

# THE WALL STREET JOURNAL.

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THURSDAY, JANUARY 4, 2018 ~ VOL. CCLXXI NO. 3

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DJIA 24922.68 ▲ 98.67 0.4%

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## What's News

### Business & Finance

The U.S. auto industry suffered its first annual sales drop since the financial crisis, but a streak of strong profits is expected to overshadow a slowdown in dealer traffic. **A1**

◆ Tesla posted fourth-quarter Model 3 sales that badly missed Wall Street's already lowered expectations. **B3**

◆ Foreign makers of washers and solar panels are ramping up shipments to the U.S. ahead of government decisions on possible new barriers. **A1**

◆ Fed officials in December debated whether looming tax cuts might require them to raise rates more aggressively in 2018. **A2**

◆ Dominion Energy agreed to buy Scana, which was hamstrung by a South Carolina nuclear project, in a \$743 billion all-stock deal. **B1**

◆ Merrill has blocked clients and financial advisers who trade on their behalf from buying bitcoin. **B1**

◆ Tech firms pushed major U.S. stock indexes to fresh records, a day after the Nasdaq topped 7000. **B14**

◆ Spotify has confidentially filed paperwork with the SEC to list its shares on the New York Stock Exchange. **B3**

◆ A former Och-Ziff deal maker faces criminal charges in connection with an alleged scheme that yielded a foreign bribery settlement. **B8**

◆ Spark will charge \$850,000 a patient for a new treatment for a hereditary form of vision loss. **B2**

◆ Petrobras agreed to pay \$2.95 billion to settle a lawsuit by U.S. investors. **B8**

### World-Wide

◆ Trump repudiated Bannon, his former senior strategist, after a new book surfaced in which Bannon made scathing and highly personal criticisms of some of the president's top advisers, including several family members. **A1**

◆ Manafort filed a lawsuit challenging Mueller's authority in indicting him on money-laundering and tax-related charges. **A4**

◆ North Korean and South Korean officials tested a special hotline for the first time in almost two years, signaling a tentative thaw. **A5**

◆ Trump dissolved the commission he created to investigate his claims of voter fraud in the 2016 election. **A3**

◆ The president suggested this week that Clinton confidante Abedin should be jailed, alleging that she had endangered national security. **A4**

◆ Iranians are protesting in the streets in part because an economic windfall from the landmark nuclear deal never fully materialized. **A6**

◆ Congressional leaders emerged from a White House meeting without a budget deal, as Democrats intensified their push for an immigration agreement. **A4**

◆ Sessions appointed Geoffrey Berman, a law partner of Giuliani, as temporary U.S. attorney in Manhattan. **A2**

◆ Airlines canceled thousands of flights and schools closed as a winter storm roared up the East Coast. **A3**

◆ Died: Thomas Monson, 90, Mormon Church president. **A2**

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Please see SMOKE page A8

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## Can You Hear Me Now? Two Koreas Test a Hotline



SIGN OF A THAW: A South Korean official checked a special phone link with North Korea Wednesday for the first time in almost two years. **A5**

## Auto Sales Growth Stalls

Annual drop of 1.8% is first in eight years, but pickups and SUVs bolster U.S. results

By MIKE COLIAS  
AND ADRIENNE ROBERTS

DETROIT—The U.S. auto industry suffered its first annual sales decline since the financial crisis eight years ago, but a streak of strong profits is expected to overshadow a slowdown in dealership traffic.

Though sales fell 1.8% last year as pent-up demand declined and interest faded in sedans and compact cars, auto makers still sold 17.2 million vehicles in 2017, the first time

the industry has cleared the 17-million mark three consecutive years, according to IHS Markit. Buyers took advantage of low gasoline prices and loan rates, flocking to pickups and sport utilities—a trend that delivers much higher margins to Detroit and its foreign rivals.

Vehicles now routinely sell for above \$32,000, even with average incentives of \$4,000 factored in, according to J.D. Power. That is 10% higher than what car buyers were dishing out when the industry's rally began in 2010.

The domestic car business is far healthier than the last time volumes slipped. A decade ago, General Motors, Ford and Chrysler were sad-

dled with high labor costs and a glut of unpopular models, making it more difficult to manage a downturn. GM and Chrysler eventually shed much of their fixed labor and health-care costs through stays in bankruptcy court.

Still, industry executives remain concerned that last year's decline could prove more than a modest blip.

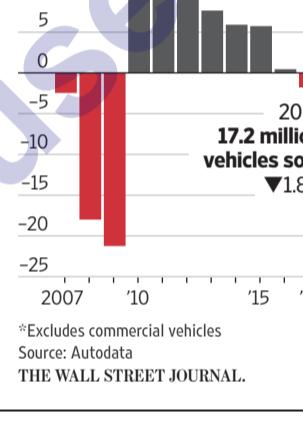
Rising interest rates, less pent-up demand and a potential decline in the value of used cars—which buyers often trade in when buying a new vehicle—could further pressure sales. That could prompt

Please see CARS page A2

◆ Tesla's Model 3 sales fall short of goal.....**B3**

### In Reverse

Change from previous year in U.S. vehicle sales\*



\*Excludes commercial vehicles

Source: Autodata

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## Trump Rips Into Bannon Over Book

BY ELI STOKOLS

WASHINGTON—President Donald Trump publicly repudiated Steve Bannon, his former senior strategist and onetime campaign chief, after a new book surfaced in which Mr. Bannon made scathing and highly personal criticisms of some of the president's top advisers, including several family members.

"Steve Bannon has nothing to do with me or my Presidency," Mr. Trump said in a statement released to reporters on Wednesday. "When he was fired, he not only lost his job, he lost his mind."

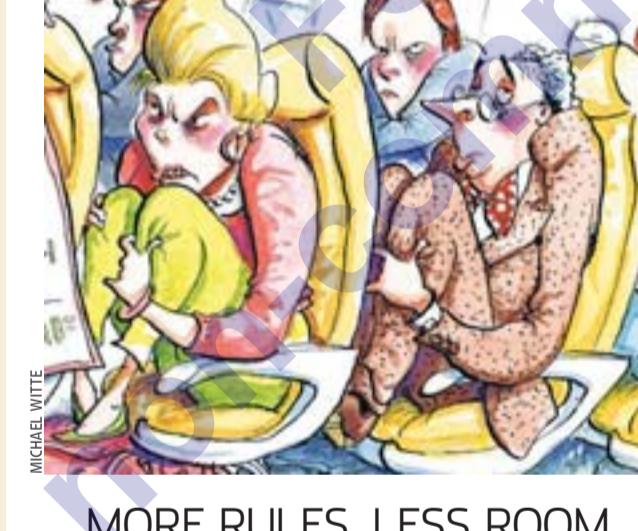
In the book, a copy of which was viewed by The Wall Street Journal, Mr. Bannon called a June 2016 meeting between top Trump campaign aides and a Russian lawyer "treasonous" and aired concerns that missteps by aides could lead to legal jeopardy for the president.

The meeting has become a focus of special counsel Robert Mueller's investigation into Moscow's meddling in the 2016 election and whether Trump campaign aides colluded with the Kremlin in the interference. Mr. Trump has said his campaign didn't collude with Russia, and Moscow has denied meddling in the U.S. election.

The president's public statement was released after the publication of quotes and excerpts from "Fire and Fury: Inside the Trump Presidency." Please see BANNON page A4

## Manafort Vs. Mueller

Indicted former Trump aide files suit challenging special counsel's authority.....**A4**



## MORE RULES, LESS ROOM FOR AIR TRAVEL IN 2018

THE MIDDLE SEAT, **A9**

Keep Puffing!  
It's Only  
Been an Hour

\* \* \*  
Slow smokers' vie  
to keep cigars lit  
as long as possible

By CHARLES PASSY

There have been plenty of famous cigar smokers. Winston Churchill, George Burns and Groucho Marx come to mind. There's also Bill Hroncich.

Mr. Hroncich, a 57-year-old resident of Hazlet, N.J., who works for a pharmaceutical company, has a rare cigar-related claim to fame. He can keep a stogie going for a long time without relighting.

"You have to puff gingerly—just enough to keep it hot," said Mr. Hroncich, whose cigar-burning time of 1 hour and 37 minutes earned him the title of U.S. slow-smoking champion at a New York event last year.

Please see SMOKE page A8

## The Cashless Society Has Finally Arrived—in China

Mobile payments change how people shop, borrow—even panhandle

By ALYSSA ABKOWITZ

BEIJING—Soliciting handouts near a grocery store, Zhao Shenji, a slender man with shorn hair, made giving easy for Beijing residents accustomed to relying on their smartphones.

"Recommend using WeChat Pay," said a placard the beggar displayed.

It was a literal sign of the times. Payment via mobile-phone services such as WeChat is sweeping the country. After gaining a beachhead as a means to buy things online, mobile payment moved on to store purchases and is fast becoming the way many people in China pay for just about everything.

That includes small personal debts. Richard Lau, a young management consultant waiting

to get into the historic St. Michael's Cathedral in Qingdao one recent day, found he had no cash for the 20-yuan admission, so he borrowed it from another man in line and immediately zapped him the amount by phone.

Behind the trend are internet titans Alibaba Group Holding Ltd. and Tencent Holdings Ltd., which are elbowing aside banks to take a growing role in daily commerce. Their success offers a glimpse of a future where technology firms drive innovations in finance just as they have in retailing, autos and the media.

Though the U.S. saw \$112 billion of mobile payments in 2016, by a Forrester Research estimate. Please see CHINA page A8

◆ Alibaba's Ma meets hurdles in U.S.....**B12**

## Threat of Tariffs Leaves U.S. Awash in Washers

By ANDREW TANGEL

Foreign makers of such products as washing machines and solar panels are ramping up shipments to the U.S. ahead of government decisions on whether to erect new barriers, trade data show.

The influx of goods comes after companies including appliance giant Whirlpool Corp.

and solar-panel maker Suniva Inc. asked the Trump administration in recent months to use powers under a controversial trade law that gives the president wide discretion on tariffs and quotas.

The two cases are among the early tests of President Donald Trump's "America First" trade policy and his pledges to help U.S. manufacturers and factory workers.

Ships brought 9,063 containers' worth of large residential washers to U.S. ports in November, more than double the clip of November 2016, a month after American regula-

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## U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## Hedge-Fund Titan Puts Away the Punch Bowl



The U.S. economy and stock market have just turned in their best performance in years, so it seems like buzzkill to hand the microphone to someone who thinks the path ahead could be much bleaker.

Still, when it's Ray Dalio, founder of hedge-fund manager Bridgewater Associates LP, it's worth listening. That's not so much because of Bridgewater's size and success but because Mr. Dalio looks at the world through a unique prism.

That prism explains how his firm managed to anticipate and profit from the 2008 crisis. While he doesn't see another crisis in the offing, he does see the same underlying stresses: Americans have accumulated far more debt than they have assets and income to support.

Not only will this drag on growth and markets, it will leave the economy acutely vulnerable to higher interest rates. The relevant parallel, he says, is not the early 1930s, when the economy imploded, but the late 1930s when the Federal Reserve

tightened monetary policy and extended the Great Depression. Today, the central bank must balance the short-term need for higher interest rates to contain inflation against the long-term need for low rates to work off the debt overhang and sustain high asset prices.

"It becomes more and more difficult to balance those things as time goes on," Mr. Dalio said at his Westport, Conn., office in November. "It may not be a problem in the next year or two, but the risk of not getting it right increases with time."

"We 'finance people' see the world very differently from the way economists do," he writes in his book "Principles," published last fall. The views of finance people tend to be shaped more by trading experience than by formal economics. They assign much more weight to financial factors such as debt, asset prices and cash flow than do economists who emphasize "real economy" factors such as employment and investment. Finance people are wary of how macroeconomic data obscures crucial details of individual companies and households.

**Out From Under**  
Rock-bottom interest rates have helped the U.S. cope with massive debts.

**Level of private and government debt as a percentage of GDP**



Source: Bridgewater Associates

**Debt service (interest plus amortization) as a percentage of GDP**



THE WALL STREET JOURNAL.

ity (i.e. the "risk premium" has declined). This directly raises asset values and indirectly lifts growth by spurring borrowing. His team estimates this has contributed 3 percentage points a year to stock returns since the 1970s while boosting private and government debt to 325% of gross domestic product.

In 2007, Mr. Dalio's team concluded that the cost of servicing Americans' debts was growing faster than their cash flows, creating the conditions for a crisis.

He doesn't blame the Fed for this. In fact, he praises it for understanding exactly what was needed when it burst: By slashing short-term interest rates to zero and buying bonds, it engineered the right combination of economic growth, debt write-offs and low interest rates.

The problem is that with interest rates and risk premia near all-time lows and debt and asset values near all-time highs, there's little fuel to repeat the process.

As he sees it, since the 1970s, inflation-adjusted interest rates have steadily declined while investors have accepted lower compensation for risks such as bankruptcy, recession and volatil-

years of low interest rates, and while he thinks stocks are fairly valued, returns to a typical stock-bond portfolio over the next decade will be around zero after inflation and taxes.

**W**hen Mr. Dalio speaks, how closely should you listen?

Since Bridgewater detailed this thesis in 2016, events haven't exactly followed the script. Last year, the S&P 500 returned 22% (including dividends); Bridgewater's diversified fund returned about 12%. Mr. Dalio says the promise of less regulation and lower taxes have elevated stock valuations. But that doesn't translate into higher long-term growth or sustained returns, he says.

In fact, his biggest worry is that lower corporate taxes and higher stock prices do nothing for the bottom 60% of households who own almost no assets and whose stagnant wages are the mirror image of expanding profit margins, feeding resentment and political polarization. Says Mr. Dalio: "If we do have an economic downturn, I worry we will be at each other's throats."

## Fed Weighs Effect Of Tax Cuts on Rates

By NICK TIMIRAS

WASHINGTON—Federal Reserve officials in December debated whether looming tax cuts might require them to raise short-term interest rates more aggressively in 2018 than last year, when they lifted borrowing costs three times.

Officials expressed growing confidence in the strength of the labor market and the economy, according to minutes of the Fed's Dec. 12-13 policy meeting, which were released Wednesday. Since the meeting, Congress approved and President Donald Trump signed into law a \$1.5 trillion tax cut, which could muddy the central bank's efforts to ensure the economy stays on an even keel.

After holding the fed-funds rate near zero for seven years, the Fed has raised it five times since late 2015, most recently

in December, to a range between 1.25% and 1.5%. They also penciled in three quarter-percentage-point rate increases in 2018 and two more moves in 2019.

The Fed is likely to leave rates unchanged at its next meeting, Jan. 30-31.

The bigger question is how much more the Fed will raise rates through the rest of the year, and the answer largely turns on inflation.

If Fed officials see signs that inflation is rising toward their 2% target over time, they could stick to their tentative plan for three rate increases this year. But if inflation proves weaker, they could move more slowly. And if price pressures pick up more than anticipated, policy makers could act more aggressively.

At the meeting, officials voted 7-2 to raise rates, with two dissenting because of low inflation.

## U.S. WATCH

## NEW YORK

## Berman Is Tapped for U.S. Attorney's Office

Attorney General Jeff Sessions appointed Geoffrey Berman, a law partner of White House ally and former New York Mayor Rudy Giuliani, as temporary U.S. attorney in Manhattan, the Justice Department said.

Wednesday's announcement included 16 other interim top prosecutors around the U.S.

In March, Mr. Sessions asked all U.S. attorneys appointed by President Barack Obama to resign, but the White House has yet to nominate permanent successors for many.

The new appointments last 120 days and would need to be made permanent by either a judge or by a nomination from the White House and confirmation by the Senate.

Mr. Berman is a partner at Greenberg Traurig LLP.

—Aruna Viswanatha

## UTAH

## Mormon Church's Leader Dies at 90

The Tuesday night death of Thomas S. Monson, the president of the Church of Jesus Christ of Latter-day Saints, sets up a shuffling of Mormon leadership.

Mr. Monson, 90 years old, died at his Salt Lake City home from "causes incident to age," the church said.

Although a successor likely won't be chosen until after Mr. Monson's funeral, the church said, Russell M. Nelson, a 93-year-old thoracic surgeon, is expected to become the next church president.

Mr. Monson became the 16th president of the church in 2008, and during his tenure its worldwide membership grew to more than 16 million members from roughly 13 million, according to the church.

—Ian Lovett

## 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., Chicope, MA 01020.

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## CARS

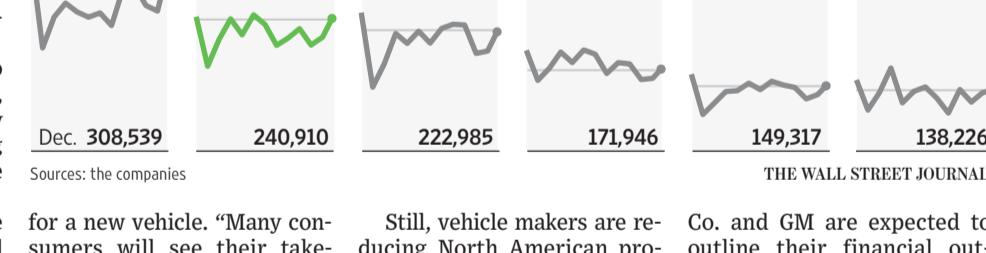
*Continued from Page One*  
car makers to scale back production even more and ratchet up discounts and rebates.

IHS expects sales to slip to 16.9 million vehicles this year, which is still historically strong for an industry long exposed to far more volatile boom-and-bust cycles.

"If you launched someone from another planet and landed them in America, you'd have to say some pretty optimistic things looking at the car business," Scott Keogh, Audi AG's U.S. sales chief, said Wednesday. However, he said competitors could get burned if the softer market leads to an aggressive price war.

Executives have reasons for optimism as employment gains are leading to wage growth in certain pockets of the U.S. The federal tax cuts and a robust stock market could provide more spending power for people in the mood

## Monthly Vehicle Sales Over the Past Year



Sources: the companies

for a new vehicle. "Many consumers will see their take-home pay rise because of tax reform," said General Motors Co.'s chief economist, Mustafa Mohatarem. "That will keep the broad economy growing, and help keep sales at very healthy levels even as the Fed increases interest rates."

Toyota Motor Corp., issuing a relatively rosy outlook on the U.S. market, said sales could top 17 million this year. "We're really bullish on 2018 and, as with anything, the economy is going to keep fluctuating," said Toyota's U.S. general manager, Jack Hollis.

Because revenue is booked as cars leave the factory, auto executives need to exercise restraint on production to maintain profitability levels as the car market slows. Ford Motor

Still, vehicle makers are reducing North American production, including a pullback in the U.S., in anticipation of a softer market. North American output is expected to fall 2.3% in the first quarter, according to WardsAuto.com, a move aimed at trimming dealer inventories and lowering the supply of sedans and compact cars that are unpopular amid low fuel prices.

Because revenue is booked as cars leave the factory, auto executives need to exercise restraint on production to maintain profitability levels as the car market slows. Ford Motor

Co. and GM are expected to outline their financial outlooks for 2018 later in January.

December sales fell 5.2%, according to Autodata Corp., as the makers had one fewer selling day and faced a stiff comparison to December 2016. The seasonally adjusted annual selling rate hit 17.9 million vehicles last month, the latest in a string of relatively robust monthly SAARs after a sluggish start to 2017.

GM's sales for the month slipped 3.3% compared with the same period a year earlier, but the company posted solid gains in pickup trucks and crossover sport-utility vehicles. Ford reported a 1.3% increase in December, including a 2% rise in sales of the company's F-series pickups—the nation's top-selling model—and an 8% increase in SUVs sales.

GM and Ford, the two largest sellers in the U.S., are trying to manage a balancing act of maintaining strong margins while slowing production and spending big to offer bargains.

Fiat Chrysler Automobiles NV sales fell 11% to 171,946 vehicles in December, because of a planned reduction in fleet sales, down 42% from a year earlier. Sales declined across most of the maker's brands.

## CORRECTIONS &amp; AMPLIFICATIONS

**The expansion rate** in China's mobile-game market may settle around the high teens in percentage terms this year, according to research firm Newzoo. In some editions Wednesday, a Heard on the Street article about mobile games in China incorrectly said the rate may settle around that range next year.

**Geoffrey Greif**, who was cited in Tuesday's Bonds col-

umn on relationship advice from readers in 2017, is a therapist and relationship researcher. The article incorrectly said that all the advice came from readers who aren't therapists or researchers and referred to the suggestions as being offered this year.

**Hoda Kotb** is a graduate of Virginia Polytechnic Institute and State University, which is popularly known as Virginia Tech University.

Tech. A Media & Technology article on Wednesday about Ms. Kotb's appointment as co-anchor of NBC's "Today" incorrectly identified the school as Virginia Tech University.

**A vintage white car** in a photograph of Brooklyn, N.Y.'s Ocean Parkway that accompanied a Mansion article on Friday about homes along that road was incorrectly identified as a Rolls-Royce.

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

## U.S. NEWS

# Winter Storm Plows Up the East Coast

Thousands of airline flights are canceled and schools close as snowfall totals mount

BY SUSAN CAREY  
AND VALERIE BAUERLEIN

Airlines canceled flights and schools closed on Wednesday as a winter storm roared up the East Coast, threatening to bring heavy snow and strong winds as far north as New England.

The storm brought a deep freeze to north Florida and record snowfall in coastal Georgia and South Carolina, where the Charleston International Airport shut down on Wednesday and officials asked drivers to stay off roads.

School systems in Georgia, Alabama and the Carolinas canceled or postponed classes Wednesday. Governors in Georgia and North Carolina declared states of emergency and readied troops, trucks and supplies to respond to potentially blocked roads and dangerous conditions.

Airlines had canceled nearly 500 flights in the U.S. by Wednesday afternoon and nearly 2,000 flights scheduled for Thursday, according to flight-tracking service FlightAware.com. In addition to Charleston, flights in Atlanta and Jacksonville, Fla., were among those most affected. Some flights to Boston and the



STEPHEN B. MORTON/ASSOCIATED PRESS

**Work crews in trucks with the Georgia Department of Transportation plowed a section of Interstate 95 on Wednesday in Savannah.**

New York area's three airports were also scrubbed.

Some carriers issued waivers allowing passengers scheduled to travel in the region on Thursday or Friday to change plans without paying a fee or higher fare as long as they rebook travel by this weekend.

United Continental Holdings Inc., the No. 3 U.S. airline by traffic, offered waivers on Wednesday for flights in 34 cities stretching from the Southeast U.S. to Montreal. Delta Air Lines Inc., the second-largest airline, was offering waivers for 12 airports,

and No. 1 American Airlines Group Inc. had 18 Northeast cities on its list. Southwest Airlines Co. was offering rebooking options in 19 cities.

Winter storms tend to be easier for airlines to predict and track than summer thunderstorms. Carriers tend to

cancel flights well ahead of blizzards to keep planes and crews from getting stuck and to keep passengers from arriving at the airport to find themselves stranded.

Bob Sparhawk, a software developer in Boston, was planning to meet a friend in Wash-

ington, D.C., on Thursday before receiving an email from JetBlue Airways Corp. on Wednesday informing him that his flight had been canceled. He couldn't rebook on JetBlue's website so he purchased a new ticket on Friday for \$450, more than the \$215 he paid for his original trip. He said he hoped to call JetBlue on Thursday to get some of his money back.

The National Weather Service said snowfall will increase in portions of the mid-Atlantic states and northern New England through Wednesday night and into Thursday. The forecast calls for up to 12 inches of snow from Virginia to Boston and up to 18 inches possible in northern New England.

The storm could produce enough wind to down trees and lead to power outages, the Weather Service warned. Coastal flooding is possible, particularly on Thursday.

Meteorologists said they expect the storm to undergo "bombogenesis": a quick strengthening of a cyclonic low-pressure area into an explosive development, also known as a weather bomb.

Dare County, N.C., Commissioner Danny Couch said he heard people testing generators on Wednesday as he drove along his Outer Banks district, and saw others tying trash cans to trees and dashing out for bread and milk.

—Imani Moise contributed to this article.

## Newly Hot Locales Battle To Curb Cost of Housing

BY SCOTT CALVERT  
AND LAURA KUSISTO

PHILADELPHIA—The gentrification of the Fishtown neighborhood here looks like something city planners dream of, with developers renovating old row houses as young professionals, along with new restaurants and businesses, pile in.

But home prices have shot up so quickly in recent years that the latest wave of young professionals say they are having a hard time making the finances work.

Now several Philadelphia City Council members want to pass a law requiring property developers to set aside 10% of new projects as below-market units, to improve overall affordability in a city that once was among America's biggest bargains.

Soaring housing costs aren't confined to New York or San Francisco. Cities including Pittsburgh, Detroit, Buffalo and Nashville all have explored

or adopted policies that, like Philadelphia's, seek to create more cheap housing with an approach known as inclusionary zoning.

Some developers say the approach can backfire by making projects too expensive to build, even with tax abatements or other compensation for the added costs.

"It really underscores the housing-affordability problem is much more widespread than simply a problem in the 10 most expensive coastal cities," said Stockton Williams, executive director of the Terwilliger Center for Housing at the Urban Land Institute in Washington, D.C.

In Philadelphia, the downtown Center City area has experienced a residential building boom. In neighborhoods to the north and south, an influx of professionals has pushed up values in historically working-class neighborhoods.

Once-gritty Fishtown now brims with art galleries and pubs serving craft beer.

Since 2014, the median home value in Fishtown has jumped more than 50% to around \$250,000, according to home-search website Zillow. Parts of nearby Kensington have had similar increases.

Yet census figures show that about 400,000 of the city's 1.6 million residents live under the poverty line, the highest rate among the 10 most populous U.S. cities.

Lisa Wilcox had identified Philadelphia as the city where she would launch her new career as a speech-language pathologist.

The relatively cheap housing was a big draw—especially compared with her native Boston as well as Seattle, where she spent her 30s.

But when she arrived in July, graduate degree in hand, Ms. Wilcox found she no longer could afford to buy in Fishtown. "It was kind of remarkable how much prices had gone up in that short period of time," said Ms. Wilcox, 41 years old. "It's crazy."



**One trendy Philadelphia enclave was too pricey for Lisa Wilcox.**

Ms. Wilcox, who lives by herself, wouldn't benefit from the proposed new law. With a salary of nearly \$60,000, she earns too much.

Yet a house in her preferred part of Fishtown seems out of reach for \$220,000, the maximum she feels she could afford.

While swaths of Philadelphia are considered affordable, much of the city's housing stock is in bad shape and located in areas lacking jobs, public transit and amenities

such as parks.

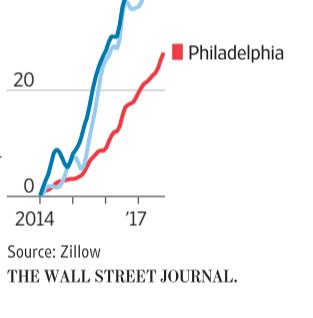
"We don't necessarily have an affordable-housing crisis, we have a quality affordable-housing crisis," said Andrew Goodman, community engagement director at the nonprofit New Kensington Community Development Corp., which backs the inclusionary zoning bill.

The administration of Mayor Jim Kenney, a Democrat, supports the goals but says the bill would set rents too low to cover construction

### Neighborhood Watch

Change in median home values in Philadelphia and two of its neighborhoods

60%



and other developer costs.

Leo Addimando, managing partner at the Alterra Property Group and vice president of the city's Building Industry Association, said he supports mixed-income housing but thinks the council's proposal would worsen the imbalance between the city's high construction costs and comparatively low rents, yielding fewer new housing units.

"This will certainly slow down residential development," Mr. Addimando said.

## Motel 6 Is Sued Over Guest Data

BY ALICIA A. CALDWELL  
AND CHRIS KIRKHAM

The state of Washington is suing Motel 6, alleging the low-cost hotel chain repeatedly provided detailed information about guests to immigration authorities for at least two years in violation of a state consumer-protection law.

Washington Attorney General Bob Ferguson said on Wednesday that at least six corporate-owned hotels provided U.S. Immigration and Customs Enforcement officials daily lists of guests, including their names, driver's license numbers, dates of birth and room numbers. "The scale of what Motel 6 was doing is deeply disturbing to me," Mr. Ferguson said.

Officials at Motel 6, which is owned by private-equity firm **Blackstone Group** LP, didn't respond to requests to comment on Wednesday. The chain has said in the past that it instructed hotel operators to refrain from voluntarily and routinely sharing guest information with federal immigration authorities.

Mr. Ferguson said Motel 6 committed more than 9,000 violations of the state's Consumer Protection Act for what he described as egregious privacy violations from about Jan. 1, 2015, through September 2017. He said the company's practice of voluntarily sharing guest information also violated the budget hotel



**Washington state accuses the hotel company of privacy violations.**

chain's own privacy policy.

The state lawsuit, filed in Seattle, seeks a permanent injunction to block the hotel chain from sharing guest information without a warrant.

Washington officials said at least six hotels in the state routinely provided lists of guests to ICE and at least six people suspected of being in the country illegally were detained as a result.

ICE spokeswoman Yasmeen Pitts O'Keefe said Wednesday the agency receives "viable enforcement tips from a host of sources" but declined to discuss its possible interactions with Motel 6. She added that motels and hotels have "frequently been exploited by criminal organizations engaged in highly dangerous illegal enterprises, including human trafficking and human

smuggling."

The agency isn't named as a defendant in the lawsuit.

At least two Motel 6 operators in Arizona also have been accused by immigration advocates of sharing guest information without a warrant or subpoena.

In September the company acknowledged that some properties in the Phoenix area were voluntarily giving daily guest lists to ICE. In a statement in the fall, the company apologized and said the actions were "undertaken at the local level without the knowledge of senior management."

The company said it would tell staff at all of its more than 1,400 locations in the U.S. that they are prohibited from voluntarily providing such information to immigration authorities.

## Trump Ends Voter Fraud Commission

BY MICHAEL C. BENDER

WASHINGTON—President Donald Trump dissolved the commission he created just eight months ago to investigate his unsubstantiated claims of voter fraud in the 2016 election, bringing an end to a panel that had faced resistance from state officials.

Mr. Trump formed the Presidential Advisory Commission on Election Integrity in May and installed Vice President Mike Pence as chairman after blaming voter fraud for his loss in the popular vote to Democratic nominee Hillary Clinton. The panel was created despite independent experts saying there was no evidence to support his claim of widespread fraud.

"I won the popular vote if you deduct the millions of people who voted illegally," Mr. Trump said in a Twitter message about three weeks after the election, without providing any evidence. He later said he wanted an investigation into whether votes were cast illegally by people voting twice, voters using deceased people's names, or by undocumented immigrants.

On Wednesday, the White House blamed the panel's demise on states that refused to provide voter information.

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## U.S. NEWS

# Manafort Sues Special Counsel Mueller

**Former campaign chief alleges investigation exceeded scope of original Russia inquiry**

By DEL QUENTIN WILBER

Paul Manafort, a former chairman of the Trump presidential campaign, filed a lawsuit Wednesday alleging that special counsel Robert Mueller had exceeded his authority in indicting Mr. Manafort on money-laundering and tax-related charges.

The lawsuit asks a federal judge in Washington to throw out the order issued by Deputy Attorney General Rod Rosenstein in May that appointed Mr. Mueller to investigate any links

between the Russian government and the Trump campaign, as well as any issues arising from that inquiry.

It also seeks to toss the indictment against Mr. Manafort and requests an order barring Mr. Mueller from pursuing similar investigations.

A spokesman for Mr. Mueller declined to comment. A Justice Department spokeswoman called the suit "frivolous."

The lawsuit is an unusually aggressive salvo against the special counsel, questioning the source of his authority and his right to conduct a wide-ranging investigation.

It foreshadows what are likely to be a series of legal moves on all sides as Mr. Mueller, who has charged four individuals, pursues his probe.

Some legal analysts said the

Manafort lawsuit faces an uphill battle, since judges often defer to the Justice Department on the framework of criminal investigations.

Mr. Manafort and a longtime business associate, Richard Gates, were indicted in October by a grand jury working with the special counsel's office. Mr. Manafort served as Donald Trump's campaign chairman for several months during 2016, and Mr. Gates served as a campaign official.

That indictment didn't touch on the Trump campaign. Instead, it alleged a wide-ranging scheme, involving foreign companies and bank accounts, to use millions of dollars in income from Ukraine in the U.S. without reporting it.

Messrs. Manafort and Gates

have pleaded not guilty.

Mr. Mueller has also obtained guilty pleas from Michael Flynn, Mr. Trump's former national security adviser, and George Papadopoulos, a former

*The unusually aggressive salvo foreshadows a likely series of legal moves.*

Trump campaign aide. Both admitted lying to the Federal Bureau of Investigation.

Mr. Rosenstein's order appointing Mr. Mueller—which came from the deputy attorney general because Attorney Gen-

eral Jeff Sessions, who played a high-profile role in the Trump campaign, recused himself from the investigation—permitted the special counsel to investigate not only Russian electoral interference but "any matters that arose or may arise directly from the investigation."

Messrs. Mueller and Rosenstein were both named as defendants in Mr. Manafort's lawsuit, which says the accusations against him weren't uncovered by Mr. Mueller and "had no connection whatsoever to the 2016 presidential election."

The indictment "is completely unmoored from the special counsel's original jurisdiction," the suit says.

The lawsuit asserted that a law creating "independent counsels," who were appointed

by three-judge panels, expired in 1999 amid a widespread recognition that it gave prosecutors too much power.

In replacing the law with regulations allowing the attorney general to name special counsels, the Justice Department issued rules that "carefully circumscribe that appointment authority and the scope of any appointments under it," the lawsuit said.

"The Appointment Order in effect purports to grant Mr. Mueller carte blanche to investigate and pursue criminal charges in connection with anything he stumbles across while investigating," the suit said.

Russia has denied it sought to meddle in the 2016 campaign, and Mr. Trump has called the probe a "witch hunt."

## Two New Democratic Senators Are Sworn In



**A HUG BEFORE THE CEREMONY:** Sen. Tina Smith of Minnesota ran into Sen. Doug Jones of Alabama outside the Senate chamber in Washington, D.C., before they were sworn in on Wednesday. Ms. Smith was appointed to succeed former Sen. Al Franken, who resigned amid sexual-misconduct accusations. Mr. Jones won an upset victory over Republican Roy Moore in a recent special election.

## Trump Takes Aim At Clinton Aide

By BYRON TAU  
AND FELICIA SCHWARTZ

WASHINGTON—President Donald Trump suggested this week that a confidante of his former Democratic rival, Hillary Clinton, should be jailed, alleging that she had endangered national security by forwarding her government-computer passwords to her personal email account.

Huma Abedin, a long-serving aide to Mrs. Clinton, forwarded the login instructions for her State Department laptop to a personal email account in August 2009, according to documents released by the department last week.

Ms. Abedin, who was deputy chief of staff to Mrs. Clinton while the latter was secretary of state, had received user names, passwords and login instructions for government email and document systems from a State Department colleague on Aug. 18, 2009. Six days later, she forwarded the instructions to her personal email account.

The emails Ms. Abedin sent and received were found on the laptop computer of her estranged husband, Anthony Weiner, a former Democratic congressman, during an unrelated investigation and were released publicly as part of a Freedom of Information Act lawsuit brought by the conservative group Judicial Watch.

Former officials said passwords to State Department systems, even those used to access unclassified information, were considered sensitive and mishandling them was grounds for internal discipline but wouldn't typically prompt a criminal inquiry. The email in question, as released by the



**Ex-Clinton staffer Huma Abedin**

State Department last week, didn't contain redaction markings indicating the presence of classified information.

In a tweet on Tuesday, Mr. Trump wrote that Ms. Abedin "has been accused of disregarding basic security protocols," claiming that she put classified passwords "into the hands of foreign agents."

Ms. Abedin hasn't been formally accused of wrongdoing and has been out of government since 2013. No evidence has emerged that Ms. Abedin's passwords wound up in the hands of foreign agents.

One of the passwords she forwarded was for commercially available software used by the State Department for unclassified systems. The email also contained a PIN to access the State Department's Open Net Everywhere system for using unclassified email remotely.

A State Department spokeswoman declined to comment on whether the State Department believed Ms. Abedin had broken any rules, saying "this matter is in ongoing litigation."

An attorney for Ms. Abedin didn't respond to a request to comment.

## Immigration Debate Complicates Budget Talks

By KRISTINA PETERSON

WASHINGTON—Congressional leaders emerged Wednesday from a meeting with White House officials without a budget deal, as Democrats intensified their push to reach an immigration agreement as part of the negotiations.

Lawmakers returning to Washington from their holiday break have less than three weeks before the government's current funding expires at 12:01 a.m. on Jan. 20.

The top four congressional

leaders met with senior White House officials Wednesday afternoon. The talks were complicated, they indicated, by a debate over how to reach a deal aimed at aiding young undocumented immigrants and tightening border security.

The tenor of the meeting was "surprisingly good," Senate Majority Leader Mitch McConnell (R., Ky.) told senior Republicans, Sen. John Cornyn (R., Texas) said.

A group of Senate Republicans planned to meet Thursday with President Donald Trump to

discuss immigration, Mr. Cornyn said. The GOP president's support is seen as key to reaching an immigration agreement.

"It is important that we achieve a two-year agreement that funds our troops and provides for our national security and other critical functions of the federal government," the White House, House Speaker Paul Ryan (R., Wis.) and Mr. McConnell said in a joint statement after the meeting.

The statement also issued a warning to the Democrats: "It also remains important that

members of Congress do not hold funding for our troops hostage for immigration policy."

Democrats signaled this week that they intend to use their leverage in budget negotiations to demand legal protections for the so-called Dreamers, young people living in the U.S. illegally who were brought here as children.

Democratic votes will be needed to pass the spending bill in the Senate, where 60 votes are required to clear procedural hurdles. The GOP holds 51 seats in the Senate.

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Former officials said passwords to State Department systems, even those used to access unclassified information, were considered sensitive and mishandling them was grounds for internal discipline but wouldn't typically prompt a criminal inquiry. The email in question, as released by the

campaign had been promised negative information about Democratic presidential candidate Hillary Clinton. He said no useful information emerged from the meeting.

Donald Trump Jr. tweeted Wednesday: "Steve had the honor of working in the White House & serving the country. Unfortunately, he squandered that privilege."

In the book, Mr. Bannon sharply criticized Mr. Kushner and former campaign chairman Paul Manafort, for taking part in the Russia meeting along with Donald Trump Jr.

"Even if you thought that this was not treasonous, or unpatriotic...and I happen to think it's all of that, you should have called the FBI immediately," Mr. Bannon is quoted in the book.

Further, Mr. Bannon predicted that the investigation by Mr. Mueller will focus on money laundering.

"This is all about money laundering," Mr. Bannon told Mr. Wolff. The path to "Trump goes right through Paul Manafort, Don Jr. and Jared Kushner," he said. "It's as plain as a hair on your face."

A spokesman for Mr. Kushner didn't respond to a request for comment. A spokesman for Mr. Manafort declined to comment. Mr. Manafort pleaded not guilty in October to charges stemming from lobbying work he performed for the ruling party of Ukraine as well as attempts to allegedly hide the payments from that work.

—Michael C. Bender  
and Peter Nicholas  
contributed to this article

## BANNON

*Continued from Page One*  
side the Trump White House" by Michael Wolff. In the book, Mr. Bannon sharply criticizes the president's adult children and son-in-law Jared Kushner, all of whom Mr. Bannon sparred with during his six months inside the administration.

In the book, Mr. Bannon is quoted as describing Ivanka Trump, the president's daughter and a White House adviser, as "dumb as a brick." A spokeswoman for Ms. Trump didn't respond to a request for comment.

Mr. Bannon declined to comment. A person close to him said Mr. Bannon didn't deny his quotes in the book.

White House press secretary Sarah Sanders called the book "trashy tabloid fiction" that was "filled with false and misleading accounts."

Late Wednesday, an attorney for Mr. Trump and his campaign sent a letter to Mr. Bannon demanding that he "cease and desist" making disparaging statements to the news media about Mr. Trump and his family.

The letter from attorney Charles Harder said that Mr. Bannon violated the terms of his employment agreement with the Trump campaign by making the comments.

In the five-page letter, Mr. Harder wrote that under the terms of the agreement, Mr. Bannon promised that while working for the campaign "and at all times thereafter" he would not "demean or dispar-

age publicly" Mr. Trump and his family, among others.

A publicist with Henry Holt, the imprint of Macmillan publishing the book, didn't respond to a request for comment. Mr. Wolff didn't immediately respond to a request for comment.

Mr. Bannon resigned his post in August shortly after John Kelly was named White House chief of staff with a mandate to bring more discipline to the West Wing. Mr. Bannon since then has positioned himself as a minter of conservative candidates heading into the 2018 midterms. He returned to the conservative Breitbart website, where he is executive chairman.

Mr. Bannon supported Roy Moore in the Alabama Senate race, while Mr. Trump backed another Republican candidate, Luther Strange, in the party primary before ultimately backing Mr. Moore in the general election. Mr. Moore lost that race to Democrat Doug Jones.

Mr. Trump has had public fallout with various people, including lawmakers, in the past, some of which he has later patched up. A permanent rift between the president and Mr. Bannon could have political implications leading up to November's midterm elections and into 2020. A battle for the president's political base could divide the conservative movement, especially if Mr. Trump begins to align himself more with the GOP establishment, which views Mr. Bannon with the same level of enmity as he does.

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In his statement, Mr. Trump played down Mr. Bannon's role

in the Trump movement: "Steve had very little to do with our historic victory.... Yet Steve had everything to do with the loss of a Senate seat in Alabama."

Mr. Trump also charged that Mr. Bannon portrayed himself as more influential than he actually was. "Steve was rarely in a one-on-one meeting with me and only pretends to have had influence to fool a few people with no access and no clue, whom he helped write phony books," Mr. Trump said.

Mr. Bannon described the June 2016 Trump Tower meeting between the president's oldest son and top advisers and a Russian lawyer as "treasonous" and "unpatriotic."

Donald Trump Jr. has denied he did anything wrong in agreeing to the meeting, in which the

payments from that work.

—Michael C. Bender  
and Peter Nicholas  
contributed to this article

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**Former Trump strategist Steve Bannon in Alabama last month.**

JONATHAN BACHMAN/REUTERS

## WORLD NEWS

# North Korea Reopens Hotline With South

Seoul seeks talks next week with Pyongyang, as a thaw appears in their fraught ties

By ANDREW JEONG

SEOUL—North Korean and South Korean officials tested a special hotline for the first time in almost two years Wednesday, signaling a tentative thaw on the divided peninsula and highlighting possible differences between Seoul and Washington over how to deal with a nuclear-armed Pyongyang.

The reactivation of the telephone link across the demilitarized zone—severed by the North in 2016—came as South Korea's government moved swiftly to follow up on a New Year's Day suggestion by North Korean leader Kim Jong Un that he would be open to talks.

North Korea dialed the South and the call lasted about 20 minutes, according to the South Korean unification ministry.

"Hello, this is [name] speaking," were the first words from a North Korean official on the line, according to the ministry, which didn't release the North Korean official's name or a full transcript. The unification ministry said the call was conducted between staffers to ensure that the line was usable.

Seoul has proposed a face-to-face meeting next week on the North's possible participation in the winter Olympic Games being hosted in the South in February. South Korean officials have said they also want to discuss the North's atomic-weapons program, which has made significant advances in the past year.

The tenor of the South's outreach offered a contrast to the tone of U.S. President Donald Trump, who tweeted on Tuesday that he had a "Nuclear Button" that "is a much bigger & more powerful one" than one Mr. Kim described in a New Year's Day speech.



South Korean army soldiers on patrol across the demilitarized zone from North Korea. The two nations have technically been in a state of war since the 1950s.

CHUNG SUNG-JUN/GETTY IMAGES

### Seoul's Move Highlights Concern Over Cost of a War

The reactivation of South Korea's telephone hotline with North Korea underscored its leaders' concerns that their country, which has developed into an economic powerhouse

since the Korean War, has the most to lose from any conflict.

Seoul, its prosperous and densely populated capital, is about 35 miles from the demilitarized zone, within range of North Korean artillery and rockets.

Estimates of casualties in the event of widespread hostilities could run into the millions.

macho boasts and belligerent threats that will get us nowhere," Senate Minority Leader Chuck Schumer (D., N.Y.) said in the Senate, cautioning that China could draw advantage.

"If President Trump continues snubbing our allies and recklessly threatening other nations, and showing leadership on the world stage that can only be described as puerile,

the world may look to Beijing, rather than Washington, for international leadership," he said.

On Wednesday the State Department said the administration didn't object to the re-establishment of the link between the North and South, but remains committed to a pressure campaign aimed at choking off funds that help supply Pyongyang's weapons programs.

"We are fine with them having that conversation, certainly over the phone. They're neighbors. Neighbors have a right to have those types of conversations," State Department



South Korea's capital lies close to the North Korean border.

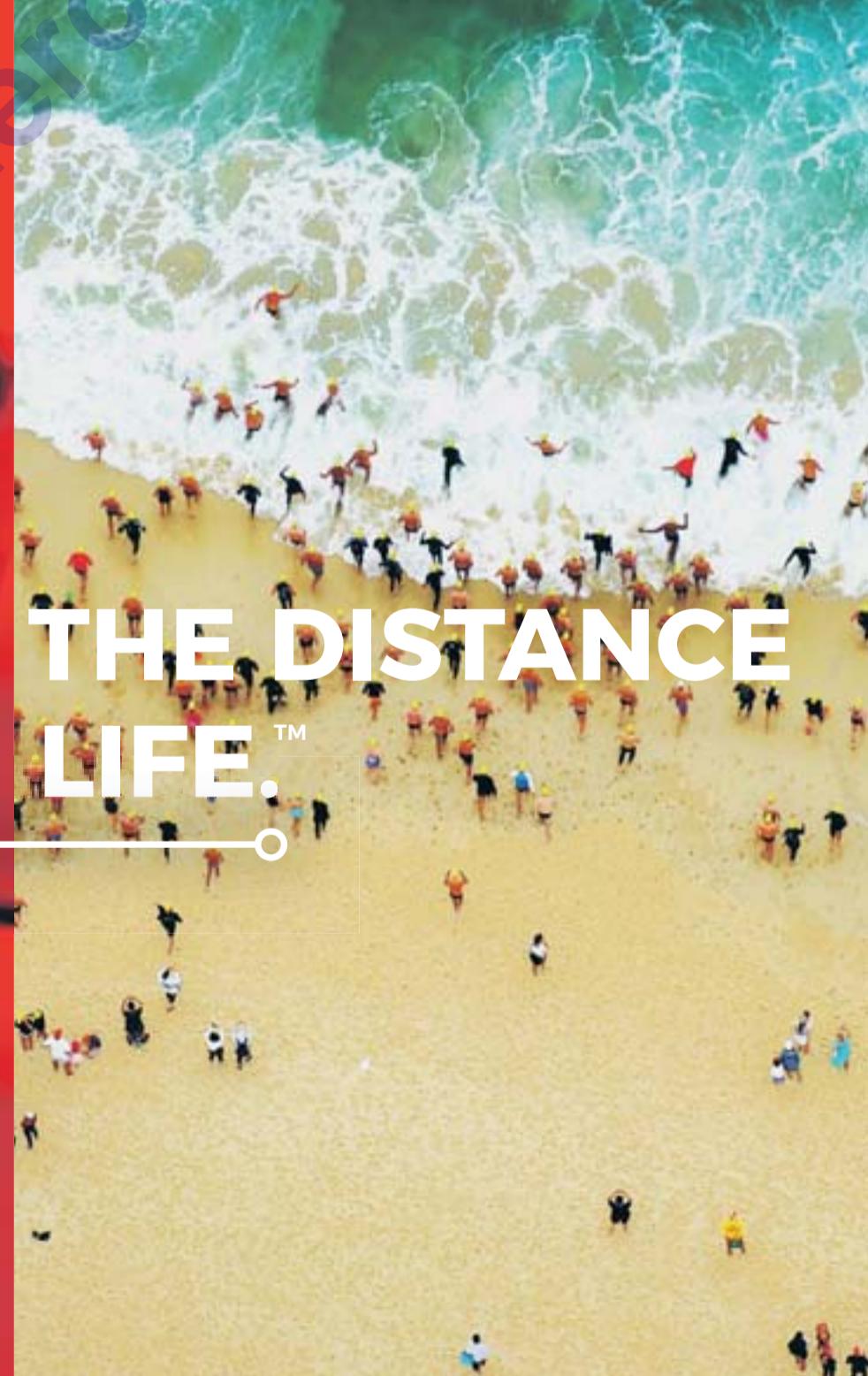
Chun Yung-woo, a former South Korean presidential national security adviser, said a central question is what conditions the North would attach to any participation in the Winter Olympics. Pyongyang has railed against annual U.S.-South Korea military exercises planned for March—which would coincide with the Paralympics—and could seek their cancellation.

Mr. Chun warned that postponing the exercises would hurt the alliance and canceling them would inflict more lasting damage because it would breach trust between Seoul and Washington. "If the North asks for a cancellation of this year's military exercises, it would not be advisable to invite the North Koreans to the Olympics, and compromise South Korea's military readiness," Mr. Chun said.

—Felicia Schwartz and Kristina Peterson in Washington and Lingling Wei in Beijing contributed to this article.

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## WORLD NEWS

# Lag in Deal's Payoff Fuels Iran Protests

An expected windfall from the lifting of international sanctions has been weak

With Iran's economy in a free fall earlier this decade, Tehran gambled on accelerating talks with the international community to remove

*By Asa Fitch in Riyadh, Saudi Arabia, and Jared Malsin in Dubai*

nuclear-related sanctions in the hope that reopening the country's doors to foreign business could lift livelihoods.

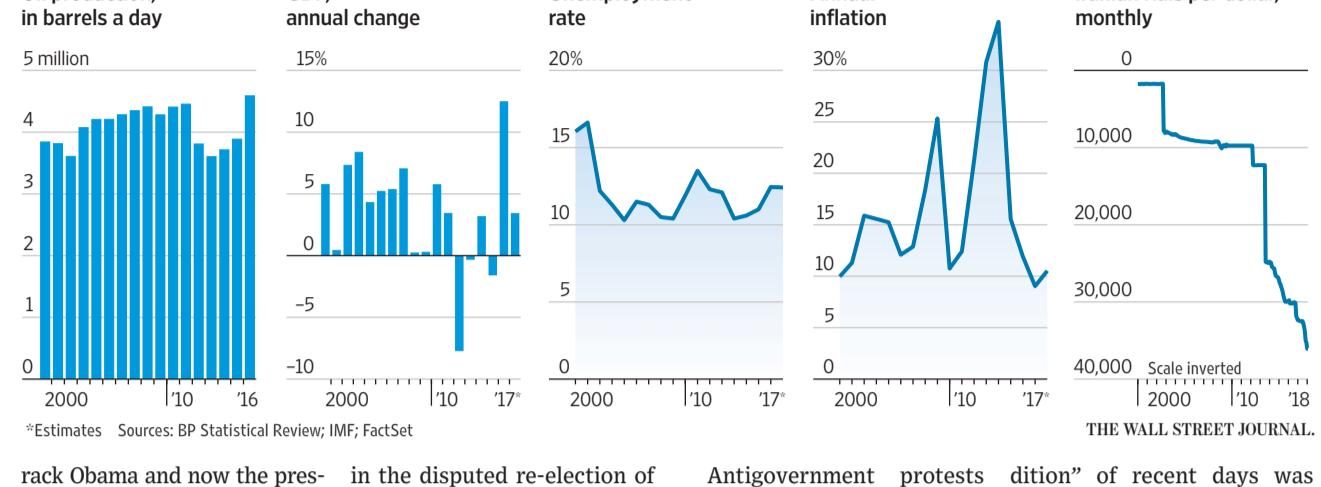
That bet has yet to pay off. Two years after the landmark nuclear deal between Iran and six world powers took effect, many Iranians are on the street protesting, in part because the economic windfall from sanctions relief never fully materialized.

Consumer prices are rising at a double-digit clip—the price of eggs has risen by more than 50% in the past year, Iranian media reported last month. And Iran's currency has lost about one-tenth of its value against the dollar since May, crimping Iranians' spending power for foreign goods they covet.

"The regime over-promised and the deal under-delivered," said Rob Malley, a former special assistant to President Ba-

## Uneven Recovery

Iran ratcheted up oil production in 2016 after the lifting of sanctions under the nuclear deal. But after an initial boost, economic growth has slowed. Unemployment and inflation remain in the double digits, and its currency continues to falter.



\*Estimates Sources: BP Statistical Review; IMF; FactSet

rack Obama and now the president and chief executive of International Crisis Group. "The over-promising reflected both their genuine expectation of greater returns from the deal and a desire to hype its anticipated benefits to sell it to their domestic detractors."

The economic troubles show not only how Iran's revival after the nuclear deal has fallen short of expectations, but how any business that is being done is leaving out large portions of the Iranian public, particularly the working class.

Unlike mass protests that broke out in 2009 over what many saw as political injustice

in the disputed re-election of hard-line Iranian President Mahmoud Ahmadinejad, protests now are tied to economic injustice.

Among the chants hurled by protesters at the ruling establishment have been cries of "Bread, job, freedom" and "No to inflation."

"The inflation is really unfair," said Ali, a 38-year-old civil construction engineer from Tehran. He said Iran's economic malaise was in some ways out of current Iranian President Hassan Rouhani's control, "but they could have stopped the deterioration through better policies."

Antigovernment protests continued for a seventh day Wednesday, after large pro-government rallies across Iran in the morning. Government employees, national oil company workers and students at state-run schools received orders from their superiors to participate in the pro-government demonstrations, according to messages shared on social media.

More than 20 people have died in the unrest, and authorities have arrested hundreds. Gen. Mohammad Ali Jafari, the commander of the Islamic Revolutionary Guard Corps, said Wednesday that the "se-

dition" of recent days was over, and sought to minimize the scale of the protests.

Iran's economy has largely been inwardly focused since the country's revolution in 1979. The revolution was closely followed by a hostage crisis in which 52 Americans were held for more than a year, an event that drove a deep wedge between the two countries and continues to hang over relations.

Today, American cars made after the revolution are virtually nonexistent and streets in Tehran and other cities are dominated by boxy Iranian-made models because the

leadership places high taxes on imports to encourage local production. Many Iranians use American technology, including smartphones, but they are expensive because they can't be directly imported.

The Iran nuclear deal, a central foreign-policy objective of the Obama administration, promised to relieve the Persian nation from its international isolation. For European countries that took part in the agreement, it also presented an opportunity to invest in and trade with a newly opened market of around 80 million people.

The deal took effect in early 2016. Iran's gross domestic product rose by 12.5% that year.

But the economy still faces struggles, and polls indicate that many Iranians haven't felt the benefits. While Mr. Rouhani has brought inflation down from nearly 40% under his predecessor, it is still running at about 10%. And while Mr. Rouhani wants to create hundreds of thousands of jobs in the coming year, unemployment still stands at 12%.

The election of Donald Trump as U.S. president has only made Mr. Rouhani's job harder. Mr. Trump, a staunch opponent of the nuclear deal, has sought to undermine the pact, imposing fresh rounds of sanctions targeting Iran's ballistic missile program.

—Zeke Turner in Berlin contributed to this article.

# Demonstrations Challenge Islamic Republic at Its Core



## MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

The protests that spread like wildfire across Iran have caught everyone by surprise: the Iranian regime, its foreign foes and allies, and even the liberal Iranians who supported the Green Movement demonstrations of 2009.

The so-far leaderless protests have already exposed a major internal weakness of the Islamic Republic just as it enjoyed unpreced-

ented regional sway, with significant military and political successes in Syria, Iraq and Lebanon following the defeat of Islamic State.

How the Iranian regime—with its struggle between relative conservatives and reformers amid the looming succession of 78-year-old Supreme Leader Ali Khamenei—responds to this challenge will influence the entire Middle East in coming months.

While a brutal crackdown could stamp out the current unrest, it could also provoke



People protest in Tehran, which has yet to see anything resembling the massive marches of 2009.

Rouhani opposition sparked protests focused on poor economic performance by the government has spiraled into something where the majority appear to be very angry people who no longer believe in the system altogether," said Ellie Geranmayeh, a senior policy fellow at the European Council on Foreign Relations. "The demonstrations are turning more violent and their chants are turning more radical and extreme."

While dozens of deaths have been reported, so far the Iranian security forces have been responding with more restraint than they showed in 2009. Mr. Rouhani has said that Iranians have the right to express their grievances and protest. Both he and Mr. Khamenei, however, accused Iran's foreign enemies of instigating the demonstrations as part of a conspiracy to undermine the Islamic Republic. On Wednesday, the government organized massive rallies to show popular support for the regime.

So far, Iran's antigovernment protests haven't drawn as many people as the 2009 Green Movement, which was fueled by a belief that Iran's presidential election that year had been stolen by the conservatives' candidate, Mahmoud Ahmadinejad. Unlike those protests, the current unrest is also largely occurring in the provinces:

Tehran has yet to see anything resembling the massive marches of 2009.

In part that is because the protesters in out-of-the-way towns are often angry not just with the Shiite clerical establishment that effectively rules Iran, but also with the privileged elites of northern Tehran. Those uneasy with these protests include many of the relative reformers who supported the Green Movement in 2009 and voted for Mr. Rouhani in last year's elections—but don't want Iran's entire post-1979 system toppled.

Many Iranians, after all, are all too aware of the tragedies that befell Syria after that country's regime attempted to crush similar protests in 2011. More than six years later, the Syrian civil war continues, with more than half of the population forced from their homes and more than half a million Syrians killed.

As in Syria, the Iranian regime is unlikely to yield to demands that endanger its very survival, said Amir Toumaj, Iran analyst at the Foundation for Defense of Democracies, a conservative think tank in Washington.

"What the regime will do is to try to double down and fight until the end," Mr. Toumaj said. "These guys will do it even if this means that they will have to burn down the whole country."

## WORLD WATCH

### ETHIOPIA

#### Political Prisoners Set to Be Released

In a bid to quell a rising tide of unrest in East Africa's most populous country and one of the world's fastest-growing economies, Ethiopia said it would release thousands of political prisoners and shut a notorious detention center known for torture and abuses.

Prime Minister Hailemariam Desalegn told reporters from state-controlled media in the capital, Addis Ababa, on Wednesday that the Ethiopian People's Revolutionary Democratic Front, or EPRDF, the ruling coalition he leads, will drop charges against political prisoners and will pardon those who have been sentenced.

Mr. Desalegn also said he planned to close Maekelawi, a detention center in northern Addis Ababa, and said the government planned to turn it into a museum.

State media reported that Mr. Desalegn said the decision was a step toward fostering national reconciliation and creating conditions for political dialogue after nearly two years of escalating

unrest.

Growing protests have been led by some of the country's ethnic groups, including the largest, the Oromos, and the smaller Amharas. They have felt aggrieved for being cut out of the country's financial prosperity and political processes, and for being targeted in a violent government crackdown.

Opposition figures welcomed the news cautiously.

Beyene Petros, chairman of Medrek, the biggest opposition coalition, said the reports were "music to my ears," but that he would believe them when he saw them materialize.

"Our demand to release political prisoners has been there all along," he said, adding that his own deputy has been incarcerated for more than a year.

—Matina Stevis-Gridneff and Yohannes Anderbir

### MEXICO

#### Gasoline Prices Increase Unevenly

Consumers began the new year paying varying prices for gasoline in the newly competitive retail market, causing fears

of rises like the ones that sparked protests a year ago.

In central Mexico, including Mexico City, regular gasoline prices rose 1.3% between Nov. 30 and Jan. 2, while premium gasoline prices were up 1.1%, the Energy Regulatory Commission said. Nationwide, prices averaged 16.13 pesos a liter for regular gasoline, equivalent to about \$3.17 a gallon, and 17.83 pesos a liter for premium.

Gas stations in Mexico City reported selling regular gasoline

at more than 17 pesos a liter and premium above 19 pesos.

In January 2017, the government raised fuel prices by as much as 20% to eliminate subsidies and prepare the market for competition, leading to widespread protests.

Subsequently, it granted fuel-import licenses to private companies and allowed service stations to open under banners other than that of the state oil company, Petróleos Mexicanos.

—Anthony Harrup

### FRANCE

#### President Champions Strong Press Liberty

President Emmanuel Macron came out in support of press freedom and announced a bill to combat the spread of fake news during election campaigns.

In a speech Wednesday to journalists at the Élysée Palace in Paris that laid out his agenda for 2018, Mr. Macron said press freedom is "the highest expres-

sion of freedom."

He said he would soon propose a new law to combat fake news on the internet during French election campaigns.

"Journalists are the first to be threatened by propaganda," he said.

Websites would have to say who is financing them and the amount of money for sponsored content would be capped, Mr. Macron said.

In the case of fake news, emergency legal action could allow authorities to suppress that content or even block access to the website, Mr. Macron said.

He denounced the fact that "there is a financial strategy aimed at fostering doubt, forging alternative realities, that allows people to think that the media and politicians always are more or less deceptive."

Mr. Macron also said France and the European Union should consider "the consequences" of the recent U.S. decision to eliminate net-neutrality protections. He did not elaborate. "Press freedom is not only attacked by dictatorships, it is also battered in countries that are democracies," he said.

—Associated Press



FOLLOWERS: Members of the Shembe faith (Nazareth Baptist Church), a hybrid of traditions, walked in procession during their annual pilgrimage near Inanda, South Africa, on Wednesday.

ROGAN WARWICK/REUTERS

## WORLD NEWS

# Fringe Wave Flies Historical Flags

BY VALENTINA POP

BRUSSELS—Europe, for centuries a patchwork of warring kingdoms and principalities, is again showing its colors. Today, resurgent nationalism and regionalism are evident in a mushrooming of historical local flags.

Catalan separatists are flying the nearly century-old Estelada, an unofficial flag with a white star on a blue triangle—a symbol of independence from Spanish rule—above the red-and-yellow striped official Catalan flag. German far-right protesters have revived a flag designed by a critic of Adolf Hitler. Hungary's far right uses a 1,000-year-old standard.

Much as some from the U.S. South have clung to the Confederate flag as an embodiment of their identity, so are a growing number of political groups across Europe.

"The tendency we can observe over the past four or five years is that more regions and communities in Europe are adopting flags," said Michel R. Lupant, the director of the Belgo-European Center of Flag Studies.

Even in France, exceptional for its centralized state structure, regions like Normandy, Corsica and Alsace are bring-

ing back their historical flags, Mr. Lupant notes.

Northern Ireland, which remained part of the U.K. when the rest of Ireland broke away in 1922, has long used flags to signify pro-British and pro-Irish communities.

Flying paramilitary groups' flags is illegal in the region so historical flags are flown, "even though everyone there at a local level know what they stand for," said Dominic Bryan, a researcher with Queen's University Belfast.

"To some extent, flags can be an alternative version of war," he said.

The trend spread notably in 2014, when Scotland held an independence referendum, said Paul Noble, a commercial director with Specialised Canvas Services Ltd., which owns Flagmakers, one of Britain's largest flag producers. "There's definitely a correlation between an interest in national issues and a spike in flags of that nation," he says.

One flag that is meeting mixed success is the EU's circle of gold stars on a blue background. Catalan and Scottish separatists fly it at their rallies, but most nationalist movements—including in France, the Netherlands and Poland—want nothing of it.

## Showing Color

Historical flags are increasingly used for political purposes.



**Wirmer flag** (Germany)

Designed by Josef Wirmer, convicted and executed in 1944 for involvement in a plot to assassinate Adolf Hitler, this flag is regularly on display at far-right protests.



**Saltire, Scotland** (U.K.)

Has been Scotland's official flag for more than 600 years. Its use peaked in the 2014 referendum, when Scots voted to stay in the U.K., and in recent calls for independence.



**Estelada, Catalonia** (Spain)

The red and blue 'estelada' flags are flown by Catalan separatists. The official regional flag of Catalonia has the same stripes, but lacks the star and triangle.



**Confederate battle flag** (United States)

The battle flag of the Army of Northern Virginia in 1861 was revived in the 1940s to show resistance to civil rights and more recently by white supremacists.

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Luigi Di Maio, premier candidate of the 5 Star Movement, in Rome. The party could emerge as Italy's largest in March elections.

# Europe Upstarts Fuel State Divides

BY DEBORAH BALL  
AND GIOVANNI LEGORANO

ROME—When the votes are counted in Italy's election in March, the winner is likely to be the same that emerged from a number of 2017 ballots in Europe: No one.

From Germany to the Netherlands, voters have abandoned mainstream parties and thrown their support to upstart groups, making for a political landscape so fragmented that it becomes difficult to create new governments.

That is leaving many European countries with an unpalatable choice: Assemble minority governments that will struggle to make bold policy decisions, or form cross-party coalitions of mainstream groups that feed resentment toward those parties.

"The Italian vote will go in the direction of the fragmentation we've seen in Spain, Germany and the Netherlands," former Italian Prime Minister Enrico Letta said.

The result: Weak, patchwork coalitions that have typically had short lives. A decade ago, a government under Prime Minister Romano Prodi included nine parties. In order to accommodate all of the groups' demands, the government had more than 100 ministers and undersecretaries. It lasted less than two years.

Italy's departing legislature has lived up to that tradition. At its inauguration in 2013, it counted 15 parties. It is ending with 23, including five single-person parties.

The new electoral law that governs the March ballot favors groups that run as coalitions, thus encouraging the creation of myriad new splinter groups.

Other countries are looking

more like Italy, as upstart parties steal voters away from legacy groups. The result is a wave of minority governments.

If voters feel that establishment parties have banded together in a grand coalition largely to keep upstart groups or antiestablishment movements out of power, that could further undermine legacy par-

Mattarella may ask the group that has received the biggest number of votes to attempt to form a minority government. Or he could ask the biggest parties to form a grand cross-party coalition. Either scenario bodes ill for the strong government Italy needs to fix its sclerotic economy.

The 5 Star Movement, which refuses to participate in coalitions, has warned against a grand coalition by legacy parties.

"I would abolish words such as alliances and coalitions," said Luigi Di Maio, the group's candidate for premier recently. Rather than form a grand coalition, "the alternative is to vote again," he said.

With a grand coalition, "the perception would be very ugly. When they inevitably do things you disapprove of, where do you go?" said Constantine Fraser, a political analyst with TS Lombard. "If the mainstream parties are partners in the same government, opposition will go to the populists."

*Italy's departing legislature is ending with 23 parties, up from 15 in 2013.*

ties' credibility in Italy.

According to current polls, the antiestablishment 5 Star Movement could emerge as the largest single party with just short of 30% of votes. As a result, many lawmakers and party leaders expect March's election to produce a hung Parliament.

Italian President Sergio

## FROM PAGE ONE

# TRADE

*Continued from Page One* looked forward to "continuing to meet strong consumer demand for our premium washing machines."

At the higher import rates, as much as six months' worth of surplus washer inventory could arrive in the U.S. before any tariffs go into effect, Longbow Research analyst David MacGregor said.

It wasn't clear how the import surge would affect retail prices of washing machines.

Analysts predict tariffs on overseas manufacturers' washers would eventually get passed on to consumers.

foreign competition.

Mr. Trump has until early 2018 deadlines to make decisions on potential trade barriers in the cases involving washers and solar panels as well as two separate ones involving steel and aluminum. After receiving recommendations from trade regulators, the president has wide latitude to decide whether to impose restrictions and what type.

Whirlpool, the Michigan-based appliance company, and solar-panel makers with U.S.

factories are seeking protection under a 1970s-era provision known as the safeguard law, claiming their businesses have suffered serious injury from imports, not from unfair trade. The U.S. hasn't imposed tariffs under the law since 2002.

Members of the U.S. International Trade Commission in November issued recommendations to the Trump administration that include tariffs of up to 50% on imported washers exceeding a quota of 1.2 million units annually. The U.S.

imported 10.3 million washing machines of all types in the 12 months ending Oct. 31, Panjiva trade data show.

The office of U.S. Trade Representative Robert Lighthizer held a hearing on Whirlpool's case Wednesday and a decision by Mr. Trump is expected by Feb. 2. Decisions in the other trade cases are expected early this year.

Solar-panel makers are seeking their own safeguard protection. Tim Brightbill, an attorney for SolarWorld Americas, said the import increase highlighted the need for broad protections that foreign companies couldn't circumvent. "When the president proclaims relief, it needs to be as comprehensive as possible," Mr. Brightbill said.

The Solar Energy Industries Association, whose members include American buyers of solar panels, has opposed the protection sought by SolarWorld and its ally Suniva, which has sought bankruptcy protection amid a glut of low-cost imported panels. It argues the U.S. energy industry could suffer if tariffs push up prices on solar panels.

The solar panel makers "continue to build their case on the premise that they are entitled to a U.S. government bailout because of their abject and numerous failures as manufacturers," an association spokesman said.

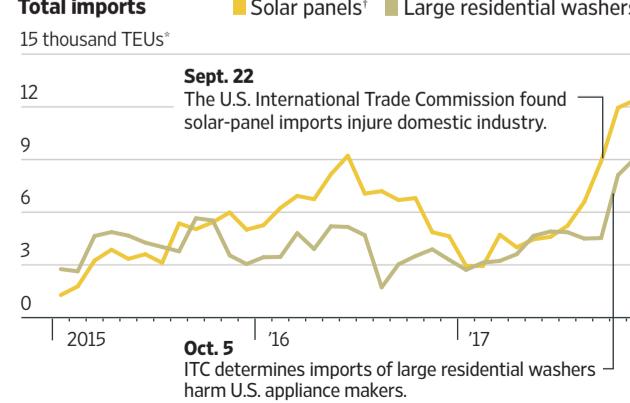
## Surging Shipments

Imports of washing machines and solar panels have increased at U.S. ports ahead of Trump administration decisions on new trade protections.

### Total imports

■ Solar panels<sup>†</sup> ■ Large residential washers

15 thousand TEUs\*



Source: Panjiva

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## IN DEPTH

## CHINA

*Continued from Page One*  
timate, such payments in China totaled \$9 trillion, according to iResearch Consulting Group, a Chinese firm.

For Alibaba and Tencent, the payoff isn't just the transaction fees they make from merchants, typically 0.6%. It's also the consumer data collected, which can transform their apps into marketing platforms for an expanding array of services, from bike sharing to travel.

Some of the repercussions of increasing mobile payments are just coming into view. The payments haven't been required to go through the central bank's clearing system, making it harder for China's monetary authorities to follow capital flows and watch for money laundering and fraud. The People's Bank of China has ordered a new payment-clearing platform that will require nonbank financial firms to give it a clearer view of mobile payments by the summer of 2018.

Consumers also are being offered more pitches for loans, investments and other financial products via smartphone. Short-term consumer credit in China soared 160% in the first eight months of 2017 from a year earlier, according to the central bank. Some analysts think the growing ease of borrowing is part of the reason.

Chinese, meanwhile, are making less use of old-fashioned cash, as in coins and folding money. They spent about 66 trillion yuan (nearly \$10 trillion) that way in 2016, down about 10% in two years, according to a central-bank payments report.



VCG/GETTY IMAGES

A worker in China scans a driver's phone to charge the highway toll by way of Alipay, a mobile-payment platform from Alibaba.

Alipay as an escrow service. It would hold payments until shoppers received their goods.

The service caught on among buyers who didn't always trust vendors to deliver as promised. Alipay evolved into an online and mobile-payment service and passed PayPal as the largest mobile-payment platform in 2013.

That year, Tencent linked a mobile-payment system to its popular WeChat instant-messaging app. With Alipay already in place, the challenge for Tencent was getting people to link bank accounts to its service.

It devised a strategy based on the Lunar New Year, when Chinese people give red envelopes of cash. Tencent encouraged WeChat users to send digital red packets to friends for the 2014 Lunar New Year, letting them input a sum of money and send it to friends, who would divide the loot.

Tencent set things up so those who opened their virtual envelopes first got a bigger share. Over a 24-hour period, 16 million red packets were sent, and suddenly WeChat Pay was in the mobile-payments game. It now has about 40% of China's mobile-payment market, versus 54% for Alipay, according to iResearch.

They work in similar ways. People link their bank accounts to the app, then pay for things by scanning a merchant's QR code or having the merchant scan theirs. People also can transfer money by tapping on an icon in WeChat or Alipay.

At a night market in Taiwan recently, Manni Cheng, a textile saleswoman from Shanghai, paid cash for grilled prawns but then noticed the vendor ac-

cepted Alipay. She asked for her cash back and paid with her phone.

Ms. Cheng said she likes Alipay because it lets her track her spending and avoid carrying a lot of cash. Money in her Alipay balance is transferred to the app's money-market fund.

"It's a payment tool with wealth-management functions," Ms. Cheng said. The seamless use of phones as wallets rarely fails to amaze foreigners traveling in China.

Tencent has created a platform for businesses so customers can "follow" them for news and discounts. Customers who follow Gap Inc., for instance, might be alerted to promotions and discounts when they return to the store, potentially generating more sales for Gap and revenue for WeChat.

## Targeting ads

Alibaba can monitor the shows people watch on its Youku Tudou video-streaming site and push ads targeted to them, generating ad commissions and product sales for Alibaba, plus a clearer picture of consumer behavior. While using the data within their ecosystems, both internet giants say they don't sell it to others.

Conditions in China made it ripe for this innovation. Credit cards never caught on in a big way. Discretionary spending wasn't an option for most people until recent years, and there has long been a cultural aversion to debt in China. On top of that, the government made it tough for Visa Inc. and Mastercard Inc. to set up shop.

The rise of tech companies as financial powers has dealt a

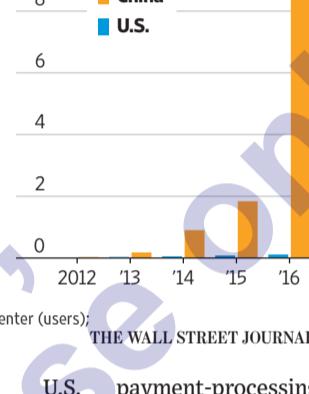
## Paying on the Go

The number of mobile payment users in China has grown rapidly...



Sources: China Internet Network Information Center (users); Forrester Research; iResearch

...and mobile payments more than quadrupled from 2015 to 2016, far faster than the U.S.



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blow to traditional banks. China's state-owned banks lost nearly \$23 billion in fees in 2015 they might have collected from card fees, according to a November 2016 report from EY (formerly Ernst & Young) and Singapore's DBS Bank. The report projected the annual fee loss could widen to \$60 billion by 2020.

The larger problem for banks might be that Alibaba and Tencent often know more about their customers than they do. If a Beijing car dealer uses a bank debit card for a business trip to Shanghai, the bank knows what airline he or she flew, as well as the hotel and restaurants patronized.

"But if the 'customer interface' is happening elsewhere, the bank has zero visibility over transactions," said James Lloyd, Asia-Pacific FinTech Leader at EY. "That's not a good situation to find yourself in."

U.S. payment-processing firms have been ramping up their own digital-wallet efforts. Visa and Mastercard both have mobile apps that allow users to pay via near-field communication and are incorporating biometrics into their offerings. They also work with Apple Pay and Samsung Pay.

PayPal, which allowed people to beam money to each other via Palm Pilots in the late 1990s, has formed partnerships with more than 20 other companies to extend its mobile payments, including Alphabet Inc.'s Google and Chinese search giant Baidu Inc. About 34% of PayPal's payment volume is mobile, said Bill Ready, chief operating officer.

Smartphones are vastly more common than Palm Pilots ever were, yet Apple Inc. has struggled to get consumers to use its Apple Pay service, now accepted at more than 50% of

all U.S. retail locations.

Just 19% of iPhone users have tried Apple Pay at least once, according to an estimate by Loup Ventures, a venture-capital firm. Loup said about 35% of all new iPhones sold in 2017 have activated Apple Pay. Apple said in November that active users of the service more than doubled, and annual transactions are up threefold.

In some parts of the world, changes that resemble China's are taking place. In Scandinavia, Nordic and Dutch banks have cut total branch levels by about 50% from peak levels, and Sweden hasn't had checks since the late 1980s, according to Citi Research, part of Citigroup Inc.

## European partners

Tencent and Ant Financial Services, the Alibaba affiliate that operates Alipay, are forming partnerships with payment processing companies across Europe and investing in mobile payment firms in India, Thailand and other countries.

Ant Financial also sought to buy U.S. money-transfer firm MoneyGram International Inc., whose 200-country network enables users to send cash through banks, stores and kiosks. But the companies said Tuesday that a U.S. national-security panel refused to approve the \$1.2 billion deal.

WeChat Pay and Alipay are gaining attention in U.S. tourist centers after striking deals with hotels and resorts. A group of Chinese tourists recently dined at the Bacchanal Buffet at Caesars Palace in Las Vegas, where the menu includes T-bone Australian lamb, chilled crab legs and handmade dim sum. They settled their bill with a smartphone.

"One couple stopped to watch the WeChat Pay transaction and asked for an explanation," said Bruce Bonmarito, a Caesars executive. "They were surprised...and wanted to know if this payment method was available to Americans as well." Americans can sign up for WeChat but can't link it to U.S. bank accounts. Alipay isn't available for Americans as of now.

Tencent and Alibaba say they have no plans to push their payment platforms to U.S. consumers. Many Americans don't see the need for mobile payments, since their plastic cards and cash are welcomed and some merchants still accept checks.

"Any new way of paying has to prove itself to be incrementally better than any other options you have," said James Wester of research firm IDC Financial Insights. In the U.S., "plastic is convenient, widely accepted and understood by the customer."

—Junya Qian and Liyan Qi contributed to this article.

## Alibaba went first

The path to mobile payment was blazed by Alibaba, which hosts online shopping bazaars where merchants sell goods to consumers. More than a dozen years ago, Alibaba, taking a page from the U.S. company now called PayPal Holdings Inc., started a system named

## Tackling a Problem

A less-developed traditional banking system helped spur mobile payments in China.

■ Commercial bank branches  
■ ATMs\*

223

8.8 81.5 23.9 68.3 27.8

\*Per 100,000 adults in 2016

Source: World Bank

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## SMOKE

*Continued from Page One*

The trouble with cigars is that they go out. Now dedicated cigar fans are trying to master "slow smoking," seeing just how long they can keep the flame alive. That takes practice and creativity. It also yields prizes, handed out at special events from Chicago to Croatia.

In fact, it is in the latter locale where slow smoking largely evolved, courtesy of Marko Bilić, a cigar enthusiast who calls Croatia home. As Mr. Bilić explains, he was out one night almost a decade ago with a friend at a bar. The two planned on enjoying a smoke, only to discover they were down to their last few matches—meaning there was little to no opportunity for relighting.

The idea was born to keep their cigars lighted for as long as possible under those challenging circumstances. "We said, 'Man, it's like a competition,'" recalled Mr. Bilić.

Mr. Bilić turned it into just that, hosting what has become the world championship in Split—Croatia's second-largest city—where he owns a cigar shop. He helps support the slow-smoking community and the events that often serve as qualifiers for his tournament, where more than 100 contestants from 25-plus countries come to compete.

In addition, Mr. Bilić establishes the rules that guide the sport (and yes, he very much considers it that). All cigars used in events must be the same size—around 5 inches. Competitors must also refrain from talking during the first five minutes to maintain a



Slow-smoker Julian Riley lights his cigar as a contest begins. The record now tops three hours.

proper air of decorum.

In any case, die-hard slow smokers say that to talk while smoking is to risk losing focus. The art of the slow burn, they explain, is about minding your cigar every second, giving it just enough of attention—think "gingerly" puffing—to ensure it stays on the right side of being lighted. "Dancing on the edge of not smoking" is how one competitor described it.

Patricia Benden, a cigar retailer who lives in Germany, attends slow-smoke events throughout the world. Her personal best is an approximately 2½ hour smoke time. Her success is all based on the quick, short puff. "Usually when I smoke, I take longer puffs, but during competition, I try to take short puffs so the cigar doesn't get too hot," she says.

The best smokers have pushed the burn past two hours. In 2017, Tomasz Żoladkiewicz, a cigar fan in Po-

land, crossed the three-hour mark—3 hours and 26 seconds, to be exact—an achievement many in the slow-smoking community speak about with the same awe that others have reserved for the great athletic benchmarks of the past century, like running a mile in under four minutes.

"A few years ago, we thought three hours was unimaginable," said Darren Cioffi, a veteran slow smoker and owner of the Principle Cigars brand. His top time is 2 hours and 50 minutes.

He advocates a "three stage" approach to puffing, starting with "slow, delicate puffs" to get the cigar gently going. In the second stage, the "puffs are a little more intense" to keep it on the right side of burning. And in the final stage, the "puffs are more shallow"—just to keep it barely going.

He also suggests "ashing"—tapping the ash off your cigar—as little as possible. The reason?

"When you ash, the cigar is at a vulnerable state. You're exposed to elements."

Some slow smokers emphasize the lighting aspect. If they get just an edge of the cigar going—rather than the entire "foot" or end—they believe they can add several minutes of burn time. The risk, however, is that if you don't light enough of the cigar, it can easily flame out, which means you're playing with fire, literally.

To make sure he doesn't puff too aggressively, Rob Potter, a software specialist and cigar fan who lives in Hendersonville, Tenn., always smokes two cigars before competing. "You're not going to want to smoke your third cigar fast," he explains.

Chase Lyle, who owns Primitives Cigar Lounge and Bar in Nashville, Tenn., has kept a cigar going for roughly 2 hours and 45 minutes. "Everybody has a different strategy," he says.

## What Is Slow Smoking?

Think a 'sport' in which competitors aim to keep their cigars lit for as long as possible. Slow smokers adhere to a host of rules and employ various strategies to gain an edge.

## One cigar

Contestants are passed the same size cigar—about five inches long. Contestants have one minute to cut the cigars any way they like.

## Two matches

One minute to light the cigar, no reigniting after. Contestants are not allowed to put their cigars down, or blow on their cigars.

## 40 minutes

No ashing in the first 40 minutes of the competition—or else penalties are applied.

Source: Darren Cioffi

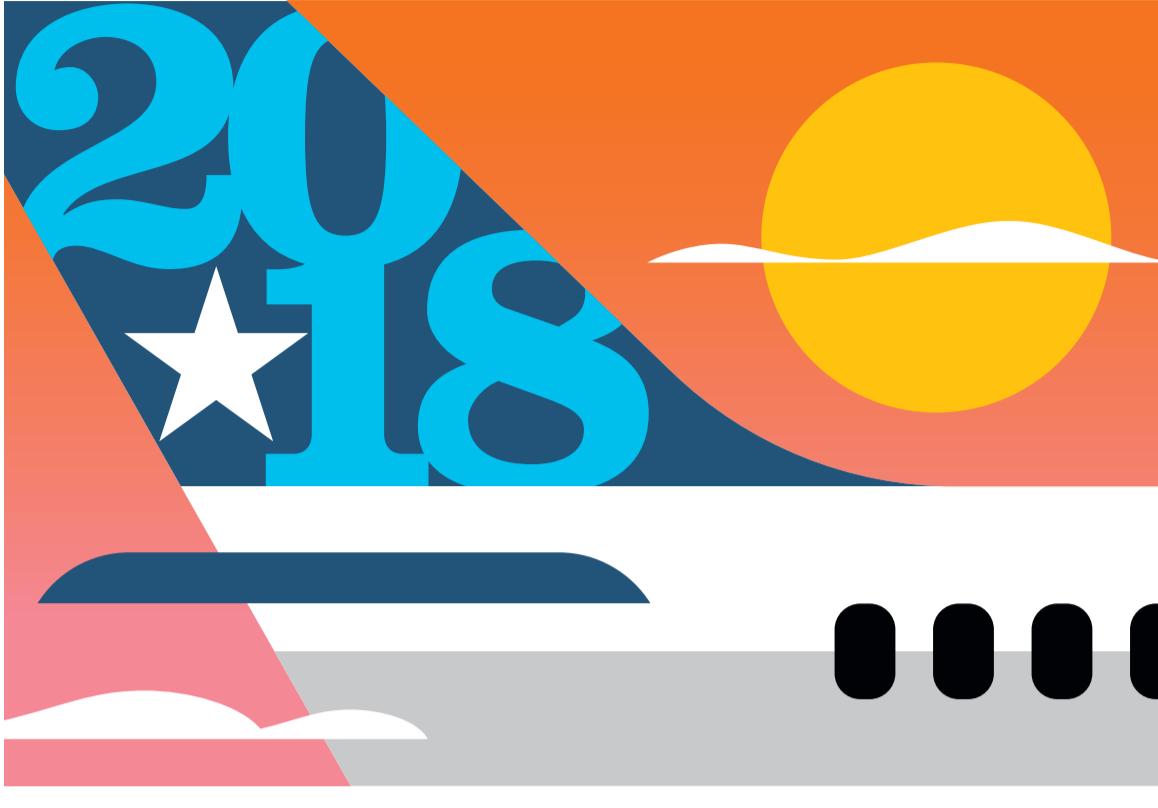
utes and 40 seconds. He blamed it on losing patience and not being in sync with his stogie, comparing his situation to a golfer who rushes through 18 holes. "It's allowing you to pace yourself," he said.

Achieving greatness means putting in lots of practice, which, in turn, means reeking of cigars all the time, slow smokers concede. It can also mean subjecting yourself to a fair share of ridicule. "I'm sure there are people who get off on that, but I'm not one of them," said John Rosselli, a former cigar retailer in New York, planning to open a store soon. He said the only way he would host a slow-smoking event is if he was "compelled by a court order."

After claiming his U.S. championship, Mr. Hroncich—who describes himself as a "casual" smoker—said he has no plans to defend it. "I made my mark and I'm done," he said.

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# LIFE & ARTS



**THE MIDDLE SEAT** | By Scott McCartney

## What You Need to Know to Travel in 2018

**HOW'S THIS** for an airline-industry slogan for 2018: More rules, less room.

Travelers will run into a lot more rules-laden, bare-bones basic economy fares—beware when you shop. The rules may change on IDs at TSA checkpoints, too.

This year will see more airplanes—new and old—squeezing in more seats. But U.S. travelers will also start seeing more opportunities to buy more space without spending many thousands of dollars on international flights.

Here's a rundown of significant changes travelers can expect in 2018:

### More Seats, Less Room

Just when you thought airlines couldn't squeeze more seats onto airplanes, more planes are coming with even more densely packed seating.

American will be taking delivery of more Boeing 737-8 MAX jets this year with coach rows set at only 30 inches, an inch or two smaller than older 737s of the same size. The Max has the same cabin size as the Boeing 737-800. American used to fly 150 seats on the 737-800, then upped it to 160 with "slim line" seats. The Max has 172 seats in American's configuration. (Southwest will fly the Max with 175 seats—but no first-class cabin or extra-legroom rows. So Southwest's seats have more room on average.)

The slim-seat retrofit squeeze, which began more than five years ago, isn't the only way airlines are shoehorning seats into planes. Smaller restrooms and galleys clear space for more seats, and some wide-body jets are getting more seats in each row.

More of United's 777s will get

10 seats across each coach row, up from nine. That's a change that American and several foreign airlines have already made. (Delta remains at nine abreast.) Other United planes, like some 757s, that haven't yet gotten the slim-seat squeeze will be headed into the hangar in 2018 for what airlines fondly call "densification."

### TSA ID Changes

A 2005 law requires states to update their identity verification procedures when issuing IDs like driver's licenses. Only 27 plus the District of Columbia are compliant so far, and a deadline looms. The Transportation Security Administration is threatening to stop accepting driver's licenses from non-

compliant states starting in October. In theory, you'd need a passport at TSA checkpoints or go through secondary screening.

Twenty states have an extension to October, but three—New York, Michigan and Louisiana—don't. Technically TSA could stop accepting state-issued IDs from those states on Jan. 22.

Extensions are likely. It seems doubtful that Homeland Security would bollax up TSA checkpoints with sweeping new ID requirements. But you might want to have your passport handy by October if you live in a noncompliant state, just in case.

TSA also says it likely will expand a pilot program where travelers don't need a boarding pass to

TSA plans to expand testing of an ID verification machine.

go through security—only an ID. TSA has a machine that it says better verifies driver's licenses and passports and checks them against both flight lists and status lists, like PreCheck.

The machines, called Credential Authentication Technology, have been in place since summer at PreCheck lanes in six airports: Washington's Reagan and Dulles, Chicago's O'Hare, Atlanta, Boston and Austin, Texas.

And TSA will continue expanding stricter rules for carry-on baggage. Already at more than 200 airports, TSA makes people remove all personal electronic devices larger than a cellphone from a carry-on and place them in a bin. (PreCheck fliers still avoid this.) The idea is to declutter bags so conventional X-ray machines get a better view of what's what. In 2018, all TSA airports will be implementing the checkpoint procedure, the agency says.

**Room for Sale**  
American and Delta are finally catching up to their international rivals on premium economy. (United has yet to announce a premium economy plan.)

American says it will complete its rollout of premium economy on wide-body planes by the end of the year, putting it ahead of U.S. competitors. American plans to have 102 aircraft equipped with premium economy.

Delta says five A350s are in service with premium economy and six more will be delivered in 2018. In addition, Delta says ret-

rofits on its 777-200 aircraft will start flying with premium economy in the summer.

Think of premium economy as what business class used to be before lie-flat beds. It's actually fairly close to domestic first-class seats, at least the shrunken, slim-line variety. You get ample legroom, a bit wider seat, your own cabin (key factor: bathroom) and often upgraded meal service over coach. It's different from extra-legroom rows on U.S. airlines—a separate class of service.

A premium-economy ticket can cost \$700 to \$2,000 more than a regular economy fare, but still significantly less than a \$7,000 business-class seat. It's a great option for budget-minded business travelers or leisure travelers willing to pay for adequate space to escape the coach squeeze on long flights.

### Mergers That Matter

Alaska Airlines says it will merge Virgin America's operation into its own in 2018. The Virgin America name will eventually disappear. The combined company moved to one frequent-flier program on Jan. 1—Alaska's Mileage Plan. A spokeswoman says the merger should be 80% complete by June.

Another closely watched merger for frequent travelers: Marriott's acquisition of Starwood. The two companies have different loyalty programs, and customers are anxious to see how the two fit together. Marriott has said to expect small changes in 2018. The move to a single loyalty program will likely happen in 2019.

### Smart Bag Setback

Alaska will make major moves to fold Virgin America into the Alaska brand this year.

Smart bags—luggage with GPS tracking devices and other electronics that help you keep track of your bag plus power ports to charge phones and tablets on the fly—have been popular with many road warriors. But they're getting grounded by many airlines starting Jan. 15.

The FAA has deemed lithium batteries a potential fire hazard. So American, Delta, Southwest, Alaska and others have decided not to accept smart bags as checked luggage unless the batteries can be removed. (Once you remove the power, you can't track your smart bag, diminishing its utility.) Carry-on bags can fly only if the lithium is removable; if the bag has to be checked, the battery must come out. On some of the bags, including Bluesmart, the batteries aren't removable.

Makers of smart bags with non-removable batteries say they are seeking waivers—they believe their bags are safe.



CLOCKWISE FROM TOP LEFT: ILLUSTRATION BY ROB WILSON; STEPHEN VOSS FOR THE WALL STREET JOURNAL; TED S. WARREN/ASSOCIATED PRESS

### BOOKS

## MAPPING THE POWER OF THE PRINTED WORD



DYLAN THOMAS FOR THE WALL STREET JOURNAL  
Cristina Dondi, above in her office at Oxford, is leading a project to catalog the surviving books printed from 1450 to 1500.

BY JENNIFER CLARK

**SINCE 2010**, University of Oxford researcher Cristina Dondi and her team of antique-book experts have carried out a vast and unusual treasure hunt: tracking down and cataloging the half-million books printed from 1450 to 1500 that still survive and are now scattered across 4,000 libraries in Europe and the U.S.

They are mapping the development of the book trade as Europe moved from the Middle Ages to early modern society to see what it reveals about the spread of knowledge and the revolutionary impact of the printing press on society.

The invention of the movable type printing press around 1440 in Germany caused a publishing explosion. In the short span of decades, printing shops opened across Europe, sparking a democratization of knowledge unequalled until the Industrial Revolution and the advent of the internet.

Few records of this early book trade exist. But these sturdy books, printed on cloth paper, have outlived most other artifacts of their era. They each reveal a story through decoration, stamps, annotations, bindings, prices and other clues, says Dr. Dondi. The more marked up they are, the more they say.

Dr. Dondi and her sleuths decipher centuries-old scribblings in Latin and Greek, ranging from dedications to medical prescriptions, to ascertain a book's former ownership. They enter the information in an electronic database that allows users to track each book's journey from printing to the present day. The result is a sort of huge electronic map that captures the formation and dispersal of library collections at the dawn of the print era.

Dr. Dondi and other scholars say the database shows that printed books were distributed much more widely in the decades immediately following the invention of the

Please see BOOKS page A12

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Supporting examination workflows with high resolution and rapid analysis of blood and other specimens taken from patients.



Introducing Canon Medical Systems

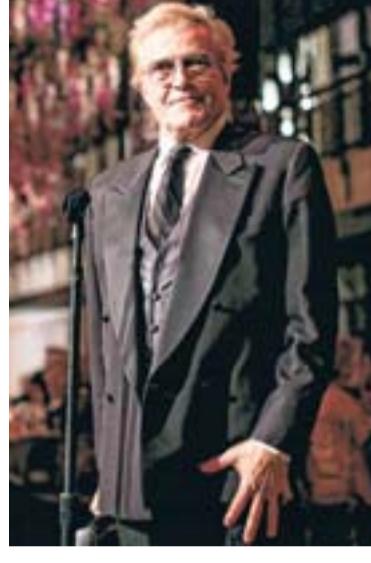
# Canon

## LIFE &amp; ARTS

SIGHTINGS | By Terry Teachout

# Seeing a Legacy Whole

We can admire the work of artists who have done terrible things, but only if we frankly acknowledge their misdeeds



Clockwise from left: James Levine in 1982; Peter Martins in 2017; Charles Dutoit in 2017.

that affect our feelings about his work? Karajan took part in the Allied "denazification" process after World War II, and was authorized to resume his conducting career. But when his Nazi past was rediscovered by reporters in the '50s, it became a permanent part of his legacy, prominently mentioned in his obituaries and recalled whenever he is discussed today.

All this, it seems to me, is just as it should be. I love many of Karajan's recordings and listen to them often—but I also believe that his party membership should forevermore be a blood-red stain on his reputation. He deserves to pay that price for the opportunism of his youth.

If any of James Levine's recordings are good enough to survive him, I'm fine with that. I don't think they should be removed from circulation, or that his name should be scrubbed from the Met's website. But if it should eventually be proved that he abused teenage boys, then that foul fact, over and above whatever punishment the law may prescribe, should also be remembered to the end of time, and cited unequivocally whenever his name is mentioned. Only then will Mr. Levine, like Karajan before him, earn the privilege of having his art judged apart from his personal conduct.

*Mr. Teachout, the Journal's drama critic, writes "Sightings," a column about the arts, every other week. Write to him at [tteachout@wsj.com](mailto:tteachout@wsj.com).*

**FIRST JAMES LEVINE,** then Charles Dutoit and Peter Martins: The world of high art continues to be rocked by accusations of sexual misconduct by major figures, and no one doubts that more are on the way. The case of Mr. Levine, however, remains at the front of the queue, with two of his most notable critical admirers, Alex Ross of the New Yorker and Anthony Tommasini of the New York Times, having gone so far as to apologize for previously defending him as the victim of unfounded gossip.

Now what? Few doubt that Mr. Levine's performing career is over, regardless of whether he is in legal jeopardy. But what of his artistic legacy? Will his musical achievements be forgotten as a result of his disgrace? Not only has he recorded extensively for the past four decades, but audio and video recordings of his broadcast performances with the Met continue to be widely available. Will this continue to be true—and should it? Or is Mr. Levine's work destined to vanish into the memory hole?

We will, I feel certain, be a long

time in sorting out the wider implications of the Levine scandal. Just before Christmas Mark Swed made a preliminary but surprisingly mild attempt to do so in a Los Angeles Times "Critic's Notebook" essay whose operative passage read as follows: "The question is not whether the bad outweighs the good...but whether the bad destroys the good. Levine has left us with a lot that matters." Mr. Tommasini, writing in the New York Times, made a similar point in a similar way when he mentioned that he owns two boxed sets of Mr. Levine's opera recordings, and that his personal response to the scandal will be "to move them out of my living room." To be sure, extreme caution is needed in weighing Mr. Levine's achievements against his conduct, not least because the charges against him remain unproven. But such rhetorical mildness inevitably smacks of tem-

rizing. Stronger words are needed, and a historical comparison—one of the utmost relevance—may help to fill in the blanks.

The headline of Mr. Swed's essay refers to "the age-old debate of separating the art from the artist." This is the heart of the matter: It is mostly taken for granted by aesthetes that the creative achievements of a morally flawed artist can and should be judged separately from his offstage conduct. (Two words: Pablo Picasso.) According to William Faulkner, "If

a writer has to rob his mother, he will not hesitate; the 'Ode on a Grecian Urn' is worth any number of old ladies."

Laymen have always been understandably uncomfortable with this belief, for the very good reason that it encourages us to treat great artists as privileged creatures inhabiting a moral realm above and beyond that of the rest of us. For me, Faulkner's oft-quoted aphorism is at the very least arguable—but with one essential caveat: No matter how beautiful or profound the results may be, the artist who robs his mother should do time for it. He must be subject to the inexorable operation of the moral law.

Consider the case of Herbert von Karajan. He was one of the greatest orchestral conductors of the 20th century. He was also in his youth a member of the Nazi party, which he joined in 1933 to further his career. How should



Printing suddenly brought together three segments of society that in the Middle Ages had little to do with one another: the printer (technology), a content manager (a professor or book merchant) and bankers, she says. The acceleration of the spread of knowledge due to a drop in price is a more obvious parallel to the internet.

Another parallel is censorship, Dr. Dondi says. The first 70-odd years of the book trade was an era of wild experimentation with no censorship, and few rules until the Reformation prompted a reaction from the Catholic Church. With the internet, governments have moved more quickly to put rules in place, she says.

The database now has tens of thousands of records, and Dr. Dondi says she is confident that her team can eventually catalog the 500,000 or so remaining books of the millions printed from 1450 to 1500.

For scholars, the database is an important tool for those studying the social impact of the print revolution, according to Eric White, curator of rare books at Princeton University Library.

"Years from now it will be the go-to place also for people interested in, say, gender studies or art history, for example," said Mr. White. "It's not just a history of early books; it's the history of people."



DYLAN THOMAS FOR THE WALL STREET JOURNAL

## BOOKS

*Continued from page A9*

printing press than historians have believed. And the best-sellers weren't Bibles or classics like Plato and Aristotle beloved of Renaissance scholars, but grammar texts and books to teach people to learn to read and write.

"We are finally proving the link between literacy and the print revolution," Dr. Dondi said in an interview in her office at Oxford's Lincoln College. "What we will demonstrate by the end of this project is that by 1500 there were millions of books circulating in Eu-

rope and they were not just used by the elites," she said.

This early book trade was made up of a dizzying variety of secular texts. Apart from the top-selling grammar manuals, there were medical and legal texts, single sheets on current affairs, almanacs, books on astrology, poetry, and songs in Europe's vernacular languages.

Another interesting fact that emerges from assembling the pieces of the early book trade is Italy's role as the main publishing center, book experts say. Johannes Gutenberg in Mainz, Germany, invented the movable type press and printed a Bible sometime between 1452 and 1454. But it was Italy where print-

ing turned into a business.

"Venice became Europe's most important publishing center because of its bankers, insurers and transportation," says Mario Inefilise, a professor in the Humanities Department at Ca' Foscari University of Venice. "German typographers traveled south and found fertile ground in Venice, Florence, and Rome because of the economy."

The spread of cheap printed books across 15th-century trade routes is similar to the dot-com era in several ways, says Dr. Dondi, who will present the results of her research at a conference next September in Venice called "The Fifty Years that Changed Europe."

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## LIFE &amp; ARTS



Clockwise from top left: Social Kitchen; Kristen Mendiola; Susan Mezzullo; Tim King; Ivory on Sunset; Tavern62

Chef Zack Sklar took avocado toast, left, off menus at two Michigan restaurants this fall.

## SPORTS

## BASKETBALL

## THE CURRY GENERATION HITS COLLEGE BASKETBALL

Oklahoma's freshman point guard Trae Young plays like Stephen Curry because he grew up when Curry was revolutionizing the game

BY BEN COHEN

Kevin Durant and Russell Westbrook were curious. The former Oklahoma City Thunder teammates had a rare off night at home, and there was a college game nearby between Davidson and Oklahoma. Durant and Westbrook knew they needed to be there. They had to see Stephen Curry.

It was November 2008, only a few months after Davidson's electric and improbable NCAA tournament run, and anyone who cared about basketball was mesmerized by Curry. Among the many people under Curry's magical spell was a 10-year-old boy named Trae Young. He lived near Oklahoma's campus, and there was no way he was going to miss the Davidson game. He arrived early to watch Curry shoot in warmups. He was as captivated by Curry scoring a career-high 44 points as the NBA stars in the front row. He can still recite every detail.

"I remember exactly where I was sitting," he said.

Young is familiar with the location because he now plays in that same arena as Oklahoma's freshman point guard. And he's the most dazzling player in college basketball himself.

Young leads the country in scoring with 29.6 points per game. He also leads the country in assists with 10.7 per game. His other numbers are no less mind-boggling. There has never been a player in a major conference who takes, and makes, as many 3-pointers, and there has never been a player with combination of volume and efficiency in the time since volume and efficiency have existed as metrics in college basketball.

"What he's doing is statistically off the charts," Oklahoma coach Lon Kruger said.

But Young is also captivating in a way that statistics can't explain. To watch him is to experience the thrill of having absolutely no idea what's going to happen next.

The only college player in the last two decades who put together a season anything like Young's was Curry. The only NBA player with a game anything like Young's is Curry. It's only natural to compare them: Young plays like Curry incarnate.

But he's not the next Curry. He's the first player of the Curry generation.

Young was in his formative years as Curry was redefining his favorite sport. He was exactly the right age to be profoundly influenced by the most transformational player of his lifetime. "He was changing the game," Young said, "and the way I played fit perfectly."



Oklahoma point guard Trae Young, left, was in his formative years around the time Golden State was unleashing Stephen Curry, right, on the NBA.



RICHARD ROWE/ICON SPORTswire/GETTY IMAGES, EZRA SHAW/GETTY IMAGES

Curry is more responsible than anyone for the fundamental shift in basketball strategy that's now apparent at every level of the sport, and the first wave of kids who followed his example is about to invade college basketball and the NBA. Young is one of those kids. He barely experienced a basketball world that hadn't been turned upside down by Curry. The conventional wisdom by the time he was in high school was counterintuitive when he was born.

"Shooting threes," Young said, "is not such a bad thing."

And so he shoots threes. He shoots threes off the dribble. He shoots threes from the half-court logo and from places so far behind the line that he makes the floor look miniature. He shoots threes even when it seems like he can't. But he also sucks defenders into his orbit, and exploits the attention he commands to finish at the rim or create easy scoring opportunities for his teammates.

Young plays like someone who grew up studying Curry because that's exactly what he did.

"I would record every game," he said. "I'd watch before I went to bed or the next day. I watched how he played, how the Warriors moved without the ball and how Steph got everyone involved and still created for himself. I loved

watching Steph's game."

Steph's game wasn't always Young's game. When he was in middle school, so recently that Curry was already in the NBA, Young wasn't a point guard. He was used as a wing because he was bigger than his teammates, and he was stuck in the corner waiting for shots instead of making them for himself. By eighth grade, he was tired of waiting. He became a point guard.

Curry wasn't the only player he used as inspiration. Young im-

proved his ball-handling by tapping into the well of basketball wisdom known as YouTube. He stole tricks from Steve Nash, Chris Paul and Tony Parker, and he speaks fondly of a Kyrie Irving routine that includes wrapping the ball in plastic and dribbling inside a garage with the lights out.

"I really wouldn't look at highlights or mix tapes," he said. "I would look at drills."

One of the fascinating things about Young being part of this generation is the sheer amount of data that already exists about him. Young's high-school and summer teams had the footage of their games turned into box scores and detailed shooting charts by a company called Krossover.

Every one of his 2,090 shots between April 2015 and April 2017 was entered into Krossover's database. They show that Young really did stretch the court. He took 43.8% of his shots from more than

a foot behind the high-school 3-point line.

He's only become more audacious in his first college season. There are some coaches who would rather eat worms than entrust their teams to a freshman point guard, but Kruger saw Young play enough at Norman North High School, only 15 minutes from his office, that he figured he could handle the responsibility. Oklahoma is now shooting more 3-pointers and pushing the tempo more than any team in Kruger's long career.

The other team has no choice but to guard him far away from the basket after they've seen his high-arcing shots drop. Young has the green light to shoot from intergalactic distances because the extra space only makes it easier for him to score around the basket (he shoots 55.8% at the rim) or pass to a teammate for a high-percentage look (he assists on 58.4% of the Sooners' baskets—by far the nation's highest assist rate).

Young benefited from coming after Curry. He has an intuitive understanding of the most intelligent, most effective way to play basketball today.

"I feel like it's you shoot a 3 or you get all the way to the rim," he said. "The game has shifted in the direction that I play."

**Trae Young has an intuitive understanding of the most effective way to play basketball.**

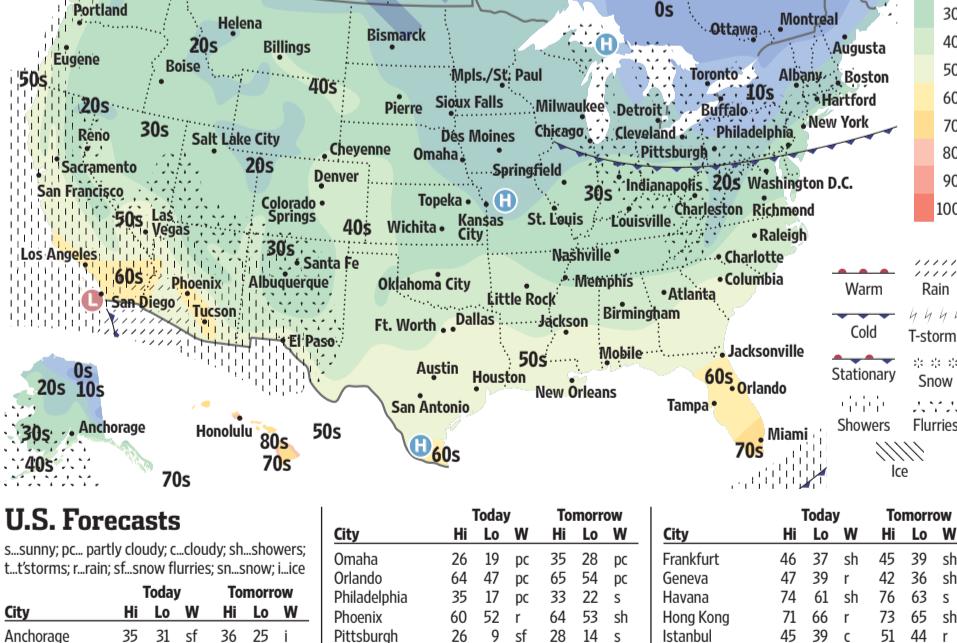
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## Weather



## U.S. Forecasts

s=sunny; pc=partly cloudy; c=cloudy; sh=showers; t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Tomorrow Hi Lo W

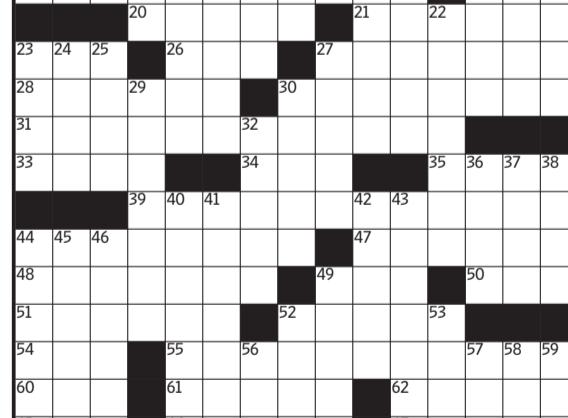
City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Anchorage	35	31	sf	36	25	i		
Atlanta	45	27	s	45	28	s		
Austin	54	29	s	54	40	r		
Baltimore	35	15	pc	34	16	s		
Boise	35	29	c	40	32	c		
Boston	28	13	sf	27	21	s		
Burlington	8	-1	sf	20	14	pc		
Charlotte	45	22	s	41	20	s		
Chicago	29	16	sf	31	22	s		
Cleveland	26	15	s	25	19	s		
Dallas	51	30	s	48	37	pc		
Denver	40	25	pc	46	23	pc		
Detroit	25	13	s	29	19	s		
Honolulu	80	70	pc	80	69	pc		
Houston	58	34	s	54	42	pc		
Indianapolis	30	17	sf	31	20	s		
Kansas City	28	20	s	38	28	pc		
Las Vegas	52	44	c	52	44	sh		
Little Rock	43	24	s	45	26	pc		
Los Angeles	61	50	r	57	45	r		
Miami	71	58	c	73	67	pc		
Milwaukee	27	16	pc	30	24	s		
Minneapolis	24	15	pc	28	25	s		
Nashville	39	22	pc	43	25	s		
New Orleans	57	39	s	56	49	pc		
New York City	32	14	c	32	23	s		
Oklahoma City	41	24	s	43	32	s		

## International

Today Hi Lo W Tomorrow Hi Lo W

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Amsterdam	48	41	sh	46	41	sh		
Athens	60	53	c	65	55	pc		
Bangkok	92	75	s	92	76	s		
Beijing	35	13	s	35	13	s		
Berlin	29	26	c	30	26	pc		
Brussels	48	41	sh	47	42	sh		
Buenos Aires	88	69	t	78	61	t		
Calgary	26	7	p	17	3	c		
Dubai	71	62	s	73	66	s		
Dublin	47	38	s	46	35	sh		
Edinburgh	46	38	s	44	38	s		

## The WSJ Daily Crossword | Edited by Mike Shenk



Down	27 Attack en masse
1 Place for peels	29 Becomes wider
2 Potent joe	30 Surgical souvenirs
3 Loser to Franklin	32 Ornamental mat
4 Early roadsters	36 Big name in escalators
5 Army post near Trenton	37 Small denomination
6 Comparison to a fiddle	38 Chiding sounds
7 Mutton serving	40 Stinging insect
8 Mythical flyer	41 Get taken in by
9 Pets with spiny crests	42 Part of LGBTQ
10 Give a misleading version of	43 Fills in
11 Philanthropist Astor	44 Hamper
12 Peripatetic person	45 Pellagra preventer
13 Frolicsome fauna	46 Put out
18 Aerial footage aid	49 Chips, across the pond
22 Ace	52 Politico's core supporters
23 Shortstop Trammell	53 Allure
24 Common crash site	56 Wrong answer to a sentry
25 Knife handle	57 Growing number

Across	27 Trick	50 They're numbered in NYC
1 That's a wrap	28 Add, as copier paper	51 Whole heap
6 Like the smell of burning rubber	30 Menu category	52 Coat before cooking
11 Hipster address		

# GREATER NEW YORK

## Cuomo to Sue Over U.S. Tax Law

In annual address, governor rails against cap on key deduction, outlines liberal agenda

By MIKE VILENSKY

ALBANY—New York Gov. Andrew Cuomo on Wednesday laid out a sweeping liberal agenda for the year, and said he would challenge in court a new federal law that may hurt states with high state and local taxes.

A Democrat running for a third term, Mr. Cuomo gave a 90-minute annual State of the State speech at the capital's Empire State Convention Center, saying he aspires to a philosophy of "pragmatic progressivism" carved out by his father, late Gov. Mario Cuomo. He also laid out a list of issues he said were threats to the state, including the new federal tax law and a divisive political culture nationally.

But facing a \$4 billion budget deficit, Mr. Cuomo didn't include some of the high-price projects he has in years past and instead stuck largely to social policy and partisan battles with national leaders.

"2018 may be the toughest year New York has faced in modern political history," the governor, 60 years old, said before a crowd of several hundred people, including most of the state Legislature and New York City Mayor Bill de Blasio. "Outrage is not enough. Enlightened government must seize the moment."

Mr. Cuomo, for much of 2017, was more reluctant than some of his fellow Democrats to attack Republican President Donald Trump. But he has recently



New York Gov. Andrew Cuomo at his annual State of the State address in Albany on Wednesday.

### State of the State Speech Highlights

**Criminal Justice:** New York Gov. Andrew Cuomo said he would push the state corrections department to establish new safety regulations for inmates at local jails and close facilities that don't adhere to them.

The governor also is seeking to end cash bail for people arrested on many misdemeanor and nonviolent felony crimes.

**Harassment:** The governor proposed barring the use of public dollars to settle sexual-misconduct claims and to mandate that companies doing business with the state disclose the number of internal sexual-harassment agreements.

**Transportation:** Activists had expected more concrete plans for improving New York City subways, but Mr. Cuomo said only that the system needed an investment and he was exploring options for charging Manhattan motorists and using the revenue for subway repairs.

**Divestment:** On the heels of saying he wanted the state pension fund divested from fossil-fuel companies, Mr. Cuomo said he would consult with state Comptroller Thomas DiNapoli about divesting from companies that don't employ adequate numbers of women and minorities.

**Homelessness:** Mr. Cuomo said state funding for local governments' homelessness services could become conditional on those municipalities creating state-approved plans for combating the problem.

seized on the tax law as hurting New York.

On Wednesday, he said his administration would sue the federal government over the tax law, saying it unconstitutionally discriminates against

high-tax blue states. The law caps the amount of state and local taxes that filers can deduct from their federal taxes, deductions that have been key to New York taxpayers.

"President Ford may have

metaphorically told New York to drop dead in 1975, but this federal government is the most hostile and aggressive towards New York in history," he said. "It has shot an arrow aimed at New York's economic heart."

Republicans in New York have also voiced concerns about the tax law and how it might affect suburban real-estate markets. But on Wednesday some of them pushed back on Mr. Cuomo's response. "I don't see the legal basis," said Senate Majority Leader John Flanagan, a Long Island Republican, after the remarks, of the governor's planned lawsuit.

Part of Mr. Cuomo's plan to fight the tax bill was a pledge to work with lawmakers and tax experts on exploring wholesale changes to the state tax code. Additionally, Mr. Cuomo threw his weight behind closing the so-called carried interest loophole, a federal rule that benefits private-equity and hedge-fund managers and came under criticism from both parties in the 2016 presidential election. The provision allows much of the compensation for private-equity and hedge-fund managers to be treated as capital gains, which are taxed at a lower federal rate than ordinary income.

It wasn't clear Wednesday how Mr. Cuomo might affect the carried interest rule from the state level. A past New York legislative proposal sought to impose a state tax on part of a fund manager's profits, offsetting the carried interest break.

Mr. Cuomo's proposals were expected to be fleshed out in the coming weeks when he releases his budget proposal. On Wednesday, Democratic lawmakers largely signed on to Mr. Cuomo's plan while the GOP-led Senate expressed skepticism.

"There was a tremendous amount of focus on the federal government [in the remarks]," Mr. Flanagan said. "First, let's look at what we're doing in our own state."

## Ex-Con Launches Bid for Governor

By JOSEPH DE AVILA

Bridgeport Mayor Joe Ganim won over voters in his city despite his criminal record. Now he is asking the rest of Connecticut to give him a chance to lead the entire state.

Mr. Ganim, who spent seven years in federal prison for political-corruption crimes, officially launched a campaign for governor Wednesday.

Gov. Dannel Malloy, a fellow Democrat, declined to run for a third term. Connecticut, where economic growth has been weak, is struggling financially.

The 58-year-old Bridgeport mayor joins several other Democrats who have declared or expressed interest in running for governor in 2018, including Hartford Mayor Luke Bronin, Middletown Mayor Dan Drew and former state Sen. Jonathan Harris. No other potential candidate has the baggage of a conviction for serious corruption crimes.



Bridgeport Mayor Joe Ganim served seven years in federal prison on corruption charges.

Mr. Ganim acknowledged that his criminal record will be a challenge for his gubernatorial bid, and called himself "an unperfect candidate." He said he is willing to talk with voters about his past and to discuss what having a second chance has meant to him.

"I think people at the end of the day are going to want the person with the best experience and someone that can make positive change in their lives," Mr. Ganim said.

Mr. Ganim served as Bridgeport's mayor for five terms before he was convicted in 2003 on 16 felonies, including racketeering and extortion. His conviction involved a scheme in which associates funneled him hundreds of thousands of dollars in cash, entertainment, food and home furnishings in exchange for city contracts.

He returned to politics in 2015 and defeated incumbent Democratic Mayor Bill Finch in the primary and went on to easily win the general election. "His base is confined largely to the city," said Gary Rose, chairman of the department of government, politics and global studies at Sacred Heart University.

"If Joe Ganim is the best that Democrats have to offer the people of Connecticut after nearly eight years of disastrous failed leadership under Dan Malloy, they're clearly not fit to govern the state," said John Burke, a spokesman for the Republican Governors Association.

Mr. Ganim will have to compete without the aid of Connecticut's public-finance system, where qualifying candidates can access \$1.35 million for primary campaigns and an additional \$6.5 million for the general election.

State law bars people convicted of political crimes from participating in Connecticut's taxpayer-funded public-finance system, called the Citizens Election Program. Mr. Ganim said he expects to raise enough money to run a competitive campaign.

## Legislators Seek Waterfront Commission Exit

By KATE KING  
AND PAUL BERGER

New Jersey lawmakers are trying to pull out of the Waterfront Commission of New York Harbor, a bistate agency designed to combat the organized crime and racketeering that have long plagued the port industry.

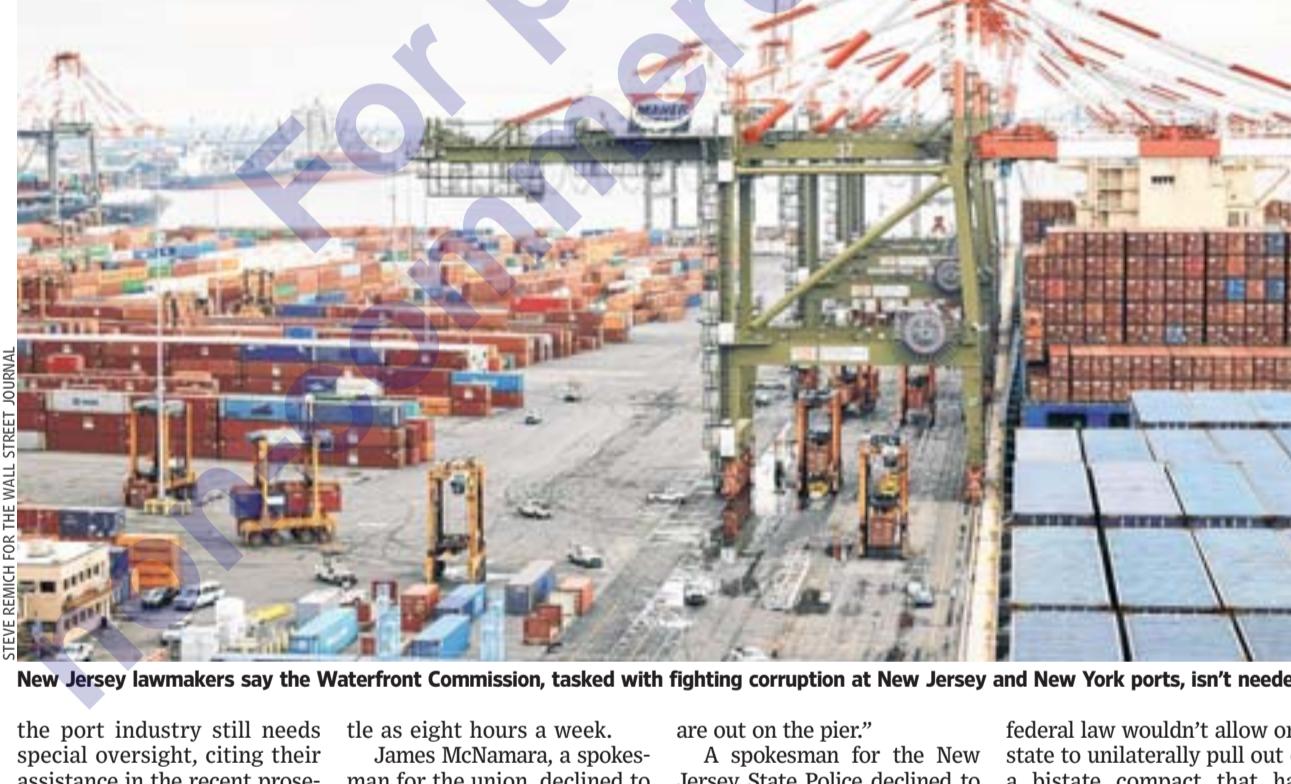
Legislators say the commission, established in 1953 by Congress in response to widespread corruption and mafia involvement at the ports in New Jersey and New York, is no longer necessary. The commission's rules make it difficult for shipping companies to hire new workers, they say.

A bill to direct New Jersey's governor to pull out of the compact unanimously passed the state Senate in early December and will be voted on in the Legislature's lower chamber Thursday. If it passes, the legislation will go to Republican Gov. Chris Christie before he leaves office in mid-January.

Republican Assemblyman Jon Bramnick, a sponsor of the bill, said corruption isn't nearly as prevalent as it was when the commission was formed. "I don't think it's doing any work that couldn't be done by the state police or by the FBI or by the U.S. attorney's office at a lot lesser cost," Mr. Bramnick said of the commission.

The Waterfront Commission works with federal and local prosecutors in New York and New Jersey to bring criminal cases. The commission, which has an annual budget of about \$13 million, is funded through fees levied on shipping and related commerce.

Commission officials say



New Jersey lawmakers say the Waterfront Commission, tasked with fighting corruption at New Jersey and New York ports, isn't needed.

the port industry still needs special oversight, citing their assistance in the recent prosecution of several former supervisors of the International Longshoremen's Association, the union that represents dock workers.

Robert Stewart, a former head of the Justice Department's Organized Crime Task Force in Newark, said he doubted the state police had the experience and skills to bring complex labor-racketeering cases.

The commission also helped investigate a former general foreman and member of the International Longshoremen's Association, who was convicted in October for collecting an annual salary of nearly \$500,000 while working as lit-

tle as eight hours a week.

James McNamara, a spokesman for the union, declined to comment on allegations of the union's organized-crime ties or on the New Jersey bill.

Robert Stewart, a former head of the Justice Department's Organized Crime Task Force in Newark, said he doubted the state police had the experience and skills to bring complex labor-racketeering cases.

This isn't the first time New Jersey lawmakers have tried to withdraw from the Waterfront Commission. Mr. Christie vetoed similar legislation in 2015, saying that he was "not unsympathetic to the merits of the bill," but had been advised that

are out on the pier."

A spokesman for the New Jersey State Police declined to comment on Mr. Stewart's remarks or the pending legislation.

The Waterfront Commission, whose jurisdiction spans a 25-mile radius from the Statue of Liberty, has a staff of 82 that includes lawyers, intelligence analysts, accountants and about 40 officers.

This isn't the first time New Jersey lawmakers have tried to withdraw from the Waterfront Commission. Mr. Christie vetoed similar legislation in 2015, saying that he was "not unsympathetic to the merits of the bill," but had been advised that

federal law wouldn't allow one state to unilaterally pull out of a bistate compact that had been approved by Congress.

Sen. Paul Sarlo, a Democrat and sponsor of the current bill, said he believes Mr. Christie would sign the legislation this time around because new legal opinions have indicated that the state could withdraw from the agreement without congressional approval. A spokesman for Mr. Christie declined to comment.

An official with the administration of New York Gov. Andrew Cuomo, a Democrat, said if the bill is signed into law, "we will review the issue."

OYSTER PERPETUAL

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## GREATER NEW YORK

# New Jersey Beckons Buyers

Demand grows for expensive waterfront condos as Manhattan becomes too pricey

By JOSH BARBANEL

What is a Manhattan view worth?

One developer in West New York, N.J., is hoping a new penthouse apartment with a dead-on vista of Midtown from the banks of the Hudson River can command \$8 million.

There is growing demand for expensive apartments on the New Jersey waterfront as Manhattan prices climb, brokers and analysts say. The

**PROPERTY** demand comes mainly from New Yorkers looking for more space for less money and views with bragging rights, as well as young pioneers lured to the New Jersey waterfront in recent decades who now are raising families and looking for larger homes in the area.

The latest entry is a top-floor, three-bedroom penthouse with 4,000 square feet of space, a Japanese-themed design and a large private terrace with a lawn at Nine on the Hudson, a new development near the river in West New York.

So far, the top condo prices a square foot along the New Jersey waterfront have come in Jersey City, which has become a magnet for younger renters and buyers. The record price a square foot for a condominium was the January 2017 sale of a condo at the top of 77 Hudson St., a high-rise overlooking New York Harbor in Jersey City, for \$3.4 million, or \$1,624 a square foot. That was 25% more than what the condo sold for in October 2015, according to real-estate data site propertyshark.com.

The asking price for the penthouse at Nine on the Hudson works out to \$2,000 a square foot.

Alexander Hovnanian, who



A penthouse apartment at Nine on the Hudson in West New York, N.J., is listed for a record \$8 million.

is overseeing the development for K. Hovnanian Homes, said a contract has been signed on another unit that ranks as the third most expensive condo sale along the river in New Jersey by price a square foot: a 12th-floor unit in contract for \$2.45 million, or \$1,535 a square foot.

Since the project went on the market in April 2017, nearly 30% of the 278 apartments there have gone into contract, Mr. Hovnanian said.

"There is no place in Manhattan where you can see all around Manhattan," said Eitan Ajchenbaum, the chief financial officer of an insurance company in Manhattan who is in contract to buy a two-bedroom apartment at Nine on the Hudson.

The development is situated on a quiet stretch of shoreline near a riverfront walkway and a short walk or bus ride to the Port Imperial/Weehawken ferry stop. From there it is an eight-minute ferry ride to Midtown Manhattan.

Nine on the Hudson is part of a large expanse of former

warehouses and railroad terminals along the river at the base of the Palisades, a line of cliffs overlooking the Hudson River. Since the 1980s, the industrial zone has been replaced with new communities of townhouses and apartments.

The building has a U-shaped design to maximize views of New York Harbor. On the north side, there is a conventional 13-story building with glass walls and metallic trim. On the south side, a second wing, with white cast stone and floor-to-ceiling windows, steps down floor by floor toward the river with landscaped terraces. From the Manhattan side, it looks like a gigantic staircase to the river's edge.

Between the buildings is a platform built over a parking garage with an edgeless pool with Manhattan views, a hot tub, fire pits, a lawn and children's play area. In all, there are 32,000 square feet of indoor and outdoor amenities.

Mr. Ajchenbaum said his new apartment has views facing north and east, giving him a panorama of Manhattan ex-

tending from the George Washington Bridge to Battery Park to the Verrazano-Narrows Bridge.

He said he moved because he wanted "the best life, and part of it is the apartment and the environment." He also cited the lower cost of living, a property-tax abatement on the condo and lower income taxes.

Unlike his previous residence in a Midtown Manhattan rental tower, he said the new area was quiet and family oriented, and "you can't see too many tourists."

"If you go out to parties every night, live in Manhattan," he said. "I can understand why you want to live in Manhattan."

As Manhattan prices rise, however, some buyers are expected to migrate west.

"To a large extent what we see playing out now in Hudson County are developers looking to cash in on the high real estate costs in Manhattan by providing an alternative," said Jeffrey Otteau, an appraiser and president of the Otteau Valuation Group Inc.

## GREATER NEW YORK WATCH

CHAPPAQUA

### Fire Breaks Out At Clintons' Property

Firefighters responded to Bill and Hillary Clinton's home outside New York City after a small fire in a building on the property.

A call came in Wednesday at about 2:50 p.m. about a fire in Chappaqua, New Castle police said. The fire was extinguished by 3:15 p.m.

Clinton spokesman Nick Merrill tweeted that the fire was in a building used by the Secret Service, not in the Clintons' residence. He said the Clintons weren't home at the time and "all is OK!"

—Associated Press



A New York City Department of Transportation truck was loaded with road salt Wednesday. A storm was expected to wallop the Northeast with heavy snow, ice and strong winds on Thursday.

NEW JERSEY

### Murphy Announces Two Cabinet Picks

Democratic Gov.-elect Phil Murphy said Wednesday he is nominating a former Obama administration health adviser and a child-welfare advocate to lead two state agencies. Mr. Murphy said Carol Johnson would head the state's Department of Human Services and Christine Norbut Beyer would lead the Department of Children and Families.

Ms. Johnson served as former President Barack Obama's senior health policy adviser on the White House Domestic Policy Council, and is returning to her native New Jersey from Washington, D.C., to lead the state's largest agency.

Ms. Norbut Beyer currently is a senior director at Casey Family Programs, a child-welfare organization. She is a former official with the state Division of Youth and Family Services.

—Associated Press

THE STRAND

### Famed Bookstore's Owner Dies at 89

Fred Bass, who for decades ran the sprawling and beloved Strand bookstore that had the tag line "18 Miles of Books," died Wednesday at age 89.

Thousands of independent bookstores have gone out of business during the past 30 years, but the Strand remains a meeting place for literary obsessives poring through its stacks of new and used books in Manhattan's Union Square neighborhood.

Mr. Bass, a New York City native and Brooklyn College graduate who took over the business from his father, had worked in the Strand as a boy and continued coming in regularly until a few months ago. He owned and managed the Strand along with his daughter, Nancy Bass Wyden.

Ms. Wyden said her father "felt working with books was the best job in the world."

—Associated Press



Corey Johnson beat more than a half-dozen candidates for speaker.

## New Council Leader Willing to Buck Mayor

By MARA GAY

The New York City Council selected Corey Johnson as its speaker Wednesday, catapulting an ambitious, youthful Manhattan Democrat into a position considered second in power only to the mayor.

Mr. Johnson, 35 years old, is the first openly gay man in the role. He is also known as a big personality who could shake things up. The council has broad powers over land use and the city's massive, \$85 billion-plus budget.

Mr. Johnson said he planned to make the 51-member body more independent of Mayor Bill de Blasio. He said he was willing to pass legislation over the objections of the mayor, a move that would be a shift from his predecessor, Melissa Mark-Viverito.

"As I've said to the mayor, it's not personal," Mr. Johnson said. "We will not flinch, nor hesitate to do so."

A spokesman for Mr. de Blasio said the mayor looked forward "to four years of productive partnership with Speaker Johnson working to make NYC the fairest big city in America."

Mr. Johnson was elected by a vote of 48 to 1, with two of the body's 51 members absent. He beat a crowded field of more than a half-dozen candidates in a process that is officially determined by lawmakers but significantly influenced

"As I've said to the mayor, it's not personal," said the incoming speaker.

would make sure minorities were well represented in the council's leadership positions and among his staff.

Ms. Barron's remarks touched off an unusually sharp exchange. After several black council members voted for Mr. Johnson moments later, state Assemblyman Charles Barron, Ms. Barron's husband, verbally attacked them. He called one "spineless" and accused another of voting "with your masters."

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tending from the George Washington Bridge to Battery Park to the Verrazano-Narrows Bridge.

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As Manhattan prices rise, however, some buyers are expected to migrate west.

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## OPINION

# Make Iran Great Again

WONDER LAND  
By Daniel Henninger

Iran erupted last Thursday. By Friday, the protests against the government, which began in Mashhad near the Afghan border, had spread to dozens of cities. So when we traveled on Saturday to a movie theater on Manhattan's Lower East Side to see "Darkest Hour," Gary Oldman's portrayal of Winston Churchill, imagine the jarring dislocation when the theater's previews included a trailer for an admiring documentary of Barack Obama's foreign-policy making, "The Final Year."

The preview screen filled with expressions of earnest intent from Mr. Obama, Susan Rice, Samantha Power, Ben Rhodes and the Iran nuclear deal's handmaiden, John Kerry. About 100 minutes later, we were watching Churchill shout at his war cabinet that you cannot do deals with dictators. That would have been about the time this weekend that protesters in Iran were shouting "Death to Khamenei!" It's nice to see the Iranian people have a sense of humor.

Producing the past week's protests against the Iranian regime was not the goal of the six-party Iran nuclear deal. Back then, the Khamenei-Rouhani regime was represented as America's partner in a good cause. Now the governments

## OPINION

## REVIEW &amp; OUTLOOK

## Fusion's Russia Fog

**L**et's see. The Clinton campaign hires Fusion GPS, an opposition research firm, to investigate the Trump campaign. Fusion hires a former British spy, Christopher Steele, who produces a dossier based on Russian sources full of rumor, hearsay and an occasional fact to allege collusion between the Kremlin and Trump campaign. The dossier gets to the FBI, which uses it to justify opening a counterintelligence probe of the Trump campaign, perhaps including a judicial warrant to spy on Trump officials. Then Fusion has Mr. Steele privately brief select media reporters, ensuring that the dossier's contents become public before the election.

And now Fusion GPS complains about being a victim? Only in Washington, folks.

\* \* \*

That's the sob story spun by Fusion GPS founders Glenn Simpson and Peter Fritsch Wednesday in a New York Times op-ed that matches the Steele dossier for disinformation. The Fusion duo portray themselves as valiantly working to "highlight Mr. Trump's Russia ties" by providing the FBI with "intelligence reports" that corroborated "credible allegations of collusion between the Trump camp and Russia."

For exercising their "right under the First Amendment," Fusion laments that it has been subject to Congressional harassment and a "succession of mendacious conspiracy theories," including by us. Oh my.

Fusion is talented at producing dirt for hire, including for Russians to smear human-rights activist Bill Browder. The problem is the veracity of its work, and the cofounders don't name a single example in their op-ed of something that proves the dossier's claim of collusion between the Trump campaign and Russia. Eighteen months after the dossier hit Washington, the FBI, special counsel Robert Mueller and Congress have also offered no public validation of its collusion allegations.

The Fusion boys pat themselves on the back for "having handed over our relevant bank records," but the firm stonewalled Congressional committees for most of 2017, refusing to divulge the names of its clients (the Clinton campaign and the Democratic National Committee) and even suing to prevent access to its bank records. In court documents, Fusion has also admitted to paying journalists during the election, though it refuses to disclose the names, amounts or purposes of the payments.

## Happy New Year's Tax

**T**he medical device tax apparently has more comebacks than Mariah Carey. In the first minutes of 2018, while the pop star was redeeming herself on ABC for her widely panned New Year's Eve performance the year before, the 2.3% excise tax had its own comeback after Congress had suspended implementation for two years.

The tax was originally imposed in 2013 to fund ObamaCare. But it proved unpopular, and not only among Republicans. Democrats from states with medical device companies squawked too. Even Al Franken, the unlamented former Senator from Minnesota, had vowed to fight this "unfair burden on the medical device industry."

The tax on everything from catheters, ultrasounds and X-ray equipment to pacemakers and heart stents is a drag on one of America's most innovative industries. In a Dec. 20 letter to President Trump, Scott Whitaker, president and

Like Mariah Carey, medical device tax has a second act.

CEO of the Advanced Medical Technology Association, cited a study of Commerce Department data that "showed that the medical technology sector saw a loss of 29,000 jobs" the last time the device tax went into effect. Because the tax applies to sales, companies pay it even if they don't make money.

In President Obama's last budget, Republicans managed to suspend the tax for 2016 and 2017. The assumption was that the tax that nobody could defend was on its way to full abolition. Well, it's 2018 and the tax has returned through the argument for it hasn't improved. Republicans made a last-ditch effort to get rid of it in 2017, but when the Senate failed to pass the "skinny repeal" of ObamaCare, the tax was fated to rise again.

Republicans and President Trump can still put Democrats who criticized this tax to the test by forcing a vote to kill this unhealthy levy on jobs and innovation.

## Trifling With the Nuclear Button

**T**here's little benefit in lunging at Donald Trump's regular Twitter bait, as his opponents prove nearly every day. But you don't have to be CNN to think that the President should stop popping off about nuclear weapons, whether he's joking or not.

"North Korean Leader Kim Jong Un just stated that the 'Nuclear Button is on his desk at all times,'" Mr. Trump tweeted Tuesday. "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!"

Perhaps Mr. Trump figured this was a clever line about comparative manhood, but it's an example of why even many of Mr. Trump's voters wonder if he has any sense of self-restraint. He was trolling a dictator, and boasting about himself in the process, which makes the President look small. He also distracted from the Iran protests that are vindicating his support for the Iranian people and discrediting his predecessor's appeasement strategy.

But more troubling is that Mr. Trump looked to be trifling with the world's most serious security threat—a nuclear-armed rogue nation. Mr. Trump has been trying to convince the world that North Korea's nuclear warhead and missile arsenal is so serious a threat that it might require pre-emptive military action. His main advisers, and hundreds of American officials, are working day and night to diminish the threat short of war. If Mr. Trump ever does have to strike the North, he needs the world to believe he is acting as a last resort, not because

he thinks he has a bigger Button.

Comments like these explain the paradox of Mr. Trump's first year. He has genuine accomplishments to boast of—including tax reform, judicial nominees who are reshaping the federal courts, and a stop to new regulation. Yet even with the economy growing faster, and a tight labor market beginning to bid up wages, Mr. Trump's job approval remains below 40% in the Real Clear Politics average.

The paradox results from Mr. Trump's governing behavior. His attacks on all and sundry have polarized the electorate even more than it was on Election Day in 2016. He retains the support of his most fervent base but he has lost support among many who voted against Hillary Clinton more than they did for him. Those Americans tend to think that a nuclear missile exchange isn't a laughing matter.

And please don't compare this tweet to Ronald Reagan's 1984 quip about Russia that "we begin bombing in five minutes." The Gipper said that during a sound check as a joke to radio technicians. Mr. Trump sent his tweet around the world as a personal boast.

Voters now tell pollsters they want a Democratic Congress by more than 12 percentage points. If this holds, Democrats will retake the House and Mr. Trump may be impeached. Mr. Trump needs to win over more voters if he wants to avoid that fate, and that means acting more like a President. If he won't do it for the sake of his office, or for the Americans who took a gamble on him in 2016, he should at least consider his own self-preservation.

Why Trump's approval is so low despite his first-year successes.

## OPINION

## LETTERS TO THE EDITOR

## Civil Service Reform: An Idea That Is Overdue

Why on earth would Kimberley Strassel think Democrats will go along with civil-service reform ("A Big, Beautiful Trump 2018 Issue," Potomac Watch, Dec. 29)? Her own words put the lie to any such suggestion: "We live in an administrative state, run by a left-leaning, self-interested governing class that is actively hostile to any president with a deregulatory or reform agenda." This is the very definition of today's Democratic Party. It is buffered by a vast, left-leaning news media whose belief is that the common American is too ignorant to make his or her own decisions. While that is an arguable stance, given how close we came to a Hillary Clinton presidency, our Constitution gives us the right to be wrong. The Democrats in Congress will never ally with Republicans in an agenda that violates the core of their belief system.

JIM BARBER  
Mesa, Ariz.

President Trump and congressional Republicans should first seize on the Democrats' much-professed concern for the so-called Dreamers, created by President Obama's Deferred Action for Childhood Arrivals, and propose early in January compromise immigration reform that would trade normalization and a path to citizenship for those younger illegal aliens in exchange for an end to both chain

and lottery migration, an appreciable boost in border security and a sensible overhaul of various work visa programs, including one that would refashion the old Bracero program for our modern agricultural sector's labor needs.

Republicans don't need to get everything they want on immigration in 2018. But getting something would be "huge," and Democrats would risk having their mindless, anti-Trump resistance become an election-year albatross were they to refuse to back a bill widely supported by American voters.

DARREN MCKINNEY  
Washington

Non-government firms require their employees to be highly productive in order to deliver their products or results on time. In addition, their workforce is subject to termination for bad performance or business declines. On the other hand, government employees have far less of a requirement to keep a particular schedule or cost goal, and their employment is seldom subject to termination due to a shortage of revenue or lackluster performance. The overall contrast is much greater than just the difference in one-on-one compensation (wages, benefits and rules) for people of similar skill levels.

ELLERY BLOCK  
Westerville, Ohio

Let's begin by putting Congress in the right frame of mind and reducing the expense of Congress to the American people.

The place to start is with congressional members' allowance for personnel, office expenses, travel and mail. The annual Members' Representation Allowance for representatives who serve in the House of Representatives ranges from \$1,207,510

## New Yorkers Pay Their Fair Share and More

The Journal should think about its own readers before defending a disastrous federal tax bill designed to hurt New York ("Andrew Cuomo's Tax Lament," Review & Outlook, Dec. 29). The elimination of nearly all state and local deductibility, which the Journal inexplicably supports, is a gross partisan assault that targets Democratic states and will cost New Yorkers \$14 billion.

Gov. Cuomo has indicated that he is exploring a legal challenge to this political assault on Democratic states. And we already know that the state

## Some Idle Time Serves Customers and Providers

The article "Working Hard or Hardly Working? The Cost Adds Up" (Management, Dec. 21) cites a study that says workers' idle time costs U.S. employers more than \$100 billion a year. But idle time can be good. It must be deliberately planned in any customer-oriented service facility that has uncertainty in customer arrival times or service times. Otherwise the queue of customers waiting to be served would grow without bound. Examples include 800 numbers for technical support, hospital emergency rooms, the emergency number 911, retail stores, fast food restaurants, U.S. post offices and many more.

In queuing systems, there is a dangerous "elbow of performance meltdown" as average server busy time approaches 100% and idle time approaches zero. Trying to squeeze out almost all idle time from servers would be extremely costly for customers, including possible lives lost over congested 911 call centers and hospital emergency rooms. These new customer costs would dwarf any "savings" associated with reduced server idle times. Not all idle times are equal. Some must be deliberately planned or system performance degrades to intolerable levels.

PROF. RICHARD C. LARSON  
Massachusetts Institute of Technology

Cambridge, Mass.

## OPINION

# America's Alarmingly Archaic Arsenal

By Mark Helprin

The Trump administration's recently unveiled National Security Strategy is an excellent and overdue statement of intent. But unless it is ruthlessly prioritized, political and budgetary realities will make it little more than a wish list. And in regard to nuclear weapons, it hardly departs from the insufficient Obama-era policy of replacing old equipment rather than modifying each element of the nuclear triad to meet new challenges.

National survival depends on many factors: the economy, civil peace, constitutional fidelity, education, research, and military strength across the board. Each has a different timeline and resiliency. Nuclear forces, on the other hand, may have a catastrophically short timeline combined with by far the greatest immediate effect.

**The U.S. nuclear deterrent has kept the peace for years. If it withers, it will keep the peace no longer.**

Alone of all crucial elements, the failure of America's nuclear deterrent is capable of bringing instant destruction or unavoidable subjugation, as the deterrent's unarrested decline will lead to either the opportunity for an enemy first strike or the surrender of the U.S. on every foreign front and eventually at home.

Believers in total nuclear abolition fail to recognize that if they are successful, covert possession of just a score of warheads could mean world mastery. And though they, like everyone else, are routinely deterred (from telling off the boss or driving against the flow of traffic), they fail to extend their understanding to nuclear deterrence. They seem as well not to grasp that whereas numerical reduction from tens of thousands of warheads would reduce the chances of accident, below a certain point it would tempt an aggressor by elevating the potential of a successful first strike. Nor do they allow that Russia, China, North Korea, and Iran—which have through their conduct of war and in suppressing their populations callously sacrificed more than 100 million of their own people—



PHIL FOSTER

subscribe to permissive nuclear doctrines and thresholds radically different from our own.

The Obama administration understood nuclear rejuvenation to mean merely updating old systems rather than changing the architecture of the deterrent to match Russia's and China's programs, as well as advances in technology. Given that short of abject surrender the sole means of preventing nuclear war is maintaining the potential to inflict unacceptable damage upon an enemy and/or shield one's country from such damage, what are our resources, and against what are they arrayed?

The "nuclear triad" commonly referred to is rather a pentad, its land, air, and sea legs joined by missile defense and the survivability of national infrastructure. America's land leg comprises static, silo-based missiles, which (other than in the potentially catastrophic launch-on-warning posture) are vulnerable not only to nuclear strike, but, with soon-to-come millimeter accuracy, even to conventional warheads. Russia, China, and North Korea have road-mobile missiles (and Russia, additional rail-based ones), making their land legs more survivable and in the case of tunnel systems—of which we have none and China has 3,000 miles—unaddressable and uncountable.

The U.S. air leg consists of ancient bombers and outdated standoff cruise missiles, both vulnerable to Russian and Chinese air defense, along with only 20 penetrating bombers, the B-2. To boot, the planes are concentrated on only a handful of insufficiently hardened bases.

Our sea-based nuclear force, the least-vulnerable leg, for many years included 41 ballistic-missile submarines, SSBNs. These dwindled to 18, then 14, and, with the new Columbia class set to enter service beginning only in 2031, a planned 12. A maximum of six at sea at any one time will face 100 Russian and Chinese hunter-killer subs. At the same time, the oceans are surrendering their opacity to space surveillance and Russian nonacoustic tracking. Even a deeply running sub disturbs the chemical and sea-life balance in ways that via upwelling leave a track upon the surface.

Russia is moving to 13 SSBNs with high-capacity missiles that carry many maneuverable warheads; China, with 4 SSBNs, is only beginning to build. A possible new dimension is Russia's announced, but as yet unseen, autonomous stealth undersea nuclear vehicle, capable of targeting the high percentage of U.S. population, industry, and infrastructure on the coasts. We have no such weapon and Russia presents no similar vulnerability.

American ballistic-missile defense is severely underdeveloped due to ideological opposition and the misunderstanding of its purpose, which is to protect population and infrastructure as much as possible but, because many warheads will get through, primarily to shield retaliatory capacity so as to make a successful enemy first strike impossible—thus increasing stability rather than decreasing it, as its critics wrongly believe. Starved of money and innovation, missile defense has been confined to midcourse interception, when boost-phase and terminal intercept are also needed.

Merely intending this without sufficient funding is useless. As for national resilience, the U.S. long ago gave up any form of civil defense, while Russia and China have not. This reinforces their ideas of nuclear utility, weakens our deterrence, and makes the nuclear calculus that much more unstable.

Beyond these particulars are the erosion of the American nuclear-weapons complex and the larger defense-industrial base; the dangerous mismatch of nuclear doctrines and perceptions; the sulfurous fuse of North Korea and Iran; Russian "tactical" nuclear weapons that outnumber U.S. counterparts 10 to 1; Russian programs suggesting that it is working toward the capacity for nuclear "breakout"; 2,600 currently deployed Russian strategic warheads as opposed to America's 1,590; and consistent and brazen Russian treaty violations.

The addition of China as a major nuclear power now presents an analogy to the three-body problem in physics, in which three variables acting upon one another create an unpredictable and unstable system. That is but one reason why China must either be brought into an arms-control regime with the U.S. and Russia or forced by its refusal to show its hand for all the world to see. It is inexplicable that the U.S. government and arms-control enthusiasts have both failed to address the fact that China, the third major nuclear power, is totally unconstrained.

All the above is only a précis of a long-developing peril that, though difficult to see upon the surface, day by day strengthens the chances of Armageddon or capitulation. The only way to face it is objectively and without fear, and the only solution (requiring just a tiny fraction of gross domestic product) is to correct the shortcomings and right the balances.

America's powerful deterrent has kept the nuclear peace all these years. If it withers, it will keep the peace no longer. The nuclear problem has no adequate superlatives. As great as all other concerns may be, they must yield to it. For the force to be confronted is the breaker of nations and the destroyer of worlds.

*Mr. Helprin, a senior fellow of the Claremont Institute, is author of "Paris in the Present Tense" (Overlook, 2017).*

## Unions Won't Solve Higher Education's Problems

By Paul H. Tice

I don't know anything about cars, but I'm about to become a card-carrying member of the United Automobile Workers union. How did I accomplish this feat? By becoming an adjunct professor of finance.

In 2004 New York University agreed to the unionization of its adjunct faculty, signing the first of three collective-bargaining contracts with the UAW's Adjuncts Come Together, Local 7902. Union membership kicks in at a minimum 40 hours of class time in an academic year, which amounts to one full-semester course meeting three hours a week. That's meant to be a low threshold, at which point any NYU adjunct must pay 1.44% of gross annual wages to the UAW. Even if I don't join the union, I'm required to pay.

**I know nothing about cars. As an adjunct professor of finance, I have to join the United Auto Workers.**

I have a day job, but most adjuncts are not so-called hobby professors. They are highly educated and either formally trained or clinically experienced but still shut out of the higher-paying tenure track in the academy's rigid caste system. To make a living, many cobble together part-time positions at multiple institutions.

Based on data tracked by the American Association of University Professors, the national average pay for adjuncts is about \$3,000 a course. For a 12-week full-semester course with more than 25 students, that amounts to minimum wage after factoring in time for class preparation, office hours and grading.

Inside Higher Ed estimates some 750,000 adjunct professors teach in the U.S.—roughly 50% of all faculty appointments. At an average adjunct salary of \$30,000 and an annual dues rate of 1.4% to 2%, that translates into potential revenues of \$350 million to \$450 million a year. That's why the UAW and other declining unions—private- and public-sector, education-related and not—target adjunct professors for unionization.

But rather than improving the working lives of adjuncts, unionization will mainly reinforce the status quo, providing unions with a permanent class of dues-paying members and universities with a perpetual supply of low-cost labor.

Adjuncts function as a financial pressure-relief valve for universities, allowing tuition dollars to flow to other priorities—administration, recruiting, athletics, student clubs and services—while keeping down the student-to-faculty ratio, heavily weighted in college rankings.

The solution to adjunct pay and quality-of-life issues is not unionization but better management. Colleges should be run less like charities that depend on regular donations of money and time. Instead, they should borrow some of the best performance-driven practices from Wall Street and Silicon Valley.

First, teacher compensation should be decoupled from tenure-related titles and status considerations—as in the typical investment bank, where vice presidents often get paid more than managing directors.

Second, all university instructors, tenured or not, should be forced to compete for students and curriculum airtight, then paid equally on a subscriber model based on student demand.

Third, 40% to 50% of every tuition dollar should be paid out in the form of teacher wages and benefits—the current figure is roughly 30%—with larger classes paying more given the incremental work involved.

Such a proposal would result in fewer teaching positions overall and a tighter vetting process for adjuncts in particular. It would also require a long-overdue clean-out of frivolous, esoteric and politicized curriculum that has built up at many universities and liberal-arts colleges. Most positively, it would give tenured professors a financial incentive to teach larger foundational lecture courses, where their knowledge base and experience have been sorely missed for years now.

As for me, since New York is not a right-to-work state, all I can do at this point is slap a UAW bumper sticker on my American-made SUV. At least my mechanic will get a laugh the next time I bring my car in for service.

*Mr. Tice works in investment management and is an adjunct professor of finance at New York University's Stern School of Business.*

# The Opioid Crisis Has Plaintiff Lawyers Smelling Cash

By Dennis Kneale

America's unrivaled pharmaceutical industry develops and manufactures more than half of the world's new medicines and treatments. Its global dominance is due in part to the largely unregulated prices and uncapped profit margins that make America the world's most lucrative market. Yet Big Pharma has an image problem: The industry has been tainted by the opioid crisis.

Pills that were developed to quell pain and restore quality of life to the sick and injured have contributed to an unprecedented wave of overdose deaths—about 64,000 in 2016. That's more Americans dead in one year from opioids than were killed during the 19-year conflict in Vietnam.

Where there is death, plaintiffs' lawyers follow. Lawsuits related to the opioid crisis could eventually grow into one of the largest torts since the \$246 billion settlement exacted 20 years ago from the tobacco companies by attorneys general in 46 states. In the opioid onslaught, as in the tobacco case, a small gang of lawyers have teamed up with state, county and city governments to file lawsuits—more than 100 so far—against drug companies in various jurisdictions. Forty-one states have joined forces to subpoena information from Alkergan Inc., Endo International,

Johnson & Johnson's Janssen unit, and Teva Pharmaceuticals, the four biggest makers of opioids. The No. 1 target may be OxyContin creator Purdue Pharma. An October story in the *New Yorker* alleged that Purdue, owned privately by the Sackler family, had raked in billions of dollars by fabricating claims that the drug posed no risk of addiction.

**Drug manufacturers need to get proactive or they risk going the way of Big Tobacco.**

The anti-opioid lawyers are aiming way beyond the manufacturers, targeting retailers for selling the drugs, doctors for prescribing them, and even wholesale distributors for transporting them. McKesson, the nation's largest wholesale distributor of drugs to retailers, got scalped last month on "60 Minutes." The program accused the San Francisco-based company of negligence for filling orders for millions of pain pills while failing to report suspicious patterns to regulators, as required. Even if McKesson had followed proper paperwork procedures, the segment implied, it still did wrong by shipping so many millions of pain pills.

**THE WALL STREET JOURNAL.**  
PUBLISHED SINCE 1889 BY DOW JONES & COMPANY  
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Executive Chairman, News Corp  
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The rush of lawsuits is accelerating, although just 23% of the drug-overdose deaths in 2016 involved narcotics that had been legitimately prescribed by doctors, according to government data. Almost 60% of overdose deaths in 2016 involved heroin, fentanyl and other street drugs. But drug dealers lack the deep pockets of drugmakers and retailers; like Willie Sutton, lawyers know to go where the money is.

Plaintiffs' lawyers in the 1990s didn't sue trucking companies for transporting cartons of cigarettes. But today's litigants may be casting a wider net because of three clear differences between opioids and cigarettes. First, the drugs have therapeutic value that cigarettes don't. Second, no one has yet been able to prove that drug companies lied about or covered up addiction risks the way tobacco companies did. Finally, opioids have long been regulated by the Food and Drug Administration, while cigarettes came under FDA oversight only in 2009.

These mitigating factors could shield the pharmaceutical industry from Big Tobacco's fate, but certain ugly facts could end up costing drugmakers billions in damages, both financial and reputational. As the *Charleston Gazette-Mail* discovered in a Pulitzer Prize-winning 2016 investigation, wholesalers

shipped 780 million opioid pills into West Virginia between 2007 and 2012—enough to provide every man, woman and child in the state with 433 pain pills each.

Big Pharma needs to get out in front of this unfolding threat to the industry's survival. Opioid makers should start by declaring a voluntary moratorium on the number of pills they produce and an end to their aggressive marketing to doctors and patients. They also could convene a public meeting of manufacturers, distributors and retailers to brainstorm ways of stemming the epidemic. Further consultations with doctors, nurses, patient representatives and addiction experts could help develop longer-term solutions.

Drug companies also should join forces and hire a veteran litigator from the tobacco wars to help them devise a pre-emptive settlement that sets up a fund to pay for medical treatment and addiction counseling. It's going to be costly—\$25 billion would be getting off cheap—but the costs of doing nothing could ultimately prove much higher.

*Mr. Kneale is a media strategist and co-author, with Michael Sitrick, of "The Fixer: Secrets for Saving Your Reputation in the Age of Viral Media," to be published Jan. 8.*

## Notable & Quotable: NHS

From a report in London's Daily Telegraph, Jan. 3:

Every hospital in the country has been ordered to cancel all non-urgent surgery until at least February in an unprecedented step by NHS [National Health Service] officials.

The instructions on Tuesday night—which will...result in around 50,000 operations being axed—followed claims by senior doctors that patients were being treated in "third world" conditions, as hospital chief executives warned of the worst winter crisis for three decades.

Hospitals are reporting growing chaos, with a spike in winter flu leaving frail patients facing 12-hour waits, and some units running out of corridor space.

Sir Bruce Keogh, NHS medical director, on Tuesday ordered NHS trusts to stop taking all but the

most urgent cases, closing outpatients clinics for weeks as well as cancelling around 50,000 planned operations.

Trusts have also been told they can abandon efforts to house male and female patients in separate wards, in an effort to protect basic safety, as services become overwhelmed.

The chaos follows a rise in flu cases when many hospitals were already close to capacity, with high numbers of frail patients stuck on wards for want of social care....

One ambulance trust resorted to taxis to ferry patients to hospital, while another asked patients to find a family member to get them to hospital, with paramedics stuck outside A&E [accident and emergency] units in record numbers.

Health officials said pressures on the NHS were expected to continue to rise, with flu levels surging.

*Mr. Tice works in investment management and is an adjunct professor of finance at New York University's Stern School of Business.*

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## TECHNOLOGY: VERIZON PICKS SAMSUNG FOR 5G PUSH B4

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, January 4, 2018 | B1

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## Bond Fees Sink as Banks Battle

In sizzling Asia market, one recent offering cost issuers a mere \$1 for each underwriter

BY MANJU DALAL

Fierce competition to underwrite debt offerings in Asia's booming U.S.-dollar bond market is forcing some big global banks to work on deals for next to nothing.

**Barclays PLC** and **Standard Chartered PLC** were among

seven banks that recently helped sell a total of \$1.3 billion in dollar-denominated bonds from three state-owned Indian companies, effectively providing their services free of charge. The three Indian companies paid a dollar in underwriting fees to each bank that handled the sales, according to company representatives and people familiar with the matter.

A similar trend is emerging among banks underwriting some Chinese bond offerings, bankers say, particularly in the case of state-owned corporations that

have large pools of underwriters to choose from and tend to be stingier with fees.

Banks that agree to arrange bond offerings for ultralow fees generally hope to build relationships with corporate clients for future deals. They also hope to generate revenue from related businesses, such as fees for setting up currency swaps or on bond-trading commissions.

In some cases, local brokerages have slashed fees to win bond-underwriting mandates, leading issuers to demand

global banks do the same, bankers say.

Asian companies excluding those from Japan sold about \$334 billion in U.S.-dollar bonds in 2017, up 60% from 2016, according to Dealogic. More than half the bonds were issued by Chinese companies, which, in many cases, enjoyed strong investor demand for their debt.

Market participants say global banks' underwriting revenue, while also up from a year earlier, isn't keeping up with the accelerating pace of Asian

corporate-bond issuance. It raises concerns that this core investment-banking business could become largely unprofitable in the fast-growing region.

"Fee income from bonds in Asia has not grown proportionately to deal volumes," said Clifford Lee, managing director and head of fixed income, treasury and markets at **DBS Bank** in Singapore.

In the U.S., underwriting fees, in recent years, have averaged about 0.7 percentage point on investment-grade

Please see FEES page B2

**Big Boost**

U.S. dollar bond issuance in Asia\*

\$400 billion

300

200

100

0

2008 10 12 14 16

\*Excludes Japan

Source: Dealogic

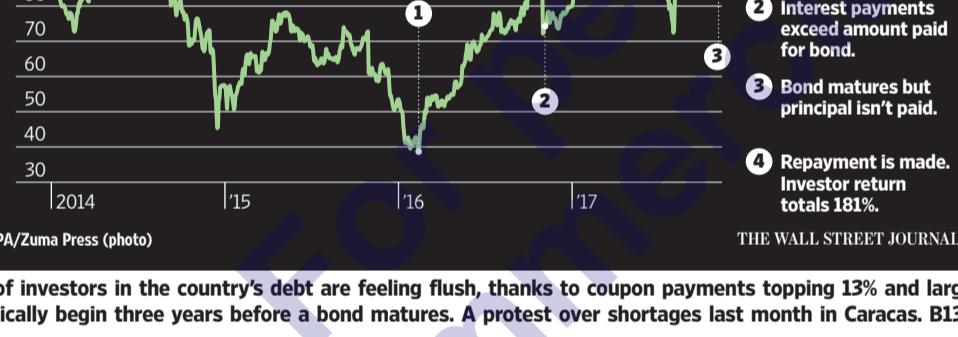
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## Never Mind Defaults, Some Venezuela Bondholders Strike It Rich

**Money in the Bank**

Investors in some of Venezuela's riskiest bonds aren't battling for payments that are arriving late or not at all. That's because some high-yielding bonds have already paid them back and then some.

Price of PdVSA bond that matured on Nov. 2, 2017



Sources: Bullock LLC (price); Rayner Pena/DPA/Zuma Press (photo)

RISK AND REWARD: A number of investors in the country's debt are feeling flush, thanks to coupon payments topping 13% and large principal disbursements that typically begin three years before a bond matures. A protest over shortages last month in Caracas. B13

## Deal Aims to Resolve Scana's Nuclear Mess

BY RUSSELL GOLD  
AND IMANI MOISE

**Dominion Energy Inc.** has struck a deal to buy troubled energy company **Scana Corp.**, ushering in the final chapter for Scana's major South Carolina nuclear project after it became mired in controversy and was abandoned when construction costs skyrocketed.

Dominion, a Virginia-based gas-and-power utility, seized on Scana's struggles to strike the \$743 billion all-stock deal, which requires a number of state and federal approvals and could face a tough time from South Carolina lawmakers.

Scana's decision to abandon a \$10 billion nuclear power plant during construction last year, after costs had doubled and the company concluded it would cost even more to complete, soured its relations with South Carolina officials and regulators.

Facing investigations and legislative hearings, Scana's chairman and chief executive said last year that he would step down. The loss of political support for the company, which has roots going back 160 years in the region, damaged it and laid the groundwork for the sale.

The deal includes several sweeteners for South Carolina

power customers who were upset by being forced to pay for the unfinished plant. Upon closing of the deal, the combined company will pay \$1.3 billion to customers of Scana's South Carolina Electric & Gas Co. subsidiary, or about \$1,000 per customer in cash payments to be delivered within 90 days.

Dominion said it would issue new equity to help pay for the refunds.

Under the deal announced Wednesday, each Scana shareholder will receive roughly two-thirds of a Dominion share. The Dominion price represented a premium of more than 30% for Scana shareholders, based on trading prices at Tuesday's market close.

Shares in Scana rose nearly 23% to \$47.65 on Wednesday, while Dominion shares fell 3.9% to \$77.19.

Dominion has been expanding southward from its historical base in Virginia and North Carolina. A subsidiary already owns 1,500 miles of natural-gas pipeline in South Carolina and Georgia.

Scana abandoned construction of the V.C. Summer nuclear power plant last year after rising costs and delays led to the bankruptcy of nuclear

Please see SCANA page B2

## Merrill Widens Its Ban on Bitcoin

BY LISA BEILFUSS

Merrill Lynch has blocked clients and financial advisers who trade on their behalf from buying bitcoin, citing concerns over the cryptocurrency's investment suitability.

The ban applies to all accounts and precludes the firm's roughly 17,000 advisers not only from pitching bitcoin-related investments but also from executing client requests to trade **Grayscale Investments LLC**'s Bitcoin Investment Trust fund, according to a person familiar with the

matter. The ban extends an existing policy barring access to newly launched bitcoin futures.

Existing positions in the bitcoin fund can be maintained in brokerage accounts, but not in fee-based advisory accounts, the person said. The brokerage arm of **Bank of America Corp.** put the policy into place Dec. 8, right before the launch of the first U.S. bitcoin futures, the person said.

"The decision to close GBTC to new purchases is driven by concerns pertaining to suitability and eligibility stan-

dards of this product," according to an internal memo reviewed by The Wall Street Journal, referring to the Grayscale fund's trading symbol.

A spokeswoman for Merrill Lynch confirmed the decision, which applies firmwide and includes self-directed accounts.

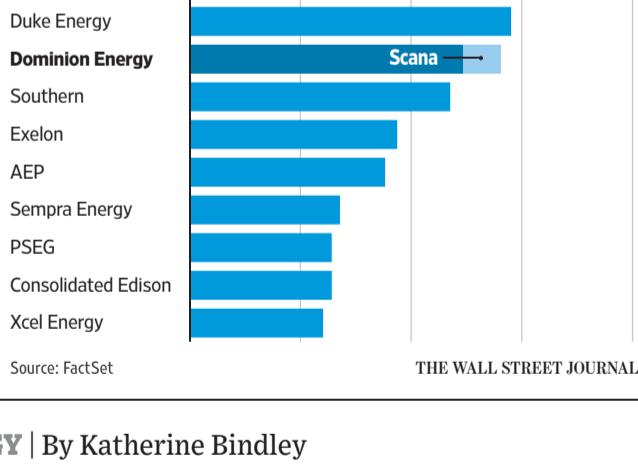
The Grayscale fund is an open-ended trust that is invested exclusively in bitcoin and derives its value from the price of bitcoin, according to Grayscale Investments. It was created for investors seeking exposure to bitcoin through a traditional investment vehicle,

the firm said, and it trades over the counter.

Merrill Lynch's decision is the latest sign of Wall Street's wariness when it comes to digital currencies. The U.S. brokerage arm of **UBS Group AG** already bars its advisers from trading bitcoin-related products, according to a person familiar with the policy. Several other firms—including **JPMorgan Chase & Co.**, **Citigroup Inc.** and **Royal Bank of Canada**—told clients that they wouldn't offer them access to the first bitcoin futures market when it went live Dec. 10.

**Power Ranking**

Dominion's proposed acquisition of Scana would cement its place as one of the largest utility companies in the U.S.



SOURCE: FactSet

THE WALL STREET JOURNAL.

**INSIDE**

## A Rival Credit Gauge Foments Disruption

BY ANNAMARIA ANDRIOTIS AND CHRISTINA REXRODE

Banks and rival lenders are butting heads over the credit scores used to decide millions of mortgage requests by U.S. home buyers.

Now, a federal agency is weighing whether to step into the fight, which revolves around a longtime requirement for lenders that sell mortgages to Fannie Mae and Freddie Mac to gauge most borrowers using FICO scores. The Federal Housing Finance Agency's ultimate decision could have wide-reaching ramifications for the mortgage market and home buyers across the U.S.

Many nonbank lenders, which in some recent quarters have accounted for more than half of the mortgage dollars issued in the U.S., want the ability to use a credit score provided by a company owned by credit-reporting firms **Equifax**

Inc., **Experian PLC** and **TransUnion**. These lenders argue the alternative score would open the mortgage market to a greater number of people and lead to more mortgage approvals, helping to boost home sales and the economy.

Banks generally want to stick with the current system that uses FICO scores, which have been around for decades and are created by **Fair Isaac Corp.** Ditching the status quo, they say, could lead to an increase in consumers with riskier credit profiles getting mortgages and a subsequent rise in defaults.

The FHFA, which oversees Fannie and Freddie, is weighing whether to change its requirement to allow for the use of another credit-scoring system. In late December, the agency asked lenders and others for formal input on the issue. In doing so, the FHFA acknowledged concerns about a "race to

Please see CREDIT page B2

**PERSONAL TECHNOLOGY** | By Katherine Bindley

## Matching Up With a Dating App

It is a 21st-century moment if there ever was one: A 20-something daughter taking pictures of her 50-something mother, who is posing next to the fireplace, decked out in her pearls. Multiple poses, multiple expressions.

"She made me take like 75 shots," says Lauryn, the daughter.

No, it wasn't for a Christmas card: Mom wanted to nail the perfect dating-profile pic. She has been on Match.com, eHarmony and the Bumble app.

Lauryn's mom isn't remotely alone. Revenue from dating services was projected to hit \$2.7 billion in 2017, according to market research firm IBISWorld. And in future, the ones geared toward baby boomers are expected to see

the most growth. I met Lauryn at a New York bar while chatting up strangers about online dating. Collectively, they were a microcosm of the dating app scene. Christine, sitting next to Lauryn, met her boyfriend of two years on Bumble. Behind me was Dave, who uses Bumble, Hinge and Jdate. One of Dave's friends said she didn't know any couples who first met at a bar. (If people don't meet on apps, they meet through work.)

In other words, all the sin-

Please see TECH page B4

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## CREDIT

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the bottom" in which credit-scoring systems would compete to offer metrics that make the most loans rather than aspire to be the most reliable.

Credit scores help determine who gets a mortgage and on what terms. They played a role in the last housing boom and bust as lenders lowered credit-score requirements, extending hundreds of billions of dollars of mortgages to subprime, or risky, borrowers.

After the financial crisis, lenders tightened requirements for potential home buyers. They required higher credit scores, making it more difficult for some borrowers to qualify for a mortgage.

That is why some lenders want a change in the kind of scores that can be used. These lenders view FICO scores as an impediment because they tend to be more conservative than alternatives.

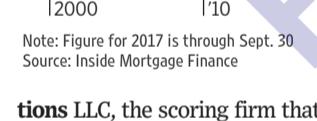
Nearly half of mortgage dollars made in the U.S. go through Fannie and Freddie, according to Inside Mortgage Finance, so their requirements have huge sway over the mortgage market. Fannie and Freddie don't make loans but instead buy them from lenders and package them into securities that are sold to investors.

Nonbank lenders argue the current system shuts out borrowers who don't use credit either out of personal choice or because they went through a bankruptcy or foreclosure. That is where VantageScore Solu-

### Heavyweights

New mortgage originations backed by Fannie Mae and Freddie Mac

80%



tions LLC, the scoring firm that Experian, Equifax and TransUnion launched in 2006, says it can step in.

The company says it can assign a credit score to about 30 million more consumers than FICO. Roughly 7.6 million of those consumers would potentially be eligible for a Fannie or Freddie mortgage, VantageScore says.

The banks' trade group, the American Bankers Association, says the current system allows for strong underwriting standards. Introducing a new scoring model could put that at risk, said Joe Pigg, senior vice president of mortgage finance at the ABA.

Nonbank lenders say the current system is too rigid. Sanjiv Das, CEO of a big non-bank lender, Caliber Home Loans Inc., said VantageScore could open up homeownership to customers including millennials who don't have a credit history because of their age.

Continued from the prior page

project builder Westinghouse Electric Co. Since then, Scana has faced questions from local and federal officials.

The South Carolina plant and a similar project in Georgia were both begun about a decade ago. But both projects encountered massive cost overruns, which the utilities blamed on Westinghouse as well as contractors. Westinghouse parent Toshiba Corp. entered into settlement deals to pay utilities fixed sums and cap its liabilities.

The Georgia project, an expansion of the Alvin W. Vogtle Electric Generating Plant being spearheaded by Southern Co., is still proceeding despite

costs that have ballooned to as much as \$25 billion.

Scana, based in Cayce, S.C., had collected more than \$1 billion from customers to finance construction of its plant. It was seeking to pass on additional construction costs, which would have raised local power bills considerably.

Facing rising pressure from state regulators and consumer groups, Scana last year said it would roll back rates for its South Carolina utility customers.

South Carolina Gov. Henry McMaster called the proposed merger a step forward, but noted that it addressed only some of the political ramifications from the failed power plant, which also involved state-owned utility Santee Cooper. Scana owned 55% of the Summer nuclear plant.

Santee Cooper owned the rest.

"We are making progress. Under the proposed agreement between Scana and Dominion Energy, SCE&G ratepayers will get most of the money back they paid for the nuclear reactors and will no longer face paying billions for this nuclear collapse," said Mr. McMaster, a Republican.

Dominion said Wednesday that it wouldn't pursue the merger if South Carolina lawmakers or regulators reject the proposed terms.

The companies said South Carolina Electric & Gas residential customers will get a 5% rate reduction, equal to about \$7 a month for the typical customer. That compares with the 3.5% reduction proposed to appease regulators and frustrated customers last year.

Part of these lower rates

will come from savings due to the corporate tax cut in the recently enacted federal tax overhaul.

"Under the proposed agreement between Scana and Dominion Energy, SCE&G ratepayers will get most of the money back they paid for the nuclear reactors and will no longer face paying billions for this nuclear collapse," said Mr. McMaster, a Republican.

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Part of these lower rates

## FEES

Continued from the prior page corporate bonds, meaning that for a \$1 billion bond issue, companies would pay about \$7 million to banks arranging the sale. For U.S. high-yield, or junk, bonds, the fee averages 1.2 percentage points, according to data from Thomson Reuters.

Fees in Asia are generally lower and can vary widely, bankers say. Chinese banks, including state-owned Bank of China Ltd. and Industrial & Commercial Bank of China Ltd., paid a 0.1 percentage point fee on recent bond sales, according to a person familiar with the matter. Some companies are more generous. Alibaba Group Holding Ltd. paid \$33 million in fees—or about 0.47 percentage point—on a \$7 billion investment-grade bond deal in November.

Some bankers who recently handled bond sales for Chinese companies said they have earned nothing from the deals in some instances.

"We don't like to do that, but competition forces us to

be on some deals no matter what," said a Hong Kong-based banker for a Chinese bank, calling some of the fee practices "irrational." He declined to name specific issuers.

Another factor contributing to lower fees: the rising number of banks participating on bond offerings. The average number of bookrunners on Chinese companies' U.S.-dollar bond deals rose to 6.5 last year, from 3.6 in 2012, according to Dealogic. The average for Asia excluding Japan was recently 4.6, versus 2.2 in the U.S.

Larger bond syndicates mean lower fees per deal are also being divided among more banks, making it harder for individual firms to profit, said Florian Schmidt, a former investment banker who now runs a consulting firm in Singapore.

Across Asia excluding Japan, nearly 170 banks or brokerages were involved in arranging U.S.-dollar bond sales for issuers in the region in 2017, more than triple the number five years earlier, according to Thomson Reuters.

### Joining the Party

Number of bookrunners arranging U.S. dollar bond deals

200 banks

Asia

U.S.

150

100

50

0

2012 '13 '14 '15 '16 '17

\*Excludes Japan

Source: Thomson Reuters

THE WALL STREET JOURNAL.

each bank earned \$200,000 on the sale.

Another reason many banks will swallow low fees is to move up the "league tables," which rank banks based on deal volumes. They are followed closely and touted by many banks, and those that do the most business tend to be more sought after by corporate clients.

"The pressure to be higher up on the league table rankings becomes so much that investment banks start undercutting themselves by quoting absurdly low fees," said Dharmesh Ojha, a former investment banker who is now chief investment officer of ITI Reinsurance in Mumbai.

In India, at least one of the three state-owned corporations that recently paid banks \$1 to underwrite their bond deals said there was no reason to pay more, because banks were eager to win the business. The companies—Indian Railway Finance Corp., Rural Electrification Corp. and Power Finance Corp.—each issued hundreds of millions of dollars worth of bonds.

Julie Wernau and Yifan Xie contributed to this article.

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## BUSINESS NEWS

# Spotify Registers For NYSE Listing

BY MAUREEN FARRELL AND ANNE STEELE

**Spotify AB** has confidentially filed paperwork with the Securities and Exchange Commission to list its shares on the New York Stock Exchange, according to a person familiar with the listing.

This SEC filing is the latest key step in Spotify's plans to go public using an unusual method known as a direct listing. That listing won't be an initial public offering, as Spotify won't seek to raise money as it goes public.

Spotify's most recent valuation was nearly \$20 billion, based on a recent share swap between Spotify and Chinese internet giant **Tencent Holdings** Ltd. While it is unclear how public investors will value Spotify, a \$20 billion valuation would make Spotify one of the largest technology companies to launch on a U.S. exchange since Facebook Inc. Spotify was valued at \$8.5 billion during a private capital injection in 2015.

The Swedish company has been targeting March or April for its debut, according to people familiar with the matter.

If the debut goes well, it could encourage other highly valued and cash-rich startups, such as Airbnb Inc., to pursue direct listings, people familiar with the matter have said.

Late last year, Spotify received approval from the SEC to move forward with a direct listing on the NYSE. The SEC had concerns that Spotify's direct listing could open the door for other companies with potentially risky financial profiles to access the public markets without giving investors sufficient protection, people familiar with the negotiations said.

Axios reported earlier

# \$20B

Online music service Spotify's most recent valuation

Wednesday that Spotify had filed confidentially with the SEC.

Launched in 2008, Spotify lets users listen to a library of more than 30 million songs on demand. Subscribers who pay around \$10 a month can listen without hearing ads; users of the free version need to sit through ads and have more limited ability to pick the order in which they hear the songs they select.

As of June, Spotify said it has 140 million active users worldwide, 60 million of whom pay.

The music industry has widely credited Spotify and other subscription-streaming companies with helping to reverse a long slide in revenue. The three global music companies—**Vivendi** SA's Universal Music Group, **Sony Corp.**'s Sony Music Entertainment and **Access Industries** Inc.'s Warner Music Group—received equity stakes in Spotify as part of deals to license their catalogs to the Sweden-based company.

Spotify has reported limited financial results, which have shown losses for several years running.

In a direct listing, a company transfers its shares to an exchange without raising money as is done in a typical IPO. Companies have shied away from the unusual process in part because there is a greater risk that the shares could flop since there are no underwriters to set and prop up the price.

The listing is being used as a way for Spotify to give existing investors the chance to cash out but not to raise additional funds. New investors will be able to buy shares once they start trading.

Spotify has been hit recently by a raft of copyright-infringement lawsuits filed by songwriters and music publishers, though a person familiar with the matter said the suits won't affect the timing of Spotify going public.

# Norway, Others Rethink Oil Bets

Some big investors and banks are reviewing their bets on an oil-and-gas industry now wrestling with uncertain oil demand, government regulation and disruptive technology like electric vehicles.

The biggest decision will come in Norway, where the government says it will decide this year whether to wind down investments by its \$1 trillion sovereign-wealth fund in the oil-and-gas sector. Its assets include multibillion-dollar stakes in **Exxon Mobil Corp.**, **Royal Dutch Shell PLC**, **Chevron Corp.** and **BP PLC**.

Other investors, including French insurance giant **AXA Group** and Dutch bank **ING Groep NV**, are pulling back from parts of the industry that contribute most to climate change, like Canada's oil sands. In a world where the heaviest-polluting industries could be penalized, some investors say the financial risks of such investments could outweigh the rewards. For instance, Canada is introducing a carbon tax this year to limit greenhouse-gas emissions from oil sands.

The moves are distinct from calls by environmentalists and so-called ethical investors for divestment from the oil industry, although those sentiments have been taken up by large, mainstream financial institutions more often since the 2015 Paris agreement to fight climate change. The World Bank said last month it will stop financing oil and gas exploration and drilling by 2019, in support of the Paris goals.

French bank **BNP Paribas** says it will no longer finance some oil projects seen as environmentally damaging.

Renewable energy, once hampered by high costs, has become cheap enough to compete with coal and gas in some instances. The U.K., France, China and India have signaled they plan to eventually ban sales of vehicles with traditional combustion engines.

Norwegian officials say the current debate is entirely pragmatic. The country may



Processing crude oil at a Tatneft facility in Russia. Investors are focusing more on the industry's record on global warming.

be overexposed to a sector undergoing turbulent change by having both a large national oil company, **Statoil ASA**, and billion-dollar-plus holdings in other oil companies.

"This is really a question of risk diversification," Yngve Slyngstad, chief executive of Norges Bank Investment Management said in an interview. NBIM manages the country's investment fund, which receives Statoil's profits and other energy-focused revenue in Norway for investment elsewhere.

Mr. Slyngstad said the transition from dependency on fossil fuels to alternatives would take several decades. But he said investments in traditional oil companies should come with a "high-risk premium," considering "all the uncertainty around the energy transition."

The Norwegian concerns have "put those industries on alert," said Matt Christensen, global head of responsible investment at AXA's asset-management arm. "The risks which climate change presents are becoming more understood as existential in nature."

## Energy Exposure

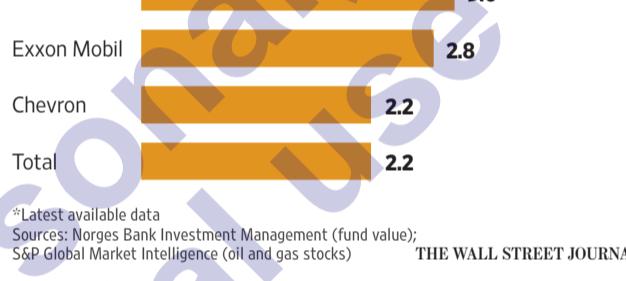
Norway is considering reducing the stakes it holds in big oil companies.

### Norway Sovereign Wealth Fund, 2017

Assets under management \$1 trillion

Holdings in oil and gas equities \$40 billion

### Norway fund's big oil holdings\*



\*Latest available data  
Sources: Norges Bank Investment Management (fund value); S&P Global Market Intelligence (oil and gas stocks)

THE WALL STREET JOURNAL.

Norway's oil fund owns over 2% of BP's stock, according to S&P Global Market Intelligence. Any Norwegian oil divestment is likely to be carefully managed and take place over a number of years so as not to disrupt markets.

U.S. investors appear committed to the oil industry but have begun pressuring it to change. Last year, a task force, commissioned by the G-20 and including major financial institutions like **JPMorgan Chase & Co.** and **BlackRock Inc.**, published guidelines pushing for better disclosure of the impact of climate change. Across the U.S., utilities and oil-and-gas companies faced shareholder revolts as investors clamored for more information about how they view climate risk.

"We think we can have more influence from inside the tent," said Rob Main, who sits on the investment stewardship team of **Vanguard Group**, which holds \$4.9 trillion under management. Last summer, it voted against the boards at Exxon and **Occidental Petroleum**, demanding more disclosure of business risks related to global warming.

Dudley said Norwegian officials had been "pretty clear with me" that their concerns weren't about climate but about diversification. "I can't argue with that really," he said.

# Tesla's Model 3 Sales Fall Far Short of Goal

BY TIM HIGGINS

**Tesla Inc.** underwhelmed Wall Street with sales of its new Model 3 sedans in the fourth quarter, raising questions about whether the Silicon Valley luxury electric-car company can spark production this year and transform itself into a mainstream auto maker.

The company on Wednesday said it sold 1,550 Model 3s in the final three months of the year, badly missing Wall Street's already lowered expectations. Tesla again pushed back its goal of making 5,000 Model 3s a week by a quarter, now targeting that rate by the

end of the year's first half.

The Model 3, which began production six months ago and starts at \$35,000, is Tesla's first shot at producing an electric car for the masses.

Chief Executive Elon Musk has proved doubters wrong before, creating a luxury brand with a devoted following that can compete for buyers against BMW and Mercedes-Benz. But Tesla has never produced cars on a large scale; it aims to build a half-million cars a year—about five times more than last year's total.

The company has blamed "production bottlenecks" for producing a fraction of its promised Model 3s in the past

two quarters. Tesla said Wednesday it made "major progress" fixing its problems and amped up its production rate toward the end of the year. In the final seven working days of December, Tesla said it made 793 Model 3s.

Soon after the report on fourth-quarter sales, Tesla's stock fell more than 2% in after-hours trading to \$310.77.

Tesla's continued production struggles with the Model 3 overshadowed a milestone reached in 2017, when it sold more than 100,000 Model S sedans and Model X sport-utility vehicles for the year, a 33% increase from a year earlier.

Tesla's overall global sales

growth exceeded researcher LMC Automotive's forecast of a 2.5% rise for the global automotive industry last year. Tesla is also bucking the trend in the U.S., where sales fell for the first time in eight years, punctuated by a 5.2% decline in December.

The company's early success with the high-end Model S sedan and its ability to create a desirable luxury brand have fueled investor enthusiasm for Mr. Musk's vision of personal transportation.

He is hoping to rid the world of combustion engines and fill the streets with electric cars that drive themselves.

But Tesla first has to mass-

produce the Model 3.

Tesla was expected to sell 4,100 Model 3s during the fourth quarter, according to the average estimate of seven analysts surveyed by FactSet. That consensus had dropped from more than 18,000 when the analysts were surveyed in August before signs of trouble began brewing.

While Mr. Musk had warned of "manufacturing hell" in July when the company celebrated the start of Model 3 production, he still promised to make 20,000 of the new vehicles in the month of December, a figure later pared back to reaching a rate of 5,000 a week by the end of the fourth quarter.

# Time Inc. Sells Essence Title

BY JEFFREY A. TRACHTENBERG

**Time Inc.** has sold **Essence**, the monthly African-American women's lifestyle magazine, for an undisclosed sum to **Essence Ventures LLC**, a company formed in 2017 by Sundial Brands co-founder Richelieu Dennis.

Essence has been on the block since July, when Time Inc. said it intended to sell a majority stake in the brand as part of an effort to slim down its portfolio.

Time Inc. then reached a deal in November to be acquired by **Meredith Corp.** for \$1.85 billion, and decided to proceed with selling all of Essence separately.

"Richelieu has distinguished himself as one of the country's most prominent African-American leaders and investors, who embodies enthusiasm and excitement for Essence that will foster its growth into the future," said Rich Battista, Time Inc.'s chief executive, in a memo to staffers Wednesday.

Mr. Battista commended the Essence team on extending the brand's reach across platforms.

Mr. Dennis, who was born



The buyer is a company formed by the co-founder of Sundial Brands.

in Liberia and came to the U.S. for college, was a co-founder of Sundial Brands, a hair-care and skin-care company with brands like SheaMoisture and Nubian Heritage. Unilever agreed to acquire the company in November, with Mr. Dennis remaining as the business's CEO and executive chairman.

Mr. Dennis couldn't be reached for comment.

Essence Ventures said in a press release that Essence, in addition to boosting its international presence, will "focus

on expanding its digital businesses via distribution partnerships, compelling original content and targeted client-first strategies."

Michelle Ebanks, president of Essence Communications Inc., whose principal asset is the Essence brand, will stay with the company and join the board of Essence Ventures. She will also have an equity stake in Essence Ventures.

Time Inc. is also expected to sell its U.K. publishing group and Golf magazine.

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January 1, 2018

## TECHNOLOGY

WSJ.com/Tech

# Verizon Taps Samsung for 5G Initiative

Korean company will supply equipment for high-speed internet on wireless network

**Verizon Communications Inc.** chose **Samsung Electronics Co.** as a major supplier in the telecom giant's push to offer high-speed internet over its wireless network, as the first commercial offerings of

By **Timothy W. Martin**  
in Seoul and **Ryan Knutson** in New York

fifth-generation systems take shape.

Verizon's 5G network will launch in the second half of this year in Sacramento, Calif., before the service expands to other U.S. markets. It will use cellular antennas to beam high-speed internet into consumers' homes. Samsung will make network equipment for Verizon, including the small boxes located in each home for receiving the system's signal and translating it into Wi-Fi.

Financial terms of the arrangement weren't disclosed in the companies' announcement Wednesday.

Telecom giant Verizon last year began free 5G trials, focused on home broadband service, in 11 markets from New Jersey to California. Samsung will provide network gear for Verizon's launch in Sacramento, where customers will be offered the option of purchasing the faster service.



YONHAP/FEPA/SHUTTERSTOCK

So-called fifth-generation wireless technology is slowly unfolding. The 5G Village opens for the 2018 Winter Olympics in South Korea.

The wireless home internet service is different from Verizon's existing wired service, called Fios, which is offered primarily in the Northeast. Similarly, the service—and 5G in general—isn't yet available for mobile-phone users.

Companies globally are investing billions of dollars in 5G despite continued debate over its ultimate utility beyond faster download speeds.

Government agencies and telecom operators expect 5G availability in many markets by 2020, and with it the potential for broader adoption of self driving cars, smart cities and internet-connected robots.

"5G is a reality," Kim Young-ky, president of Samsung's networks business, said in an interview.

Introducing 5G service for homes is an early step in the

industry's transition to the technology, which will be significantly faster and respond more quickly to user commands than existing 4G networks.

For Verizon, it carries the potential to disrupt an industry currently dominated in the U.S. by cable providers like Comcast Corp. and Charter Communications Inc. Verizon said last month it would also

be supplied by Ericsson AB, another 5G network equipment maker, for commercial launches in other U.S. markets.

Samsung is a small player in the network equipment world, but the South Korean technology giant believes its expertise in making products and components could give it an edge with telecom customers looking to sell connectivity to a wider range of devices.

Samsung's network business generated some 2 trillion won to 2.5 trillion won (\$1.9 billion to \$2.3 billion) in revenue last year, according to research firm Counterpoint Technology Market Research. It targets annual revenue of 10 trillion won by 2022, a Samsung spokesman said.

AT&T Inc. last month said it would launch a 5G commercial trial site in Texas, after tests in other markets. Sprint Corp. and T-Mobile US Inc. have said they are working on nationwide 5G networks, targeting late 2019 or 2020.

The average U.S. consumer uses about five gigabytes of mobile data a month, Mr. Kim said. But as 5G spreads, he believes consumers will eventually use closer to 100 gigabytes monthly on new services such as virtual or augmented reality programs—or even for autonomous driving that will require greater data speeds to rapidly process traffic conditions.

About two years ago, Samsung combined about 1,000 workers from different divisions including handsets, network and its central research-and-development group, to create a "Next Generation Communications Business" team dedicated to 5G.

"With 5G, it's going to be expanding beyond your phone," Kim Woo-june, a senior vice president in Samsung's network business, said in an interview. The industry's first mobile phones with 5G capabilities aren't likely to debut until 2019, he added.

## When the Cloud Isn't Fast Enough

BY SARA CASTELLANOS

Millions of machines and objects are connecting to the internet for the first time, challenging an architecture that was designed during the past few decades with people in mind. As a result, companies are putting more computing resources at the edge of the network, in vehicles, elevators and factory machines.

"There are certain applications and use cases where you need to have real-time machine intelligence. You cannot wait for the cloud," said Michael Nilles, chief digital officer of elevator maker Schindler Group.

Startups and companies such as Microsoft Corp. and General

Electric Co. are rushing into the market for edge products and services, which are expected to grow to \$6.7 billion by 2022, from about \$1.5 billion in 2017, according to research firm MarketsandMarkets.

In this new arrangement, data is processed and analyzed on or near the device where it is generated instead of first being sent to a corporate cloud or data center. Devices can analyze data in real time without always relying on connectivity to a corporate cloud.

The number of devices connected to the internet is surging, and will reach 20.4 billion by 2020, up from 8.4 billion in 2017, according to Gartner Research Inc. By 2021, 40% of enterprises will have an edge-computing

strategy in place, up from about 1% in 2017, Gartner said.

The self-driving car illustrates the need for edge computing. It must make life-or-death decisions in real time. Some of these computations will be done on the car itself rather than waiting for data to travel to a cloud and back, or worse, risking a loss in connectivity to the cloud.

It typically takes 150 to 200 milliseconds for data to travel from where it is generated to a cloud provider and back, said Don Duet, president and chief operating officer of Vapor IO, a startup working with mobile infrastructure providers to build and deploy edge servers at cell towers.

Placing servers closer to de-

vices could shorten that time to 2 to 5 milliseconds, significantly improving performance for critical applications in areas such as health care, connected cars and smart cities, he said.

At Schindler, sensors in elevators detect data ranging from temperature to energy consumption and the open and close cycles of doors, Mr. Nilles said. That data is streamed to an edge device near the elevator, where machine-learning algorithms detect anomalies.

If the algorithm detects that a component is about to fail, it will trigger a notification to be sent over the cloud to a maintenance worker, so the problem is fixed days before an actual failure occurs.

## TECH

Continued from page B1  
gles are swiping—looking at people's profile pictures to determine, in about a nanosecond, whether they would like to message them, meet them and potentially have babies with them.

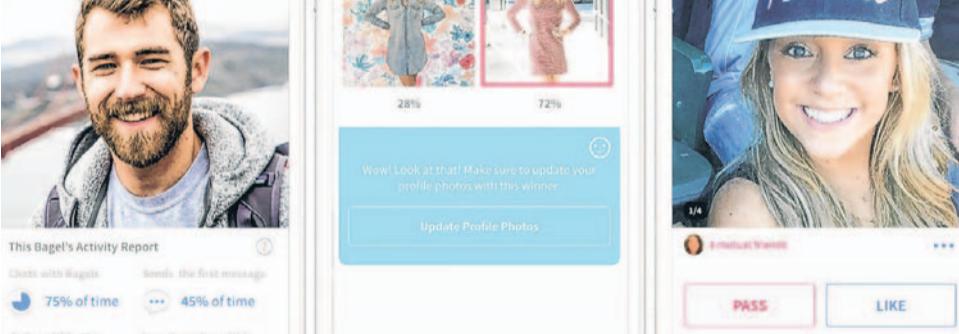
I've swiped so much using six different apps over the past three weeks, I got a callus. And though I've been on and off a variety of dating apps for five years, my binge helped me understand what is actually getting better, and what still needs work. At this stage, it would take an act of God for people to start meeting in person again, so here are my tips and takeaways to make the app ordeal more bearable.

When I first heard apps were experimenting with video features, I recoiled in horror. In November, Coffee Meets Bagel started letting people film an answer to a set question, then post it for others to see. I saw lots of men post messages recorded from the comfort of their cars... or beds.

Dawoon Kang, Coffee Meets Bagel's co-founder, says users who add video are seen by five times as many people in their area. Increased visibility sounds good, just keep it classy.

I surprised myself by liking a video feature on Hinge. Users can post video from their Instagram feed and add it to their profile. I'm proud to say at least 10 guys have found my tone-deaf karaoke-bar performance of Heart's "Alone" endearing.

There are few safeguards against seeing Facebook friends or co-workers show up in dating apps. Even worse: When my brother and I are in the same city, he shows up on



Several apps include video features. Coffee Meets Bagel lets people film answers to set questions.

my feed of eligible men.

Sarah Jones Simmer, Bumble's chief operating officer, says these are complex problems—some people might want to see Facebook friends on dating apps. Still, the issues are on Bumble's radar.

**T**he League, a semi-exclusive service launched in late 2014, always hides your Facebook friends and LinkedIn connections. It also is testing a way to block someone by email address.

Tinder, part of Match Group Inc., hasn't been my favorite for years, but I like its Smart Photo feature. It can alternate the picture of you that shows up first and tell you which photo gets right-swiped the most.

Even if you don't like Tinder, you can put up pictures to see which does best, then use that as your lead pic on other apps.

Texting is how people communicate, and dating apps are no exception; so this is the kind of rogue advice that could invite hate mail: Pick up the phone.

The first time a guy from an app asked if he could call me, I felt like he had asked to

give me an infectious disease. But after 10 minutes on the phone, I knew I didn't want to meet him. When another guy called, we talked for an hour. And you know what? It was nice. There, I said it.

Everyone loves Bumble, except me. Its distinguishing feature is that, when a man and a woman match, the woman has to message first. It supposedly is empowering, and cuts down on unwanted messages. (With same-sex matches, either party can message first.)

I hate making the first move. But the majority of my single friends in their 30s, both male and female, use Bumble. Folks who are a decade younger also say it is their app of choice. At last count, the app had 25 million downloads.

While I may not like Bumble's premise, I've tended to like the guys I've met on the app more than via others. And Ms. Jones Simmer says that women will always message first, but forthcoming features will help "remove the friction" for people like me.

Experiences on apps tend to change over time, and your feed can start feeling like a

graveyard of people you've already swiped past, so it is good to have a second app.

My most-improved app goes to Hinge. Its initial premise was matching you with people connected to your Facebook friends. I rarely matched and eventually deleted it. But since Hinge's late-2016 revamp, it has become a more social place of its own: Even before matching, users can like or comment on aspects of one another's profiles.

**W**hen my friends and I were younger, if cute guys kept streaming into a bar, we would use the phrase "head on a swivel"—too many directions to look.

With dating apps, everybody's head seems to be on a swivel, making it hard to settle down. It is dating's FOMO: fear of missing out on someone better, because you stopped swiping.

While these apps can be soul crushing, they might help you find someone who makes you happy. Here is the key: If and when that happens, delete the apps. Don't let the cheap thrill of the swipe spoil a potentially genuine relationship.

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Tender No.: 17000234-HD-10002  
Tender Description: Procurement of Pipeline Integrity Management software

Bid Submission Date & Time: 31st Jan. 2018 upto 1500 IST

Contact us: 022-23030047/132

All details, revisions, corrigenda, addenda etc., to the tender's will be hosted on the HPCL website [www.hindustanpetroleum.com/TendersAndContracts only](http://www.hindustanpetroleum.com/TendersAndContracts only). Bidders meeting the eligibility criteria can participate by logging in to the site <https://etender.hpcl.co.in>

**GLOBAL e-TENDER**  
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# America's health is in our hands.

**Dear Business Leaders,**

Our people count on us to care about their health and wellness.

Americans now spend \$3.4 trillion on healthcare each year<sup>1</sup>, with 75% of the cost spent on chronic diseases connected to **lack of exercise, poor nutrition and stress**<sup>2</sup>.

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In ten years, we envision 120 million Americans engaged in wellness activities. That's more than twice the number engaged today.

Together, let's **double down** on employee wellness by investing more in our wellness programs.

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**Join us in connecting Americans to wellness** and help us make this vision a reality.

Please share your support and commitment to investing in employee wellness by tweeting with the hashtag **#MakeAmericaWell**.

To connect with other companies who are doing the same, visit **[mindbodyonline.com/Make-America-Well](http://mindbodyonline.com/Make-America-Well)**

Cheers to 2018,

A handwritten signature in black ink that reads "Rick".

Rick Stollmeyer  
CEO & Co-founder  
MINDBODY

<sup>1</sup>CMS.gov <sup>2</sup>CDC.gov

**#MakeAmericaWell**

# THE WALL STREET JOURNAL. HEALTH FORUM

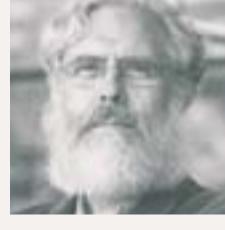
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## How innovation is revolutionizing the business of health

This spring, the editors of The Wall Street Journal will convene influential business leaders, policy makers and experts from across the health and health-care industries to focus on the innovations transforming this critical sector of the economy. These participants will join an audience of senior executives and entrepreneurs, including those from the worlds of finance, science and regulation.

Through highly interactive interviews, the editors will cover issues of key importance in 2018, from the technologies and advanced analytics changing the study of the human genome to new business models affecting health care.

### SPEAKERS



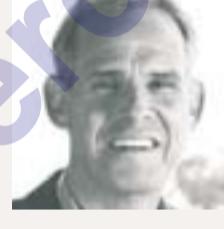
**George M. Church, Ph.D.**  
Professor of Genetics,  
Harvard Medical School  
Director,  
PersonalGenomes.org



**Rear Adm. Anne Schuchat,  
M.D.**  
Principal Deputy Director,  
Centers for Disease Control  
and Prevention



**Stephanie Domas, P.E.,  
C.E.H.**  
Lead Security Engineer,  
Battelle



**Eric Topol, M.D.**  
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Scripps Translational  
Science Institute, Professor  
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**Feng Zhang, Ph.D.**  
Core Institute Member,  
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**Thomas McLellan, Ph.D.**  
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(1992-2015),  
Treatment Research Institute  
Deputy Director and Senior Scientist  
(2009-2011),  
White House Office of National Drug  
Control Policy



**Daphne Zohar**  
Co-Founder and CEO,  
PureTech Health plc.



**David N. Osser, M.D.**  
Associate Professor of Psychiatry,  
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Attending Psychiatrist, Domiciliary  
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## MANAGEMENT

# CEOs Gird for a Year of Disruption

Cybersecurity risks, emerging technologies and talent battles add to pressure on leaders

BY JOANN S. LUBLIN  
AND VANESSA FUHRMANS

Corporate leaders see cybersecurity threats, disruptive technologies and stiffer competition for talent as some of their most pressing issues in the new year, according to interviews with nearly a dozen chief executives.

"I don't think there's any such thing as an easy year for CEOs anymore," said Jim Loree, who just completed his first full year in the top job at **Stanley Black & Decker Inc.**

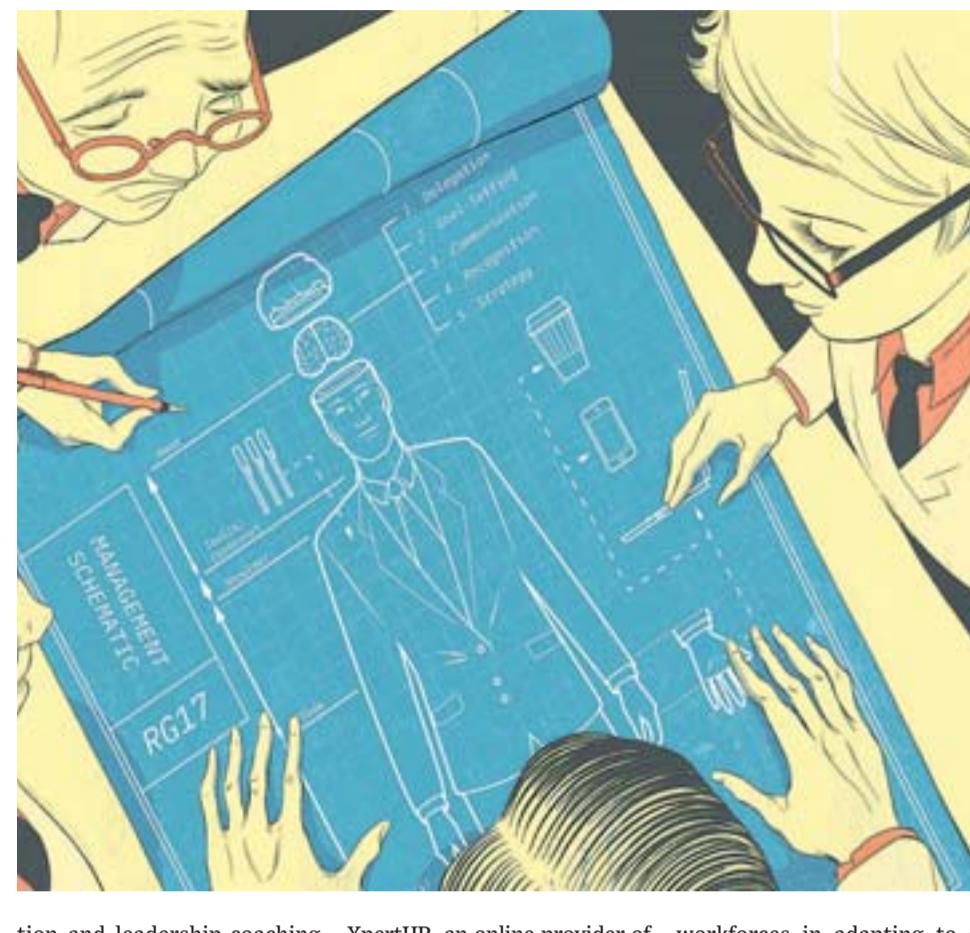
The growing pressures coincide with a changing of the guard in the corner office, creating one of the largest legions of new leaders in years to tackle those tough tasks.

Last year, 919 CEOs resigned, retired or were fired at publicly traded North American companies, the most in at least a decade, according to Liberum Research.

The feverish pace of turnover claimed some of the biggest names at U.S. corporations, including the leaders of **Equifax Inc.**, **General Electric Co.**, **Ford Motor Co.**, **Caterpillar Inc.**, **Arconic Inc.**, **Macy's Inc.** and **Mondelez International Inc.** And on Dec. 31, **Papa John's International Inc.** founder John Schnatter stepped down as CEO.

Departures of company chiefs continue in the new year. On Tuesday, **Rent-A-Center Inc.** said founder Mark Speese had stepped down from its top spot.

Under increased investor pressure, directors are making broad demands of their chiefs, some leadership specialists say. "The expectations that boards have of CEOs is that they can do everything," said Hugh Shields, co-founder and principal at **Shields Meneley Partners LLC**, a career-transi-



tion and leadership-coaching firm for senior executives. "In some cases, they are looking for a unicorn."

The threat of data breaches poses a critical risk, said Mr. Loree and several other chief executives. "These bad actors keep getting smarter and more aggressive," Mr. Loree said. "It's an ongoing war."

Stanley Black & Decker, which makes power and hand tools, recruited Mark Maybury as its first chief technology officer in November. He is a cybersecurity specialist with a doctoral degree in artificial intelligence. Dr. Maybury's duties include overseeing cybersecurity, Mr. Loree said.

About 64% of 1,031 human-resources professionals believe data security and the threat of a cyberbreach will become a very challenging or extremely challenging issue in 2018, according to a survey by

XpertHR, an online provider of compliance guidance.

Another challenge in the new year will be anticipating how emerging technologies open new markets or upend their industries, company leaders say. Julio Portalatin, president and CEO of Mercer Consulting, a unit of professional-services firm **Marsh & McLennan Cos.**, said that high on his priority list is guarding against unforeseen, nimble rivals that could harness automation and artificial intelligence to poach customers in niche markets. "It's the [rivals] I don't know about that I'm concerned about," he said.

To gird Mercer's business against such attacks, Mr. Portalatin said Mercer formed a business this summer focused on helping employers use data analytics and other new technologies to recruit and manage employees and assist their

workforces in adapting to a more digital economy.

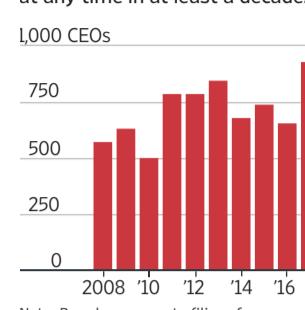
New technologies are disrupting the war for top talent, said Mike Cannon-Brookes, co-founder and co-CEO of **Atlassian Corp.**, which has headquarters in Sydney and San Francisco. The maker of workplace software tools no longer solely competes with other tech firms for staffers. In their quest to build highly sophisticated technology platforms, some financial-services companies now have more software engineers than bankers and traders on their payrolls, Mr. Cannon-Brookes said.

To fill more than 200 positions currently open at the 2,300-employee company, Atlassian is looking to hire people across four continents.

The imminent drop in U.S. corporate tax rates might intensify political pressure on chief executives to expand

## CEO Exits

More chief executives resigned, retired or got fired in 2017 than at any time in at least a decade.



Note: Based on corporate filings from more than 4,000 publicly traded North American companies.  
Source: Liberum Research

THE WALL STREET JOURNAL.

their U.S. workforces, some business leaders say.

**Polaris Industries Inc.**, a producer of snowmobiles, motorcycles and all-terrain vehicles, expects to hire nearly 100 engineers world-wide in 2018 and most will work in the U.S., said CEO Scott Wine. The company already employs nearly 900 U.S. engineers.

"With the additional money from tax reform, we can invest a bit more in our best [research] programs," Mr. Wine said. Those engineering projects typically generate a new technology, engine or vehicle.

The Polaris chief expects to spend about \$260 million on research and development this year, compared with just under \$240 million for 2017.

Despite widespread revelations of workplace misconduct that toppled numerous powerful executives in 2017, most CEOs don't rank sexual harassment among their top concerns for 2018.

One exception is Anil Chakravarthy, head of software maker **Informatica LLC**. The recent scandals have prompted "an extensive look at our code of conduct [and] what protections we have for whistleblowers," Mr. Chakravarthy said.

Sexual harassment "is not an issue for us today," he said. "But I don't want it to be."

## WORKAROUND

### These Employees Rate Their Bosses Twice Each Year

Companies track everything from worker productivity to inventory fluctuations. Yet relatively few systematically measure the relationship between employees and their managers.

As low unemployment heightens pressure on companies to hang on to top talent, one tech firm's effort to do just that highlights the difference a good boss can make.

Upon asking its 5,300 employees to rate supervisors on more than a dozen metrics, workforce-management software provider **Kronos Inc.** found that managers' scores were a strong indicator of how likely their direct reports were to leave or stay at the firm. As low-scoring managers improved through discussions with their teams and individual coaching, so did their subordinates' desire to stay, according to Kronos employee survey data.

Unlike so-called 360-degree reviews—in which employees are rated by their bosses, subordinates and selected peers—Kronos's initiative zeroes in on managerial behaviors the company identified as playing the biggest role in motivating employees.

Twice a year, employees at Lowell, Mass.-based Kronos are asked to rate their bosses—for instance, on whether they talked with them about career development in the past six months.

In its initial July 2016 survey, Kronos found that among employees whose bosses scored in the bottom 25% of all managers, 73% said they planned to still work there in a year's time, compared with 94% of those with bosses in the top 25%. Experience at Kronos has shown that people who respond negatively to the question are five times as likely as others to leave.

—Vanessa Fuhrmans

## M.B.A. Is Cheaper Than You Think, As Schools Beef Up Aid Packages

BY KELSEY GEE

One of America's priciest graduate degrees is on sale.

Top business schools are subsidizing the cost of two-year master's degrees in business administration by setting aside millions in scholarships and financial aid to lure young professionals out of a strengthening job market.

The advertised price for a traditional M.B.A. can top \$200,000 at the most competitive schools, a Stanford campus facility.



The advertised price for a traditional M.B.A. can top \$200,000 at the most competitive schools. A Stanford campus facility.

Marshall's admissions officers matched Tepper's offer, and provided Mr. Kong an additional \$5,000 a year in scholarships to sweeten the offer, which Mr. Kong said he happily accepted.

"Once you receive an offer—and especially if you have multiple offers—you have leverage," the 28-year-old student said. In his study group of six M.B.A. students, five received scholarships from the school, Mr. Kong said.

Once considered a must-have for swift advancement in fields like finance and consulting, enrollment in full-time M.B.A. programs has fallen by more than one-third since 2010, as wages for many workers have improved and shorter, specialized degrees have been introduced.

The discounts come as more young workers are footing their own M.B.A. tuition bills. Only 8% of students expected to receive employer support to pursue full-time M.B.A.s in 2017, according to GMAC data.

Universities typically don't disclose how much aid they dole out to graduate business students.

But administrators, admissions consultants and industry watchers say that competition has encouraged schools to beef up their war chests with new scholarships and fellowship packages, and to be more aggressive in countering

offers made by other programs.

"We encourage all applicants to negotiate, across the board," said Michelle Clifton, an adviser with EdAssist, a division of Bright Horizons Family Solutions Inc. and former associate director of financial aid at Babson College.

The flexibility of aid packages has long been a topic of intrigue.

A security breach of confidential data at Stanford University last fall revealed 10 years' of financial-aid decisions at the M.B.A. program and shed light on how the elite school doles out scholarships.

Until November, the business school's financial-aid website said that awards were based solely on financial need, and that the school didn't give merit-based fellowships. But an analysis of the exposed data by M.B.A. student Adam Allcock, reviewed by The Wall Street Journal, found that students with nearly identical financial situations receive "vastly different" fellowship awards, depending on factors like gender.

The dean of Stanford's business school, Jonathan Levin, said in a note to students and staff in November that the school offers "additional fellowship awards to candidates whose biographies make them particularly compelling and competitive in trying to attract a diverse class."



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## BUSINESS &amp; FINANCE

# Fidelity Changes Job of Equity Unit's President

BY SARAH KROUSE AND KIRSTEN GRIND

The president of Fidelity Investments' equity division is moving to a new role within the fund giant's personal investing business later this quarter, leaving a post he has held since 2009.

Brian Hogan most recently led equity and high-income investing within the asset-management unit at Boston-based Fidelity.

In his new role, he will be head of investment solutions and innovation within the company's personal-investing unit, a Fidelity spokesman confirmed.

The personal investing unit

to Kathleen Murphy, a deputy of Fidelity Chief Abigail Johnson, who has run the personal investing business for nearly a decade.

Within that unit, he will succeed Bart Grenier. Mr. Grenier is moving to London as global head of asset management for Fidelity International.

Charles Morrison, president of Fidelity's asset-management unit, is "evaluating next steps for the leadership" of the equity unit, the spokesman said.

Fidelity, founded by the Johnson family in 1946, has long been known for the star investors within its money-management business that try to beat the market. It manages \$2.43 trillion and has \$6.7 trillion in assets under administration.

Fidelity's equity unit in particular has been home to top-performing investors such as Peter Lynch and William Danoff.

The Journal reported in October that Fidelity had fired one of its star stock pickers for allegedly sexually harassing a junior female employee and that multiple employees had complained to superiors and the company's human-resources department about sexual harassment and other abusive behavior by portfolio managers in the equity unit.

Late last year Fidelity hired a consulting firm to review employee behavior, including within the equity division.

Mr. Hogan held an emergency meeting to stress the company's "zero-tolerance policy" for inappropriate workplace conduct.

Since then, Ms. Johnson moved her desk to the 11th floor, where the equity division is based, and recorded a video message for employees that said "we have no tolerance at our company for any type of harassment," according to a transcript of the remarks. "We simply will not, and do not tolerate this type of behavior, from anyone," she said.

In addition to charges of fraud and conspiracy to commit fraud, Mr. Cohen is ac-

cused of making false statements and obstructing justice.

Ronald White, a lawyer for Mr. Cohen, denied the charges.

"Mr. Cohen has done nothing wrong and is confident that when all the evidence is presented, it will be shown that the government's charges are baseless," Mr. White wrote in an emailed statement.

Mr. Cohen served as head of Och-Ziff's European office and had oversight of the fund's investments in Europe, the Middle East and Africa. He resigned from Och-Ziff in 2013 amid a federal investigation into whether the firm had paid bribes to African governments to get business. The U.S. Foreign Corrupt Practices Act bars firms doing business in the U.S. from giving money or

# Petrobras to Pay \$3 Billion

Brazilian oil company reaches one of biggest settlements ever in U.S. corruption lawsuit

BY PAUL KIERNAN

RIO DE JANEIRO—Brazilian state-run oil company **Petróleo Brasileiro SA** said Wednesday that it would pay one of the highest settlements ever to end a class-action lawsuit by U.S. investors who had sought to recoup corruption-related losses.

Petrobras, as the company is known, said it agreed to pay \$2.95 billion to resolve claims by investors who bought its U.S.-listed shares or bonds between January 2010 and July 2015. During most of that period, Brazilian courts have since found, Petrobras was spending tens of billions of dollars a year on contracts that were inflated by one of the biggest corruption schemes ever uncovered.

If approved, the settlement would likely rank as the fifth-largest on record for securities class-action suits, according to Stanford Law School and Cornerstone Research, which jointly track such cases. As the largest payout ever by a foreign corporation, it also could have far-reaching implications for overseas companies that tap U.S. equity or debt mar-



The Rio de Janeiro headquarters of the oil major, which is recovering from a corruption scandal.

kets for funding, experts say.

"We are very pleased with this historic settlement," plaintiffs' attorney Jeremy Lieberman said, noting that precedent-setting decisions over the three-year trial could help other investors build class-action cases.

By plaintiffs' estimates, the bribery scheme now known as Car Wash contributed to wiping out some \$271 billion, or almost 90%, of Petrobras's market value between 2009 and 2015.

According to thousands of Brazilian court documents,

Petrobras's contractors colluded for at least a decade to drive up the price of services they billed to the oil company while paying billions of dollars in kickbacks to corrupt Petrobras executives and government officials.

"The agreement is in the company's best interest and that of its shareholders, given the risks of a verdict advised by a jury," Petrobras said.

Petrobras has long maintained that it was a victim of the scheme, and local authorities agree. In Brazil, Petrobras has been spared from prosecu-

tion and allowed to collect some \$453 million in restitution from former executives and suppliers. But legal experts say it was always far from certain whether U.S. courts would follow suit.

The U.S. plaintiffs, including the Hawaii state employees' retirement system and the North Carolina state treasurer, argued that Petrobras was complicit in concealing the corruption and that it significantly overstated the value of assets inflated by the scheme, including in disclosures made after Car Wash became public.

# Former Fund Star Faces Bribery Charges

BY MARIA ARMENTAL

Michael L. Cohen, once a highflying deal maker at hedge-fund giant **Och-Ziff Capital Management Group LLC**, is facing criminal charges in connection with an alleged scheme that yielded one of the largest foreign bribery settlements in U.S. history.

According to an indictment, filed in Brooklyn federal court in October and unsealed on Wednesday, Mr. Cohen and unnamed conspirators orchestrated a plan to defraud an Och-Ziff client, identified in court documents only as a U.K.-based charitable foundation.

In addition to charges of fraud and conspiracy to commit fraud, Mr. Cohen is ac-

cused of making false statements and obstructing justice.

Ronald White, a lawyer for Mr. Cohen, denied the charges.

"Mr. Cohen has done nothing wrong and is confident that when all the evidence is presented, it will be shown that the government's charges are baseless," Mr. White wrote in an emailed statement.

Mr. Cohen served as head of Och-Ziff's European office and had oversight of the fund's investments in Europe, the Middle East and Africa. He resigned from Och-Ziff in 2013 amid a federal investigation into whether the firm had paid bribes to African governments to get business. The U.S. Foreign Corrupt Practices Act bars firms doing business in the U.S. from giving money or

items of value to foreign officials for business.

In 2016, Och-Ziff agreed to pay \$412 million to settle related civil and criminal claims.

The federal investigation led last year to a civil complaint by the Securities and Exchange Commission against Mr. Cohen and another former Och-Ziff executive. The SEC accused them of spearheading a bribery scheme that allegedly funneled millions of dollars in bribes to high-level officials in African countries to secure mining assets and other deals.

The firm also reached a three-year deferred prosecution agreement with federal prosecutors and agreed to bolster its internal controls, while an African subsidiary of Och-Ziff pleaded guilty in Brooklyn

federal court to conspiracy to commit bribery. The deferred-prosecution deal covered only the firm.

Mr. Cohen has asked the case be dismissed, citing timing and jurisdictional issues and saying that the SEC "relies on speculation and innuendo for its core premise that Mr. Cohen knew of any violations of law."

Daniel Och, who founded the hedge-fund management firm and serves as its chairman and chief executive, agreed to pay a civil sanction of \$2.2 million to the SEC for a record-keeping violation without admitting or denying the allegations.

*—Scott Patterson and Michael Rothfeld contributed to this article.*

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## BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK  
In re: SUNEDISON, INC., et al. ) Chapter 11, Case No. 16-10992 (SMB)  
Debtors, et al. ) (Jointly Administered)

NOTICE OF EFFECTIVE DATE OF CONFIRMED SECOND AMENDED JOINT PLAN OF REORGANIZATION OF SUNEDISON, INC. AND ITS DEBTOR AFFILIATES

TO ALL CREDITORS, INTEREST HOLDERS, AND OTHER PARTIES IN INTEREST:  
PLEASE TAKE NOTICE that on July 28, 2017, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") entered an order [Docket No. 3735] (the "Confirmation Order") confirming the Second Amended Joint Plan of Reorganization of SunEdison, Inc. and its Debtor Affiliates (which may be amended, modified, or supplemented from time to time and including all exhibits and supplements thereto, the "Plan"). Copies of the Confirmation Order and the Plan, together with all pleadings and orders of the Bankruptcy Court in the above-captioned chapter 11 cases, are publicly available by accessing the Bankruptcy Court's website, <http://www.nysb.uscourts.gov>, for a nominal charge (a Pacer account is required), or by accessing the website of the Debtors' claims, committee and balloting agent, Prime Clerk, LLC (the "Administrative Agent"), <https://cases.primeclerk.com/>, and selecting the "sunedison" link.

PLEASE TAKE FURTHER NOTICE that on December 29, 2017, the Effective Date of the Plan, all conditions precedent to consummation of the Plan set forth in Article XII thereof have either been satisfied or waived in accordance with the Plan and Confirmation Order.

PLEASE TAKE FURTHER NOTICE that, except as otherwise set forth in the Plan or the Confirmation Order, all requests for payment of an Administrative Claim must be filed with the Administrative Agent on or before the date that is thirty (30) days after the Effective Date.

PLEASE TAKE FURTHER NOTICE that all final requests for payment of Professional Claims for services rendered to the Debtors from the Petition Date through and including December 29, 2017, shall be filed with the Bankruptcy Court on or before the date that is sixty (60) days after the Effective Date.

PLEASE TAKE FURTHER NOTICE pursuant to Article VIII of the Plan, except as otherwise provided in the Plan, each Executory Contract or Unexpired Lease is deemed automatically rejected as of the Effective Date unless any such Executory Contract or Unexpired Lease is listed on the schedule of "Assumed Executory Contracts and Unexpired Leases" contained in Exhibit 8.1 of the Plan (as amended); (b) has been previously assumed by the Debtor by Final Order of the Bankruptcy Court or has been assumed by the Debtors by order of the Bankruptcy Court as of the Effective Date, which order becomes a Final Order after the Effective Date; or (c) is the subject of a motion to assume or reject pending the entry of the Effective Date, (d) is not related to any Intercompany Claim; or (e) was otherwise assumed pursuant to the terms of the Plan.

PLEASE TAKE FURTHER NOTICE that, unless otherwise provided by a Bankruptcy Court order, any proofs of Claim asserting Claims arising from the rejection of the Executory Contracts and Unexpired Leases pursuant to the Plan or otherwise must be filed with the Claims and Satisfaction Agent no later than 30 days after the Effective Date or the effective date of rejection.

PLEASE TAKE FURTHER NOTICE that, pursuant to Article VIII, except as otherwise set forth in the Plan or Confirmation Order, each Executory Contract or Unexpired Lease listed on the schedule of "Assumed Executory Contracts and Unexpired Leases" in Exhibit 8.1 of the Plan (as amended) and shall vest in and be fully enforceable by the Reorganized Debtors or their successors or assignees (if any) in accordance with its terms, except as modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing or providing for its assumption or applicability law. Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, renewals, restatements, or other agreements that are made to the Executory Contract or Unexpired Lease, all rights, interests, and benefits thereto, including all easements, licenses, permits, rights, privileges, immunities, options, and first right of refusal and any other rights, unless one or more of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated pursuant to the Plan. The Confirmation Order shall constitute an order of the Bankruptcy Court approving any such assumptions pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE that, unless a counterparty to an assumed Executory Contract or Unexpired Lease filed a notice and timely objection to the Cure Notice or proposed Cure on or before fourteen (14) days after the applicable counterparty was served with a Cure Notice, such counterparty shall be deemed to have consented to the Cure Amount and shall be forever barred from asserting, collecting, or seeking to collect any additional amounts relating thereto against the Debtors or the Reorganized Debtors, or the property of any of them.

PLEASE TAKE FURTHER NOTICE that the Plan and its provisions are binding on the Debtors, Reorganized Debtors, any Holder of a Claim against, or Interest in, the Debtors and such Holder's respective successors and assigns, whether or not the Claim or Interest of such Holder is Impaired under the Plan and whether or not such Holder or Entity voted to accept the Plan.

Dated: New York December 29, 2017  
SKADDEN, ARPS, SLATE, MEAGHER & FLOW LLP, By: *J. Eric Ivester*, Jay M. Goffman, J. Eric Ivester, Four Times Square, New York, New York 10036-5228, Telephone: (212) 735-3000, Fax: (212) 735-2000 -and- James J. Mazza, Jr. (admitted *pro hac vice*), Louis S. Chiappetta (admitted *pro hac vice*), 155 N. Wacker Dr., Chicago, Illinois 60606-1720, Telephone: (312) 407-0411 -and- Anthony W. Clark (admitted *pro hac vice*), One Rodney Square, P.O. Box 636, Wilmington, Delaware 19899-0636, Telephone: (302) 651-3000, Counsel for Debtors and Debtors in Possession

The Debtors in these chapter 11 cases along with the last four digits of each Debtor's tax identification number are as follows: SunEdison, Inc. (5767); SunEdison DG, LLC (N/A); SUNE Wind Holdings, Inc. (2144); SUNE Hawaii Solar Holdings, LLC (0994); First Wind Solar Portfolio, LLC (5014); First Wind California Holdings, LLC (768); First Wind Energy Corporation (8669); SunEdison Mountain Holdings, Inc. (4543); SunEdison International, Inc. (4551); SUNE MI, LLC (332); MEMO Pasadena, Inc. (5238); SUNE (1069); SunEdison Contracting LLC (3810); NVT, LLC (5670); NYL Logistics LLC (5449); Test Solar, Inc. (7782); SunEdison Canada, LLC (6287); Enphase Corporation (5515); Fotowatio Renewable Ventures, Inc. (1788); Silver Ridge Power Holdings, LLC (5886); SunEdison International, LLC (1567); Sun Edison LLC (1450); SunEdison Products Singapore Pte. Ltd. (7373); SunEdison Residential Services, LLC (5787); PVT Solar, Inc. (3308); SEV Merger Sub Inc. (N/A); Sunflower Renewable Holdings 1, LLC (6273); Blue Sky West Capital, LLC (7962); First Wind Oakfield Portfolio, LLC (3711); First Wind Panhandle Holdings III, LLC (4223); DSP Renewables, LLC (5513); Hancock Renewables Holdings, LLC (7616); Greenmount Wind Holdings, LLC (N/A); Somers Wind Holdings, LLC (N/A); SunE Waialae Holdings, LLC (N/A); Rattanalekha Flat Holdings, LLC (N/A); Somers Wind Holdings, LLC (N/A); SunE Waialae Holdings, LLC (N/A); SunE MN Development, LLC (8669); SunE MD Development Holdings, LLC (5388); SunE (3575); SunE REIT-D PR, LLC (5519); SunEdison Products, LLC (4445); SunEdison Residential Construction, LLC (9605); Vaughn Wind, LLC (4825); Maine Wind Holdings, LLC (1344); First Wind Energy, LLC (2171); First Wind Holdings, LLC (6257); and EcoFirst Finance Co., LLC (1607). The address of the Debtors' corporate headquarters is Two CityPlace Drive, 2nd floor, St. Louis, MO 63141.

New Highs and Lows | [WSJ.com/newhighs](http://WSJ.com/newhighs)

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG=Daily percentage change from the previous trading session.

Wednesday, January 3, 2018

Stock	52-Wk % Sym Hi/Lo Chg	Stock	52-Wk % Sym Hi/Lo Chg	Stock	52-Wk % Sym Hi/Lo Chg	Stock	52-Wk % Sym Hi/Lo Chg
Domtar	UFS 50.97 0.5	GasLogPartners	GLOP 25.50 1.0	Kraton	KRA 51.50 -1.0		
Dover	DOV 102.75 0.8	GeneralMaritime	GNRT 6.86 1.2	LGI Homes	LGH 78.93 4.0		
Dunkin'	DNKN 66.40 0.9	GeneralFin	GFI 7.15 2.9	LKQ	LKQ 41.67 0.5		
EOG Rocs	EOG 111.83 1.5	GillApparel	GII 38.42 0.9	LPL Financial	LPLA 59.14 2.2		
EPAM Systems	EPAM 110.76 1.3	GiShipLeasePfdB	GLSPB 25.36 5.0	Lazard	LAZ 54.10 2.8		
E TRADE	ETFC 51.21 1.6	GolarLNG	GLNG 31.64 0.2	LendingTree	TREE 35.70 3.0		
EagleMaterials	EXP 118.23 0.3	Grace	GGG 46.05 1.7	Lennar B	LENB 54.90 4.2		
EastmanChem	EMN 95.62 1.1	GraphicPkg	GPK 38.45				

# BIGGEST 1,000 STOCKS

WSJ.com/stocks

**How to Read the Stock Tables**

The following explanations apply to NYSE, NYSE Arca, Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

**Wednesday, January 3, 2018****A B C**

	Stock	Symbol	Net Close	Chg	Stock	Symbol	Net Close	Chg	Stock	Symbol	Net Close	Chg	Stock	Symbol	Net Close	Chg	Stock	Symbol	Net Close	Chg
ABB	ABB	27.22	0.20		Autohome	ATHM	72.28	1.38	Carlisle	CSL	118.10	1.11	Grainger	GWV	234.23	-1.48	LKQ	LKQ	41.56	0.21
AECOM	ACM	38.61	0.89		Avalonbay	AVB	177.79	0.55	Carnival	CUK	66.89	-0.07	DollarGeneral	DG	93.99	-0.77	L3 Tech	LLL	199.24	0.97
AES	AES	10.87	-0.01		Avangrid	AGR	49.50	-0.61	Caterpillar	CAT	157.28	0.24	DominionEner	D	77.19	-3.09	Grifols	GRFS	23.35	-0.05
Aflac	AFL	88.23	0.26		AveryDennison	AVY	116.01	0.33	ChemCo	CHEC	23.59	0.13	Dominos	DPZ	191.66	1.44	GrubHub	GRUB	71.32	0.06
AGNC Inv	AGNC	19.61	-0.32		AxaltaCoating	AXTA	22.39	0.27	CitrixSystems	CNSX	55.33	4.04	GpoAvailAcq	AVAL	8.81	0.15	HolidayInn	HTHT	154.93	-3.93
Ansys	ANSS	151.42	2.87		B&T	BBT	50.46	0.54	ClarendonA	CE	107.18	0.18	DouglasEmmett	DEI	40.67	-0.41	HondaMotor	HDM	26.81	-0.08
ASML	ASML	179.08	1.35		BCE	BCE	47.47	-0.33	Celgene	CELG	109.14	2.98	GopInGalicia	GGL	66.92	0.15	Hopkins	HPO	21.37	0.05
AT&T	T	37.65	-0.89		BHPBilliton	BHP	47.71	0.19	Cemex	CX	7.88	0.14	GpInSantMex	BSMX	7.63	...	Iover	DOV	102.51	0.82
AbbottLabs	PBT	58.92	0.13		BHPBilliton	BBL	42.00	-0.34	CharterComm	CHTR	353.03	4.06	GroPepperSnap	DPS	95.32	0.05	Leear	EAR	180.08	1.28
AbbVie	ABBV	99.95	1.54		BOK Fin	BOKF	92.25	-0.10	ChertCo	CHTR	104.43	1.84	HCAHealthcare	HCA	87.04	-0.24	Lazard	LAZ	54.08	1.48
Abiomed	ABMD	195.82	3.33		BP	BP	42.87	0.49	CG	CG	23.90	0.60	HedgeFund	HEDJ	10.00	-0.01	LeggettPlatt	LEG	47.62	-0.24
Accenture	ACN	154.55	0.71		Brf	BRFS	11.43	...	CMX	CMX	66.94	2.18	Hillman	HLD	31.01	0.58	Leidos	LDS	63.92	-0.08
ActivationBliz	ATVI	65.31	1.00		BT Group	BT	18.47	-0.34	Carnival	CCL	66.90	1.44	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AcuityBrands	AYI	177.64	-2.17		BWXT	BWXT	61.06	0.53	ChemCo	CHEC	23.59	0.13	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Adient	ADNT	78.48	-0.81		Carnival	CCL	66.90	1.44	CherryPoint	CHPT	105.21	1.44	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AdobeSystems	ADBE	181.04	3.34		CenterPoint	CNP	27.96	-0.04	Chimera	CMX	51.41	-0.33	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AdvanceAuto	AAP	107.05	0.96		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AdvMicoDevices	AMD	111.55	0.57		CenturyLink	CTL	17.08	-0.33	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AdvSemEng	ASM	6.62	...		CenturyLink	CTL	17.08	-0.33	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Aegon	AEG	6.34	...		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AerCap	AER	52.68	0.05		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Aetna	AET	181.80	1.11		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AffiliatedMgns	AMG	202.12	-0.92		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AgilentTechs	A	69.32	1.72		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AignicoEagle	AEM	46.44	-0.67		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AirProducts	APD	166.41	0.90		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AkamaiTech	AKAM	65.94	0.38		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AlaskaAir	ALK	74.66	-0.35		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Albermarle	ALB	131.79	0.26		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Alcoa	AA	54.50	-0.67		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AlexandriaREst	ARE	129.32	-0.61		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AlexionPharm	ALXN	124.95	0.90		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Alibaba	BABA	184.00	0.35		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
AlignTech	ALGN	23.12	-0.06		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Alkermes	AMG	55.89	0.66		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Alleghany	Y	585.03	2.31		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Allergan	AGL	80.25	0.34		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn	HTHT	154.93	-3.93	Liberty	LEN	67.23	2.39
Allianz	ALL	260.07	4.74		CentralsElBrs	EBR	5.74	-0.09	ChimeraEnergy	LN	55.27	0.57	HolidayInn							

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24922.68** ▲ 98.67, or 0.40%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2713.06** ▲ 17.25, or 0.64%  
High, low, open and close for each trading day of the past three months.



65-day moving average

## Nasdaq Composite Index

**7065.53** ▲ 58.63, or 0.84%  
High, low, open and close for each trading day of the past three months.



65-day moving average

## 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	24941.92	24825.55	<b>24922.68</b>	98.67	▲ 0.40	24922.68	19732.40	▲ 25.0	0.8	▲ 11.8
Transportation Avg	10843.17	10746.31	<b>10820.74</b>	10.78	▲ 0.10	10820.74	8783.74	▲ 18.7	2.0	▲ 5.9
Utility Average	716.04	704.18	<b>706.52</b>	-9.20	-1.29	774.47	651.14	▲ 7.2	-2.3	▲ 4.4
Total Stock Market	28078.55	27927.24	<b>28065.91</b>	163.58	▲ 0.59	28065.91	23526.88	▲ 18.7	1.4	▲ 9.4
Barron's 400	722.24	718.40	<b>721.47</b>	3.22	▲ 0.45	721.47	600.24	▲ 17.5	1.5	▲ 10.2

## Nasdaq Stock Market

	Nasdaq Composite	7069.15	7016.70	<b>7065.53</b>	58.63	▲ 0.84	7065.53	5477.00	▲ 29.0	2.3	▲ 14.3
Nasdaq 100	6579.25	6519.26	<b>6575.80</b>	64.46	▲ 0.99	6575.80	4937.20	▲ 33.2	2.8	▲ 15.8	

## S&amp;P

	500 Index	2714.37	2697.77	<b>2713.06</b>	17.25	▲ 0.64	2713.06	2263.69	▲ 19.5	1.5	▲ 9.6
MidCap 400	1925.78	1916.68	<b>1923.36</b>	6.00	▲ 0.31	1923.36	1667.44	▲ 13.4	1.2	▲ 9.8	
SmallCap 600	945.79	939.72	<b>943.24</b>	0.27	▲ 0.03	945.12	815.62	▲ 10.0	0.7	▲ 11.0	

## Other Indexes

	Russell 2000	1555.08	1547.59	<b>1552.58</b>	2.56	▲ 0.17	1552.58	1345.24	▲ 11.9	1.1	▲ 9.0
NYSE Composite	12963.39	12906.99	<b>12957.28</b>	54.55	▲ 0.42	12957.28	11148.85	▲ 15.2	1.2	▲ 6.2	
Value Line	570.20	567.91	<b>569.77</b>	1.86	▲ 0.33	569.77	503.24	▲ 10.0	1.3	▲ 4.4	
NYSE Arca Biotech	4387.41	4321.00	<b>4374.04</b>	51.93	▲ 1.20	4374.04	3134.03	▲ 35.2	3.6	▲ 8.2	
NYSE Arca Pharma	553.65	549.17	<b>553.25</b>	2.98	▲ 0.54	560.52	469.13	▲ 13.1	1.5	▲ 1.2	
KWB Bank	107.78	106.87	<b>107.67</b>	0.56	▲ 0.52	108.12	88.02	▲ 14.9	0.9	▲ 13.3	
PHLX® Gold/Silver	88.26	85.91	<b>87.08</b>	-1.05	-1.19	96.72	76.42	▲ 4.4	2.1	▲ 7.3	
PHLX® Oil Service	155.06	149.98	<b>154.21</b>	3.64	▲ 2.42	192.66	117.79	▲ 18.7	3.1	▲ 9.9	
PHLX® Semiconductor	1310.37	1291.29	<b>1309.86</b>	22.16	▲ 1.72	1341.69	901.69	▲ 44.0	4.5	▲ 24.0	
Cboe Volatility	9.65	8.94	<b>9.15</b>	-0.62	-6.35	16.04	9.14	▲ 22.8	-17.1	▲ 19.9	

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	18,452.1	270.22	-0.25	-0.09	270.52	262.20
Cnsmr Staples Sel Sector	XLP	6,033.9	56.59	0.07	0.12	56.59	56.52
iShares MSCI Emg Markets	EEM	4,949.0	48.46	-0.01	-0.02	48.53	48.38
Industrial Select Sector	XLI	4,756.3	76.31	-0.22	-0.29	76.54	76.31
iShares Russell 2000 ETF	IWM	3,238.3	154.15	0.09	0.06	154.36	153.99
Cisco Systems	CSCO	3,105.9	39.20	0.03	0.08	39.20	38.98
Intel	INTC	3,077.4	44.78	-0.48	-1.06	45.66	44.10
Ford Motor	F	3,032.5	12.74	-0.02	-0.16	12.78	12.74

## Percentage gainers...

Zumiez	ZUMZ	54.5	23.65	3.15	15.37	24.00	20.50
Ampio Pharmaceuticals	AMPE	62.4	3.22	0.21	6.98	3.24	3.08
Diana Containerships	DCIX	64.3	4.28	0.27	6.73	4.33	3.97
Momenta Pharm	MNTA	41.4	15.00	0.85	6.01	16.35	14.15
Sandstorm Gold	SAND	91.3	5.16	0.17	3.41	5.25	4.91

## ...And losers

Great Plains Energy	GXP	20.6	30.05	-1.55	-4.91	31.77	30.05
China HGS Real Estate	HGSH	27.5	2.34	-0.11	-4.49	3.34	2.34
Plains All Amer Pipeline	PAA	11.1	21.29	-0.98	-4.40	22.27	21.29
B2Gold	BTG	255.3	2.90	-0.13	-4.2		



## FINANCE &amp; MARKETS

# Alibaba's Ma Takes Strike 3 in U.S.

Entrepreneur's  
Ant Financial hoped to  
build payments titan  
out of MoneyGram

BY LIZA LIN  
AND CHUIN-WEI YAP

The third time wasn't a charm for Jack Ma.

**Ant Financial Services Group's** failed bid to acquire Dallas-based **MoneyGram International Inc.**, which followed three rounds of reviews by a U.S. national security panel, was the latest in several setbacks for the Chinese billionaire, whose companies have long sought to establish American beachheads.

Mr. Ma, 53 years old, created Ant Financial after carving out a payments business from his e-commerce giant **Alibaba Group Holding Ltd.** in a series of transactions in 2010 and 2011.

Ant has since become one of China's largest and most valuable privately owned financial institutions, serving hundreds of millions of Chinese citizens who use its payments network Alipay for everything from daily purchases to investing in mutual funds.

Ant has also expanded globally, but what it has long lacked is a significant presence in the U.S. Its \$1.2 billion deal for MoneyGram would have given Alipay an instant foothold in America and the ability to market its services to MoneyGram customers, who have roughly 2.4 billion banking or mobile accounts in 200



A billboard in Vietnam features a portrait of Jack Ma. His Ant Financial was carved out of Alibaba.

countries. The two companies scrapped the deal Tuesday, giving up a yearlong campaign to persuade the Committee on Foreign Investment in the U.S. to approve the transaction.

The U.S. has long been an elusive market for Mr. Ma despite his global ambitions, said Shaun Rein, managing director of China Market Research Group. Despite its immense success in China, Alibaba has found little demand for its e-commerce services in the U.S., compared with established players such as Amazon.com Inc. and eBay Inc., while high

credit-card penetration in the U.S. has limited the expansion possibilities for Alipay.

With U.S.-China trade tensions running high, Mr. Ma and other high-profile Chinese companies may find it even harder to acquire businesses in the U.S., Mr. Rein said.

On Wednesday, China's Foreign Ministry spokesman, Geng Shuang, said Beijing encourages Chinese companies to invest overseas in a way that is in keeping with market principles and foreign laws and regulations. "At the same time, we hope the U.S. can

provide a fair and predictable environment" for Chinese companies, Mr. Geng said.

Alibaba, whose chairman is Mr. Ma, has faced other setbacks even after its successful New York Stock Exchange listing in 2014. Although the e-commerce giant dwarfs its U.S. counterparts in terms of the value of transactions it handles, like Ant, it has launched many global initiatives but remains a minor-league player in the world's biggest economy.

In June 2014, Alibaba tried to break into America's online retail sector by launching 11

Main, a U.S. shopping website selling clothing, accessories and arts and crafts. The effort didn't gain traction, and Alibaba sold the online marketplace a year later to a New York-based e-commerce site called OpenSky.

Ant Financial still wants to build a competitive international network, but those efforts are likely to move more slowly without the MoneyGram acquisition. The company said a year ago it wants to have two billion customers by 2025. Its users now number around 500 million.

## HNA Late To Repay Employees' Loans to It

**HNA Group Co.** has fallen behind in repaying loans it obtained from employees and individual investors on an internet lending platform, another sign that the Chinese conglomerate is having difficulty meeting some of its debt obligations.

A unit of HNA told employees in an email Tuesday that payments on investment products they had purchased would be delayed, according to a person familiar with the matter.

HNA employees as well as outside investors are among the customers of JBH.com, an internet-based investment and financing platform owned by HNA that makes loans and sells high-yielding investment products that mostly mature in under a year.

It was the second such notification that employees of the sprawling airlines-to-hotels conglomerate had received in about a month, according to a person familiar with the mat-

*The delays are the latest stumble in HNA's efforts to raise capital.*

ter. In an email in early December, the same unit acknowledged that the company was late in repaying investors who had bought short-term investment products that were originally due Nov. 28.

At the time, it asked for their patience and support and pledged to repay them by Jan. 2 along with additional interest, according to a copy of the email reviewed by The Wall Street Journal.

The email this week said the HNA unit now expects to repay the money by Jan. 30, the person said.

It isn't known how much HNA owes employees and other individuals who bought the investment products, which in some cases had investment minimums of 50,000 or 100,000 yuan (about \$7,700 or \$15,400) and offered annualized yields of around 7% for 90-day investment periods.

Representatives of HNA had no immediate comment.

The delays are the latest stumble in HNA Group's efforts to raise capital and manage billions of dollars in near-term debt obligations. The company has since 2015 undertaken an aggressive global acquisition spree that was largely financed with debt, scooping up stakes in Deutsche Bank AG, the Hilton hotel chain, asset-management firms, airport assets and real estate outside China.

The group has estimated it has around \$100 billion in outstanding debt and has said about a quarter of it is coming due within a year.

In recent months, some banks have been hesitant to work with HNA after Chinese regulators began scrutinizing the company's acquisitions and its use of leverage. Some HNA subsidiaries have had to pay higher interest rates to borrow in the bond market while others have canceled their bond offerings, indicating nervousness among debt investors.

HNA has tried to reassure investors by declaring it has financial support from large Chinese banks. In recent weeks, it has also turned to some of its most valuable assets—including its ownership stakes in Deutsche Bank, Hilton Worldwide Holdings Ltd. and Postal Savings Bank of China—to raise additional cash by increasing the size of margin loans backed by its shares in those companies.

The group is also looking to sell some overseas assets, including commercial buildings in the U.S. and other countries.

JBH.com, founded in 2014, says it sells a variety of investment products, makes loans and sells insurance policies. At the end of June 2017, the platform had about 16 million users and turnover of 71.1 billion yuan, a sum that represents the total value of transactions done on its platform, according to JBH's 2017 first-half report.

—Yifan Xie

and Anjani Trivedi

## Yuan Fix at Strongest Since May 2016

BY SAUMYA VAISHAMPAYAN

China's central bank guided the yuan to its highest level against the U.S. dollar in more than a year and a half on Wednesday, following the dollar's overnight slide against global currencies.

The People's Bank of China set the dollar's daily reference rate at 6,4920 yuan, putting the Chinese currency at its strongest since May 2016. In late New York trading Wednesday, the yuan was at 6,5026 per dollar, up 0.17% from late Tuesday.

The yuan doesn't float freely; instead, the central bank each day fixes a midpoint for the dollar-yuan pair and allows trading within 2% above and below that. The yuan trades more freely offshore.

The PBOC considers the previous day's exchange rate when it calculates the fix, and the dollar had suffered a

broad selloff overnight.

The WSJ Dollar Index, which measures the dollar against a 16-currency basket, was down for seven straight trading days through Tuesday—its longest losing streak since February 2014. But it rose slightly during Asian trading hours early Wednesday and later ended in New York at 85.83, 0.2% higher on the day.

Analysts said there could be another factor behind the yuan's strength: Beijing's desire to quash fears of a yuan depreciation that could spur capital outflows.

Such considerations have led to a bias for a stronger yuan in the daily fix in recent weeks, said Eddie Cheung, a foreign-exchange strategist at Standard Chartered in Hong Kong.

A stronger yuan is "good for the story [the Chinese] are telling the world: that every-

thing is stable," Mr. Cheung said. "It just shows they're still in control."

The yuan strengthened 6.7% against the U.S. currency in 2017, its biggest annual percentage gain since 2008. Still, currencies of some China's regional exporting rivals such as Taiwan and Korea gained

6.4920

Beijing set the dollar's reference rate in yuan here on Wednesday.

more, suggesting China maintained some of its competitive advantage in global trade.

Currency analysts are divided on the likely path of the yuan this year, though few expect a move the size of last year's.

Among yuan bulls, Standard Chartered foresees one dollar weakening to buy 6.45 yuan by year-end. Commonwealth Bank of Australia expects it to end at 6.35 yuan.

Andy Ji, Asian currency and rates strategist at Commonwealth Bank of Australia in Singapore, said his bank's outlook for the yuan is mostly about the U.S. dollar. "People wouldn't hesitate to sell" the dollar against the yuan in the current soft-dollar environment, he said.

Still, any sign of softness in China's economy—as Beijing continues trying to reduce the country's high levels of borrowing—could encourage officials to goose exports by letting the yuan weaken against the dollar.

In the bearish yuan camp, both Société Générale and Morgan Stanley expect one dollar to buy 6.70 yuan by the end of 2018.

## Crude-Oil Prices Climb to 3-Year High

BY STEPHANIE YANG  
AND CHRISTOPHER ALESSI

Oil prices rose to a three-year high as antigovernment protests in Iran and a blast of cold weather raised concerns about potential supply disruptions.

Light, sweet crude for February delivery gained \$1.26, or 2.1%, to \$61.63 a barrel on the New York Mercantile Exchange on Wednesday, the highest settlement value since December 2014. Brent, the global benchmark, advanced \$1.27, or 1.9%, to \$67.84 a barrel.

Antigovernment demonstrators have taken to the streets in cities across Iran over the past week to voice anger over the country's economic woes. The protests, which have left more than 20 people dead, have reignited a geopolitical risk premium in global oil markets amid concerns the civil unrest could result in crude supply disruptions out of the Islamic Republic.

While the protests haven't affected oil production, analysts cautioned the situation could change if the U.S. were to impose fresh sanctions on the Iranian regime or dismantle the 2015 international agreement to curb Tehran's nuclear program.

"This justifies a certain risk premium on the oil price, though this should already be more than sufficiently reflected in the current price level," Commerzbank AG analysts wrote in a note.

Meanwhile, a major winter storm this week helped support prices for crude and products, on worries that freezing temperatures could affect refinery infrastructure and lead to an increase in demand for materials such as diesel and heating oil.

"Everybody's happy to be owning" crude, said Donald Morton, senior vice president at Herbert J. Sims & Co., who oversees an energy trading desk. "There's nothing to stop it at the moment."

Traders are also looking to government data to be re-

leased Thursday, detailing the amount of crude sitting in storage. Analysts and traders surveyed by The Wall Street Journal, on average, expect that stockpiles declined by 4.7 million barrels in the week ended Dec. 29.

The American Petroleum Institute, an industry group, said data for the week showed a 5-million-barrel decrease in crude supplies, a 1.9-million-barrel rise in gasoline stocks and a 4.3-million-barrel rise in distillate inventories, according to a market participant.

Potential supply disruptions

have become more pronounced in recent months.

The unrest in Iran and geopolitical risk throughout the Middle East, including Iraq, has helped push oil prices higher amid declining global inventories and efforts by major oil exporters to curb production.

The Organization of the Petroleum Exporting Countries, of which Iran is the third-largest member, and 10 producers outside the group, including Russia, agreed in November to extend a deal to cut crude output by nearly 2% through the end of this year.



An oil facility in Iran. Antigovernment protests in the nation have stoked worries about supplies.

Wednesday.

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Potential supply disruptions

## MARKETS

# Some Venezuela Bondholders Hit Pay Dirt

Those investors who braved the country's risky debt have been rewarded handsomely

BY JULIE WERNAU

Venezuela's bonds have lost about three-quarters of their value, reflecting a dozen missed payments by the government and the state-owned oil company.

But many of their bondholders are still feeling flush.

A number of investors have made their money back and more, thanks to coupon payments topping 13% and large principal payments that typically begin three years before a bond matures.

A recent example includes bonds from state-oil company **Petróleos de Venezuela SA**, or PdVSA, which matured in November. An investor who purchased that debt at its low of 38.626 cents in February 2016 recovered that initial investment nine months later, according to **Bulltick LLC**, a Miami-based financial firm that specializes in Latin America.

When PdVSA made the final principal payment in November last year, a few days after it was due, investors who got in at the February low enjoyed a 181% return.

New York hedge fund **Greyllock Capital Management LLC** turned a quick \$60 million profit after snatching up bonds in August when prices dropped and correctly guessing PdVSA would find a way to pay investors in November when the bond matured.

A few longer-term investors like **T. Rowe Price Group Inc.** have also been rewarded. The firm's emerging-markets



**A building in Caracas depicts the eyes of late President Hugo Chavez. Investors with a high risk tolerance have been well compensated.**

FEDERICO PARRA/AGENCE FRANCE PRESSE/GETTY IMAGES

bond fund has beaten 83% of peers over a three-year period through Jan. 2, according to Morningstar Inc. data, aided in part by holding Venezuelan debt when others were lowering their exposure. Venezuela bonds accounted for 3.6% of T. Rowe Price's emerging-markets bond fund's assets at the end of November, more than two times the country's weighting in the industry benchmark index.

Many emerging-market investors won't get near Venezuela. Some have avoided the country since a collapse in

the price of oil, the country's main export, strained the government's finances. Since then, many investors have believed that a Venezuelan default was only a matter of time. On Tuesday, S&P Global Ratings said Venezuela failed to make \$35 million in coupon payments on a debt obligation.

But those with a higher risk tolerance have stuck around, and many have been well compensated.

"This has been extremely lucrative for the people who've had the daring to participate in the market," said

Gregg Anderson, a macroeconomic strategist at Bulltick. "They've been able to scoop up these bonds at rock-bottom prices and reap huge rewards as the government cut back on virtually every other kind of expense to make those payments."

Total returns for the Venezuela portion of the JP Morgan EMBI Global Diversified, the most widely tracked Venezuelan bond index, doubled over 16 months for investors who got in early 2015, after oil prices starting dropping at the end of the previous year.

Even investors who bought

the highest-yielding bonds at 100 cents on the dollar would make that initial investment back within 7½ years, before seeing a single principal payment, according to analysts.

These gains stand in contrast to the fallout after many other government defaults, in which bondholders suffered steep losses and then pressed quickly to demand full payment through the courts.

Holders of at least a quarter of any Venezuelan bond can declare a default after a missed payment and demand full payment on the bonds. That would trigger cross-de-

fault provisions for other debt, according to bond documents and legal specialists.

But lawyers say such a move could lead to one of the most complicated and contentious default proceedings in history because of so many competing claims on the same assets. That is an outcome bondholders seem eager to avoid.

Instead, many investors may prefer to hold on and hope that the government will continue to make some of its payments. Even though Vene-

*'The payments are coming late, but they're coming,' says Jay Auslander.*

zuela and PdVSA have missed 12 bond payments since October, the government has continued to make other bond payments to PdVSA and sovereign debtholders.

"The payments are coming late, but they're coming," said Jay Auslander, a partner at **Wilks Auslander**, whose practice focuses on judgment enforcement and distressed debt litigation. "It's better to bide your time and wait than to get involved in litigation that could take years."

Major bond-rating firms downgraded the government and PdVSA to default status after they missed several interest payments in late 2017. The South American country has said it wants to restructure its remaining debt, which analysts put as high as \$150 billion, compared with international reserves of about \$10 billion.

## Stocks Can Build Off Strong 2017

BY BEN EISEN

Just because stocks had a banner year in 2017 doesn't mean they have to have a bad year in 2018.

The 19% rise in the S&P 500 last year and the 25% gain in the Dow Jones Industrial Average have fueled expectations for more volatility in 2018. For example, Byron Wien, the Blackstone Group LP vice chairman who has been mak-

**8%**

Average rise in S&P year after it rose at least 19% in a year

ing a widely watched list of year-ahead predictions for more than three decades, said in his newest list Tuesday that he believes there will be a correction of at least 10%.

Given how calm 2017 was, it

would be practically unheard of for the market to get any calmer in 2018. That doesn't mean stocks have to end the year lower than where they started. With corporate earnings growing briskly and global economic growth accel-

erating, many investors see more gains ahead. That includes Mr. Wien, who said he believes stocks will finish the year higher, despite the correction he expects to hit at some point in the next 12 months.

Continued gains have been the case after strong years for stocks more often than not. When the S&P 500 has risen at least 19% in a year, it has climbed 68% of the time the next year, or 17 out of 25 years, according to The Wall Street Journal's Market Data Group. The average move has been a rise of 8%.

Similarly, when the Dow has finished the year up at least 25%, something it has done 23 times, the following year has offered up an average gain of 9.6%.

It has been up 15 of those years. When the Nasdaq Composite has risen at least 28%, like it did last year, it has averaged a gain of 17% the following year, the Market Data Group found.

That isn't to say there won't be more volatility along the way. History isn't a perfect guide to the future. But even after the market strength of 2017—and perhaps because of it—it looks a bit early to call time on this bull market.

## Natural Gas Declines On Production Worries

BY STEPHANIE YANG

Natural-gas prices retreated Wednesday, ending a weather-driven rally as doubts emerged over the length of the cold spell and high levels of U.S. production.

Futures for February delivery fell 4.8 cents, or 1.6%, to \$3.008 a million British thermal units on the New York Mercantile Exchange, breaking a four-session winning streak that took prices to a one-month high.

The market has rallied on recent weather-driven demand, which is expected to continue through the weekend as an arctic blast boosts demand for natural gas in heating.

However, analysts said that weather forecasts already are

showing the cold weather abating toward the end of January, putting pressure on the market.

"After this strong recovery the market is reassessing its position before attempting to build any further," said analysts at Gelber & Associates.

Meanwhile, U.S. production has risen steadily through the end of 2017.

While freezing temperatures have disrupted some supply, some traders remain concerned that activity could bounce back quickly once the cold subsides.

Analysts and traders surveyed by The Wall Street Journal expect stockpiles to have declined by 222 billion cubic feet last week.

The data are due Thursday at 10:30 a.m. EST.



**D.R. Horton, PulteGroup and Lennar stocks jumped after a strong U.S. construction-spending report.**

## Treasury Yields Fall After Fed Minutes

BY AKANE OTANI

U.S. government bond prices firmed Wednesday as minutes from the Federal Reserve's latest meeting showed officials debated

**CREDIT MARKETS** whether tax cuts would require them to alter their plan for rate increases in 2018.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.445%, compared with 2.465% Tuesday.

Yields, which fall as bond prices rise, pared overnight declines after data showed the U.S. factory sector gained momentum in December.

The Institute for Supply Management said Wednesday that a measure of sales at factories rose in December to the highest level since early 2004—the latest sign of strength among U.S. manufacturers.

Upbeat economic data tend to weaken demand for assets that investors see as havens, including Treasuries.

Later Wednesday, the yield on the 10-year note briefly jumped after minutes from the Fed's December policy meeting showed officials debated whether tax cuts passed by Congress would require them to raise short-term interest rates faster in 2018.

Officials discussed the possibility "that inflation pressures could build unduly, perhaps owing to fiscal stimulus or accommodative financial market conditions," the minutes said. Fed officials have penciled in three rate increases in 2018 and two in 2019.

A pickup in growth and inflation spurred by tax cuts could prompt the Fed to raise rates faster than expected, potentially putting pressure on bond prices—although some investors and analysts have expressed skepticism that the tax package will have a major effect on inflation.

Tepid inflation had kept pressure on longer-term Treasury bond yields throughout 2017, with the yield on the 10-year note ending the year at 2.409%, slightly below where it settled at the end of 2016.

BY BEN EISEN

A rebound in the market for new homes is propelling shares of the companies that build them, a sign of how the improving economy has supported the stock market's recent gains.

**D.R. Horton Inc.** jumped 92% over the past 12 months, while **PulteGroup Inc.** rose 85%. **Lennar Corp.**, which agreed to buy CalAtlantic Group Inc. in an October deal that makes it the country's largest home builder by revenue, increased 59%. The S&P 500's home-building subindustry grouping, which is made up of those three companies, added \$19.2 billion to its market capitalization over that span, a rise of 73%.

All three stocks jumped Wednesday, with D.R. Horton up 3.5%, PulteGroup up 2.7% and Lennar up 3.7%.

That came after Commerce Department data showed that spending on construction products grew by 0.8% in November from a month earlier, above the 0.5% rise forecast by economists. The rise was due to a pickup in home building, as well as office and property construction.

The SPDR S&P Homebuilders exchange-traded fund, which also includes building products and home-furnishings companies, rose 32% in the past 12 months, topping the S&P 500's 20% gain.

In the past year, the supply of housing has tightened, particularly in cities such as Denver and Atlanta where demand for homes has been growing, according to Jay McCanless,

an analyst at Wedbush Securities. That, coupled with robust job growth and still-low mortgage rates, may continue to bolster the market.

"Especially as millennials begin to enter the prime homeownership phase, I think that will be a tailwind," he said.

A measure of builder confidence in the market for new single-family homes jumped last month to its highest in more than 18 years, another sign of momentum in the sector.

"Our continued confidence in the home-building industry is reinforced by low rates, tight supply, strong demand and expanding household formations," said Robert Francesco, co-chief executive officer and director at home builder Century Communities, in a November earnings call.

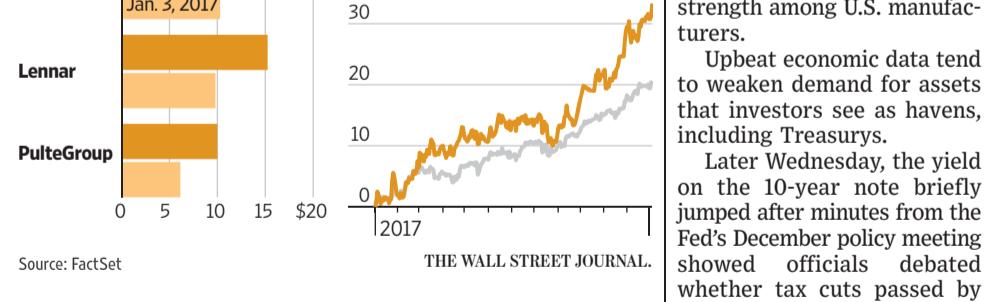
That said, the sharp rise in home-builder valuations over the past year has left some

### Building Up

The S&P 500's three home-builder stocks are up sharply over the past 12 months, propelling an exchange-traded fund that tracks the sector.

**Market value, in billions**

**Change since Jan. 3, 2017**



Source: FactSet

THE WALL STREET JOURNAL

concerned that the market is getting ahead of improvement in the underlying housing market, which was hard hit during the financial crisis.

"Housing fundamentals lacked the kind of crispness one might have expected given the stock-price performance," said Stephen Kim, an analyst at Evercore ISI, in a note to clients Wednesday, referring to gains over the past year.

One wild card for the sector is the federal tax-code overhaul recently signed into law. A cap on mortgage interest deductions could weigh on demand for new homes above the \$750,000 limit, though Mr. McCanless noted that it would likely have a limited effect on most home builders. A drop in the corporate tax rate could increase home-builder profitability and any pickup in the economy due to the overhaul could increase demand by giving buyers more money to spend on homes, analysts say.

A pickup in growth and inflation spurred by tax cuts could prompt the Fed to raise rates faster than expected, potentially putting pressure on bond prices—although some investors and analysts have expressed skepticism that the tax package will have a major effect on inflation.

Tepid inflation had kept pressure on longer-term Treasury bond yields throughout 2017, with the yield on the 10-year note ending the year at 2.409%, slightly below where it settled at the end of 2016.

## MARKETS

## Tech, Energy Propel Stocks to Records

Nvidia, Intel among biggest gainers; Scana soars after news of takeover by Dominion

By AMRITH RAMKUMAR  
AND MIKE BIRD

Technology firms pushed major U.S. stock indexes to records Wednesday, a day after the Nasdaq Composite closed above 7,000 for the first time.

Rallying semiconductor stocks have boosted the broader technology sector at the start of 2018, after the PHLX Semiconductor Index added nearly 40% last year.

Makers of **WEDNESDAY'S MARKETS** computer chips recently have gotten a boost from a Semiconductor Industry Association report that showed a 21.5% increase in world-wide chip sales in November from the same month a year earlier, according to analysts.

Despite concerns that technology stocks have gotten pricey relative to earnings, some investors think continued strength in profits and sales could justify further share-price gains.

"As long as you've got the growth, I think you can make the case that your trajectory is going to continue to go up without too much of a bubble fear," said Katrina Lamb, head of investment strategy and research at **MV Financial**.

The Dow Jones Industrial Average added 98.67 points, or 0.4%, to 24,922.68. The S&P 500 rose 17.25 points, or 0.6%, to 2713.06 and the Nasdaq climbed 58.63 points, or 0.8%, to 7,065.53, posting its best two-day stretch since June 2016.

**Nvidia** climbed \$13.12, or 6.6%, to \$212.47. **Advanced Micro Devices** added 0.57, or 5.2%, to 11.55.

Semiconductor and technology stocks lifted the S&P 500 to a fresh record Wednesday, while Treasurys and other assets swung following minutes from the Federal Reserve's latest meeting.

development for stocks, said Paul Townsen, managing director at Crossmark Global Investments. Investors have said the central bank's gradual pace given steady economic growth could help stocks keep rising.

"That sentiment was already built into the markets," Mr. Townsen said. "This was pretty much the status quo."

The yield on the benchmark 10-year U.S. Treasury note settled at 2.445%, down from 2.465% Tuesday. Yields fall as bond prices rise. The 10-year yield has rebounded from its September lows, when it closed as low as 2.058%.

The dollar steadied after falling for a seventh straight session Tuesday, with the WSJ Dollar Index—which tracks the U.S. currency against a basket of 16 others—up 0.2% from its lowest level since September.

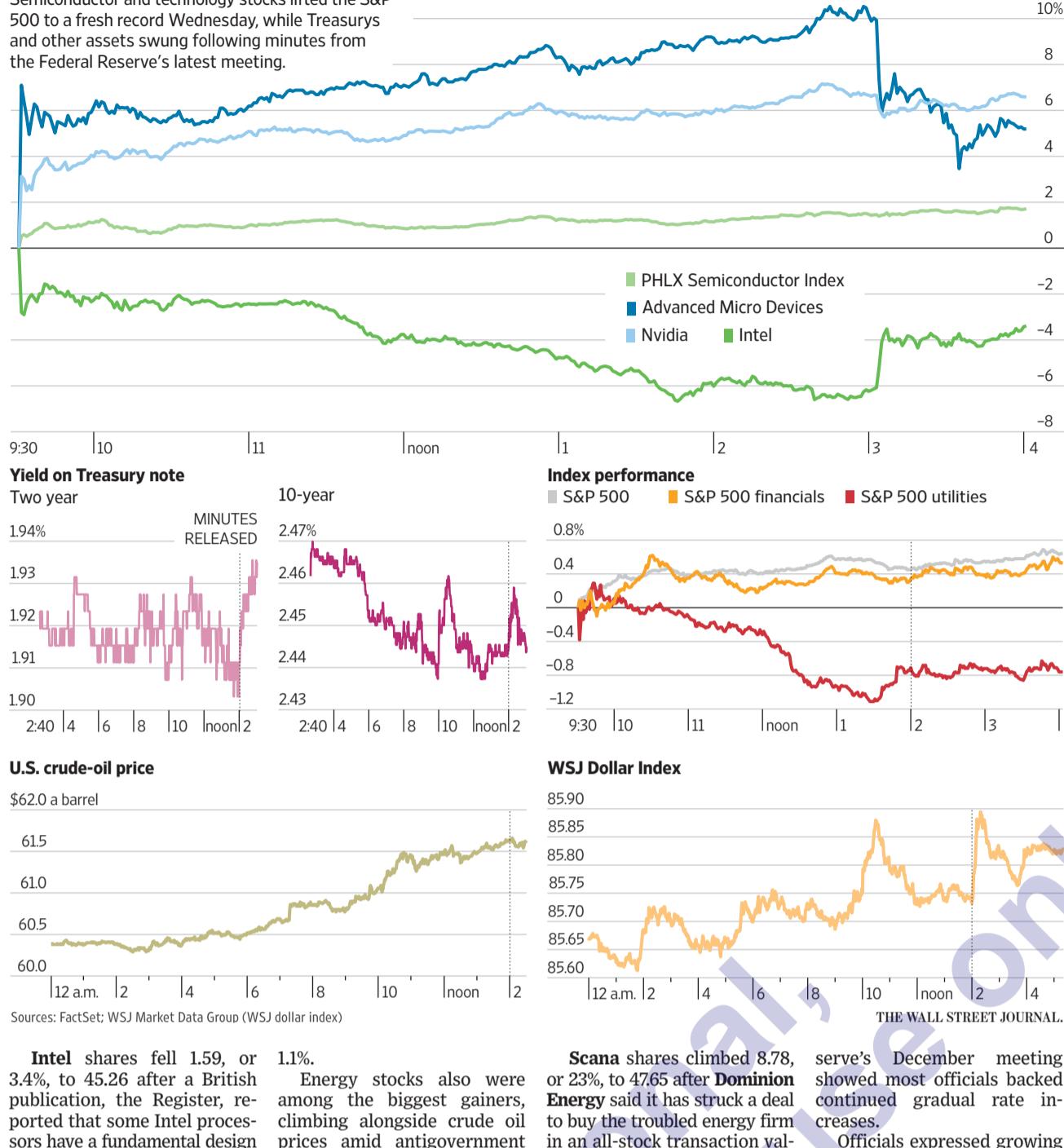
Elsewhere, technology stocks propelled the Stoxx Europe 600 index to a 0.5% gain. The euro fell 0.4% against the dollar, after hitting its highest closing price in three years Tuesday.

Some investors expect the euro to continue strengthening on the back of unexpectedly strong economic conditions.

"Europe continues to enjoy the most important growth acceleration that we've seen in over a decade," said Alessio DeLongis, portfolio manager at OppenheimerFunds.

"We think it's an environment that's conducive to inflows into Europe, into equities particularly, and therefore into the euro," he added.

The Tokyo market reopened Thursday after an extended holiday. The Nikkei 225 was up 2.5% at midday. The Shanghai Composite Index, which added 0.6% Wednesday, was up 0.3% early Thursday. Hong Kong's Hang Seng Index on Wednesday closed up 0.1%—its highest close in more than a decade. Early Thursday, it was up 0.1%. —Kenan Machado contributed to this article.



Sources: FactSet; WSJ Market Data Group (WSJ dollar index)

**Intel** shares fell 1.59, or 3.4%, to 45.26 after a British publication, the Register, reported that some Intel processors have a fundamental design flaw that would require a significant security update of Linux and Windows operating systems. The S&P 500 information technology sector rose 1.1%.

Energy stocks also were among the biggest gainers, climbing alongside crude oil prices amid antigovernment protests in Iran that could lead to supply disruptions. The S&P 500 energy sector rose 1.5% as U.S. crude closed at its highest since December 2014.

**Scana** shares climbed 8.78, or 23%, to 47.65 after **Dominion Energy** said it has struck a deal to buy the troubled energy firm in an all-stock transaction valued at about \$7.66 billion. Dominion Energy shares declined 3.09, or 3.8%, to 77.19.

Stocks extended gains after minutes from the Federal Reserve's December meeting showed most officials backed continued gradual rate increases.

Officials expressed growing confidence in the strength of the labor market broadly and discussed how tax cuts approved by Congress could boost economic growth, a favorable

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FINANCIAL ANALYSIS & COMMENTARY

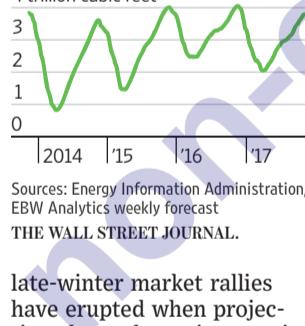
[WSJ.com/Heard](http://WSJ.com/Heard)

## Natural-Gas Market Feels Chill

Natural-gas traders started the year spooked by the shadow of 2014.

Fueled by the deep freeze, futures prices continued their late December rally into the new year, rising 17% over just seven trading sessions. There are good arguments for why prices may sputter in the next several weeks, but the prospect of a nail-biting end to "withdrawal season" can't be ruled out.

The U.S. is now less than halfway through the five-month stretch when heating demand puts the market into deficit, forcing utilities to withdraw gas from underground storage. Although there always has been enough gas put away during the April-through-October "injection season" to keep Americans warm, ferocious



Sources: Energy Information Administration; EBW Analytics weekly forecast

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late-winter market rallies have erupted when projections have shown inventories dipping below one trillion cubic feet.

Until just before Christmas, the amount of gas in storage was 3.332 trillion cubic feet, slightly below the five-year average. The nasty

cold snap of the past two weeks will change that. Data from the U.S. Energy Information Administration on Thursday should show the biggest withdrawal of the season by far. That will likely be topped next week.

The National Oceanic and Atmospheric Administration expects heating-degree days, a measure of heating demand, to be more than 60% above normal in New England and the Mid-Atlantic states this week on a gas-heating weighted basis. By contrast, heating-degree days in the second half of 2017 were about 10% below normal for the U.S. as a whole.

A cold snap is only a concern if it lasts a long time. If the Northeast returns to a weather pattern identical to

the last three months of 2016-17's mild heating season, storage would be above 1.84 trillion cubic feet in early April. But a repeat of 2013-14's weather pattern could put gas in underground storage well into the danger zone with 850 billion cubic feet in sight by late March. In 2014, storage plunged to 284 billion cubic feet.

Traders didn't wait for inventories to fall that low, though. In the six weeks leading up to Feb. 21, the coldest part of that frigid winter, futures prices rallied by 54% as storage fell by nearly 1.4 trillion cubic feet.

While "six more weeks of winter" is a folk tale, the gas market's margin for error is getting narrower and traders aren't taking any chances.

—Spencer Jakab

## Utility Bid Is a Deal Maker's Delight

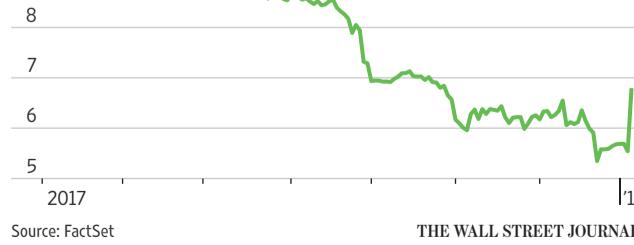
**Dominion Energy**'s proposed \$7.7 billion bid for **Scana Corp.** is nothing short of masterful—a bold move to take advantage of its merger target's and local politicians' misfortunes. At first glance, the all-stock deal comes with some unusually generous sweeteners meant to appeal not only to shareholders but, as is often the case in utility deals, to rate payers as well. Dominion stock was off 3.9% Wednesday.

Scana's value has been dented since last July after a subsidiary halted work on a failed nuclear-plant project. As regulated utilities are entitled to do, the company was collecting payments from customers to cover the multibillion-dollar costs of the plants over 50 years. But angry politicians threatened to halt the payments, sending the market value of Scana down by \$4.8 billion between June and December,

## Bargain Bin

Scana market value

\$11 billion



Source: FactSet

ready paid for the failed plants. Much of that money is retroactive and thus is a lot cheaper after tax than it would have been in 2018. It also would write off \$1.7 billion of the plants' value, meaning it would stop collecting money for the plant from rate payers after about

20 years, and spend \$180 million to replace some of the power the nuclear plant would have generated. Those concessions are worth around \$4 billion in nominal dollars but less in today's money since the write-off affects forgone income in the distant future.

In exchange for that, Dominion is demanding that authorities affirm that customers will pay the remainder of the roughly \$6 billion they still owed for the plants. South Carolina regulators and politicians, on the hot seat for the nuclear debacle, will have a hard time saying no to white knight Dominion as it waves \$1,000 checks.

Added up, Dominion is paying around \$7.43 billion excluding debt for a company that would have cost it \$14 billion last summer with a similar deal premium. A master stroke.

—Spencer Jakab

## Ant-MoneyGram Spells End of China-U.S. M&amp;A

When even Jack Ma can't get a deal done, it is time to call an end to meaningful Chinese acquisitions in the U.S. Just a year ago, then President-elect Donald Trump boasted that he and Mr. Ma—China's best-known businessman and the founder of tech giant **Alibaba**—would "do great things" together, amid talk of creating one million American jobs.

Not so much. Even Mr. Ma's assiduous efforts to play to the current nationalistic tone in Washington haven't been enough to ensure the approval of Alibaba affiliate Ant Financial's planned \$1.2 billion acquisition of U.S. based money transfer company **MoneyGram International Inc.**

The deal was blocked Tuesday by the Committee on Foreign Investment in the United States (CFIUS), a multi-agency government panel that normally scrutinizes deals for potential impact on national security.

An Ant-Moneygram tie-up raised some concerns about the protection of U.S. customers' data, mostly stoked

by rabble rousing from Kansas-based **Euronet Worldwide**, a rival bidder for MoneyGram. And it is true that China isn't the most open country to foreign ownership.

Even so, Beijing has softened its attitude somewhat recently, relaxing its foreign-investment policies to lure more capital into specific sectors, including financial services. With the CFIUS decision on Ant and MoneyGram, it is clear such moves aren't going to be met with much reciprocity.

For investors, the takeaway is that the "China bid" that has helped boost global asset prices this century may be gone for good, at least in developed markets. Beijing has been cracking down on asset buying abroad by busy acquirers like **Anbang Insurance** and **HNA Group**. Money from China could still find a home in favored sectors like high-end manufacturing. But with Washington now joining in the protectionism party, the future for deal making looks bleak indeed.

—Anjani Trivedi

## OVERHEARD

A startup's assets are for sale, lock, stock and barrel. The lock may even be worth something.

**Otto**, which had invented what it called "an easier way to come and go," informed investors and customers awaiting its products last week that its namesake product "will not ship and it may never ship." After a potential acquirer walked away in December, the maker of \$699 Bluetooth and Wi-Fi smart locks ran out of cash.

What it has, though, is what sounds like a nifty, if pricey, product with sophisticated en-

cryption built using top-grade materials. There are even some completed ones sitting in a warehouse, according to TechCrunch, awaiting a solvent company to deliver them. Early buyers who had expected installation of the locks in the fall probably will never see them.

Aside from losing money, the company's early backers such as **Reid Hoffman**, the co-founder of **LinkedIn**, probably feel a bit silly. So do preorder customers, but they can look on the bright side: At least they didn't shell out the same amount for a Juicero.