliam, who began working at the GE campus in 1981, fiddled



Kevin Gilliam leads a tour of the old GE campus in Fort Wayne.

with dozens of keys as he opened up a heavy door leading into a building with abandoned cranes and steel beams with chipped paint, leading guests through the dark entrance. Developers hope this space will

house a brewery.

Mr. Gilliam joins hundreds of other GE veterans who are hopeful that the former campus will no longer be a blight on their community. These former GE workers are in talks

with developers on how to incorporate the campus's history into its modern new iteration.

"When I drive through the area now, my mind always goes back to when it was a bustling production center and all the involvement I had—it does bring back some sadness," said 76-year-old Weldon Schaeffer, who worked at GE's motor division for more than 30 years. "But I'm excited that it isn't going to end there."

closed the plant in 2015.

As the factory's impending abandonment was apparent, Eric Doden, then president of the Indiana Economic Development Corporation, negoti-

ated with GE to sell the site to a single developer, Baltimore-based Cross Street Partners, who are leading the project.

"What are your choices? To sit and look at this for 40 to 50 years as it crumbles?" said Mr. Doden, now chief executive of the Greater Fort Wayne Inc., the city's chamber.

Developers behind similar projects in Durham and St. Louis say it can take decades for the benefits of such projects to take hold.

Durham's American Tobacco Campus, for example, opened in 2004, but has added amenities and facilities since, including a startup incubator, and became a serious magnet for millennial talent only in the past six years or so.

Developers of the Fort Wayne project have taken exploratory trips to Durham.

They are also borrowing from similar projects they have developed in other cities, including the Hoen Lithograph building, a similarly abandoned manufacturing building in Baltimore, and also the Cortex Innovation community in St. Louis.

"Our economic data and indicators are ahead of what Durham was 20 years ago, and the signs are encouraging," said Mr. Sampson.

"But it could still go either way," he said.

U.S. WATCH

WEATHER

Deep Freeze Grips Large Part of Nation

Dangerously cold temperatures blamed for at least nine deaths in the past week have wreaked havoc across a wide swath of the U.S.

The National Weather Service issued wind chill advisories and freeze warnings Tuesday covering a vast area from South Texas to Canada and from Montana through New England.

Indianapolis' early Tuesday tied a record low of minus 12 degrees Fahrenheit for Jan. 2 set in 1887, leading Indianapolis Public Schools to cancel classes.

Police in St. Louis said a homeless man found dead inside a trash bin Monday evening apparently froze to death as the temperature dropped to negative 6 degrees.

Warming shelters were opened across the South as freeze watches and warnings blanketed the region.

Atlanta hospitals were seeing a surge in emergency-room visits for hypothermia and other ailments as temperatures plunged well below freezing. The temperature in Atlanta fell to 13 degrees before dawn Tuesday.

Forecasters are now tracking a storm that could bring snow and ice to the East Coast later this week.

—Associated Press

UTAH

Answers Sought In Fatal Bus Crash

Investigators on Tuesday were combing through a mangled bus to determine what caused it to career from a road in the Utah desert on New Year's Eve, killing a 13-year-old girl and injuring 12 other people.

The bus was carrying 14 people, including the driver, when it drifted off the shoulder of Interstate 70 and crashed about 300 miles south of Salt Lake City.

A passenger reported a possible medical issue with the driver, the Utah Highway Patrol said Monday in a news release.

The agency didn't respond to phone messages Tuesday seeking further comment about the investigation and the conditions of those injured.

Authorities identified the girl killed as Summer Pinzon of Azusa, Calif. She was traveling with her mother, who was hospitalized after the crash.

—Associated Press

COAL

Mining Deaths Rose To 15 Last Year

Coal mining deaths surged in the U.S. in 2017, one year after they hit a record low.

The nation's coal mines recorded 15 deaths last year, including eight in West Virginia. Kentucky had two deaths, and there were one each in Alabama, Colorado, Montana, Pennsylvania and Wyoming. In 2016 there were eight U.S. coal mine deaths.

West Virginia has led the nation in coal mining deaths in six of the past eight years. That includes 2010, when 29 miners were killed in an explosion at the Upper Big Branch mine in southern West Virginia.

—Associated Press



Peter Thiel at Trump Tower in New York in 2016. He is a technology adviser to the president.

Rise and Fall

Bitcoin, since the beginning of July



Source: CoinDesk

THE WALL STREET JOURNAL.

focused on global macroeconomic trends and had some success navigating the financial crisis before racking up investment losses by investing in havens and missing out on the rebound.

As a venture capitalist, Mr. Thiel and the Founders fund are among the most successful in Silicon Valley. Founders has more than \$3 billion under management and has taken stakes in more than 100 companies, including Facebook, Airbnb Inc., SpaceX and Lyft. More recent investments include the crypto-focused hedge funds Metastable Capital and Polychain Capital, which puts money into blockchain companies.

Mr. Thiel made the decision to buy up bitcoin together with Founders' other investment partners, a person familiar with the matter said. In an October onstage interview at an investment conference in Saudi Arabia, Mr. Thiel described cryptocurrencies as "charismatic."

"While I'm skeptical of most of them, I do think people are a little bit underestimating bitcoin, specifically, because it is like a reserve form of money,"

Mr. Thiel said. "If bitcoin ends up being the cyber equivalent of gold, it has great potential."

By buying bitcoin outright, as opposed to backing other companies doing business in the sector, Founders would seem to be breaking with its investing tradition, an investor said. But in communications with investors, Founders representatives have sought to cast the investment as a high-risk, high-re-

ward wager similar to its other venture bets, the people familiar with the matter said.

The representatives have told firm backers that a cascade of cash into technology companies has stretched their valuations to historic highs, making stakes in startups as dangerous a risk as ever. They say Bitcoin, on the other hand, could multiply several times over in the coming years.

Thanks to its rise, the bitcoin investment is already estimated as the most valuable in the Founders' most recent, \$1.3 billion venture fund.

Founders has also warned investors that bitcoin does share one potentially perilous similarity with more traditional venture-capital investments: The digital currency could be worth nothing, or close to it, in the end.

CORRECTIONS & AMPLIFICATIONS

Orange-juice futures in the U.S. declined 31.3% during 2017. A graphic showing 2017 performance of various assets in the Year-End Review & Outlook on Tuesday incorrectly showed a 31.4% decline.

Congress's Joint Committee on Taxation estimates the real-estate-tax deduction cost the federal government \$33 billion in 2017. A Page One article Dec. 27 about home-

owners prepaying their 2018 property taxes incorrectly said the estimate was for 2016. Also, about a quarter of taxpayers nationwide deducted their real-estate taxes in 2015, the latest year available, shaving roughly \$5,000 on average from their adjusted gross income. The article incorrectly said the average tax bill was reduced by roughly \$5,000.

A photo with a Review arti-

cle Saturday about Japan's 19th-century modernization pictured Emperor Taisho, son of the Meiji emperor. It was incorrectly captioned as the Meiji emperor himself.

The answer to the 12th question in the Dec. 30 Business & Finance news quiz was "D. Microsoft Excel." The answer key to the quiz incorrectly said the answer was choice "C."

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

THE WALL STREET JOURNAL

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

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

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

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

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

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: customercenter.wsj.com;

By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625);

Or by live chat at wsj.com/livechat

REPRINTS & LICENSING

By email: customreprints@dowjones.com

By phone: 1-800-843-0008

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

U.S. NEWS

Utah's Hatch to Retire at End of Term

Republican's exit could clear the way for a comeback by 2012 GOP nominee Romney

BY JANET HOOK
AND SIOBHAN HUGHES

WASHINGTON—Utah Sen. Orrin Hatch said he would retire when his current term ends next year, opening the door for a possible political comeback by 2012 Republican presidential nominee Mitt Romney.

Mr. Hatch, 83 years old and the longest-serving Republican senator, had been urged by President Donald Trump to run for re-election to an eighth term in 2018. But voters and political forces in Utah, including the state's largest newspaper, have pressed him to retire.

"Every good fighter knows when to hang up the gloves," Mr. Hatch said in a statement on Tuesday. "And for me, that time is soon approaching. That's why, after much prayer and discussion with family and



CHIP SOMODEVILLA/GETTY IMAGES

Sen. Orrin Hatch of Utah

friends, I've decided to retire at the end of this term."

Mr. Hatch, who was first elected to the Senate in 1976 and is chairman of the tax-writing Finance Committee, announced his decision soon after accomplishing one of the pinnacle achievements of his career, helping shepherd through Congress a \$1.5 trillion tax cut, which Mr. Trump signed into law on Dec. 22.

Appearing with the senator last month in Utah, Mr. Trump

A Long Career As a Lawmaker

Some legislative accomplishments of Sen. Orrin Hatch (R., Utah), the longest-serving GOP senator:

2017 Shepherded the GOP's \$1.5 trillion tax cut, which also repealed the Affordable Care Act's requirement that most people buy health insurance.

1997 With Sen. Ted Kennedy, a Democrat, co-wrote the Children's Health Insurance Program, or CHIP, which expanded health coverage for poor children.

1984 Championed, with Rep. Henry Waxman (D., Calif.), the Drug Price Competition and Patent Term Restoration Act, which encouraged the manufacture of generic drugs.

1977 Led the filibuster that killed an overhaul of labor laws.

said he hoped Mr. Hatch would "continue to serve your state and your country in the Senate for a very long time to come."

But in an October poll for the Salt Lake Tribune and the Utah-based Hinckley Institute of Politics, 75% of Utah voters said Mr. Hatch shouldn't run again. A Tribune editorial said Mr. Hatch should "call it a career" after passing the tax bill. "If he doesn't the voters should end it for him," the editorial said.

In a statement, Mr. Romney

thanked Mr. Hatch for his service but made no comment on his own plans. People close to him say they expect Mr. Romney, a Mormon who is popular in the Mormon-dominated state, would be the prohibitive favorite if he decided to run.

"Many of us believe his statesmanship and independent voice are needed in the U.S. Senate," said Ryan Williams, a former Romney adviser who said he hasn't spoken to him about the Senate.

Mr. Romney, the former governor of Massachusetts, was one of Mr. Trump's harshest critics in the 2016 campaign. Mr. Romney has a lot of support among Republicans in Congress and is popular in Utah, where he is credited with the success of the 2002 Salt Lake City Winter Olympics. In April, Senate Majority Leader Mitch McConnell (R., Ky.) said he had spoken to Mr. Romney about Mr. Hatch's seat, should it come vacant.

During the campaign, Mr. Romney called Mr. Trump a "fraud" and "phony." Pushing back, Mr. Trump called Mr. Romney a political "catastrophe" who "choked like a dog" when he was the GOP presidential nominee in 2012. The two appeared to mend fences to the extent that Mr. Trump considered naming Mr. Romney his secretary of state.

A Romney candidacy would likely provoke opposition from former White House political strategist Steve Bannon, who has promised to back insurgent GOP primary challengers.

The two are already at odds: Last month, Mr. Romney said Roy Moore, the unsuccessful Senate candidate from Alabama backed by Mr. Bannon, would be a "stain on the GOP and the nation." Mr. Bannon then denounced Mr. Romney as a Vietnam draft dodger who "hid behind your religion" because he got a deferment on religious grounds to serve as a missionary in France.

With or without Mr. Romney as their nominee, Republicans are heavily favored to hold the seat. The leading Democrat running for the seat is Jenny Wilson, a member of the Salt Lake County Commission; her father, Ted Wilson, was Salt Lake City mayor.

Joining Mr. Hatch in heading to the exits is Rep. Bill Shuster (R., Pa.), who also announced Tuesday that he wouldn't run for re-election. Mr. Shuster, chairman of the House Transportation Committee, would lose that post next year due to term limits for committee chairs.

Alabamian Brings Centrist Voice To Senate Floor

BY SIOBHAN HUGHES

WASHINGTON—Democrat Doug Jones is scheduled to be sworn in Wednesday as Alabama's newest U.S. senator, bolstering his party's moderate wing and raising the prospect of growing philosophical divides among the chamber's Democrats.

After Mr. Jones is seated, Republicans will control 51 seats, compared with 49 for Democrats. With that narrow majority, Republicans can lose

'I'm starting fresh.... I want to be that voice to try to bring people together.'

no more than one GOP vote and still confirm President Donald Trump's nominees on party-line votes. It also means that Republicans will need Democratic support to pass most legislation, which typically requires 60 votes to move past procedural hurdles.

How Mr. Jones—and the Democrats—use their strengthened position will go a long way toward determining what Congress accomplishes heading into the 2018 midterm elections.

Senate Majority Leader Mitch McConnell (R., Ky.) has

said he wants to reach bipartisan deals in areas such as infrastructure spending. Yet, many Democrats are still brooding about last year, when Republicans cut the tax rate, toppled a pillar of the Affordable Care Act and put a conservative on the Supreme Court.

No Democrat supported the GOP tax overhaul and the repeal of a mandate that individuals buy health-care insurance. Only three of them joined Republicans in voting to confirm Justice Neil Gorsuch on the nation's highest court.

"I'm starting fresh," Mr. Jones said in an interview. He said he wants to "reach some consensus to try to get things done," and that "I want to do that not only across the aisle but within my own party. We've still got divergent views even within the party. I want to be that voice to try to bring people together."

A former U.S. attorney, Mr. Jones became the first Alabama Democrat to win a Senate seat in 25 years after a complicated series of elections to fill the seat vacated by Attorney General Jeff Sessions.

He won in a December special election by defeating Republican Roy Moore, who had bested Sen. Luther Strange, the GOP's favored candidate, in a September party primary. Mr. Moore's candidacy was later hobbled by allegations of sexual misconduct with teenage girls when he was in his 30s;



Democrat Doug Jones is slated to become Alabama's junior U.S. senator on Wednesday when he is sworn in by Vice President Mike Pence.

Mr. Moore has denied those allegations.

In farewell remarks last month, Mr. Strange, who was appointed in February to fill the vacant seat temporarily, urged his successor and other senators to embrace a more bipartisan approach in the future.

"What was once an incubator of collegiality and bipartisanship has become a glaring reminder of the divisions that we have allowed to distract us from the business of the American people," Mr. Strange said.

Those messages from both

the incoming and outgoing senators from Alabama, however, are at odds with the center of gravity for Senate Democrats.

Democratic leaders started 2017 expressing a desire to find common ground with the GOP president and ended the year so alienated from the legislative process that they voted against an effort by a Republican senator, Florida's Marco Rubio, to make a \$1.5 trillion

GOP tax cut better for low-income families who are a traditional Democratic constituency.

Mr. Jones will face an early challenge in January, when

Congress must pass legislation to keep the government funded beyond mid-January. A source of tension has been whether to allow for similar defense and nondefense spending increases, as Democrats want, or to give military spending a more substantial increase, as many Republicans have advocated.

"That's going to be a very delicate issue for me," Mr. Jones said.

Mr. Jones's moderate approach is driven in part by the fact that he will be up for election in less than three years, forcing him to move quickly to

solidify his political standing if he hopes to be re-elected in the heavily Republican state.

Mr. Strange, who last year helped win money for a new littoral combat ship that is made in Alabama, hasn't ruled out running again and is planning to focus on public-policy issues. For now, Mr. Strange has offered guidance to Mr. Jones similar to what he is following.

"Think about Alabama—think about what its priorities are," Mr. Strange said he told Mr. Jones when he called to congratulate him on his victory.

Churches Can Rebuild With FEMA Aid

BY IAN LOVETT

Churches and other houses of worship are now eligible to receive federal disaster relief funding, government officials said Tuesday, as the Federal Emergency Management Agency overturned a longstanding rule barring such religious institutions from getting it.

Under the new rules, houses of worship damaged in a disaster on or after Aug. 23—days before Hurricane Harvey slammed into Texas—can receive money to help rebuild.

Advocates for separation of church and state argued that using those funds to rebuild houses of worship would amount to unconstitutional government support of religion.

Already, houses of worship can be reimbursed by the federal government for other services, including shelter for people who have been displaced.

Daniel Blomberg, a lawyer at the Becket Fund for Religious Liberty, which represented several houses of worship that sued the federal government over disaster relief, said: "By finally following the Constitution, FEMA is getting rid of second-class status for churches."

Chickens Cross the Road



CALIFORNIA HIGHWAY PATROL HANDOUT/ASSOCIATED PRESS

GETTING TO THE OTHER SIDE: A California Highway Patrol officer removed a chicken from Interstate 605 Tuesday after a cage fell off the back of a truck in Norwalk. Two birds died; 17 were rescued.

Number of Female Prisoners Continues to Rise in Oklahoma

BY ELIZABETH WINKLER

Oklahoma incarcerates more women per capita than any other state—about 151 out of every 100,000, double the national average—and voters have passed two measures aimed at effecting change.

Both went into effect in July. One reduced certain low-level crimes, including drug possession, from felonies to misdemeanors punishable by treatment instead of jail time. The second created a fund intended to allocate savings from the reduction to rehabilitation.

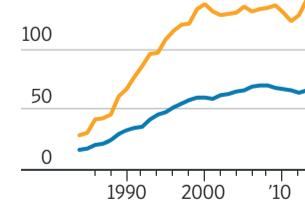
Yet the prison population continues to balloon; the Department of Corrections has requested more than \$1.5 billion for next year, tripling its current budget of \$485 million.

More than half of the funds are needed to build two new prisons, said Joe Allbaugh, the department's director. Lawmakers will make a decision during the coming legislative session, but a \$215 million budget shortfall makes it unlikely that the request will be approved.

The state's incarceration rate isn't because of unusually high crime, but the result of extremely punitive laws, says

Behind Bars

Oklahoma has had the highest female imprisonment rate in the nation for the past few decades. Female prisoners per 100,000 female residents:



Source: National Prisoner Statistics Program
THE WALL STREET JOURNAL

Susan Sharp, a University of Oklahoma sociology professor.

Many states have cut their prison populations by reducing sentences for nonviolent crimes and investing in drug and mental-health treatment. In Georgia, which was facing projected 8% prison growth in 2011, policy makers introduced overhauls that led to a 6% decline by 2015, lowering costs for taxpayers.

But Oklahoma continues to admit more nonviolent offend-

ers than other states—48% more than its neighbor, Missouri, which has a similar crime rate. Oklahoma's total prison population, including men, reached 28,850 in June 2016, according to an official report.

Since 2011, Oklahoma's female prison population has grown 30%. Most are serving time for drug crimes. The state's female prison population is expected to grow 60% in the next 10 years, while the total prison population is projected to grow 25%, according to a study by the state's Justice Reform Task Force.

Phyllis VanScoy, an inmate at the Oklahoma City Community Corrections Center, has been addicted to drugs most of her adult life. Raised by relatives, she had patchy memories of her mother, a methamphetamine addict. She found her in Oklahoma City. "I wanted to make her pay for what happened to my brother," who committed suicide when he was 13, she said.

"We see this generational cycle repeat itself time and again," said Kris Steele, a former speaker of the House in Oklahoma who now runs a nonprofit that prepares inmates to re-enter society.

U.S. NEWS

Tax on College Endowments Sparks a Spat

By MICHELLE HACKMAN

WASHINGTON—Republican lawmakers are looking for a way to exempt a small, tuition-free college in Kentucky from a provision in their new tax law that imposes a levy on university endowments, prompting charges of favoritism from Democrats.

Republicans say Berea College deserves the exemption because the small liberal-arts Christian college is unusual, even unique: It accepts only low-income students and fully covers their tuition costs, while they work to pay for living expenses.

"Each year, Berea uses the returns on its endowment almost solely for scholarships, which sets it apart from nearly every other college and university in the nation," Senate Majority Leader Mitch McConnell (R., Ky.) said recently on the Senate floor.

Democrats, however, accuse Mr. McConnell of favoring a school in his home state while ignoring the fact that the new law, by taxing large university endowments, damages numerous other schools that also subsidize poorer students.

"The truth is that while Berea College is an excellent school, there are colleges all over this country that use their endowment funds to provide free, or significantly reduced, tuition for lower-income students," said Sen.

Bernie Sanders (I., Vt.). Mr. Sanders successfully pushed for the Berea exemption to be stripped from the tax bill on procedural grounds.

Now, Republicans hope to insert a Berea exemption in a coming spending or tax bill.

"This is what happens when complicated legislation is written behind closed doors and is enacted hastily," said Terry Hartle, a senior vice president at the American Council on Education, which represents university presidents and opposes the endowment tax.

The debate over Berea reflects a broader dispute not just over the effects of the new tax law, but also over the role and value of higher education in America.

Republicans created the tax on large university endowments, defined as those worth at least \$500,000 per student, as one of several new sources of revenue in their \$1.5 trillion net tax cut.

The tax is expected to bring in \$1.8 billion over a decade and sweeps in about 30 schools, from large research universities like Harvard and Stanford to smaller liberal arts colleges like Swarthmore in Pennsylvania.

Lawmakers for years have cast about for ways to pressure universities to put more endowment resources toward financial aid. President Donald Trump, when he was a candidate on the campaign trail, they say, the tax targets the very places that often provide



Republicans want to exempt Kentucky's Berea College from a new tax. Democrats see favoritism toward Sen. Mitch McConnell's state.

"paying more to hedge funds and private-equity managers than they are spending on tuition assistance."

The tax law doesn't deal with that issue, because it doesn't provide incentives for colleges to provide aid.

Still, Rep. Kevin Brady (R., Texas), chairman of the tax-writing Ways and Means Committee, said the new law puts the treatment of wealthy universities in line with that of large private foundations.

Democrats say the Republicans just used the tax law to target what they see as highly educated, liberal elites.

The affected universities are raising alarms, saying the new tax will siphon money that would otherwise go to aiding students. In penalizing the wealthiest institutions, they say, the tax targets the very places that often provide

Abolitionists Began Kentucky School

Berea College in Kentucky was founded in 1855 by abolitionists as a place to educate freed slaves and white students side-by-side.

The school has become known for graduating low-income students, often debt-free, who give back to the institu-

tion later in life.

Berea's president, Lyle Roelofs, estimated the school would owe a little more than \$1 million a year in taxes on earnings from its \$1 billion endowment under the new Republican tax overhaul. That's the equivalent of educating about 30 students at \$35,000 a head, he said.

"I'm sure the government could use the \$1 million from us, but I'm also sure that 30

students could use the free education more," he said.

GOP leaders initially included a provision in their tax bill to exempt Berea from a new tax on endowments. But they used a parliamentary procedure that required the tax bill to meet certain rules. When the Senate parliamentarian ruled the provision exempting Berea didn't meet those rules, Democrats raised a procedural challenge that stripped it out.

lys said the effect of the tax will be muted, particularly for universities with multibillion-dollar endowments. It's possible that smaller schools, like Grinnell, could feel a larger impact, they said.

Republican lawmakers say the impact on Berea will be more tangible.

WASHINGTON WIRE

JUSTICE DEPARTMENT

Trump Urges Action Against Clinton Aide

President Donald Trump accused the Justice Department of being part of the "deep state" and suggested it "must finally act" against a top aide to former Democratic rival Hillary Clinton and former Federal Bureau of Investigation Director James Comey.

The "deep state" refers to an alleged shadowy network of powerful entrenched interests that some Republicans say are trying to undermine Mr. Trump.

The GOP president tweeted Tuesday: "Crooked Hillary Clinton's top aid, Huma Abedin, has been accused of disregarding basic security protocols. She put Classified Passwords into the hands of foreign agents. Remember sailors pictures on submarine? Jail! Deep State Justice Dept must finally act? Also on Comey & others."

Mr. Trump appeared to be referring to a report in the conservative Daily Caller that Ms. Abedin sent government passwords to her Yahoo email before it was hacked.

—Associated Press

BORDER POLICY

President Lashes Out On Immigration Policy

President Donald Trump criticized Democrats for "doing nothing" to protect people brought to the U.S. as children and living here illegally.

In a move widely criticized by Democrats, Mr. Trump ended the Deferred Action for Childhood Arrivals program last year but delayed its end for six months. The program protects from deportation tens of thousands of young immigrants brought to the U.S. as children.

The Republican president is demanding funding for a wall along the Mexico-U.S. border and an end to family based immigration programs as part of an agreement on the program. But Democrats and a few Republicans have suggested they may not vote for government funding that doesn't include protections for young immigrants.

Mr. Trump tweeted that "DACA activists and Hispanics will go hard against Dems, will start 'falling in love' with Republicans and their President! We are about RESULTS."

—Associated Press

Dawn of a New Year



GETTING BACK TO WORK: People walk and jog across the East Plaza of the Capitol on Tuesday as Congress prepares to begin its 2018 session. At the top of the agenda is the possibility of a government shutdown if a spending pact isn't reached by Jan. 19.

RALLY

Continued from Page One

19% rise. The only two times the Nasdaq has passed 1,000-point milestones faster were the 38 trading sessions the index took to advance to 4,000 in 1999 and the 49 sessions it needed to top 5,000 in 2000—shortly before the dot-com bust.

Investors and analysts say there are few signs of a stock bubble today, yet the rapid appreciation in everything from

time last April 25.

Many investors and analysts have attributed much of stocks' recent climb to strong corporate earnings, a potential boost from tax cuts and signs of improving global growth, all of which help offset worries that the surge has stretched stock valuations unsustainably.

Earnings by technology companies soared in 2017, but they were unable to keep up with share-price gains. The Nasdaq Composite recently traded at roughly 28 times the past 12 months of earnings for companies in the index, the highest level since 2004, according to Thomson Reuters Datastream.

"Is it a bubble? No. Is it uncomfortably expensive? For me, it is," said David Rosenberg, chief economist and strategist at Gluskin Sheff + Associates Inc.

Of course, prices relative to earnings remain far more subdued than at the height of the dot-com boom, when many investors measured a company's value based on how many page views an internet site received in a given month instead of its earnings. Also, the Nasdaq Composite is no longer as concentrated in technology companies. In 2000, nearly

two-thirds of the market capitalization of the index was tech stocks, compared with 45% this month.

"We find that arguments about valuation being stretched certainly at the individual stock level are not true," said Jeffrey Krumpelman, chief investment officer at RiverPoint Capital Management, which favors tech stocks like Alphabet, Facebook and Broadcom Ltd. He believes the increasing profitability of tech companies means their shares will continue to rise at a pace greater than the market."

The tech industry and its importance in the wider economy have changed dramatically since the last boom. In the late 1990s, investors were largely betting on the promise of the internet. Today, with the decade-old smartphone boom and advances in areas such as cloud computing and artificial intelligence, technology is deeply embedded in the way people work, play and do business, and has transformed industries including retail and entertainment.

That is reflected in the list of the most dominant companies. The five biggest Nasdaq companies by market value in 2000—Microsoft, Cisco Systems Inc., Intel Corp., Oracle



The Nasdaq has risen faster than other major U.S. indexes.

Corp. and Sun Microsystems—were focused heavily on building the internet or serving technology to businesses. Today Microsoft remains in the top-five group, but the other four—Alphabet, Amazon.com, Apple and Facebook—are ubiquitous consumer-focused businesses with enormous profits from selling products and digital advertising.

Much of the speculation for new technologies remains in

the private market. Many of the fastest-growing tech companies are steering clear of public listings in favor of raising money from venture capital funds that are flush with cash.

In 1999, nearly 550 companies completed initial public offerings in the U.S., with about 375 of those being internet or tech companies. In 2017, there were 189 U.S.-listed IPOs, 37 of which were by tech

or internet companies, according to Dealogic.

Still, individual investors' enthusiasm for stocks is on the rise, a trend that worries some money managers.

Expectations that stock prices will climb over the next six months jumped to 53% for the week ended Dec. 27, above their historical average of 39%, according to the AAII Sentiment Survey. That level hasn't been seen in more than three years.

Equity strategists at Bank of America Merrill Lynch said investor mood tends to drive returns in the later stages of a bull market. They warned in December that "2018 could be the year that investors max out."

"Usually the best time to buy equities is when everyone is depressed and people are hiding under the table," said Mr. Rosenberg of Gluskin Sheff, noting that this was the case in the spring of 2009. Today, market-sentiment readings are near record highs and stock portfolio managers are holding less cash than typical.

A milestone such as the Nasdaq crossing 7,000 "will be a real test of investor resolve," he said. "This is probably one of those times to become a little cautious."

tech shares to industrial stocks to bitcoin recently has some concerned about whether the nearly nine-year bull market could be flirting with a peak.

On Tuesday, the Nasdaq rose 103.51 points, or 1.5%, to 7,006.90. It has been 174 trading sessions since the index closed above 6,000 for the first

WORLD NEWS

South Korea Proposes Talks With North

Seoul wants to meet on Olympics, weapons; Trump warns he has bigger nuclear button

By ANDREW JEONG

SEOUL—South Korea quickly seized on an opening from North Korea and offered to meet next week to discuss the Winter Olympics and Kim Jong Un's nuclear program, an overture that could clash with U.S. efforts to isolate Pyongyang.

The proposal on Tuesday came a day after Mr. Kim said in a speech that North Korea would be open to sending a delegation to the Games, which open next month in Pyeongchang, South Korea. But Mr. Kim accompanied his outreach with a demand that North Korea be recognized as a nuclear power and a message that Pyongyang had completed its weapons program, which has brought international condemnation on his regime.

President Donald Trump acknowledged Mr. Kim's outreach to Seoul. "Rocket man now wants to talk to South Korea for first time," he wrote Tuesday morning on Twitter, using a nickname he has given Mr. Kim. "Perhaps that is good news, perhaps not - we will see!"

But several hours later, Mr. Trump heated up the rhetoric, tweeting: "Will someone from his depleted and food starved regime please inform him that I too have a Nuclear Button, but it is a much bigger & more powerful one than his, and my Button works!"

The U.S. has long insisted that North Korea show a willingness to denuclearize as a precondition for talks with Washington, though Secretary of State Rex Tillerson appeared to moderate that demand in recent remarks.

The White House on Tuesday declined to say whether it supported the proposed talks between the two Koreas.



South Korean Unification Minister Cho Myoung-gyon said he expects Pyongyang to agree to discuss participating in the Winter Games.

"Our policy on North Korea hasn't changed," White House spokeswoman Sarah Huckabee Sanders said. "The United States is committed and will still continue to put maximum pressure on North Korea to change and make sure that it denuclearizes the peninsula. Our goals are the same and we share that with South Korea, but our policy and our process has not changed in this."

South Korean Unification Minister Cho Myoung-gyon said his country seeks to meet North Korean officials on Jan. 9 at the Panmunjom truce village, an enclosed area within the demilitarized zone on the inter-Korean border.

"The North will have its own objectives for coming to talks, if it accepts our proposal," Mr. Cho said. "But considering Kim

Jong Un mentioned the possibility of North Korea participating in the Winter Games, we expect the North to be prepared for that topic, and although we will seek to discuss other topics, the Winter Olym-

'Rocket man now wants to talk to South Korea for first time,' Mr. Trump tweeted.

pics will be the priority."

North Korea didn't immediately respond.

Earlier Tuesday, South Korea's presidential Blue House said the "improvement of South and North Korean rela-

tions cannot be independent from the North Korean nuclear-weapons problem."

Mr. Cho believes the North's participation in the Winter Olympics would lower the probability of a clash, a Unification Ministry spokeswoman said.

Mr. Kim on Monday appeared to demand that in return for sending a North Korean delegation to the Winter Olympics, Seoul must suspend its participation in annual military exercises with the U.S.

"The South Korean authorities should respond positively to our sincere efforts for a detente instead of inducing the exacerbation of the situation by joining the United States," he said in the New Year's speech, according to the official Korean Central News Agency.

South Korean President

Moon Jae-in has proposed postponing the exercises.

Ms. Sanders, the White House spokeswoman, said the U.S. alliance with South Korea remains stronger than ever.

"We're in close contact with those people about a unified response," she said about the South Koreans. "We're going to continue to work with South Korea to put maximum pressure on North Korea."

The U.S. has repeatedly said all options on dealing with North Korea are on the table, including a military attack.

"This is part of a larger pattern of South Korea trying to restrain America by taking away the military option," said Robert Ross, professor of political science at Boston College.

—Michael C. Bender contributed to this article.

Fitful Overtures To Rapprochement

There have been many efforts at diplomatic engagement. Here are some of them.

2014

◆ **January** North Korean dictator Kim Jong Un proposes talks with the South after a period of hostility.

◆ **February** Talks commence, and some families separated by the 1950-53 Korean War are allowed to meet.

◆ **August** South Korean President Park Geun-hye urges talks and rapprochement with the North.

◆ **October** North Korean delegation visits Incheon, South Korea, during Asian Games. Senior-level talks fail.

2015

◆ **December** High-level talks are held in Kaesong, North Korea, but fail in disagreement over reopening a resort in North Korea.

2016

◆ **February** Seoul pulls South Korean nationals out of Kaesong Industrial Complex, denting cash flow to the North.

2017

◆ **July** President Moon Jae-in is elected with a pro-engagement platform and proposes talks between military officials and Red Cross officials. The North doesn't respond.

2018

◆ **January** A day after Kim Jong Un says he is willing to send a delegation to the 2018 Winter Olympics in South Korea, Seoul proposes talks to discuss the possibility.

WORLD WATCH



CARACAS FUNERAL: Mourners remembered Alexandra Conopoy, 18 years old and pregnant when a Venezuelan National Guardsman shot and killed her in a food queue Dec. 24. He has been arrested.

PAKISTAN

U.S. Envoy Called In Over Trump Tweet

The Pakistan government summoned the U.S. ambassador to complain about a critical tweet by President Donald Trump but stopped short of demands by a protesting Islamic group to expel the envoy.

Mr. Trump on Monday tweeted that the U.S. had "foolishly" given Pakistan more than \$33 billion in aid in the past 15 years and had received nothing in return but "lies & deceit."

He also reiterated longstanding allegations that Pakistan gives "safe haven to the terrorists we hunt in Afghanistan."

A statement issued after a National Security Committee meeting, which was attended by Pakistan's prime minister and the powerful army chief of staff, said the U.S. was blaming Pakistan for its own failure to bring peace to Afghanistan after 16 years of war. Pakistan denies supporting militants.

Defense analyst and retired Pakistani Gen. Talat Masood said vilifying Pakistan won't bring stability to the region and belittles the losses Pakistan has suffered.

"The people of Pakistan, the government of Pakistan [has] been really seriously affected and its consequences are felt ev-

ery day," Gen. Masood said. "America needs Pakistan. Without the help of Pakistan, it can never have stability in the region."

The Islamist Jamaat-ud-Dawa movement held protests in Lahore on Tuesday, calling for the expulsion of the U.S. ambassador. —Associated Press

MOLDOVA

Court Temporarily Suspends President

The Constitutional Court temporarily stripped the country's pro-Moscow president of his duties for his refusal to endorse new ministers in a political standoff.

President Igor Dodon rejected the court's Tuesday ruling, which said his powers should be given to the Parliament speaker or prime minister. He accused the court of being "a political tool, not a constitutional body."

Mr. Dodon is at odds with the ruling coalition, which favors closer relations with the European Union and the U.S.

In October, the court suspended his powers after he refused to appoint another minister. This time, Mr. Dodon said the ministerial candidates were incompetent, claiming some were involved in a 2014 scandal in which \$1 billion was siphoned from Moldova's banking system.

The ruling coalition had asked the court to suspend Mr. Dodon's powers so ministers could be appointed.

—Associated Press

BULGARIA

President Vetoes Anti-Graft Bill

President Rumen Radev vetoed anti-corruption legislation approved by Parliament, saying it wasn't strong enough to effectively combat graft.

He vetoed the bill a day after the country took over the rotating six-month presidency of the 28-nation European Union.

Bulgaria, a country of 7.1 million, joined the EU in 2007 and remains the poorest and one of the most corrupt members of the bloc. Brussels has repeatedly criticized it for failing to efficiently fight corruption or organized crime and for failing to overhaul its judiciary.

Mr. Radev said the new anti-corruption law wasn't robust enough and criticized the fact that Parliament will elect the board of a new anti-corruption body, saying that risks political interference in criminal matters.

"These measures, albeit necessary, are insufficient for the effective suppression of corruption that the public expects," Mr. Radev said in a statement. —Associated Press

WITH AI, THE FUTURE IS OPEN TO SUGGESTIONS

Tools have always helped us achieve great things. Hitachi's AI is the tool that's pushing businesses further. Right now, we're already achieving various business goals—helping industries improve productivity, reduce costs and increase happiness. You simply set the outcome, and together with Hitachi's AI, we'll uncover the possibilities.

social-innovation.hitachi

Hitachi Social Innovation

HITACHI
Inspire the Next



The New WSJ iPhone App



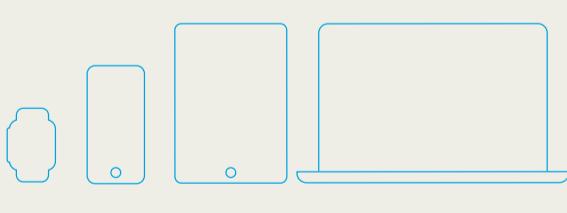
An enhanced reading experience.

Introducing our latest app feature—MyWSJ. Discover content through a personalized news feed, save articles to read later and easily share stories with others. Available now on the new WSJ iPhone app.

DOWNLOAD NOW



THE WALL STREET JOURNAL.
Read ambitiously



WORLD NEWS

Iranians Turn To Telegram App As Protest Tool

BY SAM SCHECHNER
AND STU WOO

Nearly a decade ago, a then-fledgling internet tool played a starring role in a protest movement that swept Iran, with organizers and witnesses communicating with each other, and the rest of the world, via Twitter.

Today, a loose-knit group of Iranian protesters has added a new tool: Telegram, a smartphone messaging app that people have used to share information about demonstrations and videos of gatherings.

"Telegram has been the most important tool for many Iranians to access uncensored news and information," said Fereidoon Bashar co-director



Pavel Durov,
chief executive
of Telegram,
has said Iran
blocked access
to the app for
many Iranians.

gram, the photo-sharing site owned by Facebook Inc., state media has reported. The semiofficial Iranian Labor News Agency reported over the weekend that authorities had ordered blockages of mobile and landline internet access in areas near protests or antigovernment gatherings.

In response, Iranians have ramped up their use of circumvention tools to allow apps like Telegram to function, according to activists and developers of the tools.

State Department spokeswoman Heather Nauert said the U.S. is calling on Iran to stop blocking social-media sites and to respect the rights of protesters to speak freely in public and online.

"When a nation clamps down on social media...we ask the question, 'What are you afraid of?'" she said.

Telegram's chief executive, Pavel Durov, said in a statement over the weekend that the government was blocking access to Telegram for the majority of Iranians.

Mr. Durov said the government's move came after the company refused to shut down channels in which protesters posted information about gatherings, including one that was giving times and places for protests and distributing videos of unrest. He said Telegram shut down one channel that violated Telegram's rules against calls for violence.

Mr. Durov and a Telegram spokesman didn't respond to requests to comment on Tuesday.

A spokesman for Instagram declined to comment. An Iranian government representative didn't immediately respond to a request to comment.

Telegram has become a fa-



Students protest in Tehran, their mobile phones aloft. The use of social media has facilitated protests, prompting efforts to block it.

Regimes Try to Clog Information Flow

Use of Social Media Spurs Cat-and-Mouse Game on Web

Iranians' use of social media to facilitate protests, and the government's efforts to block them, represent the latest moves in a cat-and-mouse game that has played out in several countries in recent years.

Access to uncensored com-

munication tools—including Twitter Inc.'s service—helped fuel the unrest that swept across Iran in 2009 by allowing protesters to share news and organize gatherings using services outside of the government's control.

Protesters used Twitter, Facebook and other new platforms during the Arab Spring uprisings that erupted in 2011.

Since then, Iran and other countries including China, Turkey and Russia have increased their

efforts to police the internet. In many cases they use technological filters—similar to those companies make to thwart cyberattacks—to spot and censor traffic they don't like.

Those filters have led to a technological arms race. Gov-

ernments make or buy subtler and more effective filters, while activists and protesters use an evolving set of technologies to redirect or obfuscate their internet traffic and thereby side-step the blockades.

Mr. Durov, Telegram's 33-year-old founder and owner, has marketed his privately held company to people suspicious of governments. He founded Russia's equivalent of Facebook, VKontakte, but left Russia after government pressure. He started Telegram in 2013.

Telegram, which is free, doesn't sell ads and says it isn't interested in making a profit. The company says it is supported by Mr. Durov's personal money.

In a 2016 interview, Mr. Durov said he and a small group of Telegram programmers didn't have a permanent home in part because they didn't want to be beholden to one country's regulations. He said they rented accommodations in a city for weeks at a time before moving onto another. Recent homes had included Barcelona, Berlin, and London.

—Felicia Schwartz
and Asa Fitch
contributed to this article.

of ASL19, a Canada-based research and tech lab that helps people in Iran access information. Sharing news and information has become important during the protests, which have evolved without centralized leadership, Mr. Bashar said.

Iranians' use of social media to facilitate protests, and the government's efforts to block them, represents the latest moves in a cat-and-mouse game that has played out in several countries in recent years.

The Iranian government has moved to rein in protesters' ability to organize and communicate. It is restricting access to Telegram and Insta-

vorite because of its perceived privacy. It is a messaging app, similar to Facebook-owned WhatsApp, that can be used on a smartphone or computer. It touts its speed and security; users can set messages to self-destruct on its "secret chat" feature.

Using this function, Telegram users can choose to have messages encrypted, so even Telegram doesn't have

access to the data. Non-“secret chat” messages are essentially split up and stored on Telegram servers throughout the world. Telegram says it would take court orders from several countries to force the company to give up data. In addition to sending messages to individuals and groups, users can create or join “channels” to broadcast to large audiences.

Telegram has come under fire in the U.S. and Europe, where authorities have accused it of helping disseminate terrorist propaganda, as well as allowing encrypted communication between terrorists.

Telegram has said that banning encrypted messages to deter terrorism wouldn't work because extremists would find other ways to covertly communicate.

IRAN

Continued from Page One

Sunday that Iranians "are finally getting wise as to how their money and wealth is being stolen and squandered on terrorism." On Monday, Israeli Prime Minister Benjamin Netanyahu said Iran's regime "wastes tens of billions of dollars spreading hate."

On Tuesday, U.S. Ambassador to the United Nations Nikki Haley called for emergency meetings of the Security Council and the U.N.'s Human Rights Council. "The people of Iran are crying out for freedom," she said.

Meantime Tuesday, the European Union criticized "the unacceptable loss of lives" in Iran and said human rights would be "a core issue in our relationship with Iran."

Mr. Khamenei, who has final say in matters of state, has direct control over the Islamic Revolutionary Guard Corps, the military force that has spearheaded Iran's efforts to counter its foes abroad.

In Syria, thousands of IRGC commanders and Iran-backed militia fighters have helped sustain the regime of President Bashar al-Assad, fending off challenges by rebel groups as well as by Islamic State militants who are nearing defeat there.

Ali Alfeneh, a nonresident senior fellow at the Atlantic Council in Washington, said he had identified 527 IRGC deaths in Syria, which he estimated were about 10% of Iran's total deployment, suggesting the total number of troops could be more than 5,000.

Financial aid for Syria has been ample, too, helping prop up a Syrian economy devastated by almost seven years of war. Last year, Iran extended a \$1 billion line of credit to Syria, adding to the \$5.6 billion credit it had given in 2013 and 2015. Iranian oil shipments to Syria have provided another valuable lifeline.

Iran is heavily involved in Lebanon, too, where it helped found the Shiite militia Hezbollah in the mid-1980s and still closely backs it. Western and Saudi officials say the country has supported Yemen's Houthi rebels, who are fighting a war against Saudi Arabia.



Protesters marched inside Tehran University on Saturday.

Rouhani proposed increases in military spending for the coming Iranian year beginning in March, at the same time as he outlined higher taxes and slashed subsidies.

The spending on the military included around \$8 billion for the IRGC, which derives further financial support from sources outside the state budget. The force has a large economic footprint within Iran, with significant interests in industry, mining, engineering and agriculture that generate income and aren't subject to government oversight.

Along with high military spending, the proposed budget outlined a tripling of a tax on flights out of the country to about \$60, a measure that angered lower- and middle-income Iranians who vacation in Turkey and other nearby countries. The budget also called for higher fuel prices and for cash handouts for the poor to be reduced by 45%.

Although such moves may have helped fuel the protests, analysts say Iran's leadership believes its military activities abroad are critical to safeguarding national security. After pushing back Islamic State insurgents, Iranian forces are seeking to establish supply lines across Iraq and Syria into Lebanon, allowing it to supply Hezbollah and gaining an outlet to the Mediterranean.

"Tehran is unlikely to change its regional posture merely 'to placate protesters,'" said Lima Khatib, head of the Middle East and North Africa program at Chatham House, a U.K. think tank.

The government offered some spending clues in its latest budget. Last month, Mr.

Raja Abdulrahim, Jared Malsin and Isabel Coles contributed to this article.



CERTAINTY

is hard to come by these days.



Investors are seeking direction in today's uncertain world. How long will the U.S. bull market run? What's keeping inflation so low? With risk rising, where are the potential investment opportunities? And what does this all mean for your portfolio? Wilmington Trust provides insight and guidance for investors seeking to sidestep hazards, navigate uncertainty, and stay on a path to protect and grow their assets.

For a deeper understanding of the markets and the economic trends likely to unfold in 2018, download our Capital Markets Forecast, *Global Positioning Systems: Recalculating in Light of Detours, Bumps, and Blind Spots*, at wilmingtontrust.com/cmf.

WILMINGTON TRUST

PART OF THE M&T BANK FAMILY

WEALTH PLANNING | TRUST AND ESTATE SERVICES | INVESTMENT MANAGEMENT | PRIVATE BANKING

*Private Banking is the marketing name for an offering of M&T Bank deposit and loan products and services.

Investments: • Are NOT FDIC-Insured • Have NO Bank Guarantee • May Lose Value

Wilmington Trust is a registered service mark. Wilmington Trust Corporation is a wholly owned subsidiary of M&T Bank Corporation. Wilmington Trust Company, operating in Delaware only, Wilmington Trust, N.A., M&T Bank, and certain other affiliates provide various fiduciary and non-fiduciary services, including trustee, custodial, agency, investment management, and other services. International corporate and institutional services are offered through Wilmington Trust Corporation's international affiliates. Wilmington Trust Investment Advisors, Inc., a subsidiary of M&T Bank, is an SEC-registered investment advisor providing investment management services to Wilmington Trust and M&T affiliates and clients. Loans, credit cards, retail and business deposits, and other business and personal banking services and products are offered by M&T Bank, member FDIC.

©2018 Wilmington Trust Corporation and its affiliates. All rights reserved.

IN DEPTH

BRANDS

Continued from Page One

Today, that isn't good enough. Shoppers have gravitated in droves toward smaller, niche or locally made products. In many cases, they are seeking healthy alternatives and more natural ingredients. Manufacturing costs have fallen, allowing small players to seize on trends. Social media and e-commerce have made marketing and distribution easier.

"Basically there are no entry barriers," says Peter Ter Kulve, a 20-year Unilever veteran tapped as its "chief transformation officer."

More than a decade ago, he said, Unilever centralized decision making, believing consumers in similar income brackets, from Miami to Mumbai, would be drawn to the same global brands. Instead, "the more things globalize, the more people want to affiliate with everything that is local," he said. "This has led to unbelievable fragmentation."

The global market share of the top 15 beauty and personal-care companies fell to 51.8% in 2016 from 52.5% in 2011, according to Euromonitor. Meanwhile, the share of the next 85 grew to 19.8% from 18.1%.

The stakes are high for Unilever. The company was formed in 1929, when a British soap maker founded in the Victorian era combined forces with a slightly older Dutch margarine producer. Today, it remains a global giant in personal care and food, two sectors hard hit by changing consumer tastes and the rise of smaller entrants.

Some of the world's biggest investors say these big brands are doomed if they don't change radically. In December, veteran activist investor Nelson Peltz won a highly public battle for a board seat at Procter & Gamble Co., maker of Gillette razors and Tide detergent. He is pushing for an overhaul at the Cincinnati giant to retool its approach to selling consumer goods around the world. P&G says the same big brands that have powered it through past decades remain relevant today and just need to be presented in different ways, using different media.

Switzerland-based Nestlé SA, the world's biggest pack-

aged-food company, has an activist investor of its own in American billionaire Dan Loeb.

Last year, Unilever found itself in the crosshairs, too, after Kraft Heinz Co. launched a surprise \$143 billion takeover bid.

Unilever Chief Executive Paul Polman fended off the approach, but executives were shaken by the unwelcome bid.

Mr. Pitkethly, the CFO, unveiled in 2016 what he called the company's biggest shake-up in a decade, pushing more decision making to local executives and giving them more say over how and when to launch new products. The company is also cutting costs.

Unilever says the changes have helped speed up its reactions to new threats and opportunities. The death of Thailand's king in October 2016 triggered a year-long period of mourning there. Unilever's Thai unit launched Breeze Black, a detergent formulated for black clothes, in 12 weeks—about a quarter of the usual launch time for a new product.

Shoppers have gravitated in droves toward niche or locally made products.

The company increased the number of products it launched for local markets by over 50% in 2017. At the same time it has scaled back the number of global launches but increased their size. The restructuring "enables us to be more global, more local," said home-care head Nitin Paranjpe.

Critics say the moves aren't enough. "We think big incumbents, however well managed, are going to continue to struggle against the depredations of the 'ankle-biters,'" said RBC analyst James Edwards Jones.

In its bid to be more agile, Unilever has made missteps. The company's India unit rushed out a masala mix in 50-gram zip-lock pouches under its popular Knorr brand, only to discover that Indians prefer the 100-gram cartons competitors offered. The new mix also didn't account for variations in how people in different regions of India use spices.

"It's better to experiment in

a couple of markets and learn by doing, improving, iterating with consumers, and then when it works try to roll it out to other places," Mr. Ter Kulve said.

In some other battles, Unilever is being outfoxed. Halo Top, a low-sugar, high-protein ice cream, exploded from a kitchen experiment seven years ago to become a household name. When the Los Angeles-based brand became America's best-selling ice-cream pint last year, executives at Unilever's premium brand, Ben & Jerry's, were stunned.

"It's all they talked about," said a former Ben & Jerry's executive, referring to former colleagues.

Ben & Jerry's has long been marketed as a wholesome brand that uses natural ingredients, making it ill-suited to take a run directly at Halo Top, whose magic ingredient and sweetening agent is sugar alcohol, the former executive said.

Instead, Unilever turned to its lower-priced Breyers brand, and rolled out an answer over the summer: Breyers Delights uses sugar alcohol, too, and mimics Halo Top's packaging—splashing its calorie and protein content in big numbers on the front of cartons. But the new product hasn't yet done much to shore up Breyers' position.

Mr. Pitkethly in October estimated Halo Top had about 5% of the overall U.S. ice-cream market, 1.5% of which it stole from Unilever. He expects a pickup for the companies' brands this year but says Unilever's reaction to Halo Top is still "not quick enough."

Halo Top's 38-year-old CEO, Justin Woolverton, says he is focused on raising brand awareness and getting into more stores. "We are very, very differentiated from old-school brands," he said. "We understand social media out there because we are a younger company."

Unilever wasn't supposed to have this kind of problem. It sells products in 190 countries, making most of its revenue from emerging markets where its roots stretch back to colonial days. Over the decades, it has worked to tweak its biggest global brands to account for regional tastes. In Indonesia, for example, it says its Sunsilk shampoo is formulated for hijab-wearing women who com-



Unilever's Ayush products get a dedicated sales display at a supermarket in Coimbatore, India.

SAABIR CHAUDHURI/THE WALL STREET JOURNAL

Buying the Competition

Unilever has made a string of small to mid-sized acquisitions lately.

DOLLAR SHAVE CLUB

Products: Subscription razors, men's grooming
Deal announced: July 2016



Deal price: Estimated at \$1 billion
Headquarters: Venice, Los Angeles

SEVENTH GENERATION

Products: Green household and personal care products
Deal announced: September 2016
Deal price: Undisclosed
Headquarters: Burlington, Vt.



CARVER KOREA

Products: Moisturizers, toners and cosmetics
Deal announced: August 2017
Deal price: €2.27 billion (\$2.69 billion)
Headquarters: Seoul, South Korea



WEIS AUSTRALIA

Products: Ice cream and frozen desserts
Deal announced: August 2017
Deal price: Undisclosed
Headquarters: Toowoomba, Australia



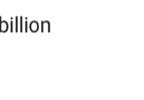
KENSINGTON & SONS

Products: Condiments like eggless mayo and non-GMO ketchup
Deal announced: August 2017
Deal price: Undisclosed
Headquarters: New York



PUKKA HERBS

Products: Herbal tea
Deal announced: September 2017
Deal price: Undisclosed
Headquarters: Bristol, U.K.



SUNDIAL BRANDS

Products: Moisturizer, soap and cosmetics, including specifically for people of color
Deal announced: November 2017
Investment size: Estimated at \$1 billion
Headquarters: New York

THE WALL STREET JOURNAL

Source: FactSet

plained about sweaty scalps.

More recently, though, it hasn't been able to keep up. One strategy it and other big companies have used to strike back: Buy the upstarts. After rebuffing Kraft Heinz, Mr. Polman has made a string of acquisitions and investments.

Unilever executives, however, believe the only way to win the war is to take the fight behind enemy lines.

Take shampoo. In recent years, a handful of small high-end brands in the U.S. have turned the decades-old shampoo wars between P&G-owned Pantene and Unilever's TreSemme into a free-for-all.

Unilever has tried to turn the tables. In poring over data gleaned from social media, Jennifer Bremner, marketing director for Unilever's lower-priced Suave shampoo brand, discovered women tended to be skeptical of quality if prices were low. At Wal-Mart Stores Inc., Suave sells for under \$3 for a 30-ounce bottle.

Trying to blow up that perception, Ms. Bremner and a team of three fell back on a tried-and-true, big-brand gimmick: an internet-era version of the grocery-aisle blind-taste test. They repackaged Suave in squat, white-and-peach bottles, labeled it evaus—Suave spelled backward—and sent it out to

beauty bloggers.

Fashion blogger Kathleen Harper thought the new products were "boutique and high-end." The 25-year-old used evaus for a few weeks before being invited to a studio in Manhattan for what she was told was a casting call to advertise the new brand. Halfway through an on-camera discussion, a producer let her in on the prank. Unilever made a video of her surprise reaction, and used it as part of an online campaign for Suave. Market research showed "a significant improvement in quality perception" among millennials, according to a spokeswoman.

Unilever executives, however, believe the only way to win the war is to take the fight behind enemy lines.

Take shampoo. In recent years, a handful of small high-end brands in the U.S. have turned the decades-old shampoo wars between P&G-owned Pantene and Unilever's TreSemme into a free-for-all.

Unilever has tried to turn the tables. In poring over data gleaned from social media, Jennifer Bremner, marketing director for Unilever's lower-priced Suave shampoo brand, discovered women tended to be skeptical of quality if prices were low. At Wal-Mart Stores Inc., Suave sells for under \$3 for a 30-ounce bottle.

They're natural products, Indian products," said Bangalore retiree Kusumprasad, as she left a Patanjali megastore, where customers are greeted by a life-size image of Baba Ramdev dressed in saffron robes.

"Multinationals look at the market size and then plan; we look at how can we help people and propagate Ayurveda," said

Patanjali CEO Acharya Balkrishna.

Hindustan Unilever Ltd.'s market share for beauty and personal care is now 25%, down from 27.8% six years ago, according to Euromonitor. Patanjali, meanwhile, has built up a 1% share, enough to make it a top-20 player in the country just over a decade.

After Patanjali exploded onto the scene, executives decided "we need to play a much more comprehensive role in the natural space," said Sandeep Kohli, head of personal care at Hindustan Unilever.

The company joined with a 74-year-old Ayurvedic pharmacy in south India to create a new line of personal-care products called Ayush.

They concocted a face wash made from turmeric and other ingredients, boiled together for days. For a soap, they used clarified butter treated with water more than 100 times to soften the emulsion. The marketing spiel: a 5,000-year-old Ayurvedic solution to modern beauty problems.

"Unilever was never mindlessly global, but we've realized that we need to get much more fast, much more agile," Mr. Pitkethly said. "There's nothing that Patanjali does, or any local competitor does, that's not replicable."

by hand "is hard when you have a line of 25 people," she said. "It just doesn't compute."

If done right, fans say, pouring the hot water over the grounds can bring out more of the coffee's flavor and texture. For others, handmade coffee is more about delivering peace in a fast-paced time.

"I don't want to sound like a retro-grouch, but we are a society that is in constant pursuit of frictionless, fast experiences," said Scott Schwebel, a marketing vice president at Colectivo, a chain in Wisconsin and Chicago that offers manual pour-overs.

Jacob Jaber, CEO of Philz Coffee, which exclusively sells handcrafted pour-overs, said: "In a world of automation and speed, there need to be things we can do to slow people down and just be present."

Gary Zhao, a 27-year-old web developer from Oakland, Calif., who was sipping coffee at the Pasadena Philz during a recent visit, said his friends got him hooked on pour-overs three years ago.

He's noticed that the quality of pour-overs varies and that baristas often make mistakes. "But that's OK," he said. "They're human."



WILLIAM RUSH/JAGOE/STUMPTOWN COFFEE

A Modbar pour-over system in use at a Stumptown coffee shop.

chines take just as long to produce a pour-over as a human, but free up the barista to fetch a pastry or help other guests.

Since automating the process, Stumptown is serving guests more quickly and selling more pour-overs, says the chain's marketing director, Malory Pilcher. Making pour-overs

Local Rivals

Unilever is battling upstarts around the world. Here's a sample of who's fighting and where.

● Unilever brand ● Local brand

SHAMPOO MARKET IN INDIA

BRAND	MARKET SHARE	AGE, in years	PRICE
Clinic	29.1%	30	96 rupees (\$1.50)
Patanjali	6.4%	11	75 (\$1.17)

SKINCARE MARKET IN INDONESIA



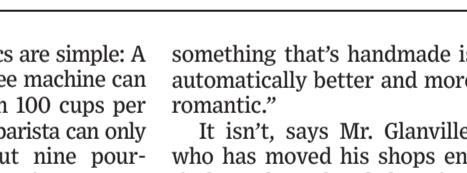
LAUNDRY DETERGENT MARKET IN CHINA



SKINCARE MARKET IN THE U.S.

MURAD	11%	28	\$30
RODAN & FIELDS	5.6%	10	\$43

BODYCARE MARKET IN BRAZIL



Sources: Euromonitor; IRI

COFFEE</div

GREATER NEW YORK

City Takes a Step Toward Closing Rikers

The guards union said the plan to shutter one of the island's nine jails was reckless

BY CORINNE RAMEY

New York City plans to close one of the jails on Rikers Island this summer, a move officials called a major step toward shutting the troubled complex.

The George Motchan Detention Center is the first Rikers facility that officials have said they would permanently shut as part of a plan to no longer hold city inmates on the island. The jail is one of nine in the Rikers complex. It houses about 580 men awaiting trial, city officials said Tuesday.

"There is a seismic change under way in justice in New York City," Elizabeth Glazer, director of the Mayor's Office of

Criminal Justice, said Tuesday at a news conference in front of the jail.

Officials said they chose to close this particular jail because it has structural and sewer problems, and cells in need of repair. The inmates and about 1,000 staffers who work there would be moved to other facilities. Officials said no officers would lose their jobs.

Elias Husamudeen, head of the union that represents correction officers, said closing the jail was "reckless" and "put politics ahead of safety." Shifting inmates from the closed jail to other facilities on Rikers would increase assaults on correction officers, he added.

New York City Mayor Bill de Blasio said in March 2017 that his administration plans to work toward closing the jail complex, which has long been criticized for both inmate and staff violence.



The city plans to close the George Motchan Detention Center and move its inmates to other facilities.

Mr. de Blasio, a Democrat, has come under fire from some city council members and advocates who say the administration is moving too slowly to shutter the complex.

Ultimately, closing all jails on Rikers will involve building new ones in the boroughs,

which could generate opposition from communities and local elected officials.

Existing jails in the boroughs can house approximately 2,300 inmates, officials said. Citywide, the jail population is about 8,800, roughly 6,800 of whom are housed on Rikers Is-

land. Administration officials have said closing the entire complex will take about a decade and require the citywide jail population to drop to fewer than 5,000 inmates.

Jonathan Lippman, the former state chief judge who led the commission that recom-

mended shuttering Rikers, said closing the George Motchan Detention Center was a good step, but leaves an immense amount of work to do.

"I'm very pleased, but by the same token I recognize there are eight other jails there that have to be closed," he said.

The city's jail population has steadily declined during the past several decades. In 1991, the average daily population was more than 21,000 inmates. It fell to some 14,000 in 2000 and about 13,000 by 2010.

Ms. Glazer said reasons for the decline include fewer arrests, New Yorkers committing fewer crimes and prosecutors and judges assigning defendants to programs instead of jail.

The George Motchan Detention Center opened in 1971 as the Correctional Institution for Women. In 1989, it was renamed for an officer who was fatally shot while working.

Bronx Apartment Fire Leaves More Than 20 Injured



More than 20 people were injured Tuesday in a seven-alarm blaze that swept through a Bronx apartment building, according to the Fire Department of New York.

Four of the 23 people injured

were transported to Jacobi Medical Center with life-threatening injuries, officials said. The other victims, including one firefighter, suffered minor injuries. Among the injured were nine children.

The fire began at about 5:30

a.m. on the first floor of a four-story building at 1547 Commonwealth Ave. in the Van Nest neighborhood of the Bronx.

The fire grew, and 400 firefighters eventually were called to the scene, officials said. They had

the fire under control by 1:50 p.m.

The fire displaced 11 families, including 29 adults and 11 children, officials said.

Last week, 12 people were killed in the Belmont neighborhood of the Bronx in a fire

caused by a 3-year-old playing with stove burners. FDNY Commissioner Daniel Nigro said it was the city's deadliest blaze since 1990, when 87 people died in an arson fire at a Bronx nightclub.

—Zolan Kanno-Youngs

Manhattan High-Rise Gets Key Financing

BY KEIKO MORRIS

The development group behind a \$1.5 billion project in New York City's Lower East Side has secured the construction financing needed to move forward with the site's largest building.

Delancey Street Associates closed a deal for a \$200 million construction loan from Wells Fargo & Co. and M&T Bank, allowing the group to proceed with the 26-story tower at 180 Broome St. that is part of Essex Crossing, a development decades in the making.

The \$300 million mixed-use tower will house 175,000 square feet of office space, 263 market-rate and affordable rental apartments, as well as a portion of Market Line, a 150,000-square-foot market expected to feature 150 merchants.

Construction, which also will be funded by Delancey Street Associates, is expected to begin this month with an opening anticipated in 2020.

"With this one, we will have basically three-fourths of the site's square footage under construction," said Isaac Henderson, a director at L+M Development Partners Inc., which is part of Delancey Street Associates. "Of our commitment of affordable [apartments], all but 35 units will be under construction."

When the entire Essex Crossing is completed, the development will have nine buildings with more than 1,000 apartments, of which more than half will be designated affordable. And the project will bring 450,000 square feet of retail space and 350,000 square feet of office space.

Essex Crossing is part of the city's effort to transform blighted and mostly vacant lots.

Cuomo Challenger Taps Disgruntled Liberals

BY MIKE VILENSKY

Terry Gipson only served for two years in New York's Legislature, but it was long enough to butt heads with Gov. Andrew Cuomo.

When Mr. Gipson opposed a 2014 Cuomo plan to cut corporate taxes on manufacturers in some parts of the state—but not his—a Cuomo aide “called and threatened not to pass my bills, not to deliver grants to my community,” Mr. Gipson recalled recently. “It was very much like he was king of a kingdom.”

A Cuomo spokeswoman declined to comment on the interaction.

Now Mr. Gipson is after Mr. Cuomo’s job, hoping to harness a surge of left-wing activism to help him defeat the governor in a 2018 Democratic primary.

Mr. Gipson, a 54-year-old university lecturer living in the Hudson Valley, which he once represented, has an uphill climb against the incumbent. Mr. Cuomo is the front-runner in his race for a third term.

But Mr. Gipson has a strategy: He isn’t trying to change the minds of Cuomo fans, but instead he wants to bring out disgruntled liberals who skip voting, or vote begrudgingly, for established Democrats.

“I don’t think we’re trying to flip Cuomo/[Hillary] Clinton voters,” Mr. Gipson said. “We’re



Terry Gipson hopes left-wing Democrats can help beat Gov. Cuomo.

trying to galvanize the [Sen. Bernie] Sanders voters. Cuomo supporters are not our target.”

The plan could test the power of new groups that have sprung up or grown in the wake of the 2016 election. The groups generally aim to elect new Democrats or to push the party left.

The New York City chapter of the **Democratic Socialists of America**, for example, has grown from 300 to 3,000 members since 2015, a spokesman said, and will likely endorse a Cuomo challenger.

A local chapter of new progressive group Indivisible plans to back September primary challengers against Democrats they say are too close to

Republicans, including Mr. Cuomo, said Heather Stewart, an organizer for the group.

“I think there’s huge potential for us to build power in 2018,” said Samuel Lewis, the spokesman for the New York socialist group.

It isn’t clear yet if these groups and others will back Mr. Gipson, but so far he is the only Democrat in the race besides Mr. Cuomo.

It also isn’t clear how widespread frustrations with Mr. Cuomo are.

In a September 2017 poll by **Siena College**, 71% of self-identified liberals said they had a favorable opinion of Mr. Cuomo. Among Democrats, 64% of those polled said he

should get a third term, according to a Siena poll in November.

A spokesman for the Cuomo campaign pointed to the governor’s work boosting the minimum wage, passing gun-restriction laws and implementing college affordability programs. “We’ll leave the empty rhetoric to others,” the spokesman said.

Mr. Cuomo is expected to cement institutional support from groups such as labor unions that play a role in fundraising and getting out the vote. Hector Figueroa, the president of 32BJ of the **Service Employees International Union**, said the governor “is a champion of issues important to working families.... His record makes that clear.”

For now, Mr. Gipson is working to increase his name-recognition, touring the state by car and train to meet with at least two advocacy groups a week, as well as voters and politicians.

While the governor’s campaign chairman is Bill Mulrow, an executive at private-equity firm **Blackstone**, Mr. Gipson is aided by volunteers. Mr. Cuomo has \$25 million on hand, while Mr. Gipson isn’t accepting corporate donations.

Mr. Cuomo works out of Albany and Manhattan, while Mr. Gipson said his mobile phone is his campaign head-

quarters.

A Texas native, Mr. Gipson served in the Legislature representing the Hudson Valley in 2013 and 2014. He lost his past two races for state Senate to a Republican, but noted he is the only Democrat to hold the Hudson Valley seat, which includes parts of Dutchess and Putnam counties, since Franklin Delano Roosevelt.

Cuomo allies questioned his current anti-Cuomo stance, noting he once considered working for the governor. Mr. Gipson confirmed he thought about a job in the administration, and added that since losing his seat he has “continued to seek ways to help the people of New York.”

His gubernatorial platform now pushes a statewide single-payer health-care system, public-campaign finance and legalizing marijuana.

On a recent evening, Mr. Gipson gave remarks at a meeting for the **Central Brooklyn Independent Democrats** to a thin crowd that largely asked him about fixing the subways. Mr. Gipson stood out as the only person wearing a suit, shaking hands and introducing himself to everyone in attendance.

“I told him I’d love to hear more, and gave him my card,” said Assemblyman Robert Carroll, a Brooklyn Democrat who attended the meeting.

The project is significant not only because it represents the city’s decades-old urban-renewal effort to transform blighted and mostly vacant lots, but also because it will inject a significant amount of office space into an area where relatively little exists.

This year the partnership, which includes Taconic Investment Partners LLC, **BFC Partners**, Goldman Sachs Urban Investment Group, a division of Goldman Sachs Group Inc., and others, expects to complete all of the first four buildings that are part of phase one.

A Trader Joe’s supermarket and a Target store are among the retail tenants slated to open in the development.

GREATER NEW YORK

Box Office Sees New Sales Highs

BY CHARLES PASSY

It was a week of breaking records on Broadway.

Several shows, from "Hamilton" to two-decade-old hits such as "The Lion King" and "Chicago," reported all-time sales highs for the seven-day period that ended Sunday, according to the Broadway League, the trade group that tracks the industry. Broadway itself set a new weekly sales high of \$50.3 million, beating the previous record of \$49.7 million, set about a year ago.

The strong sales didn't come as a complete surprise, since the holidays traditionally bring out the crowds. Additionally, Broadway has been reporting robust weekly numbers throughout this season, with

cumulative sales up by 18% at the midpoint in November.

Still, the \$50.3 million figure was an impressive benchmark, especially given that some of the season's most high-profile shows, such as the adaptation of the Disney movie "Frozen," have yet to open.

Broadway League President Charlotte St. Martin credits the sales surge to the fact that Broadway audiences have plenty of choices these days, from the family-friendly to the serious-minded. "It's the diversity of what's there," she said.

"Hamilton" led the pack with weekly sales of \$3,854,874. That was also the all-time weekly high in Broadway history, topping the \$3,797,844 mark set by the musical earlier in December.

Top-Selling Shows

"Aladdin": \$2,385,928
"The Phantom of the Opera": \$2,146,126
"Dear Evan Hansen": \$2,119,371
"The Book of Mormon": \$2,083,077
"Charlie and the Chocolate Factory": \$2,054,877

Source: The Broadway League

Grosses for the week that ended Dec. 31.

"Hamilton": \$3,854,874

"Wicked": \$3,301,067

"The Lion King": \$3,099,930

"Hello, Dolly!": \$2,464,573

"Springsteen on Broadway": \$2,410,758

GREATER NEW YORK WATCH

SECURITY

City to Install Barriers To Guard Pedestrians

Hundreds of new protective barriers will be permanently installed in Times Square and other locations around New York City in an effort to block vehicles from hitting pedestrians after deadly attacks last year on crowds. The city is spending \$50 million on protective measures including the installation of 1,500 metal barriers, or bollards, in key locations around the city, Mayor Bill de Blasio said Tuesday.

—Associated Press

SEXUAL HARASSMENT

Governor Proposes Changes in Policies

New York Gov. Andrew Cuomo proposed sweeping changes to the sexual-harassment policies covering state and local officials Tuesday. The Democrat's plan includes a prohibition on taxpayer-funded legal settlements involving complaints against individual government officials. It also would require that all harassment settlements be made public unless the victim prefers they remain confidential.

—Associated Press

METRO MONEY | By Anne Kadet

How to Work Out for Cheap

ANY

Most folks making New Year's fitness resolutions this week grudgingly will hire a trainer, buy a gym membership or pony up for studio classes. Such a tragedy! In New York City, there's no need to pay. You could sample a different free class every day this year and never run out of options.

Several clothing chains, for example, offer free classes right in the store. It's part of retail's effort to not just sell you stuff, but be your best friend.

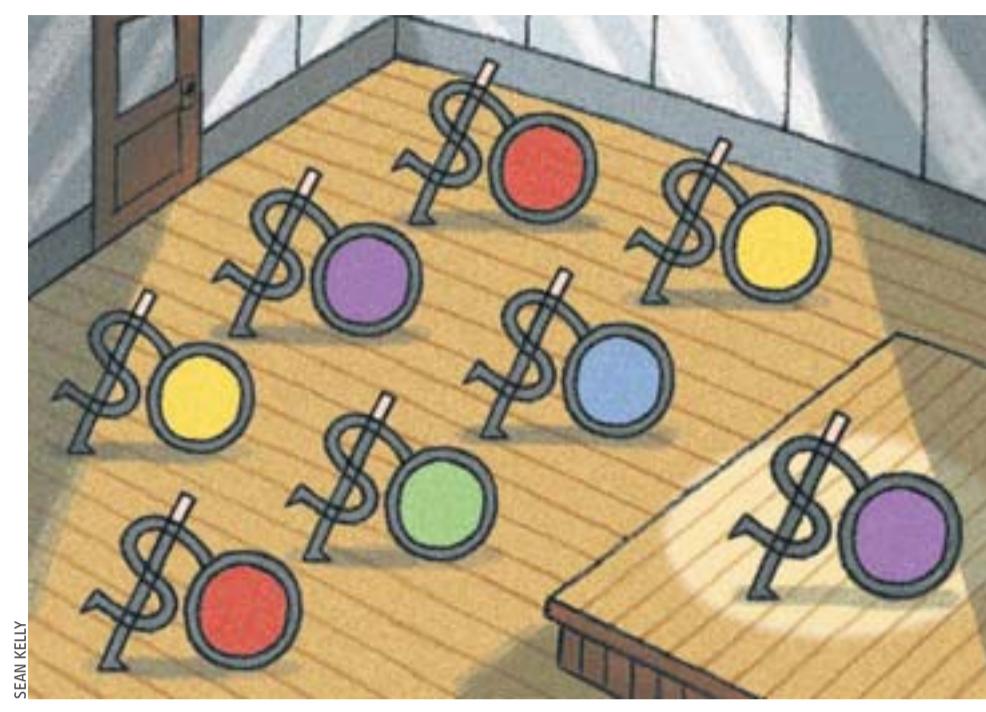
I tried a free yoga class at Athleta's sportswear shop in Manhattan's Flatiron neighborhood. The clerk checking my registration gave me a tour of the basement studio, which offers free lockers, changing rooms and mats.

The instructor arrived huffing and puffing, apologizing for being 20 minutes late. No matter, her routine was good for a beginner like me. And thanks to the small class size—a total of three of us—I got lots of attention.

This was, of course, the last week of the year, when most people are either out of town, drunk, or lying on the couch trying to digest an entire ham. Fellow students said to expect bigger classes in January.

There also was a tiny turnout at the People's Bootcamp in Midtown, a high-intensity training class where students pay whatever they wish. There's no registration. Participants just show up to the rented studio, a big, mirrored box cluttered on one side with music stands and a piano.

There's no shower, lockers or towels. And because the exercises require no equipment, none is provided. You could do these routines in a prison cell.



SEAN KELLY

And good lord, they are challenging.

Instructor Melissa Ruiz introduced a series of complicated calisthenic routines christened with whimsical holiday names such as Happy New Year Star Jumps and the Avoid the Relatives Slip Squat With Punch. I nearly fainted, but the cheerful Ms. Ruiz encouraged me to set my own pace and have fun.

Founder Adam Rosante says he started the boot camp in 2012 to offer decent training to all. "In a city where you can't walk into a boutique fitness class for less than 30 or 40 bucks, that can be rough for people," he notes.

And the pay-what-you-want model, which also has been adopted by mini-chain Yoga to the People, can be profitable. Mr. Rosante says he's earned anywhere from \$10 to more than \$1,000 on a single class. Over the long haul, he says he comes out ahead. "If people chose to pay nothing, well, that's their choice," he says.

Despite the holidays, there was a nice turnout for a step-aerobics session at the Jackie Robinson Recreation Center in Harlem, one of more than 250 free classes in 175 locations offered weekly by the New York City Department of Parks & Recreation. The city estimates about 4,000 participants attend its Shape Up NYC classes weekly, which are funded by a \$625,000 mix of city money and private donations.

My class, taught by instructor Chris Patt, took place in an old-fashioned gymnasium complete with basketball hoops and a big American flag. Thanks to the terrible acoustics and thumping disco, all I could hear from Mr. Patt was an endless "BHRAH MWAH RARH!"

But it was easy to follow his simple dumbbell and resistance band routines. By hour's end, I'd enjoyed a manageable but complete workout. Mr. Patt even ended with an inspirational homily. "Resentment and anger will

rot you from the inside," he said. "If anyone has hurt you, you need to forgive them."

"Excuse me?" a student said.

Mr. Patt brooked no dissent. "Science says so," he declared.

Lashawn Jefferies, a Bronx human resources administrator attending the class with her mother, a teacher also named Lashawn Jefferies, said she attends Mr. Patt's classes four nights a week at different community centers.

"I pretty much follow him around the city," she said. "He keeps it interesting, so I keep coming back. I'm trying to lose my gut. I'm making progress."

The older Ms. Jefferies used to pay for classes at the Lucille Roberts fitness chain, but she said the city classes are friendlier, and she, too, enjoys the instructors.

"What you get for free," she says, "is just as good as what you pay for."

anne.kadet@wsj.com

It's not just about exploring the future...

It's about helping them build it.

A place to become... A ballerina, an astronaut, an all-star athlete. If kids can dream it, Boys & Girls Clubs can help them become it. Because it's not magic that makes dreams come true, it's people. Like our youth development professionals, who tell every kid and teen who enters our doors that they believe in and care about them, and provide each with opportunities to become the person they want to be and achieve a great future.

GREAT FUTURES START HERE.



BOYS & GIRLS CLUBS

GreatFutures.org

LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

A Checklist Before You Quit

A new job may feel like a bad fit, but often it's best to evaluate whether you can overcome the problems instead of bailing



MICHAEL MARSICANO

YOU'RE PSYCHED for your first day on a new job—until you arrive and find your new colleagues miserable, the atmosphere stifling or the boss overbearing and obnoxious.

Is it ever OK to quit on your first day? Making a wise decision requires pausing for a moment. The key is to distinguish between challenges you should try to overcome and fundamental problems that are true deal breakers.

More new hires are heading for the exits fast, employers and career coaches say. Two-thirds of employees have taken a job only to realize later that it was a bad fit, and half of those employees quit within six months, says a recent CareerBuilder survey of 3,697 U.S. employees.

Many young workers have two or three jobs listed on their résumés by age 30 and leave out those that lasted less than a few weeks.

Lori Cheek quit after a few days on a furniture-sales job several years ago. She was exhausted by dragging a suitcase loaded with heavy product manuals around

New York City all day on the subway to meet with customers, then continuing to work at the office until 8 p.m. She snapped up what looked like a better sales job at a showroom nearby, selling stylish designer furnishings.

"It was the worst decision ever," Ms. Cheek says. Her supervisor on the first job, who had spent time training her, was deeply disappointed, and one manager on her new job pained her even more. "At first sight he could not stand the way I dressed. He wanted an Ann Taylor look, and I'm more Gwen Stefani, edgy," Ms. Cheek says. She grudgingly toned down her jewelry, makeup and hair. To avoid earning a reputation as a job-hopper, however, she stuck with the new position for almost a year. Looking back, Ms. Cheek, owner of a free mobile dating app called Cheekd, wishes she'd stayed on the first job and tried to negotiate better terms and conditions.

Starting a new job can be overwhelming. People under stress in situations that are uncertain or

ambiguous tend to make decisions that are risky or unwise, according to a 2016 study by German researchers.

Quitting abruptly risks earning bad references from former bosses and their contacts. It also may mean living without a paycheck for a while.

There are some good reasons to leave quickly, like a salary that's lower than what was promised.

Rob Hill was dismayed two years ago to learn that he was expected as a manager of a new manufacturing plant to work the 5 a.m.-to-5 p.m. shift, plus several more hours—a fact he says hadn't been clear to him during interviews. He quit after two days. After working long hours on similar jobs in the past, "I just didn't want

to hurt like that anymore," Mr. Hill says. He had to live on his savings for a month, but he landed a more fulfilling position, as director of operations for a Denver community foundation.

Before resigning abruptly, new hires should ask themselves if they're giving the job a fair chance. New employees' behavior helps determine the amount of support they receive, according to a 2017 study of 273 new hires and 203 managers. Those who seem committed to the job and ask questions get more help from managers, says Alison Marie Ellis, the study's lead author and an assistant professor of management and human resources at California Polytechnic State University in San Luis Obispo.

Having a new hire quit is costly for employers. It forces them to restart the hiring process and damages morale. Several people Julie Jansen hired and trained as recruiters on a previous job years ago quit after only one day. "It was devastating. You think you

know if someone is a fit, and then they just disappear," says Ms. Jansen, author of "I Don't Know What I Want, But I Know It's Not This," a best-selling career book.

It isn't wise to exit just because you don't like the person next to you or have to do grunt work all day. If the boss is abrasive, push back a bit. One intern at a Wall Street financial-services firm whose boss seemed unduly brusque asked him, "Are you just having a bad day, or are you always like this?" says Rebecca Zucker, a career and executive coach at Next Step Partners in San Francisco. The intern not only survived the exchange but earned better treatment from the boss, Ms. Zucker says.

Quitting early may be warranted if an employer tries a bait-and-switch— promising one job and assigning you to a different one, or violating other agreed-upon terms, says Chicago career coach Jody Michael. "If you're told you'll be reporting to the CEO, but in actuality there's someone positioned between you and the CEO, that's a problem," Ms. Michael says.

One manager learned on his first day at an automotive company that his base pay would be cut in half under a new company compensation plan, says Carlos Kingwergs,

Latin America regional director for AutoKinetix, an international executive-search firm based in Columbia, S.C. The employer increased his bonus to make up for it, Mr. Kingwergs says, but the new hire quit, saying, "That's not what I signed on for."

Other job seekers take a position because it's their only offer, then exit after receiving an offer for their dream job that requires them to start right away, Ms. Michael says. That's not an ideal path, but some opportunities are simply too good to refuse.

Whatever the reason, it's important to leave on as positive a note as possible, says Jill Tipograph, co-founder of Early Stage Careers, a New York City coaching service for recent college grads. Most employers won't want to keep a new hire around if he or she gives two weeks' notice right away. But ask if you can help with the transition in other ways, such as leaving notes on any work you've done. "First and last impressions are what people remember," she says.

MUSIC

MEET SZA, THE MUSICIAN HELPING RESHAPE R&B

BY JAEWON KANG

SINCE RELEASING her debut album in June, American R&B artist SZA has been tapped by critics as one of the year's breakthrough artists, made best-of-2017 lists and clinched five Grammy nominations—the most for any female musician this year. Here are five things to know about the buzzy 28-year-old singer-songwriter, born Solana Imani Rowe:

1 Critics say SZA is helping expand the R&B genre through experimental sounds. SZA (pronounced Sizza) has emerged as a prominent voice among a new generation of female R&B

artists that also includes Kehlani, H.E.R. and Kelela. These musicians are fueling the genre's resurgence, critics say, by appealing to a broader audience with a modern sound that draws on other styles of music while retaining strong R&B roots.

"The fact that she expanded R&B, created a new sound and found success in doing

that says a lot, in a mix of everyone trying to follow a certain sound that's already popular," says Cam O'Bri, a Grammy-winning producer who worked on SZA's single "Doves in the Wind." "She's trying to get outside of what R&B sounds like typically and go into other genres of music."

One of SZA's best-known songs, "Love Galore," begins with ethereal sounds and maintains a cloudy ambience until a narration ends the track. In "Go Gina," a song about the namesake character in the 1990s sitcom "Martin," minimalist grooves dominate the track, while "Doves in the Wind" is driven by heavy, rough beats and samples Busta Rhymes' "Turn Me Up Some."

2 She has influential backers. The support of two powerhouse labels has been a big engine behind SZA's quick rise. She is currently the sole female artist on hip-hop heavyweight Kendrick Lamar's Top Dawg Entertainment. In early 2017, she signed with Sony Music Entertainment's

Please see SZA page A11



BRYAN DERBALLA

LIFE & ARTS

MY RIDE | By A.J. Baime

Love Brought This Lamborghini Back to Life



LEAH NASH FOR THE WALL STREET JOURNAL

Derek McCallister, 32, a data center technician from Redmond, Ore., on his 1987 Lamborghini Jalpa, as told to A.J. Baime.

When I was in high school, I became enthralled with Lamborghinis. I swore that someday I would buy one and restore it. I zeroed in on a model called Jalpa [pronounced YAL-pa, and named for a breed of fighting bull]. This was the last V-8-powered car that Lamborghini has sold to date, and one of the last new models launched before Lamborghini was sold to Chrysler in 1987. [The company has announced a new V-8 model—the Urus, the first Lamborghini SUV—will go on sale later this year.]

Four-and-a-half years ago, I found a Jalpa in New York. It was a haggard mess and needed a complete rebuild. Because it is a rare car—only 410 were made—it was not cheap. [New in 1987, the car sold for about \$65,000.] When people saw it, they said I was crazy. They said, "There's no way you can restore that car!" I thought, well, yes I can. Watch me.

It was exactly the kind of challenge that made Ferruccio Lamborghini start making cars in the first place. In the 1960s, Lamborghini was a tractor manufacturer outside Bologna, Italy. As the story goes, he bought a Ferrari that he was not happy with. When



he complained, Enzo Ferrari, who lived not far away, told him to stick to tractors. So Ferruccio set out to make a better car than Ferrari could. People said, "Hey, you can't do that." Ferruccio said, "Yes I can. And I am going to love it."

I spent four years rebuilding my Jalpa in my single-car garage. The motor needed

new pistons and new valves. I bored out the cylinders (to slightly over 3.5 liters) and converted the motor to electronic fuel injection. I interviewed seven machinists before I found one who could repair the cylinder heads. I took apart the interior entirely, cleaned everything and redid the wiring. I finished the job in August.



Derek McCallister of Redmond, Ore., spent four years rebuilding this 1987 Lamborghini Jalpa. Only 410 were ever made. Above, a view of the interior, which required less of an upgrade.

Now it's just intoxicating. There are days when I feel like crap and I will get in that car, drive it down the street and listen to the engine, and I feel some of the greatest happiness I have ever known.

People ask how fast it goes. I finished it just before winter hit, so I have not had the chance to stretch its legs. This coming summer I will get it out on Portland International Raceway and see what it can do.

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

ADVERTISEMENT

Showroom

To advertise: 800-366-3975 or WSJ.com/classifieds

AUTO AUCTIONS

The Most Historically Significant Automobile Ever Offered for Public Sale



1939 Mercedes-Benz
770K Grosser Offener
Tourenwagen

- Coachwork by Mercedes-Benz Sindelfingen Werks
- Ordered by, built for, and used by, Nazi German tyrant Adolf Hitler
- Seized by U.S. Army in 1945; definitive memorial of Allied triumph over evil
- Unqualified tour de force of design and engineering, regardless of the era
- Number-stamped bright trim, wood, and metal fixtures matching body number
- Incredibly well-researched and documented provenance from new
- Formerly part of the famed Imperial Palace Auto Collections
- The last of the eight "pre-series" examples of the W150-generation 770K models
- One of five surviving Offener Tourenwagens and one of three in private hands

WORLDWIDE AUCTIONEERS
Vintage Motorcar Specialists

Scottsdale Auction

Wednesday, January 17, 2018 • 5pm

6460 East McDowell Road, Scottsdale, Arizona

Register to Bid Today | WorldwideAuctioneers.com | 260.925.6789

LEASE



877-989-1500

- Nationwide Delivery
- We now lease in NY
- Buy or Sell
- Trades Accepted

39 mos., 10k miles/yr, 0 Down, GAP included + TTL. Closed end lease.

All New Makes & Models • 0 Down • Call 7 Days

www.LEASEFAX.com

Audi Q7	699mo	Jeep Gr Cherokee Ltd	399mo	Mercedes GLE43 C4	899mo
Cadillac Escalade	799mo	Jeep Unlimited	339mo	Mercedes GLS	859mo
Chevy Corvette	699mo	Land Rover Disco Sport	499mo	Mercedes GLS63	\$10K off MSRP
Chevy Suburban	519mo	Lexus GX460	509mo	Mercedes G63	\$10K off MSRP
Chevy Traverse	359mo	Lexus LC500	\$8K off MSRP	Mercedes S560	1299mo
Corvette Z06	\$10K off MSRP	Lexus ES350	379mo	Porsche Macan	699mo
Chevy Tahoe	499mo	Lincoln Continental	499mo	Porsche Cayenne	769mo
GMC Denali	729mo	Lincoln Navigator	All New 899mo	Range Rover	1059mo
GMC Yukon SLE	499mo	Mercedes GLC	499mo	Range Rover Sport	799mo

AVIATION

PRIVATE JETS AVAILABLE

Block time rates or Dry Lease

Learjet 60XR and Challenger

Call 1.800.961.5387

Don@AtlanticJet.com

Atlantic Jet

BOATING

GRAND BANKS 46

Motoryacht for sale
all systems upgraded and
ready to enjoy. Excellent
condition for cruising couple/guests.
Great space for dockside entertaining
or live-aboard.

Call Clarke 772-696-4846
for Florida visit and details

THE WALL STREET JOURNAL

THE MART

ADVERTISE TODAY

(800) 366-3975
sales.mart@wsj.com

For more information visit:
wsj.com/classifieds

© 2018 Dow Jones & Company, Inc.
All Rights Reserved.

THE WALL STREET JOURNAL.

SHOWROOM

ADVERTISE TODAY

(800) 366-3975
sales.showroom@wsj.com

For more information visit:
wsj.com/classifieds

© 2018 Dow Jones & Company, Inc.
All Rights Reserved.

DOW JONES

LIFE & ARTS



OPERA REVIEW

Rome Restored At the Met

BY HEIDI WALESON

New York

THE METROPOLITAN Opera's new "Tosca," which opened on New Year's Eve, was intended as a corrective. In 2009, for the opening night of Peter Gelb's fourth season as general manager, the company replaced its beloved 1985 Franco Zeffirelli production, a lavish, hyper-realistic depiction of the opera, with a stark, minimalist, more sexually explicit version directed by Luc Bondy. For Met traditionalists, this move suggested that the barbarians—that is, the dreaded "director's theater" stagings so prevalent in European opera houses—were finally at the gates, and the production was vigorously booed on opening night.

The barbarians did not prevail, however, and in recent seasons the Met has become much more cautious about the style of its new productions, particularly those in the standard repertory. (Mr. Zeffirelli's vintage "La Bohème" and "Turandot" also remain in regular rotation.) To further assuage those fears, director David McVicar and designer John Macfarlane were assigned to replace the Bondy "Tosca" with a representational staging, and given a splashy, superstar cast to perform it. Although all three of the original principal singers and the conductor ended up being replaced over the course of last year, for various reasons, Mr. McVicar's attractive, unthreatening, yet astute production will probably do exactly what the Met wanted it to do: provide a dependable source of box-office income for years to come.

Mr. Macfarlane's handsome sets are recognizably Puccini's Roman locations. Yet, in each one, vanishing-point perspective draws the viewer's eye toward a single spot: a golden sunburst-surrounded crucifix above the chapel altar in the church of Sant'Andrea della Valle; a blazing fireplace in the Palazzo Farnese; the sword-wielding statue of the Archangel

An astute new production overcomes setbacks and avoids its predecessor's pitfalls.

Michael on the roof of the Castel Sant'Angelo fortress. Mr. Macfarlane's painterly details—a fresco of the Rape of the Sabines on the Farnese wall, for example, and the swooping bowl of clouds that frames the angel statue—make these places feel like active, eternal caldrons of struggle and violence. Atmospherically lighted by David Finn, the locations are purposeful as well as realistic, evoking the powerful political and religious forces of the city.

It all makes a visually pleasing frame for Mr. McVicar's careful directing, the most interesting aspect of which, on opening night, was the chemistry between the two lovers. Sonya Yoncheva as Tosca and Vittorio Grigolo as Cavaradossi, both singing these roles for the first time, came across as youthful, ardent and innocent, ready to throw themselves on the fire for their love and their beliefs.

In Act I, there was nothing calculated or entitled in Ms. Yoncheva's explosions of jealousy; her Tosca was truly suffering and her smoky timbre lent the diva softness and vulnerability. She was affectingly matched by Mr. Grigolo, who had a jittery, almost manic intensity as the young painter and revolutionary. He held nothing back in his singing, yet he always made a beautiful sound. Their duets were electric; their kisses hot and numerous, and Mr. Grigolo's despairing "E lucevan le stelle" in Act III, when Cavaradossi thinks he will never see Tosca again, was a moment of the most profound loss.

As Scarpia, the evil police chief who lusts after Tosca and arrests, tortures and condemns Cavaradossi, Željko Lučić was an impos-

ing figure with a voice to match. However, perhaps in reaction to the current climate of sexual harassment exposure, Mr. McVicar made the Scarpia-Tosca confrontation feel contemporary. Mr. Lučić's Scarpia was brutal, but it was his oily confidence, with no doubts about his ultimate success, that conveyed his power. He barely touched Ms. Yoncheva; yet when he did, it was creepy, as was the way he grinned and toyed with her. Although their cat-and-mouse scene leading up to "Vissi d'arte" seemed a little underplayed and lacking in tension, it was a relief that Ms. Yoncheva was not thrown to the floor, as Tosca so often is, and was allowed to sing the aria—with great beauty and feeling—on her feet. Her Tosca showed some

of the necessary hints of steel, particularly after she stabbed Scarpia and hissed "Die! Die!" as she crouched beside him, holding his hand.

Emmanuel Villaume was the expert conductor; the chorus was vigorous in the "Te Deum." Other pluses included Mr. Macfarlane's subtly elegant period costumes, and some telling dramatic moments—as when Mr. Grigolo, facing the firing squad on trembling legs, was forced to hold up a lantern so they knew where to aim. It was just one example of Mr. McVicar's welcome ability to find originality within a traditional framework.

Ms. Waleson writes about opera for the Journal.

SZA

Continued from page A9
RCA Records, which houses Alicia Keys, Miley Cyrus, T-Pain and Zayn, among others.

"RCA really pushed for her and made her a priority for them," says Kier Lehman, an independent music supervisor behind the HBO series "Insecure," which has featured SZA's "Supermodel" and "Love Galore" as well as an original track, "Quicksand."

"Her connection with [Top Dawg Entertainment] was a huge part of that extra push, because they do an amazing job with their artists," Mr. Lehman says. "And through the success of other artists, [they] have a lot of relationships and networks that they can use to build their upcoming artists."

3 Her lyrics are deeply rooted in the confessional singer-songwriter tradition.

At the heart of "CTRL" is the universality of growing pains, articulated through lyrics that embrace both confidence and vulnerability.

"Ain't got nothin', runnin' from love / Only know fear / That's me, Ms. 20 Something," SZA says in "20 Something," a reflection on the loneliness and doubt that can come with adulthood. In "Drew Barrymore," she yearns for love while grappling with the fallout

from a relationship that has ended: "I get so lonely, I forget what I'm worth / We get so lonely, we pretend that this works."

Creating intimate narratives on the complexities of self-identity, SZA sings of her insecurities, uncertainties and regrets even as she embraces who she is. "She talks about her relationship in a way that's unfiltered...with a voice that feels like you and your friend are

having this kind of conversation where you're not holding back," says Mr. Lehman.

4 Live performances are playing a pivotal role in boosting her audience. On her 44-date North American tour, SZA drew sold-out crowds with energetic performances, sincere onstage banter and guest appearances by stars like Mr. Lamar

and Chance the Rapper. "She started losing herself in the actual music, where she would perform the songs and they wouldn't even sound [anything] like the recording," says Terrence "Punch" Henderson, president of Top Dawg Entertainment. "It's rehearsed, but for the most part it's all spontaneous."

Mr. Henderson says SZA and her team focused on connecting

more with the audience through "CTRL."

The confessional nature of SZA's lyrics is amplified on stage, where she shares stories from her life between sets. At a packed show at New York's Irving Plaza in early December, SZA candidly talked about not being popular in high school before singing "Drew Barrymore" and opened "Garden (Say It Like Dat)" by reflecting on how she has evolved.

"It's why people are flocking to her even more, and it even gives a boost to R&B," says Mjeema Pickett, global programming head of R&B/Soul at Spotify.

5 She has worked with bold-name artists.

The New Jersey native started her career writing songs for artists such as Beyoncé and Nicki Minaj. She has continued collaborations with big musicians, from label mates Mr. Lamar and Isaiah Rashad, to Maroon 5 and Travis Scott.

SZA was one of two artists features on Rihanna's 2016 album "Anti." She helped write "Consideration," and sings with Rihanna on the track. SZA also teamed up with Maroon 5, displaying her pop-rock side in "What Lovers Do," which has spent 15 weeks on the Billboard Hot 100 in 2017. She has already announced plans to work with psychedelic-rock band Tame Impala and Mark Ronson for her next album.



SZA, above with Travis Scott on 'The Tonight Show Starring Jimmy Fallon' in July, has the most Grammy nods of any female artist this year.

ANDREW LIPOVSKY/NBC/GETTY IMAGES

from a relationship that has ended: "I get so lonely, I forget what I'm worth / We get so lonely, we pretend that this works."

Creating intimate narratives on the complexities of self-identity, SZA sings of her insecurities, uncertainties and regrets even as she embraces who she is. "She talks about her relationship in a way that's unfiltered...with a voice that feels like you and your friend are

having this kind of conversation where you're not holding back," says Mr. Lehman.

4 Live performances are playing a pivotal role in boosting her audience. On her 44-date North American tour, SZA drew sold-out crowds with energetic performances, sincere onstage banter and guest appearances by stars like Mr. Lamar

and Chance the Rapper. "She started losing herself in the actual music, where she would perform the songs and they wouldn't even sound [anything] like the recording," says Terrence "Punch" Henderson, president of Top Dawg Entertainment. "It's rehearsed, but for the most part it's all spontaneous."

Mr. Henderson says SZA and her team focused on connecting

SPORTS

TENNIS

MURRAY: SURGERY IS OPTION FOR HIP INJURY

BY TOM PERROTTA

Tennis star Andy Murray has given his fans the news they desperately hoped they wouldn't hear: His hip injury has not fully healed.

Murray withdrew from the Brisbane International tournament in Australia and now appears in doubt for the Australian Open, and perhaps many more events. He hasn't appeared in a tennis tournament since last year's Wimbledon, where he lost in the quarterfinals.

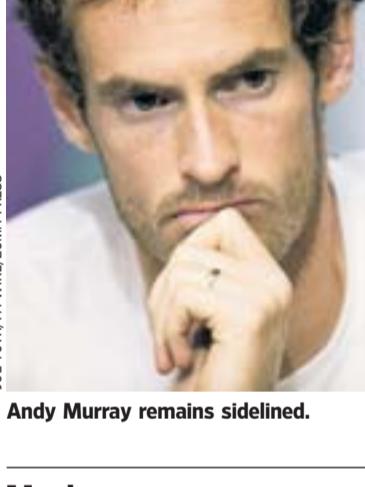
"I've obviously been going through a really difficult period with my hip for a long time and have sought [counsel] from a number of hip specialists," Murray wrote on Instagram.

Murray, who is 30 years old, has never faced an injury like this one. He said he's now considering surgery, which he admitted worries him.

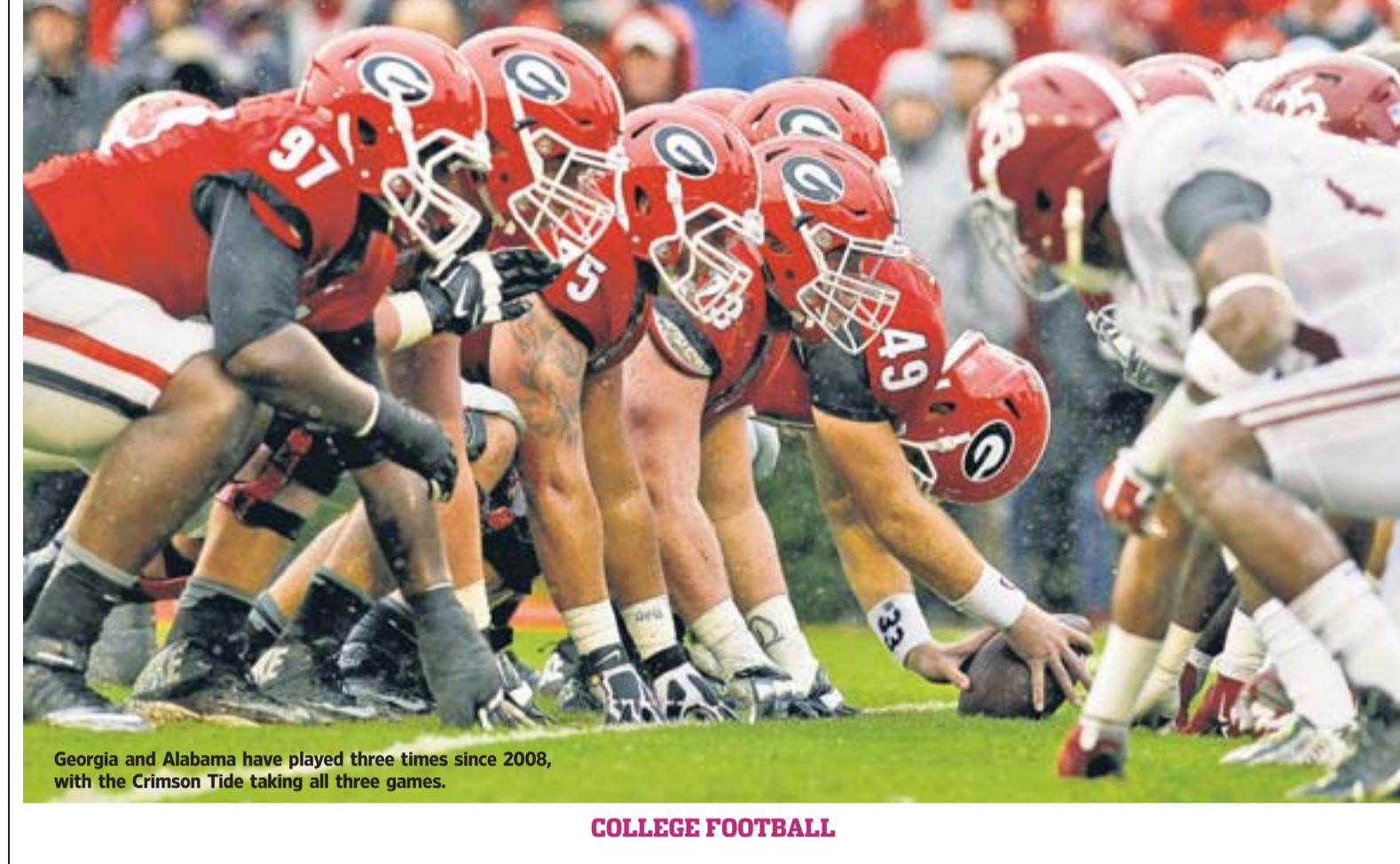
"Surgery is also an option but the chances of a successful outcome are not as high as I would like," Murray wrote. "This is something I may have to consider but let's hope not."

Murray played just 35 matches last season and lost 10 of them. His ranking has fallen to No. 16 and will continue to drop if he misses the Australian Open and beyond. Murray said he would stay in Australia the next few days to see if his hip feels any better, and then decide if he has to return home for therapy.

Murray said he loves tennis now more than ever and is struggling with the thought that he has to stay away from the game for a while more. "I didn't realize until these last few months just how much I love this game," he wrote. "It's quite demoralizing when you get on the court it's not at the level you need it to be."



Andy Murray remains sidelined.



Georgia and Alabama have played three times since 2008, with the Crimson Tide taking all three games.

COLLEGE FOOTBALL

Georgia Wants Bama. Gulp.

BY BEN COHEN
AND ANDREW BEATON

The story of college football in the playoff era can be told in three words: "We Want Bama."

For at least the last four years, fans of every other team celebrated their biggest wins and described their wildest ambitions by putting themselves in the same breath as Alabama. The sport's haughtiest honor has become proclaiming your team good enough to step on the same field as the Crimson Tide. Some were earnest. Some were ironic. But almost everyone who wanted Bama—and got Bama—regretted it afterward.

No school in the country understands the feeling of terror associated with playing Alabama under Nick Saban more intimately than the Georgia Bulldogs.

Now they don't have a choice. They beat Oklahoma on Monday in a double-overtime epic before Alabama beat Clemson in a rematch of the last two national championships. Which means they're playing for college football's national title next week in Atlanta. They know enough about their opponent to wish they were playing someone else. Anybody else.

The two schools belong to the Southeastern Conference—which is something that SEC fans may be screaming into your ear for the next week—but they have only played three times since 2008.

Georgia fans wince at the mere sound of Alabama because of what happened in those three games.

Georgia was the favorite in 2008; Alabama was up 31-0 by halftime. Georgia was one play away from playing for a national title in the 2012 SEC championship; Alabama won the conference title—and the national title—when the Bulldogs couldn't score at the end of a classic game so dramatic that Saban himself said he was ready to have a heart attack. Georgia was again the favorite in 2015; Alabama had a 38-3 lead at one point in another blowout.

These weren't losses so much as they were moments that molded the identity of an entire fan base. Georgia has more college-football tradition in one perfectly trimmed hedge at Sanford Stadium than many of the other 129 schools in this sport combined. But its last decade has been defined by not being able to beat one team.

It's true that Alabama has spent the last decade crippling the spirits of the college football world. It's also true that no team has seen its hopes destroyed by the Tide as painfully as Georgia.

The other teams haunted by Alabama at least have some memories to cherish from the Saban era. LSU won the 2007 title. Auburn won it all in 2010 and then prevailed in the Iron Bowl with the dramatic Kick Six in 2013. Clemson lost to Alabama in two of the last three years, but it has a national

title to show for the other year.

Georgia has only the scars. What makes their Alabama envy worse is that it isn't like Georgia has been bad over the last decade. In fact the Bulldogs have been really good. But even their 83-34 record under Mark Richt in the time of Saban's reign wasn't enough for him to keep his coaching job. It was clear that Georgia wasn't capable of beating Alabama.

So after years of seeing itself as

No team has seen its hopes destroyed by the Crimson Tide as painfully as Georgia.

of the Crimson Tide teams that beat Georgia into submission. He took over a program whose fans were resigned to their fatalism.

"It felt like every year we were waiting for something to go wrong," said Stan Hanley, a Georgia native who lives in England and flew to the Rose Bowl.

But as he watched Oklahoma take a 31-14 lead in the first half on Monday, Hanley was strangely calm. "This whole season has felt different," he said. "You just didn't feel the impending doom."

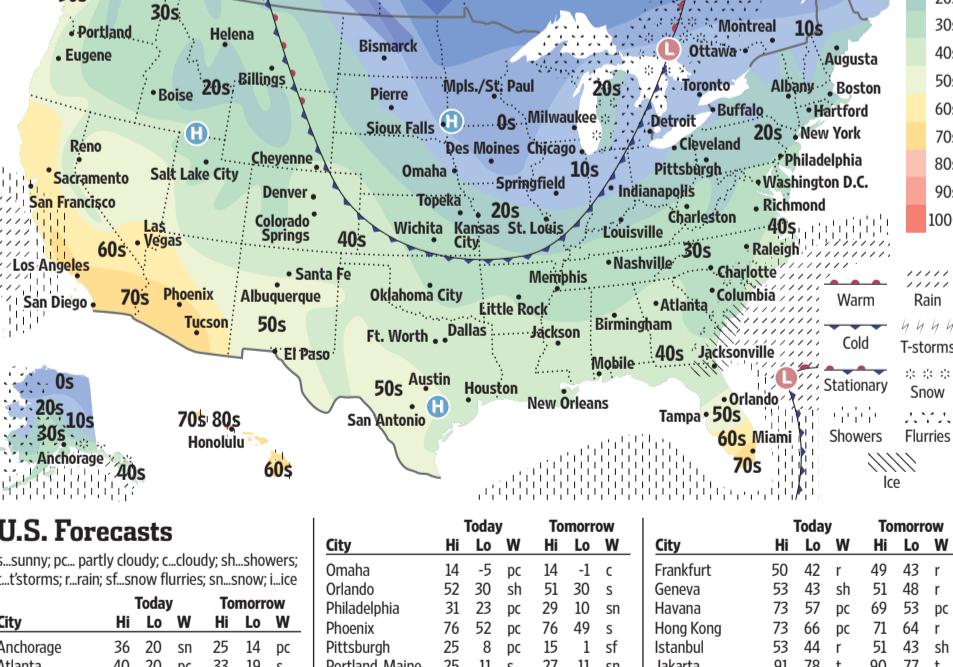
There was never any doubt that Smart, a Georgia-bred former Bulldogs football player, was going to create Alabama in Athens. That's what he was hired to do. Georgia's brass studied the Death Star and decided it had to build a bigger and better one. And it's working.

"He took over a program that has been successful," Saban said, "and he's done a great job of taking it to the next level."

Smart hasn't tried to outrun the obvious comparisons to his old boss. They're both former defensive backs. They both built teams predicated on defense, power and physicality. They both insist on running the football. They're both diplomatic in their responses.

Now the only thing separating Georgia and the national title is Saban. He's played his former assistants—coaches hired by schools that wanted to be more like Alabama—11 times in his career. He is 11-0.

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

City Today Hi Lo W Tomorrow Hi Lo W

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	36	20	sn	25	14	pc
Atlanta	40	20	pc	33	19	s
Austin	50	22	s	47	28	c
Baltimore	32	24	pc	28	9	pc
Boise	34	23	pc	34	26	c
Boston	28	20	s	31	15	sn
Burlington	21	8	c	21	2	s
Charlotte	38	20	s	35	18	s
Chicago	15	0	pc	11	-3	s
Cleveland	20	8	c	11	-2	c
Dallas	47	25	s	45	28	pc
Denver	48	22	s	48	22	pc
Detroit	16	3	sn	11	-2	pc
Honolulu	81	67	s	81	69	pc
Houston	46	26	s	48	30	pc
Indianapolis	17	-1	pc	11	-6	c
Kansas City	20	1	pc	19	3	c
Las Vegas	64	44	pc	66	45	pc
Little Rock	38	18	s	34	17	pc
Los Angeles	74	55	c	72	56	pc
Miami	70	44	pc	61	41	s
Milwaukee	16	1	pc	13	0	s
Minneapolis	6	-8	pc	4	-12	s
Nashville	35	11	pc	25	11	s
New Orleans	44	29	s	45	30	s
New York City	28	24	s	28	9	sn
Oklahoma City	38	17	s	36	19	pc
Portland	45	34	c	42	34	r
Seattle	50	32	sh	51	30	s
St. Louis	31	23	pc	29	10	sn
San Francisco	76	52	pc	76	49	s
Salt Lake City	20	8	pc	15	1	sf
San Antonio	25	11	s	27	11	sn
San Diego	45	36	c	45	39	r
San Jose	63	49	c	66	50	sh
Seattle	21	2	pc	16	6	pc
St. Louis	39	23	pc	42	28	s
St. Paul	74	57	s	91	75	c
St. Louis	60	53	r	62	53	sh
St. Louis	49	21	pc	51	20	s
St. Louis	50	39	c	49	43	r
St. Louis	6	-10	pc	5	-4	sf
St. Louis	35	25	pc	29	12	pc
St. Louis	45	34	c	42	34	r
St. Louis	75	64	pc	74	63	pc
St. Louis	92	68	s	97	65	pc
St. Louis	75	64	pc	74	63	pc
St. Louis	48	39	s	45	35	r
St. Louis	40	36	sn	43	35	pc
St. Louis	52	41	r	52	47	r

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	48	43	sh	48	42	r
Athens	57	47	c	53	42	r
Baghdad	65	41	s	66	48	pc
Bangkok	89	74	s	91	75	s
Beijing	34	15	pc	31	17	c
Berlin	46	40	r	44	39	c
Brussels	48	43	sh	52	41	r
Buenos Aires	92	68	s	97	65	pc
Dubai	75	64	pc	74	63	pc
Dublin	48	39	s	45	35	r
Edinburgh	45	34	c	42	34	r
Frankfurt	50	42	r	49	43	r
Geneva	53	43	sh	51	48	r
Havana	73	57	pc	69	53	pc
Hong Kong	73	66	pc	71	64	r
Istanbul	53	44	r	51	43	sh
Jakarta	91	78	t	90	77	t
Jerusalem	55	42	pc	50	44	pc
Johannesburg	80	52	s	81	58	s
London	52	43	s	55	38	r
Madrid	61	43	pc	57	42	pc
Manila	83	77	s	87	77	r
Melbourne						

OPINION

Should Business Be 'Grateful'?

BUSINESS WORLD
By Holman W. Jenkins, Jr.

Even from some who should know better, Corporate America is hearing that, to validate the new tax law, companies must do particular things with particular dollars, and not do other things.

Companies must invest in new plants and equipment in the U.S., not abroad.

They must hire U.S. workers and give them raises. They must not cut jobs or send jobs overseas.

Any dollars held in offshore accounts must now, traceably, by serial number, be seen to come back to the U.S. These dollars, however, must not be used to buy back stock or increase shareholder dividends, because doing so would be a sign of "ingratitude."

Does this make any sense? Of course not. For one thing, if a company buys back shares, the sellers must do something with the money, either invest it or consume it. The benefit of the tax law lies entirely in increasing the incentive to invest in the U.S., not in trying to pre-guess every corporate decision about what to do with cash. And who shouldn't be grateful for more investment?

Let Apple serve as a symbol for the crazy politics of (we barely can bring ourselves to type the words) "corporate gratitude." Apple's

\$240 billion in foreign cash holdings are the largest of any company's. Yet Apple's own research-and-development spending amounts to only \$10 billion a year.

If Apple wanted to spend more, it already could, including by borrowing against its overseas holdings. Apple has no sane use for its vast accumulation of foreign earnings except to return them to shareholders, who would be rightly aggrieved if it didn't.

If the politics of corporate gratitude somehow rule this out, then Apple's wisest choice might be to delay bringing the money home, since under the law it can postpone for as long as eight years the new 15.5% repatriation tax. Who would be grateful then? Only the foreign depositaries that get to keep Apple's money.

Apple's Tim Cook was one of many CEOs who petitioned Democrats and Republicans to clean up the corporate tax mess. Should he be grateful?

He certainly should be less annoyed. Previously, as a careful steward of his shareholders' wealth, he could hardly voluntarily subject Apple's hoard to the 35% tax rate, especially when precedent and promises from both parties indicated the rate would eventually be cut.

Now he can bring the money back and pay \$37 billion to the U.S. Treasury.

Mr. Cook, though, has good manners and understands the value of appearing grateful for this opportunity. He carefully couched his advocacy of tax

reform by supporting a proposal (not enacted) to earmark any repatriation proceeds for a liberal-pleasing "infrastructure" fund. Now he will have to find another kind of prayer to offer up to cover Apple's behaving rationally with its resources.

In fact, we should all be grateful when tax reform leads to better incentives.

Other companies that, unlike Apple, have large, modestly paid domestic workforces have already found a solution. AT&T, Wells Fargo and Comcast have arranged to be seen dishing out celebratory bonuses to workers, a form of gratitude that works well with President Trump.

Which is not terrible: The usual way companies say "thanks" to politicians is with campaign donations.

Such showy employee bonuses are not more than window dressing. These companies will continue to follow the same old incentives and price signals they always have in choosing how to deploy cash.

And we should be grateful, since the law's purpose was not to stimulate short-term window dressing but to improve incentives permanently.

What about other taxpayers? Shouldn't big business be grateful to them? Won't other taxpayers have to pick up the

slack for a corporate tax rate cut? In fact, almost nobody's tax rate will go up under the plan. If higher investment means higher growth, however, lots of Americans can expect to pay more taxes on their now-higher incomes, for which they will be grateful.

Indeed, on the redistribution metrics that Democrats claim to care about, our tax code remains heavily tilted toward trying to make the top 1% pay for middle-class entitlements that only the middle class realistically can pay for.

For whatever reason, unlike the middle class in Denmark or Sweden, the U.S. middle class just doesn't seem to value or trust its government benefits enough to pay for them. The result is a persistent deficit. Happily, the U.S. is unlikely to tip itself into a debt collapse for this reason. Undertaxation is never the cause of any country's debt meltdown. Always and everywhere the cause tends to be a production collapse driven by government actions that stifle initiative and drive away capital.

Mr. Trump is warmly disapproved of by 56.2% of Americans, who are clearly not grateful for his presidency. Yet he arguably just did the best available thing to make sure our entitlement state remains viable in the long run. Mr. Trump is the vehicle for achieving a policy goal long championed by both parties, for which believers in the two-party system should be both grateful and puzzled.

BOOKSHELF | By Mark Molesky

The Incident At Mayerling

Twilight of Empire

By Greg King and Penny Wilson
(St. Martin's, 331 pages, \$27.99)

Early in the morning on Jan. 30, 1889, two pistol shots pierced the tranquility of the Vienna Woods. Inside the hunting lodge where the rounds had been fired, an alarmed valet smashed his way through a locked bedroom door. There he discovered Crown Prince Rudolf, the 30-year-old heir to the Habsburg throne, slumped on his bed, the top of his skull blown off. Beside him, the naked, blood-spattered corpse of his 17-year-old mistress.

Within hours, Mayerling (as the property was known) was surrounded by Austria-Hungary's security services. Officials quickly emptied the prince's rooms of letters and other potentially incriminating evidence; and the body of Rudolf's paramour, the Baroness Mary Vetsera, was hustled away. The next day, the government declared that the crown prince had died of heart failure.

Most doubted the official explanation, and wild rumors ran rampant. Even the emperor, Franz Joseph, had initially

believed that his son had been poisoned by Mary before she poisoned herself. When, under pressure, the authorities announced that the prince had shot himself in a state of mental derangement, the investigation was closed. "Anything," said the emperor, "is better than the truth!"

Luckily, few with an interest in Mayerling have shared the emperor's sentiments. Over the years, scores of books, articles and movies have plunged into the mystery, embracing various theories about what really

happened behind that locked bedroom door. A few suspect that Rudolf's death was a political assassination, carried out on the orders of either the Austrian prime minister or his Prussian counterpart, Otto von Bismarck, because the crown prince's liberal views clashed with their interests. In 1983, the elderly widow of Karl I, Austria's last emperor, asserted (without evidence) that Georges Clemenceau, the future French prime minister, had Rudolf killed because he refused to back a French-designed coup against his father. Most Mayerling enthusiasts, however, seem drawn to the romantic elements of the story.

It is Greg King and Penny Wilson's aim, in "Twilight of Empire," to provide a satisfying explanation for the incident at Mayerling. In this they have succeeded marvelously, offering up a lucid and entertaining historical portrait along the way. For them, Rudolf and Mary bear primary responsibility for their deaths, not outside forces, though a variety of psychological motives point to an explanation more complicated than the heartache of a doomed love affair.

Two shots rang out. A valet smashed through the locked bedroom door to find the corpses of Crown Prince Rudolf and his teenage mistress.

If there is a villain in the story, it is the crown prince. Born to unimaginable privilege, the talented and intelligent Rudolf squandered his charmed life in the reckless pursuit of women (both nobles and prostitutes), drink (Cognac and Champagne), drugs (morphine), and pie-in-the-sky political schemes. His womanizing was seemingly insatiable. He kept a ledger of his conquests, dutifully recording whether a woman had been a virgin and whether he had given her a cigarette box inscribed with his name, a signal that the relationship was over. Not surprisingly, he suffered from gonorrhea, which he almost certainly transmitted to both his wife and Mary Vetsera.

By 1889, Rudolf's relationship with his father had deteriorated dangerously. Upset at never having been given a post he considered important, he clashed with the emperor and, because of his erratic behavior, had been disinherited from meetings of the Army High Command. Incredibly, he began plotting against his father by encouraging Hungarian nationalism in the hope that he would soon become king of an autonomous Hungary and thus free to found his own dynasty. To this end, he may have sought an annulment from his wife.

Mr. King and Ms. Wilson observe that Rudolf's impulsive and volatile actions may have resulted from the fact that he, like many of his relations, was severely in-bred (his parents, for example, were first cousins). The authors further speculate, based on accounts of his moods and conduct, that he suffered from a bipolar disorder.

Ominously, in the months before his death, Rudolf began to ask friends and servants if they would join him in a suicide pact. Yet when he arrived at Mayerling in late January 1889, he was hoping for good news. If the Hungarian parliament voted to reject an Austrian reform bill (which would have banned the use of the Magyar language in the military), the stage would be set for the revolt upon which he had staked his future. Unfortunately for the prince, a telegram arrived with word that the bill had been accepted. Rudolf's world was collapsing around him.

Compounding his problems was the presence at Mayerling of Mary Vetsera, with whom he had grown weary. His father had recently forbade the liaison, possibly because the emperor suspected that Mary was his own daughter; in any case, Rudolf had come to the hunting lodge determined to break it off. But Mary was young and headstrong (and probably pregnant with Rudolf's child). Mr. King and Ms. Wilson believe that she refused to be dismissed like all of Rudolf's previous lovers and possibly stripped off her clothes to make any forced removal more difficult.

Faced with overlapping personal calamities, the lovers latched onto the prince's suicide-pact idea and, after locking the bedroom door, began to write suicide letters (which largely survive). "We are both going happily into the unknown beyond," wrote Mary to her sister. "Think of me now and again, and marry only for love." As their emotions rose, the impulsive Rudolf likely shot Mary and then waited some hours before building up enough nerve to shoot himself. It was "a life begun with such promise," the authors write, "now ending alone and in such misery."

Although some have wondered if Rudolf's suicide paved the way to World War I by depriving Central Europe of a liberal voice that might have checked the militarism of his father, it seems unlikely that the dissolute prince would have survived long enough to have made a difference.

Mr. Molesky, a professor of history at Seton Hall University, is the author of "This Gulf of Fire: The Destruction of Lisbon, or Apocalypse in the Age of Science and Reason."

Here's the Cure for Hyperpartisanship

POLITICS & IDEAS
By William A. Galston

Twenty seven-year-old was a difficult year for the U.S., and 2018 may well be worse. The debates over ObamaCare repeal and tax cuts have not exactly prepared the way for the bipartisanship President Trump now says he seeks. Compromise on long-deferred issues such as the budget and the Dreamers will not be easy, even with more goodwill on both sides. With control of both houses of Congress at stake, the November midterm elections are already in full swing. Looming over everything is the Mueller investigation, which its adversaries are working full-time to undercut.

This said, the country is not fated to continue a decline into debilitating hyperpartisanship that threatens its well-being at home and standing abroad. Without compromising their principles, the combatants have it in their power to de-escalate the struggle and begin rebuilding domestic tranquility.

(Trigger warning: I am about to advocate moderation and restraint, counsel that has been known to spark uncontrollable fury in those for whom anger has become a way of life.)

To the Republican members of the House and Senate: Partisanship, within limits, is a venerable American political

tradition. Party loyalty helps organize the otherwise unmanageable fragmentation of our society. It structures the legislative process, and it allows voters to form judgments without an undue investment of time and effort. But even when partisanship is good, it is not the highest good, and it ceases to be good when it undermines the common good.

You hold the majority—for how long, no one knows. But you do not represent an American consensus. Far from it. You command the loyalty of barely half the country—less, if recent surveys are accurate. You cannot hope to speak for the country if you act without regard for the many Americans who disagree with you. If you want to deepen the divide in our polity, spend the next nine months attacking "welfare." If you want to antagonize even your own supporters, take a carving knife to what you blandly call "entitlements," otherwise known as Social Security and Medicare, programs on which so many elderly Americans depend. If you want to retire the lifetime achievement award for hypocrisy, do so in the name of fiscal responsibility.

There is an alternative: Spend the rest of this Congress focusing on issues that can bring the country together. Strike a compromise on the budget that attends to defense, domestic and revenue needs. Pair fair treatment for

treat you fairly. Based on Robert Mueller's long record of probity, this is an entirely reasonable expectation. Do nothing to encourage those of your supporters who are doing their best to undermine Mr. Mueller's legitimacy. Do not retract by tweet what you assert by day.

You cannot run with the hares and hunt with the hounds. You claim to have the "absolute right to do what I want to do with the Justice Department." You don't. If you try to force Mr. Mueller's resignation or fire him outright, you will trigger a conflagration that will consume your presidency and severely damage the country whose greatness, as you understand it, you seek to restore. I cannot believe this is how you want future generations to remember you.

And defend the civic textbook basics—freedom of speech, of the press, of peaceful lawful assembly; individual rights, the rule of law, and the separation of powers—with every fiber of your being. These are the outer ramparts of our liberal constitutional order. As long as they stand, we can repair the damage. If they fall, God help us all.

As part of a September forum on the First Amendment, teachers at York High School in Elmhurst, Ill., displayed an American flag on the floor of the school library. They said they wanted to teach students to deal with their feelings about the national anthem protests in pro football. Local veterans visited the school and respectfully scooped up the abused flag. That's what good men do.

Maybe all the bad sexual behavior coming to light will remind people how much we need decent men. This is a country with a history of brave, talented and good men.

Let them be men.

Ms. DeCarlo formerly covered culture, travel and entertainment for the Chicago Tribune and the Las Vegas Review-Journal.

By Angela Rocco DeCarlo

When my three sons were growing up, I imagined their future wives would be grateful to me. I raised my boys to cook for themselves, wash their own clothes, type and do everything I then thought necessary to lead a civilized life. Hilarious. I actually could picture those darling little girls lining up to thank me. Probably because I had daughters.

Now that my boys are grown, let me tell you: God knew what he was doing sending a gang of brothers. They're easier and less expensive to dress.

The world needs good men. Yet these days there isn't much appetite for allowing boys the full exercise of their interests. Most boys don't want etiquette lessons. They want to go camping, learn to survive in the forest and do

other adventuresome things. Luckily an all-male enterprise existed—the Boy Scouts—whose function was to help boys become competent men. Now they are opening the ranks to girls.

A society that won't let boys be boys will pay a price in the end.

Even the military has apparently succumbed to the fashionable idea that there are no differences between the sexes. In some places they're taking it further. California, where I live, now offers birth certificates at local art shows with his beautiful paintings.

My friend married a man with artistic talent. But developing it always came second to being a good husband and providing for the family. Only now that he's retired from his retail career is he winning prizes at local art shows with his beautiful paintings.

It is wonderful that women today have so many opportunities to do and be what they want, and no one gets fired by nuns from a teaching job, as I was, for being married and three months pregnant. Even pregnant students are safe

To my fellow Democrats: Preserve a sense of proportion, and pick your spots. Policy disputes, however deep, are not a threat to our constitutional order. Nor are adverse rulings from an increasingly conservative judiciary.

We cannot pretend that this president is pioneering an unprecedented conception of executive authority.

Justifying his resort to expansive administrative action, Barack Obama famously said, "I've got a pen and I've got a phone." So, it turns out, does Mr. Trump; no surprise that he is using these nonproprietary commodities to undo what his predecessor did.

Here's what you should do instead: Fight hard against policies you think are wrong. Propose alternatives so that citizens can understand what we would do instead if we had the power to act. Reach out to voters whom we have neglected. Show up everywhere, even in places where the odds seem dismal. Do not push for impeachment in advance of conclusive evidence that would justify so grave a course.

And defend the civic textbook basics—freedom of speech, of the press, of peaceful lawful assembly; individual rights, the rule of law, and the separation of powers—with every fiber of your being. These are the outer ramparts of our liberal constitutional order. As long as they stand, we can repair the damage. If they fall, God help us all.

from dismissal. But why must we pretend that men and women are the same or that masculinity is the problem?

As part of a September forum on the First Amendment, teachers at York High School in Elmhurst, Ill., displayed an American flag on the floor of the school library. They said they wanted to teach students to deal with their feelings about the national anthem protests in pro football. Local veterans visited the school and respectfully scooped up the abused flag. That's what good men do.

Maybe all the bad sexual behavior coming to light will remind people how much we need decent men. This is a country with a history of brave, talented and good men.

Let them be men.

Ms. DeCarlo formerly covered culture, travel and entertainment for the Chicago Tribune and the Las Vegas Review-Journal.

Faced with overlapping personal calamities, the lovers latched onto the prince's suicide-pact idea and, after locking the bedroom door, began to write suicide letters (which largely survive).

"We are both going happily into the unknown beyond," wrote Mary to her sister. "Think of me now and again, and marry only for love." As their emotions rose, the impulsive Rudolf likely shot Mary and then waited some hours before building up enough nerve to shoot himself. It was "a life begun with such promise," the authors write, "now ending alone and in such misery."

Although some have wondered if Rudolf's suicide paved the way to World War I by depriving Central Europe of a liberal voice that might have checked the militarism of his father, it seems unlikely that the dissolute prince would have survived long enough to have made a difference.

Mr. Molesky, a professor of history at Seton Hall University, is the author of "This Gulf of Fire: The Destruction of Lisbon, or Apocalypse in the Age of Science and Reason."

OPINION

REVIEW & OUTLOOK

Busting Illusions About Iran

Anti-government protests continue across Iran after six days, and the ruling mullahs and Iranian Revolutionary Guard Corps (IRGC) are threatening a crackdown that could get ugly. The world should support this fight for freedom, which is exposing the illusions about Iran that dominated the Obama Administration.

Start with the claim that signing a nuclear deal with the Tehran regime would moderate its behavior. Ben Rhodes, President Obama's chief foreign-policy salesman, said in June 2015 that "a world in which there is a deal with Iran is much more likely to produce an evolution in Iranian behavior, than a world in which there is no deal."

Mr. Obama said the pact "could strengthen the hands of more moderate leaders in Iran." And Vice President Joe Biden's national security adviser Colin Kahl said in 2015 that the Iranians "are not going to spend the vast majority of the money on guns, most of it will go to butter." Toward that end, the nuclear pact lifted international sanctions and unfroze \$100 billion in Iranian assets.

Yet instead of using the money to improve the lives of Iranians, Tehran has used its windfall to back clients making trouble throughout the region. The mullahs have spent billions propping up Syria's Bashar Assad with troops, weapons and energy shipments. Iran funds Shiite militias in Iraq, Hezbollah terrorists in Syria and Lebanon, and Houthi fighters in Yemen.

The protesters in the streets of Tehran, Qom, Shiraz and other cities are explicitly rejecting this adventurism, shouting slogans like "Leave Syria, think of us!" They want a better economy and more opportunities for their children, not campaigns to build a Shiite empire across the Middle East.

Another busted illusion is that there is a difference in policy between Supreme Leader Ayatollah Ali Khamenei and the supposedly moderate President Hasan Rouhani. Mr. Rouhani talks about listening to the protesters, but that will last only until the Ayatollah gives other orders. The Rouhani government has responded to the nuclear deal by arresting democracy advocates and taking American hostages like Xiyue Wang,

Trump puts America on the side of the people, not the Ayatollahs.

a Princeton PhD student, and father and son Baquer and Siamak Namazi. The protesters are making no distinction between Mr. Rouhani and the mullahs.

The demonstrations have also exposed the illusion peddled by Mr. Rhodes that President Trump's more muscular policy toward Iran has united the regime with the Iranian public in opposition to the U.S. The ire of the protesters is aimed at their own rulers for corruption and wasting what they were told would be the fruits of the nuclear deal.

Mr. Trump, the supposed foreign-policy bumpkin, understands this better than Mr. Obama and the arms-control sophisticates. Mr. Obama sought to win over the Tehran regime by avoiding confrontation and letting Iran have its way in Syria and elsewhere. His goal above all else was the nuclear deal.

Mr. Trump, by contrast, has distinguished between the regime and the Iranian people, much as Ronald Reagan did with the Soviet Union. In speeches over the past year, the President has called out the regime for stirring up foreign trouble and subjugating its people.

"The entire world understands that the good people of Iran want change, and, other than the vast military power of the United States, that Iran's people are what their leaders fear the most," Mr. Trump told the United Nations in September. "This is what causes the regime to restrict internet access, tear down satellite dishes, shoot unarmed student protestors, and imprison political reformers."

Mr. Trump's tweets since the protests began may not be Obama-smooth but they have put America on the side of the people, rather than the regime. This rhetorical support matters to those in the street, and Europeans and Democrats in Congress should join the chorus. The U.S. can also provide technology to help Iranians get around the regime's internet firewall and censorship. And it can raise the cost of Iran's interventions around the Middle East.

Iranians will have to earn their own freedom, but Americans can help by admitting that this isn't a fight between moderates and "hardliners" or Tehran vs. Trump. It's a fight between people who want liberty and their oppressors.

A Moment of Contempt

The House Intelligence Committee has set a deadline of Wednesday for the Department of Justice and FBI to turn over documents related to the Christopher Steele dossier purporting to investigate ties between the Trump campaign and Russia. If they fail to comply, Speaker Paul Ryan will need to back up Congress's institutional prerogatives and hold the individuals responsible to contempt proceedings and possible impeachment.

Deputy Attorney General Rod Rosenstein and FBI Director Christopher Wray have had the subpoenas since Aug. 24, but they have responded with excuses, delays and misdirection. The Justice Department has refused to provide Congress with the most basic documents demanded under the subpoenas. These include reports detailing the FBI's interactions with sources such as Mr. Steele, who was hired by the opposition research firm Fusion GPS, which was funded by associates of the Hillary Clinton campaign.

Justice also refuses to make available crucial witnesses, including FBI agent Peter Strzok (a lead investigator in the Trump-Russia probe), former Associate Deputy Attorney General

Justice and the FBI continue to flout House subpoenas.

Bruce Ohr (whose wife worked for Fusion GPS) and FBI attorney James Baker (former FBI Director Jim Comey's right-hand man). Justice is also still sitting on months of anti-Trump text messages between Mr. Strzok and FBI lawyer Lisa Page.

This isn't acceptable, and neither Justice nor the FBI has offered a valid reason for their resistance. Senior Intelligence Committee members and staff are cleared to read classified information, and Congress has the constitutional authority to oversee the executive branch whose offices it funds. The excuse that such requests interfere with a Justice Department Inspector General probe wouldn't pass a middle-grade separation-of-powers exam.

A contempt brawl would not be fun, but Congress has already abandoned too much power to the executive. Mr. Ryan risks turning oversize into a power without enforcement ability. A Republican Congress holding Republican office-holders responsible for flouting subpoenas would send a useful signal across the government. And it might give President Trump or White House Counsel Don McGahn new incentive to intervene with Justice and order compliance.

Rubio's Tax Lament

Republicans have had a tough time selling tax reform to the public, and no wonder: Some GOP Members appear not to understand the economics behind it. Meet Senator Marco Rubio, who voted for the bill but now says it helped businesses too much.

"If I were king for a day, this tax bill would have looked different," he told Florida's News-Press, adding the bill "probably went too far" in helping corporations. "By and large, you're going to see a lot of these multinationals buy back shares to drive up the price. Some of them will be forced, because they're sitting on historic levels of cash, to pay out dividends to shareholders. That isn't going to create dramatic economic growth." He then noted his support for the doubled child tax credit.

Cable news picked up these comments as proof that the left was right all along that the bill is for the wealthy. This is politically regrettable and will make it harder for Republicans to persuade Americans that the law is good policy. Does Mr. Rubio want his party to lose the House and Senate?

But the more important point is what the comments betray about Mr. Rubio's lack of economic understanding. Corporations don't ultimately pay income taxes. They collect them, and their incidence is imposed on workers, shareholders and customers. A tax-rate cut on corporations means a wage increase for workers.

Mr. Rubio also whiffs with his zero-sum implication that any benefit to shareholders comes at the expense of growth. Economist John Cochrane in a blog post last month knocked down the "buyback fallacy." Even if

The Florida Senator shows he doesn't know how economies grow.

companies send money back to shareholders, investors will find other uses for it.

"In the end, investment in the whole economy has nothing to do with the financial decisions of individual companies," Mr. Cochrane writes. "Investment will increase if the marginal, after-tax, return to investment increases." This is the point of lowering the corporate rate—to change incentives.

The irony is that Mr. Rubio criticizes the corporate cut on grounds that it won't produce much economic growth. Yet he takes a victory lap on the expanded child credit he demanded as the price of his vote. This special break for some families has no discernible growth effect. That's because the child credit does not—say it again—change the incentive to work or invest.

Mr. Rubio also misjudges the economic moment. With the expansion already into its eighth year, and labor markets tight, the economy needs a boost in capital investment to sustain its momentum. This would help workers in particular as businesses scramble to find skilled, reliable employees when the jobless rate is low. Mr. Rubio apparently thinks that workers are better off if politicians hand out checks, whether workers owe income taxes or not, as opposed to having faster growth and business investment bid up wages.

Perhaps Mr. Rubio thinks his refundable tax credits will appeal to President Trump's working-class voters, and this political opportunism is disappointing. But his failure to grasp basic market economics suggests that GOP primary voters were right to reject him in 2016.

LETTERS TO THE EDITOR

Readers Take Alan Blinder to Task on Taxes

Alan Blinder's "Almost Everything Is Wrong With the New Tax Law" (op-ed, Dec. 28), which criticizes the tax cut on corporations as favoring the rich and says "few Americans buy into the 'trickle down' argument," is blatant demagoguery. I live in an area of small towns and have seen the affect on the entire community of the addition or expansion, or conversely the loss, of corporate-owned businesses. New and better jobs, higher wages, better benefits and the ripple effect are real and critically important benefits. The same is true in urban settings. Most Americans buy into this simple economic fact.

Prof. Blinder's professed concern for a probable deficit seems insincere given the staggering record-setting national debt increases over the Obama years. The same is true with respect to his concern for the tax bill having been "rammed through," given how ObamaCare was passed. Further,

there is no economic reason a tax cut must be either distributionally or revenue neutral, as he asserts. These are his personal political opinions, having nothing to do with economic principles.

This tax bill's writers didn't profess these goals because it's an attempt to improve our lagging economy. Finally, Mr. Blinder's statement that this tax bill isn't a "wildly popular tax bill that was winning praise from tax experts and scoring marvelously in public opinion polls" is disingenuous.

The popularity of tax legislation with the public is more the product of how it is painted in the overtly partisan media than how it would be viewed by those who truly understand its provisions and probable results from a nonpartisan point of view.

SAMUEL J. MCKIM

Lexington, Mich.

Why is it that as the Journal reports consumer confidence is at a 17-year high?

DAVID W. OGILVY

Tucson, Ariz.

Alan S. Binder asserts that the new tax law "is larded with provisions custom-made for the rich and super-rich while offering mere crumbs for the middle class." However, he ignores the Dec. 18 report of the Congressional Joint Committee on Taxation (JCT). It estimates that under the new tax law the top 1% of taxpayers—those with annual incomes above \$500,000—will receive in 2019 a smaller percentage cut in their federal taxes (as compared with what their taxes would be under the current tax law) than the bottom 99%: a 6.9% tax cut for the top 1% of taxpayers versus a 8.4% tax cut for the bottom 99% of taxpayers.

BENJAMIN COHEN

Bethesda, Md.

Let's Keep the Gains Made, Nafta Isn't the Boogeyman

Merrill Matthews writes that "free trade with Canada and Mexico is vital to securing America's energy independence in the long run" ("Free Trade Has Been a Boon for Energy Independence," op-ed, Jan. 2). He then explains just how vital. Remember when "peak oil" theorists were certain that our oil supplies were in decline, and that Middle Eastern oil tied us helplessly to Islamist autocrats? That was something to be worried about.

Before all three member countries potentially walk away from Nafta (worst-case scenario but possible), let's pause to recognize that Nafta isn't the boogeyman; irresponsible and drastic change is. Very little needs to happen on the Nafta front.

WILLIAM SEAVEY

Cambria, Calif.

Charitable Gifts Can Shrink Your Taxable IRA Income

I am surprised that recent discussions about charitable giving ("The Tax Bill Won't Hurt Charitable Giving," Letters, Jan. 2) haven't included a reminder about the required minimum distributions from qualified IRAs for those over age 70-and-a-half. Who cares about the deduction when you can lower your adjusted gross income, and with the increased standard deduction, continue to claim a deduction?

MICHAEL FAIRLEY

Port St. Lucie, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL



"I owe it all to hard work, acumen and, of course, the silver spoon thing."

THE WALL STREET JOURNAL

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.letters@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

Republicans Can't Avoid ObamaCare in 2018

By Avik Roy

Republicans failed to repeal and replace ObamaCare in 2017. So what should they do in 2018? Some, like Senate Majority Leader Mitch McConnell, worry that they won't be able to do much with their 51-49 majority. Others, like Sen. Lindsey Graham, want to give health care another go.

Congress has no choice but to revisit the issue. The growth in spending on health-care entitlements like Medicaid and Medicare threatens to overwhelm the Treasury, starving the federal government of the funds it needs to pay for everything else, including education, welfare and national defense.

Give states the flexibility to turn their entitlement programs into competitive insurance markets.

Sen. McConnell said last month that any bill to reform entitlements will need to be bipartisan. He's right that getting Republicans and Democrats to cooperate is the most sustainable way to pass such legislation. But with the "resistance" in full swing, bipartisanship may be a pipe dream. On the other hand, if Republicans want to tackle health care alone, they will need to take a different approach from the one that failed in 2017.

First, Republicans need to recognize the limits of their power.

Repealing most of ObamaCare's insurance regulations would require 60 votes to break a Democratic filibuster. The recent tax reform passed with 51 votes under the Senate's budget-reconciliation process, but that tactic can be used only on provisions that directly relate to taxing and spending. Further, Republicans are not united on federal health spending and can't muster even 50 votes to pass meaningful reductions. The only way they will get anywhere is if they can make a credible case that their reforms will improve the quality and affordability of health coverage.

Second, Republicans need to understand how the policy landscape has already changed. The tax-reform bill repealed ObamaCare's individual mandate. In October President Trump signed an executive order reviving alternative forms of short-term health insurance. These changes give Americans a reasonable if imperfect escape valve from ObamaCare's costliest regulations.

There is thus not much to gain by spending 2018 trying to replace ObamaCare's insurance exchanges. Republicans can instead liberalize the individual insurance market by restoring flexibility that states lost under ObamaCare. A good strategy would be to build on bipartisan efforts such as those from Sens. Lamar Alexander and Patty Murray.

But where Republicans have the greatest opportunity is in reforming Medicaid. In 2016 the federal government spent \$42 billion on ObamaCare's exchanges. It spent \$358 billion on Medicaid. States and localities pitched in another \$208 billion, for a total national Medicaid



ALEX WONG/GETTY IMAGES

Sen. Bill Cassidy (R., La.) at a health-care news conference in September.

expenditure of \$566 billion in 2016. By 2025 the Centers for Medicare and Medicaid Services estimate that national Medicaid spending will reach \$929 billion, a nominal increase of 64%.

That's a lot of money. By comparison, the Congressional Budget Office projects federal defense spending in 2025 of \$726 billion, a nominal increase of 24% from 2016 levels. All other discretionary spending—food stamps, unemployment benefits, veterans' health care, you name it—is forecast that year to total \$705 billion, up only 18%.

For now, at least, Washington can borrow money to pay its share of the Medicaid tab, but states can't do that. State legislatures, trying to meet their ever-expanding Medicaid obligations, are instead cutting funding for schools, roads and police. Despite numerous studies showing that

Medicaid recipients have no better health outcomes than people with no insurance, ObamaCare dramatically expanded the program, adding 13 million to the Medicaid rolls so far.

Republicans can address a core component of America's entitlement problem—and replace a core plank of ObamaCare—by centering their 2018 efforts on these problems. One idea would be to revive and modify last summer's bill from Sens. Graham and Bill Cassidy, which proposed preserving nearly all of ObamaCare's additional health-care spending but converting those funds into "block grants" that states could use as they saw fit.

The problem was that Graham-Cassidy would have also wiped out most private individual insurance markets. Specifically, the bill would have given states the incentive to replace ObamaCare's tax credits—the

subsidies that help low-income people purchase private insurance—with even worse "public options" like Medicaid. In other words, states could have used Graham-Cassidy to expand government control of health care further, with worse outcomes.

A new version of Graham-Cassidy, focused solely on Medicaid, could give states the flexibility to convert their health-care entitlements into competitive insurance markets. Congress could pair that reform with repeal of ObamaCare's taxes on things like insurance premiums and medical devices—taxes that increase health-care costs.

Several GOP bills, including Graham-Cassidy, have included "per capita allotments," tying long-term Medicaid spending to various measures of inflation. That's a good idea, provided that states first get the flexibility to reduce waste and fraud and to focus Medicaid resources on the people who most need them.

Long-term savings from Medicaid reform, using the chassis of Graham-Cassidy, would significantly reduce Washington's liabilities. That could help Speaker Paul Ryan fund his ambitious reconsideration of the broader welfare state. Most important, helping states fix their Medicaid programs could improve health outcomes for poor and vulnerable Americans.

Now that would be a legacy to run on in 2018.

Mr. Roy is president of the Foundation for Research on Equal Opportunity, and a former policy adviser to Mitt Romney, Rick Perry and Marco Rubio.

'White-Informed Civility' Is the Latest Target in the Campus Wars

By Steve Salerno

From the land that irony forgot—which earlier gave us microaggressions and trigger warnings—comes a new and surprising movement, this time to combat civility. Civility, you see, is a manifestation of the white patriarchy. Spearheading this campaign are a duo of University of Northern Iowa professors, who assert that "civility within higher education is a racialized, rather than universal, norm."

Their article in the Howard Journal of Communications, "Civility and White Institutional Presence: An Exploration of White Students' Understanding of Race-Talk at a Traditionally White Institution," describes a need to stamp out what they call "whiteness-informed civility," or WIC. The pervasiveness of WIC, it seems, erases "racial identity" and reinforces "white racial power."

Their thesis can be a tad hard to follow, unfolding as it does in that dense argot for which academia is universally beloved. But their core contention is twofold: One, that civility, as currently practiced in America, is a white construct. Two, that in a campus setting, the "woke" white student's endeavor to avoid

microaggressions against black peers is itself a microaggression—a form of noblesse oblige whereby white students are in fact patronizing students of color. Not only that, but by treating black students with common courtesy and expecting the same in return, white students elide black grievances, bypassing the "race talk" that is supposed to occur in preamble to all other conversations. Got it?

Something similar is happening in collegiate debate, where historically high standards of decorum are under siege as manifestations of white patriarchal thinking. So are the factual and logical proofs that debaters are normally expected to offer in arguing their case. Some participants are challenging the format, goals and ground rules of debate itself, in some cases refusing even to stick to the topic at hand.

Again the driving theory is that all conversations must begin by addressing race. As one top black debater, Elijah J. Smith, writes, debate must, before all else, "acknowledge the reality of the oppressed." He resists the attempt on the part of white debaters to "distance the conversation from the material reality that black debaters are forced to deal with every day."

Mr. Smith and his think-alikes seek to transform debate into an ersatz course in Black Studies. In a major 2014 debate finals, two Towson University students sidestepped the nominal resolution, which had to do with restricting a president's war powers, in order to argue that war "should not be waged against n—as." Two other

The rules of collegiate debate are also coming under attack as racist and patriarchal.

students decided that rather than debate aspects of U.S. policy in the Mideast, they'd discuss how the common practices of the debate community itself perpetuate racism. Other recent debates involving black participants have devolved into original rap music.

A few debates have featured profane outbursts and even the hurling of furniture. In one memorable case, when the clock ran out on a student during the championship round, he yelled, "F—the time!"

Increasingly at major competitions, there must be a pre-debate debate on the terms of engagement: whether students are required to cite proof or are free to argue wholly from their feelings and so-called lived experience. Far from being banned or even maligned by debate judges, such antics increasingly win converts and, not coincidentally, matches. Such was in the case with the aforementioned Towson pair.

"Finally, there's a recognition in the academic space that the way argument has taken place in the past privileges certain types of people over others," Joe Leeson Schatz, director of speech and debate at Binghamton University, told the Atlantic. "Arguments don't necessarily have to be backed up by professors or written papers. They can come from lived experience."

Classroom protocols are under attack as well. A primer titled "Diversity and Inclusiveness in the Classroom," produced under the auspices of the University of Arizona, asserts that classroom debate "must be an 'accessible space,' and that 'sharing should be based on one's own feelings, experiences and perceptions.' Students are pointedly discouraged from rebutting feelings that don't

jibe with verifiable reality. Should someone slip up by introducing a "challenging" fact, however, the text has a prescription: "If a student feels hurt or offended . . . the hurt student can say 'ouch.'"

This rising academic shrine to supposed inclusiveness rests on a pair of dubious pillars. As with the attack on "white civility," it assumes that students of color wish to talk about nothing but color. Even if that's true for some, it is not a proclivity that educators should encourage.

Worse, a cynic might conclude that the unstated goal is to make it possible for students of color to succeed academically by talking about nothing but color, thus allowing race to infest whole areas of inquiry to which race is irrelevant. Such practices denature the college experience and bespeak a breathtaking level of condescension.

Civility is civility. Debate is debate. Education is education. It does no one any good to bastardize those concepts in service of a brand of inclusion that actually excludes.

Mr. Salerno is an author and journalism professor who lives in Las Vegas.

A Floating Fortress Would Bolster America's Naval Power

By William Lloyd Stearman

The U.S. Navy has a fleetwide deficiency that renders two essential naval operations impossible. Because American ships are vulnerable to antiship missiles, Navy doctrine bars them from sailing within 100 miles of a hostile shore. This prevents the Navy from a visible show of force and from mounting an amphibious assault against a well-defended position.

Why does the U.S. need these capabilities? Because the main peacetime mission of the Navy is diplomatic and political, and that sometimes requires a show of force in dangerous regions. Sailing a carrier task force over 100 miles away from a hostile country doesn't send much of a message to the adversary.

Several decades have passed since

the Marines launched a major assault on a coastal position. Yet the ability to bring them near the shore safely—and then to provide continuous support—remains essential. As Defense Secretary Jim Mattis said several years ago, when the U.S. loses "the ability to forcibly enter another's terrain, we've surrendered our influence in a world where that surrender won't play well."

Fortunately, there is a solution. The Navy should transform a supertanker into a highly armed, virtually unsinkable warship—known as an "expeditionary ship." Noted naval architect Kenneth S. Brower came up with the concept, which Mr. Mattis supported as a Marine general.

Such a ship would displace as much as 125,000 tons and would measure 1,075 feet long. Its top speed would be at least 18 knots. It would

also have four separate propulsion units to compensate for possible damage to propellers and rudders and to improve maneuverability.

This ship could be designed to make it virtually unsinkable. The huge hull of a well-designed supertanker reduces the probability of hull failure after an attack. It could easily survive multiple side torpedo hits. Also, its huge volume and heavy structure—with alternate layers of steel and water on each side—would defeat most high-explosive shaped charges and armor-piercing weapons.

For all its defenses, the ship would also be highly lethal. It would bristle with highly visible, large-caliber guns. Contrast this warlike appearance with today's warships, which generally only display a small gun on the bow. The expeditionary ship's very large deck could accommodate

a variety of helicopters, as well as jet fighters and a fleet of drones. It could also store an array of offensive and defensive missiles in its hull, while defensive weapons would stand

Here's how to transform a supertanker into a highly armed, virtually unsinkable warship.

ready on the deck. The ship would have as part of its complement a Marine expeditionary unit, which could grow substantially for amphibious assaults.

Having a combat-ready force sends a clear message to America's adversaries. In an amphibious assault, the

Marines would be brought within a mile of the coast. They could then embark, with their vehicles, on landing craft lowered from the deck. The Marine landing would be preceded by intense airstrikes and naval surface fire support. The ship would remain nearby to provide logistical, medical and fire support. Countless lives could be saved this way.

The U.S. last launched a major amphibious assault in the 1950 Battle of Inchon, but having the ability to do so remains important. Deploying this floating fortress to the Strait of Hormuz could deter Iran from blocking access to the Persian Gulf. It could have a similar effect in the Black Sea and the Baltic Sea, should Russia threaten nearby countries. It could also play a productive role in the South China Sea if the Chinese attempt to shut down shipping lanes.

All of this could be achieved for a relatively small price. Since an expeditionary ship would be built out of an already completed ship, construction would be cheap and relatively fast. It could feasibly be cheaper than many of the current ships in production.

More than 70 years after the end of World War II, the U.S. still needs a considerable nuclear capability to deter nuclear threats. A floating fortress like the expeditionary ship could play a similar deterrent role. Congress should keep this in mind as it prepares to increase military spending.

Mr. Stearman, who served on the National Security Council staff under four presidents, is the author of "An American Adventure, From Early Aviation Through Three Wars to the White House" (Naval Institute Press, 2012).

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch

Executive Chairman, News Corp

Gerard Baker

Editor in Chief

Matthew J. Murray Karen Miller Pensiero

Executive Editor Managing Editor

Jason Anders, Chief News Editor; Thorold Barker, Europe; Elena Chernyay, Coverage Planning;

Andrew Dowell, Asia; Neal Lipschutz, Standards;

Meg Marler, Digital Content Strategy; Alex Martin, Writing; Mike Miller, Features & Weekend;

Christopher Moran, Video; Shazna Nessa, Visuals;

Rajiv Pant, Technology; Ann Podd, News Production; Matthew Rose, Enterprise;

Michael Sconieri, Investigations; Nikki Waller, Live Journalism; Stephen Wisniewski, Professional News; Carla Zanoni, Audited & Analytics

Paul A. Gigot, Author of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT: Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS: 1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

Robert Thomson
Chief Executive Officer, News Corp
William Lewis
Chief Executive Officer and Publisher

DOW JONES MANAGEMENT: Mark Musgrave, Chief People Officer;

Edward Roussel, Innovation & Communications;

Anna Sedgley, Chief Operating Officer;

Katie Vannecchi-Smith, President

OPERATING EXECUTIVES: Ramin Beheshti, Product & Technology;

Jason P. Conti, General Counsel;

Frank Filippo, Print Products & Services;

Steve Grycuk, Customer Service;

Kristin Heitmann, Transformation;

Nancy McNeill, Advertising & Corporate Sales;

Christina Van Tassel, Chief Financial Officer;

Jonathan Wright, International

DJ Media Group;

Almar Latour, Publisher;

Kenneth Breen, Commercial

Professional Information Business:

Christopher Lloyd, Head;

Ingrid Verschuren, Deputy Head

Notable & Quotable: Graham

From an interview with Sen. Lindsey Graham (R., S.C.) on "Face the Nation," Dec. 31:

Graham: You'll ask me in a minute how my relationship has evolved with the president. It's evolved because he is president of the United States. He beat me like a drum, and I want to help him where I can because there's a lot on this man's plate and we should all want to help him.

Major Garrett: What have you learned about him that makes him different and more—someone you want to work with and can work with than he was when you said he was unfit for office and quite possibly a kook?

Graham: Yeah, I said everything.

I said he was a xenophobic, race-baiting, religious bigot. I ran out of adjectives. Well, the American people spoke. They rejected my analysis, and he is now my president. I worked with President Obama where I could, with President Bush even though I supported Senator McCain. The bottom line: he is president of the United States. I've gotten to know him better. He asks a lot of good questions.

I

WORLD NEWS

Islamic State Returns to Guerrilla Roots

Militants forced into hiding after losses mount stealth attacks in Syria and Iraq

Despite Syrian and Iraqi claims of victory over Islamic State, thousands of militants still holed up in both countries have mounted a number of recent guerrilla-style attacks on civilians and military forces, the U.S.-led coalition fighting the extremist group and others said.

*By Raja Abdulrahim
in Beirut and Isabel
Coles in Baghdad*

The fighters, hiding in isolated desert or mountain regions or among civilian populations in the neighboring countries, are stepping up hit-and-run style attacks now that they have lost much of the territory they seized several years ago, coalition officials, local activists and other experts said.

"Their way of fighting is like a wounded wolf," said Hisham al-Hashimi, an Iraqi expert on Islamic State. "A wolf is the only creature that does not flee when wounded. It attacks."

The U.S.-led coalition warily casts the development as evidence of the group's diminution.

"As [Islamic State] continues to lose land, influence, funding streams and conventional capabilities, we expect them to return to their terrorist roots by conducting high-profile attacks on helpless civilians," the coalition said last month. "There are less than 3,000 terrorists, most of whom are being hunted down in desert regions in Syria."

The coalition said its Syrian allies killed more than 20 of the group's militants in November as one of its convoys approached the al-Tanf military base in southeastern



Security forces patrolled at the Prophet Younis market in East Mosul, Iraq, on Nov. 5, after Islamic State was uprooted from the area.

points to get to parts of northern Syria under control of U.S.-backed forces or Turkish-backed rebels, civilians who have fled these areas said.

Mr. al-Hashimi estimates that 800 to 850 fighters are left in Iraq and will likely harass security forces for the next couple of years. Most of the remaining fighters there have found sanctuary in areas that have historically been beyond the government's reach, such as the Hamrin mountain range in the north and the vast western desert, where deep ravines make hiding relatively easy. Thousands of militants are also believed to be living low in another expanse of desert of eastern Syria.

As they have in the past, the militants exploit gaps between security command centers in different provinces. An offensive by Iraqi forces to retake territory controlled by its Kurdish allies in northern Iraq in October created a security vacuum that gave some militants a chance to re-infiltrate parts of the region, security officials, analysts and civilians said.

An Iraqi police colonel in the Hawija district south of Kirkuk said remnants of Islamic State had threatened civilians not to cooperate with the security forces or international organizations involved in reconstruction.

Security forces are preparing to conduct an operation in the area to root out fleeing Islamic State militants, a person in the Kirkuk operations command said.

"We're not really sure what's next...if it's ISIS 2.0," said Col. Seth Folsom, who commands a U.S. task force that helped Iraqi forces clear Islamic State from an area near the Syria-Iraq border in December.

Jennifer Cafarella, an analyst for the Washington-based Institute for the Study of War, said maintaining sleeper cells is a crucial part of Islamic State's long-term strategy. Its decisions to withdraw early from several battlefields across Syria and Iraq were aimed at preserving capability for future use, she said.

Residents say many Islamic State militants shave their beards and otherwise alter their appearance to mix in with displaced civilians and flee. Some pay smugglers and bribe fighters manning check-

points to get to parts of northern Syria under control of U.S.-backed forces or Turkish-backed rebels, civilians who have fled these areas said.

Withdrawal Deal Helped Militants Flee Battlefields

Many of the militants still in Syria and Iraq were allowed to escape from urban battlefields such as Raqqa under a controversial withdrawal deal with U.S.-backed forces meant to hasten an end to the fighting in the group's former Syrian stronghold.

After uprooting Islamic State from the city of Mosul in June, Iraqi forces claimed a

string of victories over the militants in the former Islamic State bastions of Tal Afar, Hawija and the Euphrates River Valley. Those battles culminated in an announcement by Prime Minister Haider al-Abadi in December that the group had been defeated in his country.

The U.S.-led coalition had predicted that those battles after Mosul's fall would take months, citing intelligence estimates of thousands of militants preparing to make a last stand. In the end, though, the fighting lasted merely days

and Iraqi troops encountered almost no resistance.

"It begs the question: Where did they all go?" said Col. Seth Folsom, who commands a U.S. task force that helped Iraqi forces clear Islamic State from an area near the Syria-Iraq border in December.

"I think there's a good chance many of them have fled across the border" from Iraq to Syria, he added. "There was an opportunity for them to get out the back door then, and I think that's probably what happened."

bombings at camps for internally displaced Syrians who fled Islamic State-controlled areas.

In Iraq, insurgents disguised as members of a government-backed militia set up fake checkpoints in the Hawija area south of Kirkuk. They assassi-

nated a local police chief and his son, and in a separate attack, a tribal leader and his wife, police said. Days later, militants ambushed an army patrol nearby, killing two Iraqi soldiers.

Western countries have feared that the end of Islamic

State's self-declared caliphate in Syria and Iraq would send foreign fighters streaming back home to stage attacks. But most of the group's attacks lately have been in Syria and Iraq. On Thursday, the group's affiliate in Afghanistan claimed responsibility for a suicide attack in Kabul that killed 41 people.

Jennifer Cafarella, an analyst for the Washington-based Institute for the Study of War, said maintaining sleeper cells is a crucial part of Islamic State's long-term strategy. Its decisions to withdraw early from several battlefields across Syria and Iraq were aimed at preserving capability for future use, she said.

Residents say many Islamic State militants shave their beards and otherwise alter their appearance to mix in with displaced civilians and flee. Some pay smugglers and bribe fighters manning check-

points to get to parts of northern Syria under control of U.S.-backed forces or Turkish-backed rebels, civilians who have fled these areas said.

Mr. al-Hashimi estimates that 800 to 850 fighters are left in Iraq and will likely harass security forces for the next couple of years. Most of the remaining fighters there have found sanctuary in areas that have historically been beyond the government's reach, such as the Hamrin mountain range in the north and the vast western desert, where deep ravines make hiding relatively easy. Thousands of militants are also believed to be living low in another expanse of desert of eastern Syria.

As they have in the past, the militants exploit gaps between security command centers in different provinces. An offensive by Iraqi forces to retake territory controlled by its Kurdish allies in northern Iraq in October created a security vacuum that gave some militants a chance to re-infiltrate parts of the region, security officials, analysts and civilians said.

An Iraqi police colonel in the Hawija district south of Kirkuk said remnants of Islamic State had threatened civilians not to cooperate with the security forces or international organizations involved in reconstruction.

Security forces are preparing to conduct an operation in the area to root out fleeing Islamic State militants, a person in the Kirkuk operations command said.

"We're not really sure what's next...if it's ISIS 2.0," said Col. Seth Folsom, who commands a U.S. task force that helped Iraqi forces clear Islamic State from an area near the Syria-Iraq border in December.

Jennifer Cafarella, an analyst for the Washington-based Institute for the Study of War, said maintaining sleeper cells is a crucial part of Islamic State's long-term strategy. Its decisions to withdraw early from several battlefields across Syria and Iraq were aimed at preserving capability for future use, she said.

Residents say many Islamic State militants shave their beards and otherwise alter their appearance to mix in with displaced civilians and flee. Some pay smugglers and bribe fighters manning check-

points to get to parts of northern Syria under control of U.S.-backed forces or Turkish-backed rebels, civilians who have fled these areas said.

Mr. al-Hashimi estimates that 800 to 850 fighters are left in Iraq and will likely harass security forces for the next couple of years. Most of the remaining fighters there have found sanctuary in areas that have historically been beyond the government's reach, such as the Hamrin mountain range in the north and the vast western desert, where deep ravines make hiding relatively easy. Thousands of militants are also believed to be living low in another expanse of desert of eastern Syria.

As they have in the past, the militants exploit gaps between security command centers in different provinces. An offensive by Iraqi forces to retake territory controlled by its Kurdish allies in northern Iraq in October created a security vacuum that gave some militants a chance to re-infiltrate parts of the region, security officials, analysts and civilians said.

An Iraqi police colonel in the Hawija district south of Kirkuk said remnants of Islamic State had threatened civilians not to cooperate with the security forces or international organizations involved in reconstruction.

Security forces are preparing to conduct an operation in the area to root out fleeing Islamic State militants, a person in the Kirkuk operations command said.

"We're not really sure what's next...if it's ISIS 2.0," said Col. Seth Folsom, who commands a U.S. task force that helped Iraqi forces clear Islamic State from an area near the Syria-Iraq border in December.

Jennifer Cafarella, an analyst for the Washington-based Institute for the Study of War, said maintaining sleeper cells is a crucial part of Islamic State's long-term strategy. Its decisions to withdraw early from several battlefields across Syria and Iraq were aimed at preserving capability for future use, she said.

Residents say many Islamic State militants shave their beards and otherwise alter their appearance to mix in with displaced civilians and flee. Some pay smugglers and bribe fighters manning check-

Greeks Fall Back on Elders' Pensions

BY NEKTARIA STAMOULI

ATHENS—Two years ago, Lumbi Nychas moved back into his childhood bedroom after sales at his jewelry store shrank drastically. A few months later, his sister followed, along with her husband and daughter. Today, they all depend largely on the state pension of the siblings' retired 67-year-old father.

Mr. Nychas, 33, and his sister use his bedroom as their workshop and sell their handmade jewelry online.

"What I miss most is my serenity, the opportunity to just be alone and relax," said Mr. Nychas, who would like to earn enough to move out, but doesn't believe that day—let alone the wherewithal to start his own family—will come soon.

Greece's pension system, a benefit pumped up over decades by profligate politicians, has become a de facto welfare net for the country's most vulnerable citizens, with millions of grandparents using what was meant to be retirement money to provide critical support for their extended families.

That broad dependency compounds the pain Greeks feel as the government prepares to enact a new round of pension cuts in 2018 and 2019. Retirees are expected to see their pensions reduced by as much as a fifth in what will be the 13th cut since the start of the bailout regime in 2010.

With such a large slice of Greek society relying on pension payments, retirement benefits have crowded out other forms of social spending that could be better deployed to address the scourges plaguing Europe's south: poverty, low birthrates, income inequality and a workforce unprepared for today's economy.

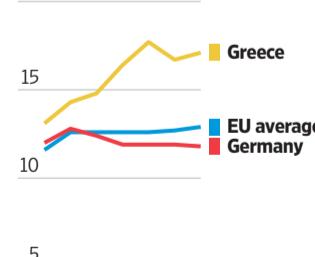
Pensions in Greece account for 17.4% of gross domestic product, according to the latest data from the Greek labor ministry, the highest rate in Europe. Despite successive cuts, pension spending as a percentage of GDP reached its highest point during the crisis as the country's economy shrank by more than a quarter. But pensions grew so large in part because the state distributed what now appear to have been overly generous benefits for decades.



Nikolaos Rikos, right, and Fanis Kontoulis, both 71, support family members with their pensions.

Costly Legacy

Percentage of GDP spent on pensions



Source: Eurostat

THE WALL STREET JOURNAL

In the 1950s and 1960s, more than half of Greeks receiving pensions had paid no contributions. Until 2011, hairdressers, models and state-television newscasters were categorized as "heavy and hazardous occupations" for which one year of contributions yielded as much benefits as three years paid in by an accountant or retail salesperson.

That tradition of excess fuels a sentiment that older Greeks, perhaps through no fault of their own, have effectively hijacked the future of their children and grandchildren. Anxious to court voters, successive governments encouraged early retirement and repeatedly covered the yawning shortfalls in pension funds with deficit spending.

"I feel ashamed for my generation that it has created this intolerable situation for our children," said Nick Nychas, Lumbi's father.

While the situation is especially acute in Greece, pensions have stepped in where the welfare system falls short in much of southern Europe. Italy and Portugal also spend more than 15% of GDP on pensions, compared with less than 12% in Germany, the Netherlands and Sweden.

In Spain, nearly half of those 65 or older provide financial help to friends or families. In Italy and Greece, new retirees outnumber new entrants into

the workplace, exacerbating efforts to set the system right. Greece now counts 2.7 million retirees against a working population of 3.5 million.

With the collapse of the Greek economy and unemployment at 21%, pensioners are providing the main source of income for half the people in the country.

In 2016, Greece paid out €30 billion (\$35.7 billion) in pensions but less than €1 billion in unemployment benefits, which only one in three jobless Greeks receives. State-supported job training is also scarce.

Such gaps have fed demands for more income-support measures, though any such efforts would likely fall short. Greece launched a limited subsidy for poor families in 2016 but is struggling to fund it.

When Greece produced a surprise budget surplus that year, the government of Prime Minister Alexis Tsipras gave the money to pensioners. After an outcry from Greece's official creditors and finance ministry officials, the government allocated the money to low-income Greeks in 2017.

"It's too late for Greece to create a welfare state," said George Kouroumanis, a former labor minister. "There are no resources left for that."

All this makes the pension cuts demanded by Greece's international creditors especially painful.

The struggle to find money leaves southern European governments with few tools to reverse the increase in income inequality brought on by the financial crisis.

United Nations human-rights experts said they were appalled by the pardon, calling it a "slap in the face" of victims and saying it undermined the work of Peru's judiciary.

Human-rights lawyers from the Lima-based Institute for Legal Defense said they would appeal to a Costa Rica-based regional rights court to annul the pardon.

"This is a serious setback," said José Miguel Vivanco, executive director of the Americas Division at Human Rights Watch. "Peru was moving in the right direction until [Kuczynski] decided to break the principle of the rule of law for political convenience."

Pardon for Fujimori Distresses Peruvians

BY RYAN DUBE

LIMA, Peru—Rosa Rojas was preparing dinner on Christmas Eve when shocking news arrived: President Pedro Pablo Kuczynski had pardoned Alberto Fujimori, the former Peruvian strongman jailed for authorizing massacres that killed her husband and 8-year-old son.

"This is a very big betrayal," said Ms. Rojas, who voted for Mr. Kuczynski in 2016 after he promised not to pardon Mr. Fujimori. "He's stirred up all this pain."

Just days after surviving an impeachment vote, Mr. Kuczynski granted a humanitarian pardon to Mr. Fujimori, who was found guilty in 2009 of ordering the extrajudicial killings of 25 people by a hit squad set up to target suspected rebel supporters and leftist activists during the 1990s. Mr. Kuczynski cited the former president's deteriorating health.

His decision to release him after serving less than half of his 25-year prison sentence has sparked a backlash and left the president politically isolated, as he faces accusations that he made a backroom deal to save himself from impeachment. Mr. Fujimori's son, Kenji Fujimori, and nine other members of the opposition Popular Force party abstained from the vote.

Three lawmakers in Mr. Kuczynski's small political party have resigned, while several government officials have stepped down. On Thursday, Mrs. Rojas joined thou-



Peruvians protest ex-strongman Alberto Fujimori's release from jail.

ERNESTO BENAVIDES/AGENCE FRANCE PRESSE/GETTY IMAGES

BUSINESS & FINANCE

© 2018 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Wednesday, January 3, 2018 | B1

S&P 2695.81 ▲ 0.83%**S&P FIN** ▼ 0.06%**S&P IT** ▲ 1.41%**DJ TRANS** ▲ 1.86%**WSJ \$IDX** ▼ 0.41%**LIBOR 3M** 1.697**NIKKEI** Closed (22764.94)See more at WSJMarkets.com

Europe's Year-End Tumult Returns

Money rates nose-dive as lenders scramble to adjust books before regulatory reviews

BY JON SINDREU

Year-end turmoil rocked Europe's money markets in 2016, so traders were as ready as they could be this time around. And yet, it happened again.

On Dec. 29, the last trading day of 2017, the interest rate on one-day loans secured by German government bonds plummeted to minus 4.4% from minus 0.7% a week before. There was a similar plunge for French, Dutch and Belgian bonds.

The sudden drop—roughly as deep as 2016's—reflects a scramble by banks to temporarily reduce lending and bor-

rowing on the day regulators assess their balance sheets. That it repeated in 2017 underscores how new regulations designed to make the financial system safer also have created permanent cracks in the plumbing of markets.

"Yet again, we have a perfect storm," said Michael Manna, head of fixed-income financing trading at Barclays.

Postcrisis rules force banks to raise extra capital whenever they increase lending and borrowing. In Europe, banks report their size at the quarter's end, so many scramble to reduce it before the cutoff date. The effect is compounded at year-ends because the world's largest banks also try to cut their lending to rank lower in regulators' list of globally systemic lenders, which carries surcharges.

As a result, as the end of the

year approaches, many banks turn away fund managers who are looking for a safe way to store cash. The principal short-term market for this is the repo market; fund managers will lend their cash to a bank or other counterparty, and accept ultra-safe government bonds as collateral.

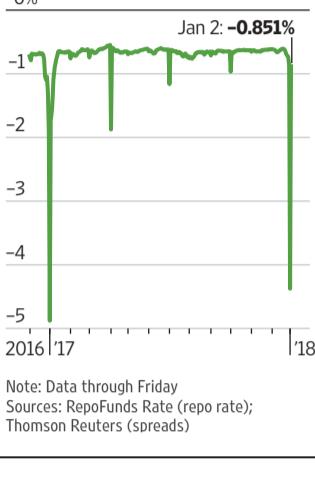
With banks shunning the trade, the interest rate that fund managers must offer plummets. It hit minus 4.4% for overnight loans backed by German government bonds on Dec. 29 and minus 3.9% for loans backed by French bonds. At the end of 2016, those rates hit record lows of minus 4.9% and minus 5.3%, respectively.

Investors looking to place money in exchange for a series of specific bonds paid as much as minus 18% at the end of 2016.

Please see EUROPE page B11

Deep Dives

Repo rates plummet at the end of the year. Interest rate on one-day loans secured by German government bonds



Extra premium required to borrow dollars against other currencies has spiked. Three-month cross-currency basis swap spreads



THE WALL STREET JOURNAL.

U.S. Bars Chinese Deal for MoneyGram

BY PETER RUDGEAIR AND KATE O'KEEFFE

An American national-security panel refused to approve a deal for Chinese billionaire Jack Ma's **Ant Financial Services Group** to buy **MoneyGram International Inc.**, the companies said Tuesday, in the latest sign the U.S. is tightening scrutiny of investment from China at a time of greater tensions between the two countries.

The companies in a joint statement said they had been unable to secure approval from the Committee on Foreign Investment in the U.S., or CFIUS, "despite extensive efforts to address the Committee's concerns."

"The geopolitical environment has changed considerably since we first announced the proposed transaction with Ant Financial nearly a year ago," MoneyGram Chief Executive Alex Holmes said. MoneyGram shares fell 6.5% in after-market trading.

Ant Financial is controlled by Mr. Ma, who is the founder of e-commerce giant **Alibaba Group Holding Ltd.** Ant Financial operates Alipay, which acts as the payments service of Alibaba. MoneyGram, based in Dallas, specializes in cross-border transfers of funds.

The failed takeover of MoneyGram is the latest in a string of high-profile Chinese deals that have run into trouble with CFIUS, a multiagency body that can advise the president to block foreign deals on national-security grounds, as momentum builds in Washington to more closely scrutinize Chinese investment.

In September, President Donald Trump blocked an attempt to buy **Qualcomm Inc.** Please see **DEAL** page B2



Traffic in Shenyang, China. Demand in Asia is driving global auto sales even as governments worldwide try to control emissions and make driving safer and smoother.

Relentless Car Buying Crowds World's Roads

BY JOHN D. STOLL AND ADRIENNE ROBERTS

Annual sales of passenger cars and trucks globally likely surpassed 90 million for the first time in 2017, the latest indicator that demand for conventional automobiles remains strong even as driverless cars and ride sharing get increasing attention.

The results, based on preliminary data provided by WardsAuto.com, were fueled

in part by a continued rebound in Western Europe and recovery in major emerging markets, including Brazil and Russia.

Asian buyers are the main engine for sales growth with more than a quarter of the cars sold last year going to Chinese customers, up from less than 15% a decade ago.

The North American market is the world's most profitable for auto makers, but American dealership traffic has slowed

after several years of momentum. Analysts expect U.S. sales in 2017 to fall short of a record 2016 and are bracing for production cuts in the first quarter of this year amid further slowdown.

December's U.S. sales are due out Wednesday.

Global demand remains robust, however, with 2017's relatively modest 2.7% growth estimate far outpacing population growth. WardsAuto.com says world vehicle sales have

grown at an average annual pace of 4.1% since 2009, higher than the 1.2% population growth over the same period, according to data provided by the World Bank.

The total number of vehicles in use globally topped 1 billion for the first time in 2009. That number has grown by another third in the years since, according to Wards.

The auto industry's growth poses challenges for regulators already struggling to

make increasingly congested roads safer and cleaner. Even as car companies and tech giants say autonomous cars, electric vehicles and sharing services are a way to reduce emissions and traffic deaths, governments around the world are trying to spark demand for electric cars. And the most recent data shows highway fatalities are climbing.

Officials in China and lawmakers in the U.S.—the

Please see CARS page B2

INSIDE



COMMERCIAL REAL ESTATE CLIMBS PEAKS

PROPERTY REPORT, B6

HEARD ON THE STREET | By Aaron Back

The Banks to Own When Savers Get Fed Up

Express. Savings accounts, which have paid out almost nothing for the past decade, could get more interesting in 2018 as yields rise and investors scramble for the higher returns. That could be bad news for certain banks.

Savings account yields haven't risen much since the Federal Reserve started lifting interest rates. As the Fed keeps tightening in 2018, more banks will raise deposit rates and savers will respond by rushing to the banks that pay the most.

That is what happened in the last tightening cycle in the mid-2000s: Banks moved slowly at first, gradually accelerating as rates moved higher. This time banks might have to be more aggressive because it is easier than ever for savers to move cash electronically to higher-yielding competitors like **Capital One** and **American**

Regions Financial and **PNC Financial** are among the most consumer-centric.

Banks that get deposits from rural areas where there is less competition can often keep rates low. **Synovus Financial**, for instance, gets 67% of deposits from metro areas with less than one million people, while **BB&T** gets 56%, according to Goldman Sachs. **JPMorgan Chase**, by

Regional Reach

Percentage of deposits in metro statistical areas with less than one million people



Source: Goldman Sachs estimates

lysts at Goldman Sachs. Among regional lenders, **Regions Financial** and **PNC Financial** are among the most consumer-centric. Banks that get deposits from rural areas where there is less competition can often keep rates low. **Synovus Financial**, for instance, gets 67% of deposits from metro areas with less than one million people, while **BB&T** gets 56%, according to Goldman Sachs. **JPMorgan Chase**, by

contrast, gets just 7% of deposits from these sparsely populated areas. The ease of electronic transfers could force rural banks to pay more this time around, but they are likely to still enjoy some advantage.

Rapidly growing banks may also need to pay up for deposits to continue their loan growth. The biggest banks have the advantage here because the government has restricted their lending so they are sitting on excess deposits.

In a note, analysts at Goldman Sachs put all these factors together into a composite score judging how resilient a bank is to rising rates. Among major national banks the clear winner was **Bank of America**. Among regional lenders, some of the standouts were **Regions Financial**, **BB&T** and **PNC Financial**.

These banks should be among the best to own as rates keep marching higher.

Dairies Are Awash With Organic Milk

BY HEATHER HADDON AND BENJAMIN PARKIN

Organic milk sales have cooled as the very shoppers who drove demand for the specialty product not long ago move on to newer alternatives, leaving dairy sellers and producers grappling with oversupply.

A yearslong surge in demand prompted food companies and dairy farmers to invest in organic production, which requires eschewing pesticides and antibiotics and allowing cows to graze freely. Now, organic milk supplies have ballooned just as demand has stalled. Many shoppers have moved on to nondairy substitutes such as almond "milk."

Packaged-food companies that invested in producing organic milk are cutting capacity or looking to turn it into cheese or other products. Grocery stores that rushed to stock organic milk have eased purchases and allotted more dairy-

case space to plant-based alternatives. Dairy cooperatives are slashing prices paid to farmers, setting quotas and even selling organic milk as a conventional dairy product.

"It's reached a market saturation," said Evan Rainwater, senior vice president for manufacturing at supermarket chain Albertsons Cos. Wal-Mart Stores Inc. and other big chains made the product available so widely so quickly that organic milk became less of a specialty item, Mr. Rainwater said.

Kroger Co. is shifting more shelf space from organic milk to nondairy and plant-based alternatives, a spokeswoman said. Wal-Mart officials said they have seen demand for plant-based beverages grow, while organic milk isn't having the same upswing as before.

Dairy-industry executives say their forecasts were off for organic milk demand continuing at the initial pace, but also

Please see MILK page B2

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	Euronet Worldwide.....B2
Advanced Micro Devices	B12
Affirm	B11
Alibaba Group Holding	B1
Alphabet	A1,A4,B2,B4
Amazon.com	A4,B13
American Express	B1
Ant Financial Services Group	B1
Apple	A1
B	Bank of America.....B1
BB&T	B1
Blackstone Group	B6
BP	B3
Broadcom	A4
Brookfield Property Group	B6
C	Capital One Financial.....B1
Caracas Capital	B11
Chery Automobile	B2
China Oceanwide Holdings Group	B2
Cleary Gottlieb Steen & Hamilton	B11
Comcast	B4
Commercial Metals	B3
Courtland Partners	B7
Credit Suisse Group	B3
D - E	Daimler.....B12
Dalian Wanda Group	B6
Danone	B2
Dean Foods	B2
Diageo	B4
DST Global	B11
Electrovaya	B12
Engaged Capital	B3
ESRT Empire State Building	B2
F	Guthrie, Savannah.....B4
G	Birk, Craig.....B13
Bunglawala, Shogat	B12
H	Holmes, Alex.....B1
Huber, Lars	B6
J	Jacobs, Sabrina.....B2
Kingston, Brian.....B6	B6
K	Lacey, Mark.....B13
Larsen, Andreas Steno	B11
M - P	Mallett, Sean.....B2
Manna, Michael.....B1	
Mell, Trent.....B12	
Mitro, Andrew.....B7	
Moag, Boaz.....B11	
Morden, Siobhan.....B11	
Moynihan, Brian.....B11	
Munk, Alfonso.....B6,B7	
R	Pathé, David.....B12
Pepper, Steven.....B3	
Powell, Jerome.....B13	
S	Rainwater, Evan.....B1
Roche, Michael.....B11	
Rost, Jordan.....B2	
T	Schlenkenbrock, Guido.....B11
Siemon, George.....B2	
Simmons, Harris.....B11	
Smith, Barbara.....B3	
Song, Tricia.....B7	
Speese, Mark.....B3	
Stark, Michael.....B7	
Sullivan, Jim.....B6	
Z	Zoia, Dave.....B2

INDEX TO PEOPLE

A	Angeli, Andrew.....B6
B	Birk, Craig.....B13
Bunglawala, Shogat	B12
C	Cabanis, Cécile.....B2
Caplan, Kenneth.....B6	
Choon, Choon.....B7	
Cloher, Michael.....B13	
Cooper, Richard.....B11	
Crosier, Bill.....B2	
D	Davis, Robert.....B3
F	Fadel, Mitchell.....B3
Feagin, Douglas.....B2	
G	Gifford, Kathie Lee.....B4
Gupta, Sankar Das...B12	
H	Holmes, Alex.....B1
Huber, Lars	
J	Jacobs, Sabrina.....B2
Kingston, Brian.....B6	
K	Lacey, Mark.....B13
Larsen, Andreas Steno	
M - P	Mallett, Sean.....B2
Manna, Michael.....B1	
Mell, Trent.....B12	
Mitro, Andrew.....B7	
Moag, Boaz.....B11	
Morden, Siobhan.....B11	
Moynihan, Brian.....B11	
Munk, Alfonso.....B6,B7	
R	Pathé, David.....B12
Pepper, Steven.....B3	
Powell, Jerome.....B13	
S	Rainwater, Evan.....B1
Roche, Michael.....B11	
Rost, Jordan.....B2	
T	Schlenkenbrock, Guido.....B11
Siemon, George.....B2	
Simmons, Harris.....B11	
Smith, Barbara.....B3	
Song, Tricia.....B7	
Speese, Mark.....B3	
Stark, Michael.....B7	
Sullivan, Jim.....B6	
Z	Zoia, Dave.....B2

CARS

Continued from the prior page world's two biggest markets—last month extended or preserved tax breaks aimed at electric cars, which represent less than 1% of global production and sales, according to IHS Markit.

Officials in certain European cities and countries, meanwhile, have said they aim to ban sales of conventional combustion-engine cars in years to come.

Significant growth for electric cars remains at least five years away due to battery-range concerns and cost barriers, said Dave Zoia, director of content at WardsAuto.com. Car companies are expected to launch a spate of partial or fully electric cars by 2025 as development costs ease and charging infrastructure expands.

Government officials boosted efforts to increase EV sales via tax breaks and other incentives about a decade ago, a time when high gasoline prices and a weak U.S. economy played a hefty role in slowing global sales.

Tesla Inc. and a handful of rivals have increased overall sales of battery-powered cars since then, but the increases have been overshadowed by stronger demand for conventional cars.

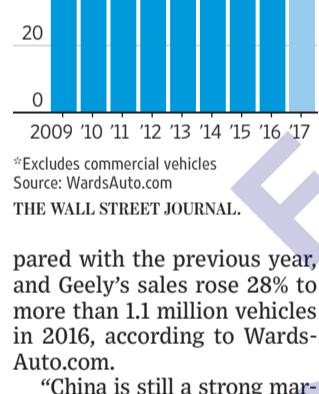
Global light-vehicle sales, which exclude commercial units, have surged since the U.S. financial crisis as Western Europe and North America returned to levels hit before the U.S. recession and Euro Crisis. Income growth in emerging markets, meanwhile, has created a growing class of first-time buyers and used-car shoppers in Asia.

Some of the fastest-growing auto makers in the world are based in China, including Chery Automobile Co., Guangzhou Automobile Group Co., SAIC Motor Corp. and Zhejiang Geely Holding Group Co.

SAIC in 2016 sold 285,803 vehicles, a 115% increase com-

On the Road

Global sales of passenger vehicles*



pared with the previous year, and Geely's sales rose 28% to more than 1.1 million vehicles in 2016, according to WardsAuto.com.

"China is still a strong market and still a growing market," said Mr. Zoia of WardsAuto.com. "It's hit the next level where all the growth isn't coming from first-tier cities. It's expanding to second- and third-tier cities."

As roads become more congested, they are also getting deadlier. Globally, more than 1.25 million people die each year because of road-traffic crashes, according to the World Health Organization, with more than 90% of the fatalities occurring in low- and middle-income countries where sophisticated safety gear isn't as readily available.

Even as cars in mature markets are loaded with the latest features to assist drivers—such as lane-keeping aids and automatic braking—traffic fatalities in the U.S. had an unexpected spike recently. More than 37,000 traffic fatalities are estimated to have taken place on U.S. roads in 2016, according to the National Highway Traffic Safety Administration.

An estimated 18,680 people were killed on U.S. roads in the first half of 2017, according to the National Safety Council. Although that is 1% lower than deaths in the first half of 2016, it is 8% higher than the 2015 first-half estimate.

Auto makers and tech giants—spanning from General Motors Co. to Uber Technologies Inc. to Alphabet Inc.—are working on driverless-car technology aimed at reducing or eliminating traffic fatalities. But those projects remain in initial phases.

Mr. Zoia said adoption of autonomous vehicles will be "slower and more limited," with sales of fully autonomous vehicles at the retail level "a ways away."

DEAL

Continued from the prior page tempt by Chinese government-backed Canyon Bridge Capital Partners to buy Portland, Ore.-based Lattice Semiconductor Corp. after CFIUS recommended against the deal.

Chinese conglomerate HNA Group Co. has been trying for some time to get approval from the panel to buy a controlling

stake in SkyBridge Capital, the investment firm owned by former White House adviser Anthony Scaramucci. A \$2.7 billion deal for China Oceanwide Holdings Group Co. to buy Richmond, Va.-based insurer Genworth Financial Inc. is also being held up by the committee.

Ant Financial originally signed a deal to buy MoneyGram for \$880 million in January 2017. It later increased its bid to about \$1.2 billion after Euronet Worldwide Inc. sub-

mitted an unsolicited competing offer of about \$955 million.

At the time, the deal signaled Ant Financial's ambitions to gain a foothold in financial services in North America. Although it operates Alipay and owned a stake in One97 Communications, the dominant digital-payments services in China and India, respectively, Ant Financial's presence in the U.S. was relatively modest. In contrast, MoneyGram had 1,226 employees in the U.S. at the

end of 2016.

Douglas Feagin, president of Ant Financial, on Tuesday said the company "remain[s] excited and encouraged about Ant Financial's future prospects around the world."

MoneyGram and Ant Financial said they now would focus on working together on strategic initiatives in the remittance and digital-payments markets. They said Ant paid MoneyGram a \$30 million fee as a result of the merger being terminated.

MILK

Continued from the prior page blamed almond, coconut and other plant-based milks for grabbing market share to an unexpected degree. Lactose has also emerged as one of the leading allergens shoppers are looking to avoid, according to Nielsen.

Companies with heavy organic dairy-product portfolios are responding to the shift.

Danone SA, the French food company that acquired a stable of organic dairy products with its purchase of White-Wave Foods Co. in 2016, is turning some of its organic milk into organic cheese, yogurt or creamer.

"The premium dairy business continues to be pressured by the industry's oversupply of organic milk," Danone Chief Financial Officer Cécile Cabanis said this fall. "We continue to take steps to reduce our organic-milk supplies."

Organic Valley, the largest U.S. farmers' organic cooperative, has lowered the prices it pays to its nearly 2,000 members twice since 2016. The cooperative formed a joint venture with dairy processor Dean Foods Co. in 2016 to place organic milk in more stores.

Organic Valley also opened a \$16 million plant in Oregon in August to help diversify its offerings, including turning organic milk into butter and skim-milk powder.

"The market slowed way down," said George Siemon, Organic Valley's chief executive. "There are a lot of signals I may have missed in hindsight."

Dairy-industry executives project that the supply and demand imbalance will eventually even out. Mr. Siemon said he expects prices to stabilize this year and improve in 2019.

Organic milk had been a bright spot for the beleaguered dairy industry. Fluid milk consumption has been declining for decades and stood one-fifth lower in 2016 than two decades earlier, according to the U.S. Department of Agriculture. Sales of organic milk,

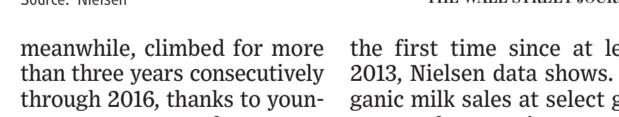


Milk prices soared to records in 2014, prompting conventional and organic dairies to expand.

Sour Sales

Sales of organic milk fell in 2017 as consumers increasingly opted for alternatives like lactose-free and almond milk.

Percentage change in unit sales (52 weeks ending Nov. 25)



Source: Nielsen

THE WALL STREET JOURNAL.

meanwhile, climbed for more than three years consecutively through 2016, thanks to younger consumers and new parents who viewed it as healthier than conventional dairy items.

A rise in global demand for U.S. dairy products pushed milk prices to record highs in 2014, prompting both conventional and organic dairies to expand. The national herd of cows raised to produce organic milk rose to more than 267,500 in 2016, more than a third higher than in 2011, according to the USDA.

The honeymoon ended in 2017. Organic milk sales fell in volume and dollar terms for

the first time since at least 2013, Nielsen data shows. Organic milk sales at select grocery and convenience stores peaked at more than \$1.42 billion in 2016, falling to \$1.37 billion in 2017, according to Nielsen sales figures.

Demand sagged just as the added capacity came on line, farmers and retailers said.

Kay Santiago, a retired IT assistant, said she prefers organic but buys soy milk instead because it is less expensive. Organic milk "tastes so much better," the 55-year-old said as she shopped recently at a Whole Foods Market in Chicago.

The dairy industry has pushed back at the intrusion of plant-based alternatives, lobbying the federal government and Congress to limit food labels using terms like milk and yogurt to products with animal milk. Plant-based foods have formed their own lobbying efforts in response.

Regardless, dairy farmers who invested to produce more expensive organic milk have been hit particularly hard. A dairy farmer who received nearly \$40 per 100 pounds of organic milk at the start of 2016—more than double the price of conventional milk—received about \$27 per 100 pounds in late 2017, according to government and dairy-cooperative data collected by Rabobank.

Some farmers are taking drastic measures to survive. Sean Mallett, owner of Harmony Organic Dairy in Twin Falls, Idaho, is sending some of the cows he added to his herd in recent years to slaughter before the end of their milking life.

"I'm having to basically cull good, productive animals," Mr. Mallett said.

The Story is Just the Start with WSJ+

Activate Now

wsjplus.com

WSJ+

© 2017 Dow Jones & Co. Inc. All rights reserved. 1DJ4989

BUSINESS & FINANCE

Nonprofit Radio Operator Teeters

By BECKY YERAK

Pacifica Foundation Inc. might be edging toward bankruptcy court as the nonprofit radio broadcaster struggles to pay a \$1.8 million judgment over missed lease payments for its Empire State Building antenna.

Bill Crosier, Pacifica's interim executive director, is urging the foundation's board to act immediately to protect the foundation's assets from creditors through a voluntary chapter 11 filing. A "small majority" of Pacifica directors, however, are holding out hope that the foundation can arrange a loan outside of bankruptcy court to pay the judgment, he said Monday. Mr. Crosier told the board in an email last Wednesday that chapter 11 is the best way to protect the foundation's assets from creditors and allow it to continue to operate.

BUSINESS NEWS

Steelmaker Bulks Up With Deal

Commercial Metals to buy U.S. assets from Brazil's Gerdau for \$600 million

BY BOB TITA

Texas-based **Commercial Metals** Co. said it plans to acquire assets from a Brazilian rival that would double its share of a key construction material.

The company plans to pay \$600 million in cash for the U.S. steel-reinforcing-bar assets of Brazil's **Gerdau SA**, adding four mills and 33 fabrication plants.

Gerdau's exit from the U.S. rebar market would leave Commercial Metals and North Carolina-based **Nucor Corp.** as the two dominant domestic suppliers of rebar, which is used to strengthen concrete used for commercial buildings, bridges and road projects.

Analysts on Tuesday said the move could further reduce pricing pressure, much of it coming from foreign steel companies. Rebar imports were on pace to drop 17% in 2017, according to the Commerce Department. Tariffs and higher prices for the scrap steel used to make it discourage foreign producers from selling rebar in the U.S. at discounted prices.

The proposed deal would increase Commercial Metals' steelmaking capacity by about 60% to 7.2 million tons a year. Its share of rebar consumed in the U.S. would rise to about 40% from about 21%, analysts at Jefferies estimated.

"This acquisition represents a unique opportunity to acquire quality assets," Commercial Metals Chief Executive Barbara Smith said during a call

with analysts. "Having the larger footprint and a larger geographic presence gives us all sorts of options."

Commercial Metals shares rose 6.8% on Tuesday to \$22.77.

Commercial Metals, based in the Dallas suburb of Irving, is counting on an improving rebar market to support its investment in the Gerdau plants. The company and Nucor are both building new mills in anticipation of rising demand for rebar from expanding construction activity in the U.S. this year.

Analysts said the rebar market would further benefit from a comprehensive U.S. infrastructure program being discussed by the Trump administration.

Profits have been lackluster in recent years as a rising volume of low-cost foreign rebar drove down prices in the U.S. Ms. Smith said Gerdau's plants have been operating well below their maximum production rate. "Margins have been quite compressed," she said.

The sale will reduce Gerdau's steel-making capacity in North America by about 23%. It will continue to operate mills that produce other long-length steel products, such as bars and beams, used in manufacturing and construction.

Gerdau is undergoing an overhaul in Brazil where steel companies have struggled in the country's poor economy. Gerdau faces added stress from a criminal investigation in Brazil and a management shake-up. The company's founding family last year relinquished management duties after more than a century. A new chief executive this week took over for André Gerdau Johannpeter.



Construction at a BP facility in Prudhoe Bay, Alaska, last year. The oil major's charge reflects the wide impact of the new US. tax law.

DANIEL ACKER/BLOOMBERG NEWS

BP to Take \$1.5 Billion Tax Charge

BY SARAH KENT

LONDON—**BP** PLC said Tuesday it would take a roughly \$1.5 billion accounting charge for its latest quarter related to the U.S. tax overhaul, though it added that a corporate tax cut would be a long-term positive.

The charge, which won't affect the oil company's cash flow, highlights the wide-ranging impact of changes to the American tax code enacted by Congress and signed late last year by President Donald

Trump. The accounting hit will be reflected in BP's version of net earnings for the fourth quarter of 2017, when buoyant oil prices likely gave a big boost to profits.

BP said the tax bill will provide a long-term benefit in reducing the corporate tax rate it and other companies pay in the U.S. to 21% from 35%.

In the short term, BP said the tax changes would reduce the value of its deferred-tax assets. Companies can log such assets during unprofitable periods and use them as credits

toward future tax payments. Lowering the overall corporate tax rate makes those assets worth less on paper.

Last week, **Royal Dutch Shell** PLC said the tax-change impact on its earnings will likely be a noncash hit of between \$2 billion and \$2.5 billion in the fourth quarter. Banks, including **Barclays** PLC and **Credit Suisse Group** AG have also warned of significant charges to their fourth-quarter results related to the new U.S. tax law.

While BP said the tax overhaul will "positively" affect its net earnings over the long term, there is some uncertainty on how beneficial it will be for foreign firms with large U.S. businesses. The company said it is still reviewing "a number of complex provisions in the legislation."

Credit Suisse says a new U.S. tax on services and interest payments to affiliated companies outside the U.S. could boost its tax liability. Longer term though, the bank said the tax changes would aid U.S. economic activity and its business there.

Rent-A-Center's Founder Resigns as CEO

BY IMANI MOISE

Rent-A-Center Inc. said Tuesday that founder Mark Speese has resigned as chief executive as the company works to quell investor concerns about its performance.

Mr. Speese, who founded the rent-to-own store operator in 1986 and was serving in his second stint as CEO, is the lat-

est person to leave the leadership team in recent months. Steven Pepper stepped down as board chairman in October as the company announced it would suspend its dividend and explore strategic alternatives after reporting lower-than-expected third-quarter results.

Mr. Speese returned to the role on an interim basis in

January 2017 after an executive shake-up led to CEO Robert Davis's resignation. The company removed the interim tag from his title in April.

Mitchell Fadel, who formerly served as chief operating officer at Rent-A-Center, will succeed Mr. Speese as CEO, Rent-A-Center said.

Activist investor **Engaged Capital** LLC has been pressur-

ing the company, which went public in 1995, to sell itself amid severe declines in same-store sales. The Texas-based company rejected an unsolicited takeover bid last year.

In November, the company said it was evaluating an offer from **Vintage Capital Management** LLC as part of a broader range of potential transactions.

try the best pure cotton white non-iron dress shirt



paulfredrick.com/best
800-309-6000

use promo code T7HPWD

FREE EXCHANGES.
new customer offer. limit 4 shirts.
imported. shipping extra.
expires 2/28/18.

Paul Fredrick

UNBEATABLE INTRODUCTORY OFFER

\$24.95
reg \$89.50

you save
70%

- FREE monogramming
reg \$10.95

- add this pure silk tie for just \$19.95
reg \$72.50
blue, black, red, yellow, green, orange

white 100% wrinkle-free cotton / easy non-iron care

4 collar styles / button or french cuffs
regular, big & tall or slim fit sizes

Evolved over billions of years...

Protecting your enterprise in one hour.

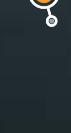
The immune system has evolved over billions of years. But it takes just one hour to install one in your enterprise.

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.

Find out what's lurking inside your systems.

darktrace.com

 **DARKTRACE**
World-Leading Cyber AI



Free Shipping & 30 Day Risk Free Trial

Save \$100 Now! And,
Use code **FreeFootrest**
For a Free Footrest
BuyXchair.com

BuyXchair.com | 844-4-XCHAIR | Corporate Discounts Available

This is Not Your
Grandfather's
Office Chair!

ADVERTISEMENT

The MartTo advertise: 800-366-3975 or WSJ.com/classifieds

BUSINESS OPPORTUNITIES

CUSTOM LABEL AND SPECIALTY PRINTER — MIDWEST

Est. 2017 Rev.: \$16.5mm w/ \$1.5mm EBITDA +/

Seeking investor, partner or buyer for 50+ year old, 100% minority owned, specialty printer offering digital and flexographic label printing, coupons and flexible packaging. Clients include Fortune 500 companies in the consumer, food and beverage, industrial, automotive, Pharma and one of the top 5 state lottery markets. 100,000+ sq. ft. facility w/ significant investment made in equipment and technology.

Equity Partners HG

Ph: 866-969-1115 x 6 DBeall@EquityPartnersHG.com

BUSINESS OPPORTUNITIES

Healthcare Investment 30-75% ROI Per Year!

Own part of national healthcare company co-founded by doctors. We revolutionize healthcare delivery in U.S. Huge market. Buy out target. Large ROI. \$500k. Jeff Roberts 800-845-7720

E-Commerce Fulfillment Warehouse

E-commerce warehouse with sophisticated private cloud internet management services is available immediately for your inventory. Cost effective. Nothing to buy. Pay for only what you use.

Contact Greg Copeland,

FileBank President 973-220-8370

www.filebankinc.com**CAPITAL WANTED****Working Capital Need**

Established 15 y/o, profitable and well-respected security agency in DC area needs \$ for rapid growth. US Govt contracts tripled us in 3 months. GSA, DHS, & cleared employees. Tired of factoring and banks who charge us rip off rates.

dvader@protonmail.com

ADVERTISEMENT

Career OpportunitiesTo advertise: 800-366-3975 or WSJ.com/classifieds**CAREERS****THE WALL STREET JOURNAL****Find Your Future Chief**

Advertise Your

Career

Opportunities

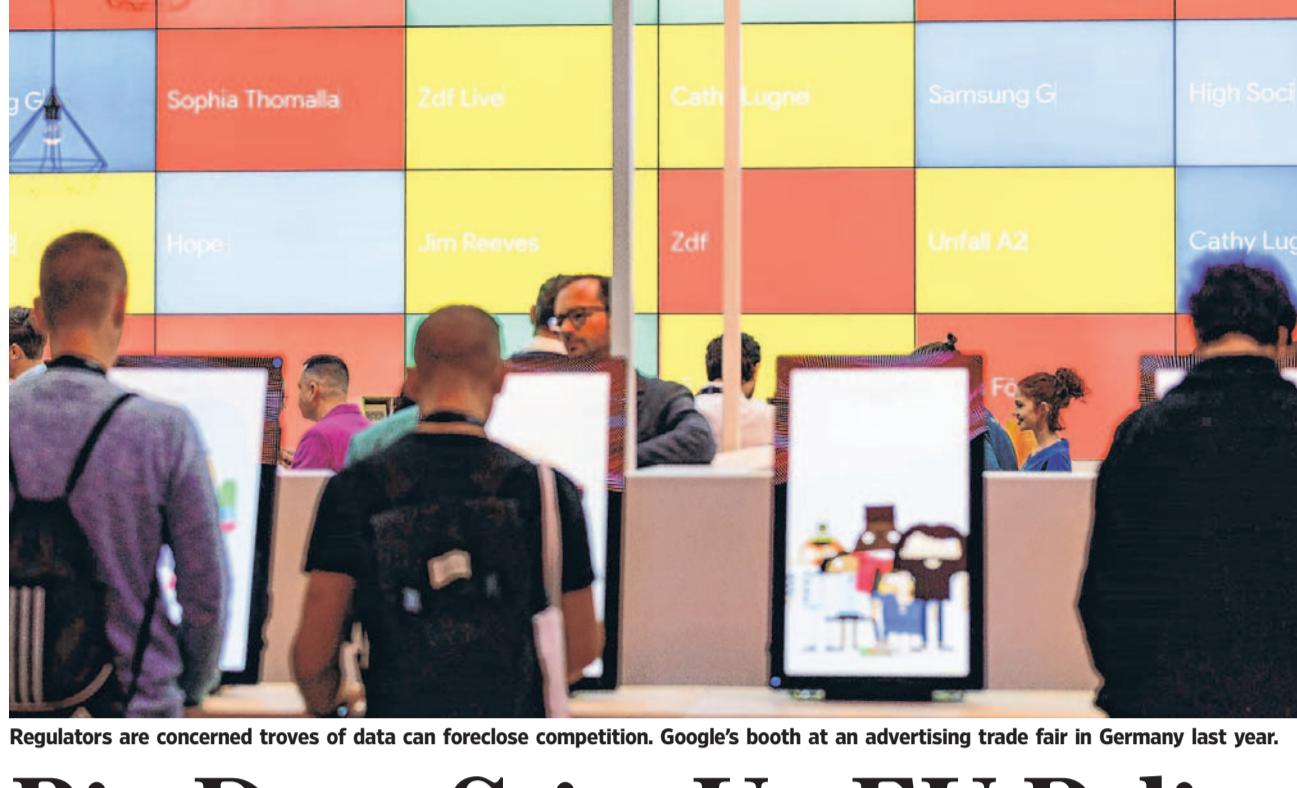
Every Wednesday

To place your ad,
contact us at:

(800) 366-3975

or

sales.careers@wsj.com

© 2018 Dow Jones & Company, Inc.
All Rights Reserved.**MEDIA & TECHNOLOGY**

Regulators are concerned troves of data can foreclose competition. Google's booth at an advertising trade fair in Germany last year.

Big Data Stirs Up EU Policy

Competition chief sees digital dominance as potential issue for antitrust review

By NATALIA DROZDIAK

BRUSSELS—European Union antitrust regulators are taking a hard look at an increasingly important corporate currency: data.

The EU's competition chief is focusing on how companies stockpile and use so-called big data, the enormous computer files of customer records, industry statistics and other information. The attention diverges starkly from a hands-off approach in the U.S., where regulators emphasize how big data can generate innovation.

"In some areas, these data are extremely valuable," Margrethe Vestager, the European commissioner for competition, said in an interview. "They can foreclose the market—they can give the parties that have them immense business opportunities that are not available to others."

At issue for European antitrust regulators is whether firms holding big data—ranging from Alphabet Inc.'s Google and Facebook Inc. to German car maker BMW AG—can exclude new competitors from markets if they control

Piling Up Information

Facebook leads in the number of social network users globally, yielding it enormous amounts of data on online activity.

World-wide social network users ■ Facebook ■ Instagram ■ Twitter
2.0 billion users



Note: 2017 is as of Nov. 1 Source: eMarketer

exclusive information that can serve to win customers or cut costs.

The regulators say big data isn't bad in itself, but when reviewing mergers or monopolies they want to ensure business rivals aren't prevented from competing because they lack access to that information.

Data-dominant companies might hold such sophisticated profiles of consumers that by precisely targeting advertising or products they put newer rivals at a competitive disadvantage.

Ms. Vestager has previously referred to data as a new form of currency that consumers use to pay for otherwise free services. She said her office is

alert to any data issues in antitrust cases they oversee and that she has "an open mind" about potential problems that may need addressing by regulators.

European competition officials are also looking at whether dominant companies strong-arm customers into handing over personal information or use data-analysis tools to program systems to collude with rivals on prices.

Ms. Vestager said the EU hasn't found serious data-related concerns so far. The EU previously cleared Facebook's 2014 purchase of chat service WhatsApp, and, in 2008, Google's acquisition of advertising-services company Dou-

bleClick, because other companies would still have access to many sources of data after the mergers. However, the EU subsequently fined Facebook for giving misleading information during the review of the WhatsApp purchase.

The EU is considering overhauling its merger rules to review deals where valuable data is involved even if the data owner doesn't have large revenue. But regulators face difficulty applying antitrust standards to data largely because determining the worth of certain information can be a challenge. Much data isn't exclusive, though its analysis can be. Many companies tap the same resources, such as consumer credit information. Some data also have a short shelf life if not constantly updated.

U.S. regulators have played down potential negatives of data use by companies, instead stressing the benefits for consumers and arguing that businesses should be able to reap rewards from their investments.

Nick Wallace, a Brussels-based analyst at the Center for Data Innovation, a think tank with ties to U.S. tech firms, said punishing major data users could backfire if that leads them to innovate less.

—Brent Kendall
in Washington, D.C., contributed to this article.

NBC Taps New Co-Anchor for 'Today'

By JOE FLINT

NBC named veteran "Today" show personality Hoda Kotb as permanent co-anchor of the morning program's 7 a.m. to 9 a.m. block, following the firing of Matt Lauer for sexual misconduct.

Ms. Kotb has been filling in as co-anchor with Savannah Guthrie since Mr. Lauer was removed from the show on Nov. 29. She will continue to co-host the 10 a.m. hour of "Today" with Kathie Lee Gifford.

In a memo to staff, NBC News Chairman Andy Lack said, "Over the past several weeks, Hoda has seamlessly stepped into the co-anchor role alongside Savannah, and the two have quickly hit the ground running. They have an undeniable connection with each other

and most importantly, with viewers, a hallmark of 'Today.'

Since Ms. Kotb joined the 7 a.m. block of "Today," ratings for the show have risen, according to Nielsen data. The program has overtaken its arch rival, "Good Morning America," which airs on Walt Disney Co.'s ABC, in total viewers and continues to win among viewers aged 25-54.

An Oklahoma native, Ms. Kotb, 53 years old, started her journalism career in local television in Mississippi after graduating from Virginia Tech University. She spent six years at WWL-TV in New Orleans before joining NBC News in 1998 as a correspondent for its newsmagazine show, "Dateline."

Since 2008, she has co-hosted the light and breezy fourth hour of "Today" with



Hoda Kotb has been filling in following Matt Lauer's firing.

Ms. Gifford. Ms. Kotb also hosts a radio show on SiriusXM and is the author of the 2010 book, "Hoda: How I Survived War Zones, Bad Hair, Cancer, and Kathie Lee."

"Today" is one of the most

important programs for Comcast Corp.'s NBC, generating annual revenue north of \$500 million, according to people close to the show. While ratings for the show have declined in recent years, it remains a key revenue source for NBC News.

Mr. Lauer's abrupt departure after an investigation into a complaint from a network staffer stunned "Today" colleagues. A co-anchor for more than 20 years, he was seen as a vital cog for the show and a face of morning television who would be hard to replace.

Mr. Lauer apologized after his firing, but contested some of the accounts of his behavior. He said there were "no words" to express the sorrow and regret for the pain he caused.

—Allison Prang
contributed to this article.

Diageo Snapchat Ads Halted for Age Review

By LARA O'REILLY

LONDON—Diageo PLC is suspending its advertising on Snapchat after the U.K. advertising watchdog ruled that the alcohol company didn't take sufficient care to ensure a campaign from its Captain Morgan rum brand wasn't seen by users under the U.K.'s legal drinking age of 18.

In June, Captain Morgan ran a "Sponsored Lens" on Snap Inc.'s Snapchat that let users alter pictures of their faces, in this case to look like the brand's pirate mascot.

The Advertising Standards Authority said the lens breached the U.K. advertising code because it was likely to appeal to users under the age of 18 and was "inappropriately targeted." While Diageo only directed the ad at people over

18, the targeting data were based on unverified age information that users supply when they register for an account.

In a written statement, a Diageo spokeswoman said the company "took all reasonable steps" to ensure the ad wasn't directed at users under 18, using data provided by Snapchat and applying an age filter.

But the ad watchdog called into question the accuracy of Snapchat's data because users self-report their age.

"We have now stopped all advertising on Snapchat globally whilst we assess the incremental age verification safeguards" that Snapchat is implementing, Diageo said.

A Snap spokeswoman said the company disagrees that Captain Morgan intentionally directed its ad at an underage audience.

Legal NoticesTo advertise: 800-366-3975 or WSJ.com/classifieds**INTERNATIONAL NOTICES**

SAirGroup AG in debt restructuring liquidation / publication of provisional distribution list for the 6th interim payment

The provisional distribution list for the 6th interim payment in the debt restructuring proceedings with assignment of assets concerning SAirGroup AG in debt restructuring liquidation, Hirschengraben 84, 8001 Zürich will be given to creditors on the creditor concerned between 3 January 2018 and 15 January 2018 (date of postmark of a Swiss post office). If no appeals are lodged, the 6th interim payment will be made as provided for in the provisional distribution list.

Appeals against the provisional distribution list must be lodged with the District Court of Zurich, bankruptcy, Wenzistrasse 30, P.O. Box, 8026 Zürich, within ten (10) days of the list's publication i.e. by 15 January 2018 (date of postmark of a Swiss post office). If no appeals are lodged, the 6th interim payment will be made as provided for in the provisional distribution list.

Bondholders of SAirGroup AG and beneficiaries of SAirGroup AG's guarantees for the benefit of Euro-bonds issued by SAirGroup Finance (NU) BV and SAirGroup Finance (USA) Inc., who have not yet registered their claims with SAirGroup AG, find additional information on the liquidator's website (www.liquidator-swissair.ch, heading "Bondors").

Küschnacht, 3 January 2018

SAirGroup AG in debt restructuring liquidation

Karl Wüthrich

www.liquidator-swissair.ch

THE WALL STREET JOURNAL**LEGAL NOTICES**

ADVERTISE TODAY

(800) 366-3975

sales.legalnotices

@wsj.com

Place an ad with the

self-service tool at:

wsj.com/classifieds

© 2018 Dow Jones & Company, Inc.

All Rights Reserved.



International Center
for Journalists
Shaping the Future of Global Journalism

**With facts
competing with
falsehoods as
never before,
ICFJ empowers
reporters worldwide
to produce reliable
coverage using new
technologies and
best practices.**

**JOIN US IN SUPPORTING
THE TRUTH TELLERS.**

www.icfj.org

THE PROPERTY REPORT

Caution Guides 2018 Strategies

BY PETER GRANT
AND SHEFALI ANAND

As 2017 came to an end, the good news for commercial real-estate investors was that values were near peak levels in many markets throughout the world, putting in the black most anything they bought in the past eight years.

The bad news as 2018 begins: Values in many markets throughout the world are near peak levels. That is going to make buying property this year particularly tricky.

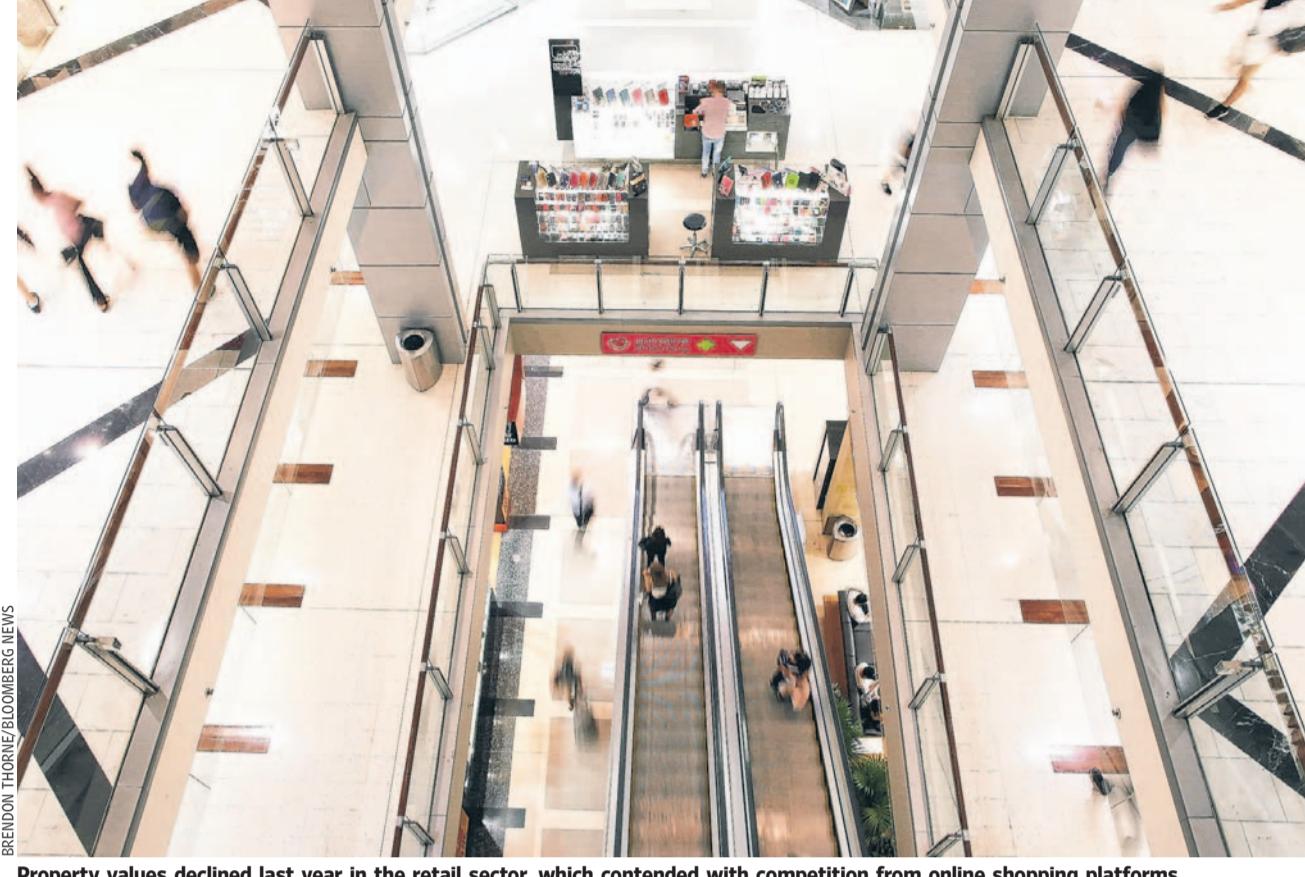
"The biggest challenge is going to be finding attractive places to put new money to work," said Brian Kingston, chief executive of **Brookfield Property Group**, one of the world's largest real-estate investors. "Investors need to be cautious about the prices they're paying."

Add to that the likelihood that interest rates are going to rise this year, and 2018 is shaping up to be particularly precarious.

But that doesn't mean that Brookfield or any of the world's other leading real-estate investors are going to be sitting on the sidelines this year. Rather, they are pursuing an eclectic assortment of strategies spanning a range of geographies and asset classes.

Brookfield is hoping to buy more property in Europe, where many economies are growing and banks have surfaced from the 2008 financial crisis and the subsequent eurozone debt crisis. "There were a lot of zombie situations that people are now ready to deal with," Mr. Kingston said. "They seem to be more willing to create catalysts to make transactions happen."

PGIM Real Estate, which has over \$69 billion in real-estate assets under management, plans to amp up its loan-fund business, which raises money from investors to lend to developers and others. Debt investments are more in-



Property values declined last year in the retail sector, which contended with competition from online shopping platforms.

sulated from falling prices than equity investments.

When it comes to equity investments, along with traditional property types, PGIM will be focusing more on niche asset classes such as rental housing developments in the "active adult" sector, a bet that baby boomers are going to be looking for living situations that cater to people between 65 and 80 years old.

This isn't going to be year for following the pack and "buying the index," Mr. Caplan said. "For us, it's more and more about having these differentiated" views, he said.

Commercial real estate in 2017 did better than many expected. As early as 2015, some analysts were saying that the bull market that started in 2009 had run its course.

Commercial property showed signs of a slowdown last year, most notably in sales volume in many markets.

In the U.S., \$296.6 billion worth of property traded hands in the first nine months

is planning to invest in assets such as Indian office buildings, Spanish residential property and Australian warehouses, according to Kenneth Caplan, the firm's chief investment officer for real estate.

This isn't going to be year for following the pack and "buying the index," Mr. Caplan said. "For us, it's more and more about having these differentiated" views, he said.

Commercial real estate in 2017 did better than many expected. As early as 2015, some analysts were saying that the bull market that started in 2009 had run its course.

Commercial property showed signs of a slowdown last year, most notably in sales volume in many markets.

In the U.S., \$296.6 billion worth of property traded hands in the first nine months

of 2017, off 7% from the year-earlier period, according to data firm Real Capital Analytics. Overall, 2016 was down 11% compared with 2015.

Some property values fell. This was particularly true in the retail sector, which was hit by competition from online shopping and the weak performance of numerous big-name retailers. Prices of many buildings in London are still off peak levels by about 10%, largely because of uncertainty over the U.K.'s decision to leave the European Union.

But in most markets, values remained stable, near the record peaks they hit in the post-recession recovery. The Green Street Commercial Property Price Index, which tracks major U.S. properties, has barely moved since hitting its highest level 18 months ago, more

than double the level it fell to after the 2008 crash.

Prices have been propped up partly by low interest rates, which have increased the appetite for commercial property among yield-hungry investors.

The 10-year Treasury rate ended 2017 at roughly the same level it started the year.

Foreign competitors also played a growing role in many of the world's top cities, even as some Chinese investors such as Anbang Insurance Group Co. and Dalian Wanda Group had their wings clipped by the Chinese government.

"The influence of offshore capital, and in some cases new sources of capital, has led to demand for high-quality real estate to exceed the supply of what's for sale," said Jim Sullivan, president of Green Street's advisory group.

PLOTS & PLOYS

OFFICES

Sector Slowed in '17

The U.S. office market in 2017 experienced a slowdown in tenant expansions, while supply growth stayed at about the same level as in 2016, according to a report.

Tenants at the end of 2017 occupied 21 million square feet more office space than they did at the beginning of the year. This level of "net absorption" was the lowest since 2012 and was down from 29 million square feet in 2016, said data firm **Reis Inc.**, which tracks office markets in 79 metropolitan areas.

Falling net absorption typically is a concern for office-building landlords because it makes it more difficult to raise rents. But this concern is being mitigated by the restraint being shown by developers in delivering new supply in most markets. In 2017, developers added 37.6 million square feet, up just a little from the 36.6 million square feet delivered in 2016, Reis said.

—Peter Grant

MULTIFAMILY HOUSING

Market Proves Tepid

The multifamily housing market turned in a lackluster performance in 2017 as demand failed to keep pace with a deluge of new apartment supply, according to a new report to be released Wednesday.

U.S. apartment rents climbed 2.5% in 2017, according to **RealPage Inc.**, a real-estate technology and data firm. That was in line with historical averages but down from 5.2% in 2015. Rents on new leases declined 0.9% in the fourth quarter from the third. Roughly 400,000 new apartment units came online in 2017, and that pace is likely to continue through the middle of this year. From there, the pace is expected to drop significantly.

—Laura Kusisto

This announcement appears as a matter of record only.

Harbor Group International, LLC

has acquired

The Beacon Portfolio
\$1,800,000,000

25 Apartment Communities

9,677 Units

Washington, D.C. | Philadelphia
Baltimore | Chicago | Boston

Meridian Capital Group | Berkadia/Freddie Mac Multifamily

New York Community Bank

Kaufman & Canoles

Williams Mullen

Willkie Farr & Gallagher LLP

Herrick, Feinstein LLP

Citrin Cooperman

HARBOR GROUP
INTERNATIONAL

999 Waterside Drive, Suite 2300 | Norfolk, VA 23510
757.640.0800 | HarborGroupInt.com

In London, a Divide Forms Over the Direction of Market

BY OLGA COTAGA

About three years ago, **Hines** stopped investing in London commercial real estate and started selling its property there because the Houston-based developer correctly believed prices had gotten too high and were soon headed south.

Today, Hines is back looking for deals and expects to start buying again in 2018. "The discounts are starting to get bigger," said Lars Huber, chief executive of the firm's European operation. "We are underwriting deals now."

A much different approach to London is being taken by **CBRE Global Investors**, with \$98.3 billion of assets under management. "We are going to see rents struggling," said Andrew Angeli, head of U.K. research at the firm. "We will be net sellers."

All markets have bulls and bears often depending on such factors as investors' return objectives and risk appetites. But, as 2018 gets underway, nowhere are the opinions more extreme than they are in London.

Unlike most markets in the U.S., Europe and Asia, London commercial real estate has gone through a correction. Private market values of office and residential property in central London are 5% to 10% below peak, according to **Green Street Advisors**. Shares of public landlords are trading at levels that imply a 20% to 30% drop, the firm said in an October report.

That decline makes London attractive to those who think values have hit bottom but dangerous to others who think there is more pain to come. The outlook is clouded further by the likelihood that interest rates will rise and the widespread belief that the U.S. and other Western markets are due for a correction after a nine-year bull run.

CBRE is asking its portfolio managers "what property you would not hold in a recession," Mr. Angeli said.



Property values have dropped in London, emboldening some to rush in and buy, while others think they have further to fall.

Whether it is booming or busting, London has long been one of the most active commercial property markets in the world.

Prices fell sharply after the 2008 global financial crisis but recovered as investors moved in to snap up bargains.

About three years ago, when values of some office buildings and apartments were in record territory, the market began to soften.

That pullback accelerated after the U.K. voted to leave the European Union in June 2016. Prices of office buildings, apartments and other properties fell sharply as investors worried about employers and residents leaving London for other European cities that remained in the EU.

Before Brexit, demand was strong for properties with coming vacancies because investors assumed that they would be able to fill the space with tenants paying higher rents. After Brexit, the market attitude "took a 180 degree turn," Mr. Huber said.

The post-Brexit downturn hasn't been as bad as many feared. This is partly because foreign-investor demand has

remained strong for trophy, well-leased properties.

Indeed, sales volume in the City of London, the financial district, reached £12.5 billion (\$16.9 billion) in 2017, more than 50% higher compared with 2016, according to **Savills**.

But it isn't clear whether foreign demand for trophy property will stay strong in 2018. Some players from mainland China, like **Dalian Wanda Group**, have faded from the scene because of measures enacted by the Chinese government in late 2016 to curb outbound investment.

Rents and occupancies also will likely come under pressure this year from new supply. About 7.3 million square feet of office space is expected to be delivered this year from new developments and refurbishments on top of the 8.9 million square feet built in 2017, according to **BNP Paribas Real Estate**.

In the sales market, there might be a surge in listings from owners wanting to sell before a new capital-gains tax goes into effect in April 2019.

—Peter Grant

contributed to this article.

THE PROPERTY REPORT

Private Equity Hits Wall on Fundraising

By PETER GRANT
AND SHEFALI ANAND

Private-equity funds that focus on real estate have been raising less money for the past few years, and chances are dim that there will be much pickup in fundraising in 2018.

But the reason for this trend isn't that pension funds, endowments and other institutions that invest in private equity have lost their appetite for commercial property. A big part of the slowdown is that private-equity funds haven't been able to spend all of the money they have raised, according to investors, analysts and fund managers.

"Many of them tend to be sitting on cash," said Michael Stark, partner with the real-estate group at **Park Hill**, a global advisory firm and placement agent. "It's very tough to raise new money from investors if existing commitments aren't being drawn upon."

As of Dec. 27, global private-equity real-estate funds had raised \$110.3 billion for the year, compared with \$126 billion in all of 2016 and \$136 billion in 2015, according to data firm Prequin. The record year was 2008, when \$148.3 billion was raised, Prequin said.

The declining pace of fundraising and spending is partly due to the old age of the current real-estate cycle. Prices started rising in 2009 and remain near record levels in many cities, making it trickier to make new investments.

This is especially true for the most aggressive opportunistic private-equity funds

that typically try to produce returns of at least 20%. Fundraising by these funds has fallen particularly sharply, dropping to \$33.5 billion as of Dec. 27, compared with \$43.8 billion in 2016 and \$63.7 billion in 2015, Prequin said.

Meanwhile, less-risky real-estate debt funds are raising more money. As of Dec. 27, debt funds had raised \$27.9 billion, a record amount, up from \$22.1 billion in 2016 and \$16.1 billion in 2015, Prequin said.

"We think it's more appropriate today to focus on income generation...in this type of slow growth market," said Andrew Mitro, senior vice president at **Courtland Partners** Ltd., a consulting firm that advises institutional investors with about \$63 billion in real-estate allocations.

Some investors are reacting to high prices partly by increasing their pace of selling. **PGIM Real Estate** sold about the same amount of property it acquired in 2017 and expects to have a similar pattern in 2018, said Alfonso Munk, chief investment officer of the Americas at PGIM.

Still, the large amount of unspent cash sitting in the vaults of private-equity funds has been comforting to investors who are concerned the markets are due for a steep correction.

Green Street Advisors says that there was \$136 billion of buying power sitting with private-equity firms and real-estate investment trusts at the end of 2017. That compares with about \$120 billion at the end of 2016.

Pulling Back

Global private-equity real-estate fundraising



*Figure for 2017 is through Dec. 27.

Source: Prequin



Workers paint the side of a building in Singapore. Apartment sales hit \$5.2 billion last year, the highest level since 2007.

Singapore Rides a Wave of Sales

By DOMINIQUE FONG

Developers are coming up with new ways to feed what seems to be an insatiable appetite among the world's emerging middle class for apartments both as places to live and investments to store their wealth.

In 2017, the volume of apartments sales in Singapore hit at least \$5.2 billion, the most in a single year since 2007, according to preliminary data compiled by research firm Real Capital Analytics that included residential sales \$10 million and greater.

Much of the Singapore sales were by a new breed of investor who were cashing out in a process that has become known as a "collective sale."

Here is how it works: Dozens of neighbors living in the same apartment complex band together to package all their units and sell the whole property to a developer. Selling this way produces a bigger payout than selling on their own.

Developers in the land-starved region are willing to pay up because they want to

redevelop the property, often by knocking it down and building new. Most of the time they want to build more apartments and start the cycle all over again.

The land shortage makes developers more aggressive, said Yong Choon Fah, national director of investment sales at brokerage firm JLL Singapore.

Singapore's apartment market typifies one of the engines that powered the global real-estate industry in 2017 and is expected to keep chugging along this year. In a major cultural and economic shift, units are becoming traded almost like a commodity.

The trend is particularly strong in Asia. China's housing boom over the past two years has been fueled by speculative activity and the belief that property is the best investment for families to build wealth. Condominium prices in metro Manila have been rising at an average rate of 10% annually, according to consulting firm Knight Frank LLP.

Residential sales in Hong Kong were expected to reach about 60,000 in 2017 and the volume could reach 60,000 to

63,000 in 2018, Knight Frank said in a report. "With Mainland capital continuing to pour into Hong Kong's luxury market, where supply will remain limited, luxury home prices are set to increase 8% in 2018," the report said.

In North American cities like San Francisco, Vancouver, New York and Toronto, and European cities like London, condo prices have been pushed higher by Chinese buyers. Miami condominiums typically attract demand from South American investors.

Housing markets in Europe, meanwhile, showed 5.6% annual price growth in the first nine months of 2017, up from 2.3% three years ago, according to a report by Knight Frank. "The good news for Europe doesn't end there," the report said. "Greece may finally see price growth reach positive territory over the next quarter after nine years of negative annual growth."

Apartment investments, of course, can be risky. In 2009, Dubai's highflying apartment market cratered more than 50% when the emirate's state-

owned or linked companies nearly defaulted on debts. Values in London's residential market fell up to 7% after the June 2016 vote to leave the European Union as concerns increased over a possible exodus of businesses and workers.

But major residential markets have tended to rebound quickly after corrections. For example, the prime sales market in central London is recovering, according to a December report by Knight Frank.

Singapore-like collective sales are beginning to be seen in other parts of the world. New South Wales, Australia, this decade revised its law to make them easier. Under the new law, 75% of homeowners, instead of 100% previously, in the same apartment project need to agree to a sale to a developer. Australia collective sales by value surged sixfold in the past five years, according to a Knight Frank report.

In Singapore, a collective sale closes nearly every week, said Tricia Song, head of research for Singapore at Colliers International.

ADVERTISEMENT

Business Real Estate & Auctions

To advertise: 800-366-3975 or WSJ.com/classifieds

2018: A Look Ahead

Advertise in The Wall Street Journal's upcoming special advertising feature and reach key commercial real estate decision makers. Produced in partnership with RENY, this section will examine the events, deals and developments that contributed to the New York City real estate industry in 2017 and will provide an outlook into 2018.

Bonus distribution:**REBNY: 122nd ANNUAL BANQUET**

Publish Date: January 18 | Close Date: January 11

For more information, please contact:

Lauren Swan

lauren.swan@wsj.com | 212.597.5989

wsjmediakit.comTHE WALL STREET JOURNAL.
Read ambitiously

AUCTIONS

tranzon® auction

NY & MA MULTI-FAMILIES BANK OWNED



34-UNIT
SYRACUSE, NY



3-UNIT
BELLINGHAM, MA

Tranzon Auction Properties | Michael B. Carey MA #AU3188 | Samantha S. Kelley MA RE Lic. 134740 | Michael Foster NY Broker #49P00966562. 10% Buyer's Premium. Sales subject to Terms & Conditions. Brokers welcome.

TRANZON.COM **866-503-1212**

CALIFORNIA

GSA **FOR SALE
Government Properties
COMING SOON**

- Sacramento, CA - 1.696 acres | Land | [rhonda.rance@gsa.gov](#)
- Central, AZ - 0.50 acres | Land | Call 415-522-3431
- Bickleton, WA - 0.1 acre | Single story building 597+/- GSF | Call 415-522-3331

FOR SALE BY ONLINE AUCTION
US General Services Administration
realestatesales.gov • disposal.gsa.gov

HOUSING DEVELOPMENT OPPORTUNITY

Approximately 46 acres of Prime Silicon Valley Property



REQUEST FOR PROPOSALS (RFP)
 NASA Ames Research Center, Moffett Field, CA
 RFP & Due Diligence: rfphousing.arc.nasa.gov
 RFP Questions: NASAHousingRFP@gsa.gov

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24824.01 ▲ 104.79, or 0.42%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 21.86 21.68
P/E estimate * 19.77 18.59
Dividend yield 2.10 2.40
All-time high 24837.51, 12/28/17

Current divisor 0.14523396877348
Session high 25200
Session open ▶ UP Close 24500
Close ▶ Open 23800
Session low 23100
65-day moving average 22400
21700

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		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	3-yr. ann.	
Industrial Average	24864.19	24741.70	24824.01	104.79	▲ 0.42	24837.51	19732.40	24.9	0.4	11.7
Transportation Avg	10810.60	10653.29	10809.96	197.67	▲ 1.86	10809.96	8783.74	19.8	1.9	5.9
Utility Average	723.53	713.37	715.72	-7.65	-1.06	774.47	651.14	8.9	-1.1	4.8
Total Stock Market	27903.51	27757.86	27902.33	229.14	▲ 0.83	27902.33	23468.35	18.9	0.8	9.2
Barron's 400	718.33	713.56	718.25	7.31	▲ 1.03	718.25	600.24	18.8	1.0	10.1

Nasdaq Stock Market

Nasdaq Composite	7006.91	6924.08	7006.90	103.51	▲ 1.50	7006.90	5429.08	29.1	1.5	14.0
Nasdaq 100	6513.02	6417.75	6511.34	114.92	▲ 1.80	6513.27	4911.33	32.6	1.8	15.5

Standard & Poor's

500 Index	2695.89	2682.36	2695.81	22.20	▲ 0.83	2695.81	2257.83	19.4	0.8	9.4
MidCap 400	1918.23	1904.10	1917.36	16.79	▲ 0.88	1917.36	1667.44	14.8	0.9	9.7
SmallCap 600	944.93	938.38	942.97	6.71	▲ 0.72	945.12	815.62	11.8	0.7	11.0

Other Indexes

Russell 2000	1550.30	1536.12	1550.01	14.50	▲ 0.94	1550.01	1345.24	13.5	0.9	8.9
NYSE Composite	12902.72	12842.27	12902.72	93.88	▲ 0.73	12902.72	11148.85	15.7	0.7	6.0
Value Line	567.97	562.31	567.91	5.60	▲ 1.00	567.91	503.24	11.2	1.0	4.3
NYSE Arca Biotech	4322.43	4215.27	4322.11	99.90	▲ 2.37	4322.11	3116.15	38.7	2.4	7.8
NYSE Arca Pharma	550.34	547.18	550.27	5.34	▲ 0.98	560.52	469.13	12.9	1.0	1.1
KBW Bank	107.45	106.54	107.11	0.40	▲ 0.37	108.12	88.02	15.6	0.4	13.1
PHLX® Gold/Silver	88.17	86.21	88.14	2.86	▲ 3.36	96.72	76.42	7.5	3.4	7.7
PHLX® Oil Service	151.04	146.82	150.57	1.02	▲ 0.68	192.66	117.79	-19.7	0.7	-10.6
PHLX® Semiconductor	1287.74	1258.77	1287.70	34.65	▲ 2.77	1341.69	901.69	41.9	2.8	23.3
Cboe Volatility	11.07	9.52	9.77	-1.27	-11.50			16.04	9.14	-24.0

\$ Nasdaq PHLX

S&P 500 Index

2695.81 ▲ 22.20, or 0.83%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 21.81 24.82
P/E estimate * 20.02 18.92
Dividend yield 1.89 2.07
All-time high: 2695.81, 01/02/18



Nasdaq Composite Index

7006.90 ▲ 103.51, or 1.50%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.62 24.22
P/E estimate * 21.48 19.42
Dividend yield 1.05 1.22
All-time high: 7006.90, 01/02/18



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	23,332.7	268.56	-0.21	-0.08	268.80	266.56
Yamana Gold	AUY	10,461.3	3.31	0.02	0.61	3.31	3.29
Fang Holdings ADR	SFUN	7,226.8	5.33	...	unch.	5.33	5.33
Cnsmr Staples Sel Sector	XLP	7,001.1	56.58	0.04	0.07	56.63	56.54
LendingClub	LC	5,662.8	4.29	...	unch.	4.30	4.29
Industrial Select Sector	XLI	5,376.4	76.02	-0.10	-0.13	76.13	75.99
Scientific Games	SGMS	4,971.9	50.09	0.04	0.08	50.15	50.05
Huntington Ingalls Inds	HII	4,715.9	228.01	...	unch.	235.70	227.31

Percentage gainers...

Trevena	TRVN	609.3	2.17	20.56	2.32	1.80
Tetraphase Pharma	TPPH	19.5	6.99	0.52	8.04	7.19
Hawaiian Electric Inds	HE	7.0	36.99	1.42	3.99	36.99
Northern Oil Gas	NOG	11.7	2.64	0.10	3.94	2.74
Euronet Worldwide	EEFT	10.2	88.50	3.34	3.92	88.50
Industrial Select Sector	XLI	5,				

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract Open	High	hi lo	Low	Settle	Chg	Open interest
	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.							
Jan 3.2510	3.2670	▲	3.2505	3.2560	-0.0235	1,805	
March 3.2965	3.3095	▼	3.2675	3.2780	-0.0225	172,650	
Gold (CMX) -100 troy oz.; \$ per troy oz.							
Jan 1302.30	1317.60	▼	1302.30	1313.70	7.40	278	
Feb 1305.30	1320.40	▼	1304.60	1316.10	6.80	356,300	
April 1309.90	1325.00	▼	1309.30	1320.90	6.90	45,855	
June 1314.10	1329.60	▼	1314.30	1325.70	7.00	40,315	
Aug 1322.30	1334.10	▲	1322.30	1330.50	7.10	12,909	
Dec 1333.20	1342.50	▼	1330.20	1340.10	7.20	26,045	
Palladium (NYM) -50 troy oz.; \$ per troy oz.							
Jan 1015.50	1015.50	▼	1015.50	1090.00	16.25	1	
March 1058.20	1090.45	▼	1056.60	1087.35	26.35	35,654	
June 1051.00	1081.35	▲	1074.20	1078.10	26.05	1,445	
Sept 1064.95	1064.95	▼	1064.95	1071.90	26.05	303	
Platinum (NYM) -50 troy oz.; \$ per troy oz.							
Jan 937.90	948.50	▲	937.90	943.80	9.60	450	
April 936.40	950.50	▼	934.50	947.80	9.50	78,681	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.							
Jan 17.155	17.160	▼	17.045	17.121	0.061	213	
March 17.035	17.250	▲	16.985	17.206	0.061	152,361	
Crude Oil, Light Sweet (NYM) -2,000 bbls.; \$ per bbl.							
Feb 60.20	60.74	▲	60.10	60.37	-0.05	466,495	
March 60.21	60.75	▲	60.14	60.38	-0.06	373,149	
April 60.22	60.71	▲	60.10	60.33	-0.07	167,198	
May 60.10	60.56	▲	59.99	60.20	-0.07	124,154	
June 59.88	60.32	▼	59.75	59.99	-0.07	254,211	
Dec 58.00	58.30	▲	57.79	58.12	0.05	254,844	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.							
Feb 2,069.80	2,090.60	▼	2,054.70	2,058.40	-0.097	155,458	
March 2,043.30	2,062.21	▲	2,030.01	2,031.30	-0.0107	86,648	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.							
Feb 1,7930	1,8038	▲	1,7604	1,7631	-0.0327	142,872	
March 1,8099	1,8220	▲	1,7826	1,7848	-0.0285	72,716	
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.							
Feb 3,030	3,097	▲	2,923	3,056	.103	353,412	
March 2,972	3,035	▲	2,874	2,973	.067	280,835	
April 2,785	2,822	▲	2,734	2,793	.044	161,325	
May 2,786	2,803	▲	2,730	2,777	.036	129,842	

Contract

	Open	High	hi lo	Low	Settle	Chg	Open interest
Oct 2,851	2,869	▲	2,803	2,844	.032	91,343	
Jan '19 3,110	3,125	▲	3,072	3,106	.025	49,795	

Agriculture Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
March 351.25	354.00	▲	350.50	353.25	2.50	827,971	
July 367.75	370.50	▲	367.25	369.75	2.50	243,365	

Oats (CBT)

	Open	High	hi lo	Low	Settle	Chg	Open interest
March 240.75	242.75	▲	238.75	242.50	1.50	4,658	
May 246.75	248.00	▲	246.00	248.25	1.25	1,663	

Soybeans (CBT)

	Open	High	hi lo	Low	Settle	Chg	Open interest
Jan 956.50	960.00	▲	949.25	955.00	3.25	6,799	
March 967.50	970.00	▲	958.75	964.75	3.00	344,799	

Soybean Meal (CBT)

	Open	High	hi lo	Low	Settle	Chg	Open interest
Jan 313.60	315.10	▲	311.90	313.50	.90	2,633	
March 318.30	319.50	▲	316.20	317.90	1.10	181,344	

Soybean Oil (CBT)

	Open	High	hi lo	Low	Settle	Chg	Open interest
Jan 33.37	33.41	▲	33.08	33.38	.30	3,006	
March 33.39	33.62	▲	33.23	33.55	.29	215,151	

Rough Rice (CBT)

	Open	High	hi lo	Low	Settle	Chg	Open interest
Jan 119.00	119.30	▲	117.00	115.50	-14.50	331
March 122.50	122.50	... 117.00	122.35	120.00	-13.00	8,742

Wheat (CBT)

	Open	High	hi lo	Low	Settle	Chg	Open interest
March 428.25	436.25	▲	428.25	433.50	6.50	297,140	
May 441.50	448.50	▲	441.50	446.25	6.00	87,442	

Wheat (KC)

	Open	High	hi lo	Low	Settle	Chg	Open interest
March 429.25	436.75	▲	429.00	434.75	7.50	190,956	
May 443.50	450.00	▲	442.75	448.00	7.00	58,426	

Wheat (MPLS)

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, January 2, 2018

A B C

D E F

G H I

J K L

M N

R S

T U V

W X Y Z

Footnotes:

Net

Stock Sym Close Chg

BANKING & FINANCE

Digital Lender Gets Funding

By PETER RUDEGEAIR

Financial-technology firm **GreenSky LLC** raised new equity from **Pacific Investment Management Co.** in a deal that values the digital lender at nearly \$4.5 billion, said a person familiar with the matter.

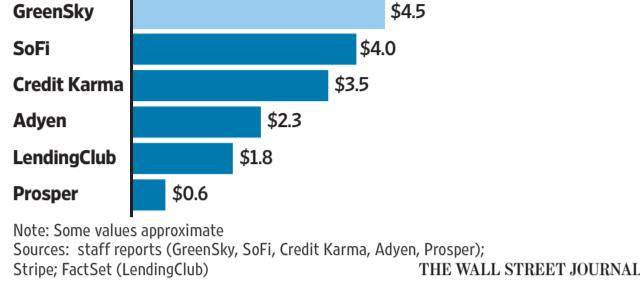
The \$200 million investment, announced in a securities filing Thursday, is the latest in a series of cash infusions for companies that arrange credit for purchases of consumer goods and services.

It vaults GreenSky over **Social Finance Inc.** to become the most highly valued online lender in the U.S. It also makes the Atlanta company the second-most-valuable privately held U.S. fintech company behind **Stripe Inc.**

Pimco, the Newport Beach, Calif., money manager, invested at a valuation roughly 25% above the \$3.6 billion GreenSky fetched in 2016.

Fintech Scorecard

Valuation of select financial-technology companies



Note: Some values approximate

Sources: staff reports (GreenSky, SoFi, Credit Karma, Adyen, Prosper); Stripe; FactSet (LendingClub)

THE WALL STREET JOURNAL.

Founded in 2006, GreenSky operates a lending platform that enables home-improvement retailers, health-care providers and over 16,000 other merchants and contractors to offer credit to their customers.

GreenSky arranges loans and lines of credit of up to \$55,000, which are funded by

a network of banks, including **Fifth Third Bancorp**, **SunTrust Banks Inc.** and **Regions Financial Corp.**

Banks and investors are increasingly backing companies that specialize in retail purchase financing. **Affirm Inc.**, which works with companies such as **Expedia Inc.** and **Wayfair Inc.**, said in December

that it raised \$200 million to bulk up its offerings. In November, **Synchrony Financial Holdings Inc.** reached a deal with **PayPal Holdings Inc.** to fund the payments company's lending program and acquire a \$6 billion portfolio of loans PayPal made to online shoppers.

GreenSky plans to use the fresh funds for general corporate purposes and is exploring over time whether it makes sense to enter other categories of point-of-sale financing, the person said.

In recent months, the company has also raised more than \$300 million in debt, the person added.

Earlier investors in GreenSky include private-equity firm TPG, wealth-manager **Iceniq Capital LLC** and venture-capital firms **DST Global** and **QED Partners**. Investment bank **Financial Technology Partners LP** advised GreenSky on its latest fundraising.

Business Loans Hit By Late 2017 Slump

By RACHEL LOUISE ENSIGN

quarter 2017 earnings in mid-January.

Analysts say the prolonged slowdown in commercial-loan growth may simply be a function of the metric returning to the normal levels of recent decades. Many bankers, however, believe that borrowers have been sitting on the sidelines waiting for the right time to borrow, creating pent-up demand for loans that will be unleashed any day now.

Some are hoping the U.S. tax-code overhaul, which cuts the corporate tax rate, will open the floodgates.

"They have been waiting for some certainty here to figure out

Growth slowed to levels not seen since the aftermath of the financial crisis.

Venezuela Defaults on More Debt

By JULIE WERNAU AND IMANI MOISE

Venezuela has defaulted on another debt obligation, according to S&P Global Ratings, intensifying investor fears about the country's ability to make more than \$9 billion in bond payments due in 2018.

The ratings firm said Tuesday that Venezuela failed to make \$35 million in coupon payments for its bonds due in 2018 within a 30-day grace period. The government and the state-owned oil company are now behind on \$1.28 billion in payments, according to investment firm **Caracas Capital**.

S&P classifies these missed payments as defaults. The firm also said there is a 1-in-2 chance that Venezuela will default on payments due within the next three months.

With many Venezuelan bond payments arriving late or not at all, bondholders can now push through the U.S. courts for full payment on nearly all Venezuelan bonds, attorneys say. Most Venezuelan public debt issued in international markets is governed by New York law.

Court litigation provides the best chance for payment for holders of \$36 billion in sovereign bonds, Richard Cooper and Boaz Morag, two lawyers in the litigation and arbitration group at **Cleary Gottlieb Steen & Hamilton LLP**, argued in a recent white paper.

"What I expect to happen over the upcoming weeks is that we'll see these bondholders organize themselves in response to the lack of payment despite Venezuela's assertions that it will continue to pay," said Michael Roche, emerging-market fixed-income strategist at **Seaport Global Holdings LLC**.

But other analysts say investors may prefer to hold off, hoping they will continue to get paid late and sporadically rather than starting a process that lawyers say could be one of the most complicated de-



Protesters in Caracas last month. S&P says Venezuela failed to make \$35 million in debt payments.

Coming Due

Venezuela has missed numerous bond payments and faces \$9 billion due in 2018.

Venezuelan bond payments, by month due



Note: Petróleos de Venezuela SA, or PdVSA, is a state-owned oil company and it controls electricity company Electricidad de Caracas, or Elecar.

Sources: Morgan Stanley/Bloomberg

THE WALL STREET JOURNAL.

might go after, she said.

Petróleos de Venezuela SA, the state-owned oil company, recently made \$340.1 million in late payments, according to Caracas Capital, and PdVSA bonds are trading at a premium to the country's sovereign bonds.

About 95% of dollars in Venezuela are from sales of oil. But that revenue stream has been fading as the country's economic crisis and unpaid debts have steadily dropped production. Oil prices are half their peak from 2008.

The country's oil output has fallen 12% over the past two months, according to the Organization of the Petroleum Exporting Countries.

Economic mismanagement has left Venezuela on the edge of a humanitarian disaster, economists say. Mr. Maduro's leftist government has cut food and medicine imports by more than 70% since 2013 to preserve limited resources for debt payments, according to investment bank **Torino Capital LLC**.

EUROPE

Continued from page B1

some bankers said.

Surprise spikes in prices also can hurt banks themselves. In December 2016, for example, such sharp moves drove French lender Société Générale SA to its worst trading day of the year—and the only one when the bank's statistical estimates of probable losses were breached—its annual report showed.

But after getting burned last year, bankers added, funds were looking in better deals in advance.

"I think this year the market was much more cautious and priced in more costs from October onward," said Guido Schlenkenbrock, a trader in European sovereign financing at J.P. Morgan Chase & Co.

Many hedge funds decided to lengthen the maturity of their borrowing around Thanksgiving Day, another banker said.

Derivative markets also showed signs of investors doing their homework ahead of time. Earlier in December, the cost of a three-month contract that allows global investors to access U.S. dollars, called a cross-currency basis swap, rocketed down to minus 1.1 and minus 0.96 percentage point, surpassing a similar spike seen at the end of 2016. Because the dollar is the world's top currency, banks and investors can't get enough of it whenever the regulatory squeeze hits.

But then, in the final week of the year, these spreads narrowed again to levels unseen since late 2014. Part of it was due to investors like hedge funds having expected this widening and rushing to take the other side of the deal, bankers and analysts said.

"It's really a crowded trade this year, we've had so much interest," said Andreas Steno Larsen, currency strategist at Nordea.

Even in the repo market, bankers were confident that trading would be much calmer this year. On top of new players entering the market, European banks say that over the past year they have perfected ways to reduce the size of their books that don't involve lending less, like better coordination among trading desks.

There are also more bonds available that banks can supply to their clients as a guarantee.

Unlike in 2016, when bond derivatives and borrowing rates in the repo market showed a scramble to store cash three days before year-end, this year money markets stayed calm until the last day.

Friday's moves, however, showed that no amount of preparation can smooth out the impact of regulation. Some analysts think that the damage is smaller than it seems because few trade at year-ends, but others warn about the risk posed by a key corner of financial plumbing—the repo market is \$1 trillion in size between the U.S. and the eurozone—continuing to malfunction.

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes

Data provided by LIPPER

Total 250 mutual-funds listings based on total net assets for Nasdaq-listed share classes. NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. F=Previous day's quotation. P=Distribution costs apply. 12b-1 r=Redemption charge may apply. Footnotes p and r apply. NA=Not available due to incomplete price, performance or cost data. NE=Not released by Lipper, data under review. NN=Fund not tracked. NS=Fund didn't start at end of period.

Tuesday, January 2, 2018

Fund	Net NAV	YTD Chg % Ret	Fund	Net NAV	YTD Chg % Ret	Fund	Net NAV	YTD Chg % Ret	Fund	Net NAV	YTD Chg % Ret	
American Century Inv	13.3	+0.05	Dimensional Fds	10.87	-0.01	TMktIdxF r	77.01	+0.64	0.8	16.25	+0.10	0.6
American Funds CI A	1.7	+0.53	EmgMktVta	31.75	+0.19	USBdidxPrest	11.56	-0.03	-0.3	10.76	+0.07	0.7
AMCpA p	1.3	+0.40	EmMktEqL	23.61	+0.39	Fwdly Advisor I	14.69	+0.15	1.0	10.62	-0.02	-0.2
BalA p	0.4	+0.10	IntlCoreEq	20.74	+0.25	IntlWnght	32.36	+0.32	1.0	10.76	+0.07	0.7
BondA p	0.4	-0.03	IntlSmCo	21.48	+0.21	FF2020	16.66	+0.09	0.5	12.86	+0.20	0.7
CapIBA p	0.4	+0.23	IntlSmVa	23.24	+0.27	FF2025	14.49	+0.09	0.6	23.44	+0.07	0.3
CapWGrA	0.58	+0.11	US CoreEq	22.98	+0.20	FF2030 K	18.19	+0.13	0.7	56.95	+0.73	1.3
EpacA p	0.4	+0.20	US CoreEq	21.76	+0.20	Freedom2020 K	16.63	+0.08	0.6	36.26	+0.32	1.0
FdnWnA p	0.1	+0.61	US Small	20.74	+0.29	Freedom2025 K	14.46	+0.08	0.6	56.76	+0.74	1.3
GwthA p	0.6	+0.62	US SmCpV	38.31	+0.39	Freedom2030 K	18.16	+0.13	0.7	56.34	+0.54	1.0
Hf TrA p	0.1	+0.08	US TdgVal	25.16	+0.27	Freedom2035 K	15.34	+0.13	0.7	13.04	+0.27	0.3
ICAA p	0.3	+0.77	USdSgVa	39.54	+0.42	Freedom2040 K	10.78	+0.09	0.8	43.64	+0.48	1.1
IncoA p	0.3	+0.07	Dodge & Cox	10.71	+0.81	Fidelity Invest	22.40	+0.01	0.4	10.78	+0.81	0.8
IN PerA p	0.1	+0.48	Balanced	10.71	+0.81	FrankTemp/Temp A	15.28	+0.09	0.6	10.74	+0.78	0.8
NEcoA p	0.78	+0.78	Income	13.74	+0.02	FrankTemp/Temp Adv	11.97	+0.08	0.7	14.69	+0.41	1.0
NWrdA d	0.3	+0.74	1.3	46.81	+0.49	FrankTemp/Temp Adv	11.97	+0.08	0.7	10.76	+0.84	1.0
SmCpA p	1.0	+0.54	Stock	20.67	+0.26	FrankTemp/Temp Adv	12.37	+0.13	1.1	56.34	+0.54	1.0

MARKETS

Electric Cars Charge Up Cobalt

Labor strife, rights issues in Congo spur Canadian mining firms to seek other sources

BY DAVID GEORGE-COSH

TORONTO—A handful of Canadian mining companies are ramping up operations to mine cobalt, betting on demand for a socially responsible source of the metal that is in high demand as a component of electric cars.

COMMODITIES Cobalt currently comes from the Democratic Republic of Congo, where supply is threatened by political, legal and labor issues. That means car makers and battery suppliers are increasingly looking elsewhere for the mineral.

Mining companies—such as Vale SA, which has a cobalt-producing mine in Sudbury, Ontario, Sherritt International Corp. and smaller firms such as Royal Nickel Corp., First Cobalt Corp. and Fortune Minerals Ltd.—are raising funds and engaging in exploratory drilling.

Mainly through operations led by Vale, Canada is the world's third-biggest cobalt producer after the Congo and China, accounting for about 6% of the world's supply, according to the U.S. Geological Survey.

The metal is a crucial component of lithium-ion batteries, which are used to power electric vehicles as well as portable electronic devices, due to its ability to conduct electricity when stacked with other metals such as lithium and nickel.

The demand for socially responsible sources of cobalt comes as the price of the metal has soared to \$75,000 a metric ton on the London Metal Exchange, more than double the price from the start of 2017.

BMO Capital Markets expects current cobalt prices to double in the next two years as demand for electric-vehicle batteries continues to outstrip supply of the metal, the bank said in a December report.

The Congo produces roughly two-thirds of the world's cobalt, or about 66,000 metric tons a year, but mines there have been criticized over reports of child labor and unsafe conditions.

Amnesty International released a report in 2016 that found thousands of children, some as young as 7 years old, and adults mine cobalt in the country and work in perilous conditions without basic protective equipment. The organization was able to trace the sale of that cobalt to Chinese refiners, which then resold the mineral to battery-component manufacturers.

One Chinese refiner, Zhejiang



Cobalt samples sit on trays for processing at First Cobalt Corp.'s facility outside Cobalt, Ontario. Demand for cobalt is soaring.

Huayou Cobalt Co. sent a letter to Amnesty addressing its cobalt due-diligence practices. A report by Reuters in November translated the letter as saying that child labor was a difficult issue caused by poverty and that the company was working on several initiatives including building schools and providing microcredit to boost small businesses.

A major mine in the Congo that is jointly owned by state mining firm Gécamines and Belgian-based **Groupe Forrest International** SA, has been caught up in a labor-contract dispute. An analysis by the Carter Center, a human-rights nonprofit, found nearly \$750 million in royalties, bonuses and proceeds from asset sales that are estimated to go to the Congolese government are missing from Gécamines's accounts. Gécamines has disputed the report and declined to comment.

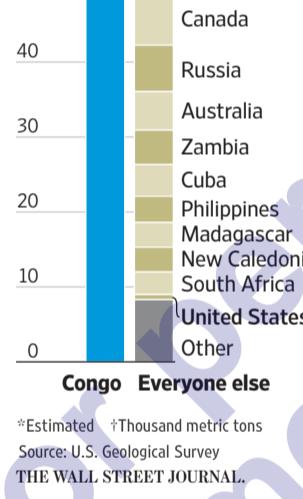
Volkswagen AG and nine other car makers, including **Ford Motor** Co. and **Daimler** AG, whose supply chains include cobalt buyers, in November set up a "raw materials observatory" that aims to address ethical and labor-rights issues in sourcing raw materials, including cobalt.

A Volkswagen spokesman said the company remains in "intensive discussions" with its suppliers to determine how to

Metal Hunt

Congo produces more cobalt than all other countries combined.

2016 cobalt mine production*



*Estimated † Thousand metric tons

Source: U.S. Geological Survey

THE WALL STREET JOURNAL

improve the sustainability of its supply chain, especially for raw materials used in electric vehicles.

Electrovaya Inc., a battery maker based in Toronto, is in discussions with Canadian cobalt mining companies, including Fortune, to lock down supply contracts for the coming years, said Chief Executive Sanjay Das Gupta. "All our custom-

ers want ethical sourcing," Mr. Gupta said.

A Fortune spokesman said the company has signed numerous confidentiality agreements with partners they are in discussions with and declined to provide further comment on Electrovaya.

For Robin Goad, chief executive of Fortune, which is developing a mine in Canada's North-

Search Extends Far And Wide for Metal

Mining companies are looking outside of Canada to cash in on demand for cobalt.

Toronto-based **Sherritt International** has nickel-cobalt mines in Cuba and

Madagascar that produce about 7,000 metric tons of cobalt, roughly 6% of the world's total production.

"Market dynamics are right now in our favor with respect to cobalt," said David Pathe, Sherritt's chief executive, adding that the company is in a good position to source cobalt from mines free of conflict and labor violations.

Within Canada, **First Cobalt** Corp. sees potential in abandoned open-pit silver mines just outside Cobalt,

Ontario, which is located approximately 300 miles north of Toronto and is named for its historic links with the metal. More than 50 million pounds of cobalt and 600 million ounces of silver were mined in the region before miners abandoned the area shortly following World War II after exhausting the region's silver mines.

Now, there is enough pink-hued oxidized cobalt shown in discarded rock piles in the 25,000 acres of land claimed by First Cobalt to conduct exploration drilling, said Trent Mell, president and chief executive of First Cobalt.

Initial drilling activity shows enough potential for a high-grade cobalt-silver vein system in some mines, he said.

"Next year, we gotta drill the hell out of this thing," Mr. Mell said.

west Territories, that may be an opportunity.

Mr. Goad said that early in 2018 he plans to announce project financing for the mine, which is expected to produce 2,000 metric tons of cobalt annually, as well as a refinery it plans to build in Saskatchewan estimated at a total cost of 650 million Canadian dollars (US\$516 million).

Treasurys Weaken as U.S. Sells New Notes

BY DANIEL KRUGER

U.S. government bonds weakened Tuesday as a wave of short-term Treasury bill supply met with declines in prices for bonds in Germany and the U.K.

CREDIT MARKETS The yield on the benchmark 10-year U.S. Treasury note yield posted its biggest one-day jump since Dec. 19, rising to 2.465% from 2.409% Friday.

Yields climbed in Europe amid concerns that the strong euro may slow the European Central Bank from winding down easy-money policies, which could lead to a pickup in consumer prices. Inflation is a threat to the value of long-term bonds, as it erodes the purchasing power of their fixed interest payments.

Investors also sold bonds to make room ahead of bond sales from companies including **Berkshire Hathaway** and **GM Financial**, and sovereign issuers such as Ireland and Belgium, some analysts said.

"There's a lot of anticipation that corporate supply will build pretty heavily in January," while an increase in European government-debt offerings is putting "a great deal of selling pressure" on Treasurys as they often trade in the same direction, said Thomas di Galoma, head of trading at Seaport Global Holdings. "There's some real nervousness as we start the new year that yields might slide."

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.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$147,651,527,300	\$128,240,869,900
Accepted bids	\$48,001,502,300	\$42,000,049,900
*noncomp	\$55,683,200	\$52,090,500,900
*foreign noncomp	\$732,000,000	\$328,400,000
Auction price (rate)	99.637/264	99.203/2750
(L435%)	(1.57%)	
Coupon equivalent	1.460%	1.610%
Bids at clearing yield accepted	67.86%	33.60%
Cusip number	912796NY1	912796PN1

Both issues are dated Jan. 4, 2018. The 13-week bills mature on April 5, 2018; the 26-week bills mature on July 5, 2018.

FOUR-WEEK BILLS

	\$144,592,686,600
Applications	\$50,000,086,600
Accepted bids	\$56,210,000,800
*noncompetitively	\$100,000,000
*foreign noncompetitively	\$99,901,222
Auction price (rate)	(1.270%)
Coupon equivalent	1.28%
Bids at clearing yield accepted	34.29%
Cusip number	912796JL6

The bills, dated Jan. 4, 2018, mature on Feb. 1, 2018.

52-WEEK BILLS

	\$58,102,323,700
Applications	\$20,000,117,700
Accepted bids	\$31,840,700
*noncompetitively	\$0
*foreign noncompetitively	98,202,022
Auction price (rate)	(1.780%)
Coupon equivalent	1.82%
Bids at clearing yield accepted	61.93%
Cusip number	912796PK9

The bills, dated Jan. 4, 2018, mature on Jan. 3, 2019.

Tech, Consumer Shares Climb

BY CHRISTOPHER WHITTALL AND AKANE OTANI

Rallying technology and consumer-discretionary shares pushed the Nasdaq Composite and S&P 500 to fresh records in the first trading session of 2018.

TUESDAY'S MARKETS After a banner year for markets around the world, many investors say they are optimistic that the long U.S. stock rally can continue in the year ahead.

Firming global growth and solid corporate earnings have helped lift stocks to fresh highs, even as some investors have become nervous over the length of the rally.

That backdrop should help major indexes keep rising in 2018, many investors and analysts say, although some expect stock gains to slow.

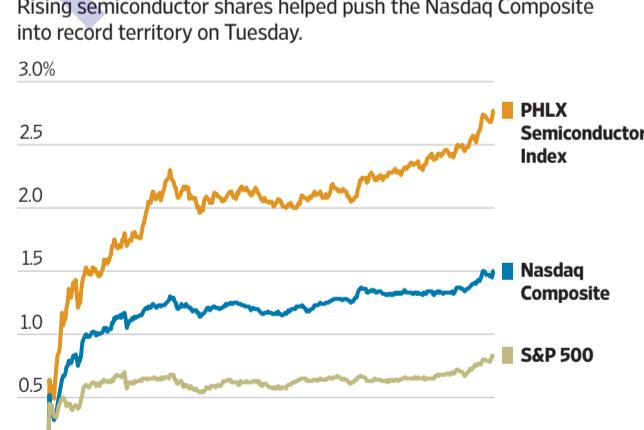
"We'd expect the global expansion to continue and drive equities to new highs in the process," said Shoaqat Bunglawala, head of the global portfolio solutions group for EMEA at Goldman Sachs Asset Management.

He also said he expects gains to be punctuated with short periods of volatility as the Federal Reserve continues to raise interest rates.

The Dow Jones Industrial Average climbed 104.79 points, or 0.4%, to 24,824.01, after notching its second-biggest yearly gain of the past decade

Chipping In

Rising semiconductor shares helped push the Nasdaq Composite into record territory on Tuesday.



in 2017. The S&P 500 rose 22.20 points, or 0.8%, to 2,695.81, while the Nasdaq Composite added 103.51 points, or 1.5%, to 7,006.90, its first close above the 7,000 level.

Shares of technology companies climbed Tuesday, reversing course after sliding in the last trading session of 2017. Advanced Micro Devices rose 70 cents, or 6.8%, to \$10.98, while Micron Technology jumped 2.55, or 6.2%, to 43.67.

Meanwhile, analyst upgrades helped push shares of consumer-discretionary companies higher.

Nordstrom jumped 1.74, or 3.7%, to 49.12, after J.P. Morgan analysts upgraded their rating for the stock to "neutral" from "underweight,"

—Kenan Machado contributed to this article.

MARKETS

Gold Could Shine Even Brighter in 2018

Possible spurs to demand include Iran, North Korea and risks to markets' gains

By AMRITH RAMKUMAR

Some investors are expecting another standout year for gold in 2018, a fresh sign of the anxiety that has accompanied the global stock-market rally.

The precious metal had its best year since 2010 last year, boosted by a weakening dollar and political tensions around the world. Now, despite cryptocurrencies such as bitcoin becoming more mainstream and the Federal Reserve projecting three interest-rate increases this year, some analysts expect the haven asset to continue building on last year's 14% gain.

When interest rates rise, gold often struggles to compete against yield-bearing assets such as Treasuries. However, some investors doubt that the Fed will stick to its forecasts and remain wary of market risks ranging from North Korea to Iran. They project that gold will keep climbing after it gained in 11 of the last 12 sessions of 2017. It rose 0.6% more on Tuesday.

"Gold has a chance to be one of the stars of 2018 within the commodity complex," said Mark Lacey, head of global commodities and resource equities at asset-management firm Schroders. He said the firm is overweight gold in its commodities fund. Investors are taking small positions in gold as a hedge going into 2018, he said.

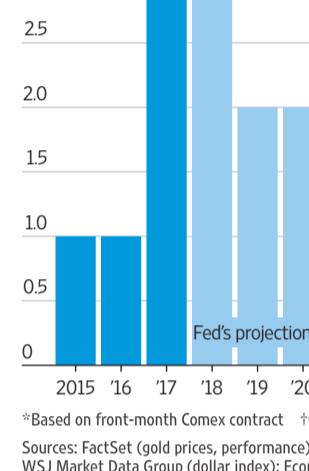
Jitters over a mix of market risks have stoked fear that the gains across many financial markets could be upended, buoying demand for gold. Tensions between the U.S. and North Korea have ramped up, with North Korean leader Kim Jong Un ordering missile

Gold prices rose 14% last year while the Fed raised interest rates three times...

\$1,350 a troy ounce



The Fed expects to keep raising rates in coming years...



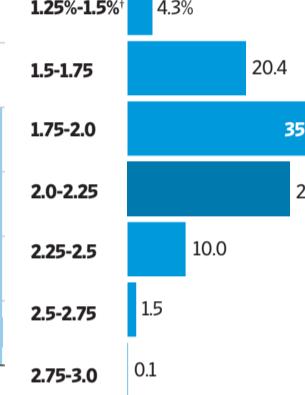
*Based on front-month Comex contract

†Current rate

‡December data for 2017 are preliminary, going through Dec. 11.

Sources: FactSet (gold prices, performance); Federal Reserve (interest rates); CME Group (ranges); WSJ Market Data Group (dollar index); Economic Policy Uncertainty (risk index)

...but some traders think rates will be below the Fed's projected 2.0%-to-2.25% range in December 2018.



independence from Spain, protests in Iran and the country's test of a new medium-range ballistic missile in August, and President Donald Trump's granting of U.S. recognition to Jerusalem as the capital of Israel in December.

Concerns have also flared up about Catalonia's push for

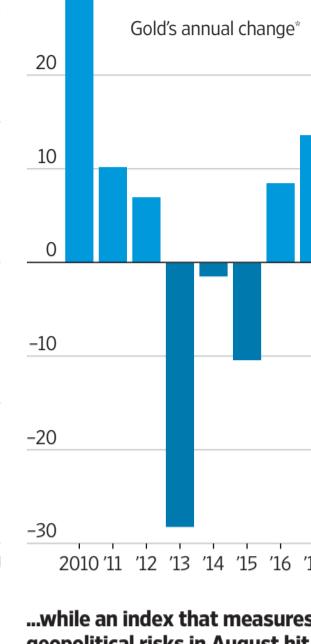
A falling dollar makes gold cheaper for overseas buyers...



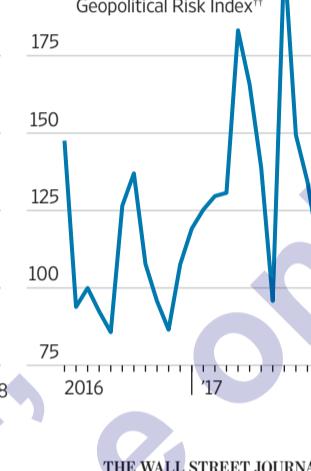
Doubts about the Trump administration's ability to push its agenda through Congress and a probe of Russian meddling in the 2016 presidential election have also fueled investors' worries. "We continue to think as a

...making it the best annual performance since 2010.

30%



...while an index that measures geopolitical risks in August hit its highest level since 2015.



THE WALL STREET JOURNAL.

unconvinced the Fed will actually increase rates three more times in 2018, CME Group data show. Roughly 60% of traders tracked by the exchange group expect two or fewer rate increases.

Some investors expect mixed economic data and cautious central-bank policy to continue weighing on the dollar. Because gold is a dollar-denominated commodity, it becomes cheaper for overseas buyers when the U.S. currency grows weaker. The WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, fell 7.5% last year, its worst annual performance since 2007.

Still, others caution that gold could lose its luster if the U.S. central bank sticks to its projections or even grows more aggressive.

Interest-rate concerns kept gold in a tight trading range late last year. It stayed in a trading band of \$34.50 during November, the lowest gap between its high and low in any month since October 2005, according to WSJ Market Data Group.

Fed governor Jerome Powell is set to succeed Chairwoman Janet Yellen in February, and there are also multiple other vacancies on the central bank's board of governors. Some analysts think a combination of changes in membership and economic data could shift the Fed's policy, leading to a swing in gold prices.

Some said gold's banner year in 2017 was a function of its starting point, as the precious metal tumbled in December 2016 following the U.S. presidential election.

"The Fed is a bit of a cipher for the first time in some time," said Tai Wong, head of metals trading at BMO Capital Markets. Mr. Powell is "likely to also move cautiously, but central banks can surprise you," he said.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

'Euroboom' Faces Risk In New Year

The eurozone economy performed so well in 2017 that some analysts started using the term "Euroboom" unironically. The euro strengthened and is back above \$1.20, European stocks rose and bond markets were well-behaved. That is welcome, but is it good enough?

The European Central Bank has been more upbeat about growth. The ECB's economists now think the eurozone grew 2.4% in 2017; a year ago the forecast was just 1.7%. That would make 2017 the strongest year for growth since 2007.

But while a stronger cyclical recovery is good, the eurozone's crisis scars persist. While Germany's economy is now some 11% larger than at the end of 2007, Italy's is still around 5% smaller. Unemployment across the eurozone has fallen, but ranges between 3.5% in Malta and 20.6% in Greece, according to Eurostat. The continued economic disparities between countries are a chronic problem.

Political risk wasn't the problem many feared in 2017, but concerns persist. Spain still faces a thorny challenge in managing relations between Madrid and Catalonia, and Germany has yet to form a government after September's election. Italy's elections in early March will be a key focus.

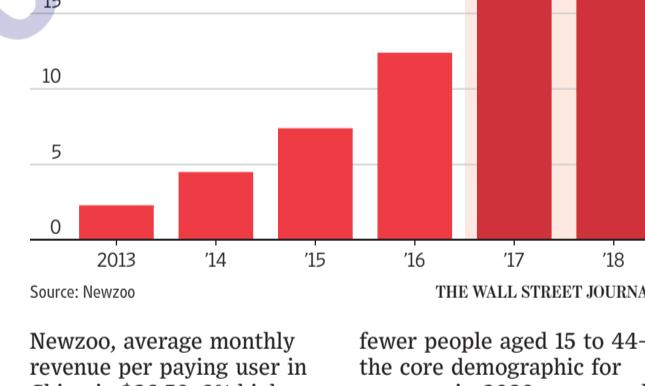
For now, the cyclical uplift counts for a good deal and investors have been rewarded for their optimism. But a positive shift in perceptions of the eurozone has already occurred.

—Richard Barley

China Mobile Games Hit a Snag

Level Up

China's mobile-game revenue



Newzoo, average monthly revenue per paying user in China is \$26.50, 9% higher than in the U.S. Considering the income level of an average Chinese, that is still a pretty high level.

China's rapidly aging population could slow down the growth in mobile games. According to Euromonitor, there will be 34 million

fewer people aged 15 to 44—the core demographic for gamers—in 2020, compared with 2016. The aging trend has been going on for years, but the explosive growth in smartphone—and hence mobile games—adoption in the past few years has glossed over the problem.

Almost everyone in China already has a mobile phone

and around one-third of them already are gamers.

This isn't to say China's mobile game market will shrink; it should continue to grow, and probably at a faster pace than in other countries. But the days of an expansion rate above 50%, as in the past few years, look over, and may settle to around the high teens this year, according to Newzoo, slightly above the world's average.

This means game makers in China will likely have to fight for share in a pie that isn't growing as rapidly as before. That might actually benefit Tencent, with its pre-eminent distribution power thanks to its ownership of the country's biggest social networks WeChat and QQ. For some other game makers, like NetEase, game time may be running out.

Investors, like videogame players, will need to become more discerning about the sector.

—Jacky Wong

OVERHEARD

Why buy a smart speaker? So you can shop for other smart speakers, of course.

One of the more interesting nuggets from Amazon.com during the holiday season was how customers made use of the company's voice-activated Alexa devices. This includes soliciting information on cocktail mixes, cookie recipes and Santa Claus—though the age bracket of those making the latter request wasn't disclosed.

But one popular use of Amazon's speakers is apparently to buy more speakers. The company said its low-price Echo Dot was among the top three items purchased with voice commands, along with its Fire TV stick, which also allows Alexa's voice commands.

That is encouraging news for those who see Amazon's devices as another tool to boost sales.

Higher Treasury Yields Have a Bright Side for Markets

Moving Up

Yield on 10-year Treasury note



Source: Ryan ALM

arguments for higher yields, there are good ones for them staying low, too.

The argument for higher yields goes something like this: The U.S. economy already was in good shape and now the tax-cut is going to boost growth. Unemployment will continue to fall, wages will rise and, with an assist from a healthy global economy, inflation will start to pick up. That will push Federal Reserve policy makers to raise rates more than the three times they expect in 2018. Worries about additional Treasury supply hitting the market should take hold as the Fed continues to shrink its balance sheet, and as the government issues more debt as a result of the just-enacted tax cuts.

an incentive to step up their contributions in 2017, lowering their tax bill when corporate tax rates are higher.

In 2018 they will contribute less and pension funds will buy fewer Treasurys as a result, allowing yields to rise.

Higher long-term rates could be tough on stocks, though. If Treasurys offer better returns, many investors will deem shares less attractive. And, given how richly valued stocks are, any interest-rate-driven selloff could be severe.

But just because interest rates seem likely to go higher doesn't mean they will. Maybe the economy won't have as much oomph as people are forecasting,

wage growth and inflation won't really pick up and the Fed won't raise rates by so much. For many investors, that would count as a disappointment, and stocks also would suffer as a result.

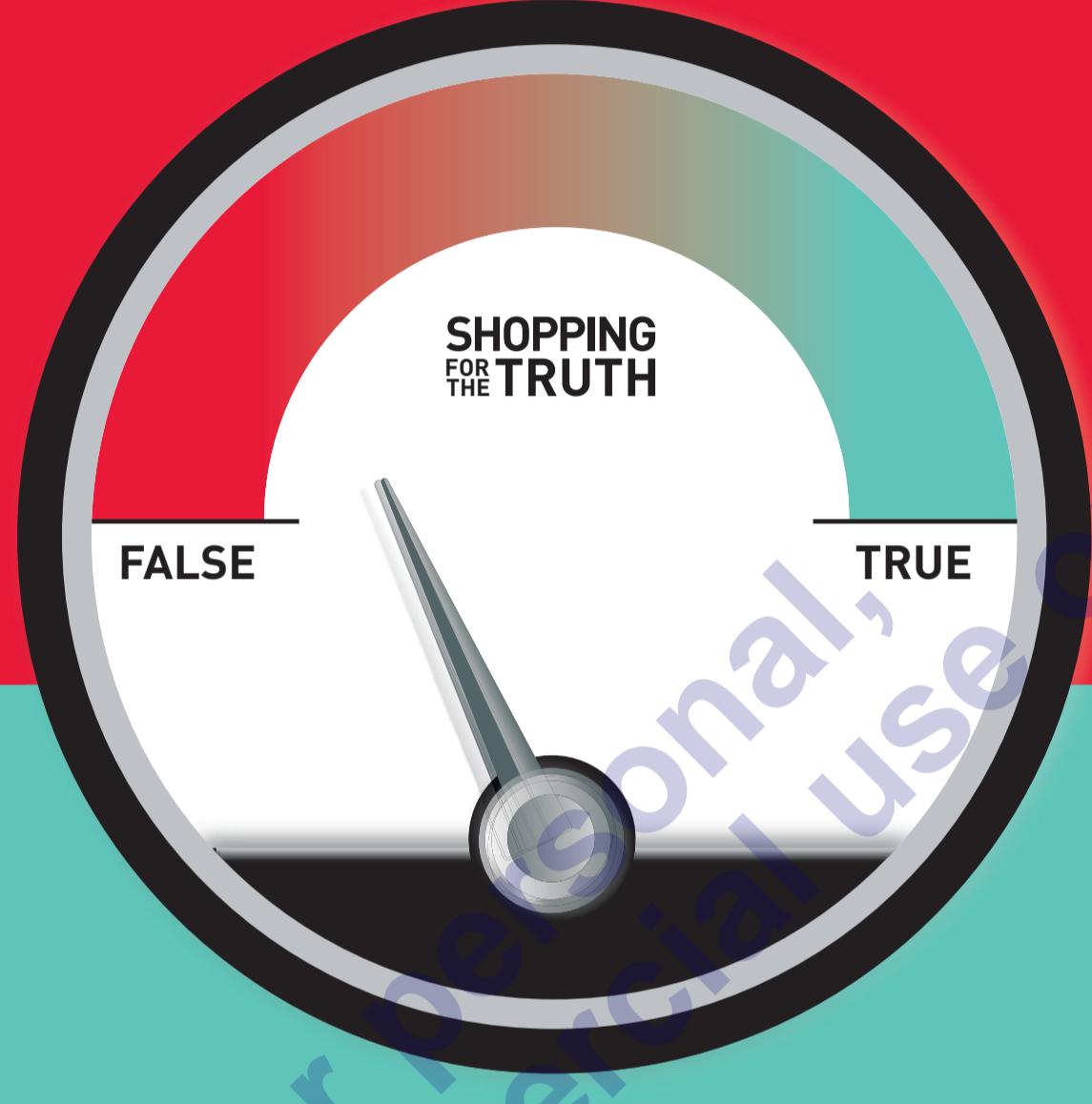
Or perhaps things will run a little hotter and the Fed will raise short-term rates but long-term Treasury yields stay around where they are anyway.

That happened in the mid-2000s. It made for a nice environment for stocks, but it also helped intensify the housing and credit-market excesses that precipitated the financial crisis.

Considering the alternatives, higher long-term rates might be the best investors can hope for.

—Justin Lahart

STORE VACANCIES ARE CREATING GHOST TOWNS.



THE TRUTH

The shopping center occupancy rate stands at a full 93.2%



LEARN THE TRUTH

ABOUT THE EVOLUTION OF RETAIL REAL ESTATE
AT SHOPPINGFORTHETRUTH.COM

ACCORDING TO NCREIF